



CENTRAL DEPOSITORY
& SETTLEMENT Co. Ltd.



ANNUAL REPORT 2024

CENTRAL DEPOSITORY & SETTLEMENT CO. LTD

ANNUAL REPORT 2024

The board of directors of the Central Depository & Settlement Co. Ltd (CDS) is pleased to present the Annual Report of the Company for the year ended 30th June 2024. The report was approved by the board of directors of CDS on 30th August 2024.

The board of directors is grateful to all the stakeholders of the Company (including Ministry of Financial Services and Good Governance; Financial Services Commission; Stock Exchange of Mauritius Ltd; Bank of Mauritius; Investment Dealers; Custodian Banks; Listed Companies; and Registries) for their continued support and collaboration.

The board of directors expresses its appreciation to the management and staff for their motivation and dedication to continuous improvement.



Aruna Radhakeesoon
Chairperson



Vipin Y.S Mahabirsingh
Managing Director

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CORPORATE INFORMATION

Company Profile

The core business of the CDS is to provide centralised depository, clearing and settlement services to securities markets. The objective of the Company is to provide its services in line with the Principles for Financial Market Infrastructures (PFMIs) issued by the Committee on Payment and Market Infrastructure (CPMI) of the Bank for International Settlements (BIS) and the International Organization of Securities Commissions (IOSCO), with particular emphasis on safety, efficiency and financial stability. The disclosure regarding the compliance of the CDS with the CPMI-IOSCO PFMI is published on the website of the Company. The Securities (Central Depository, Clearing and Settlement) Act 1996, the Securities Act 2005 and the Financial Services Act 2007 provide the legal framework for the operations of the CDS. The CDS is licensed by the Financial Services Commission and is guided in its day-to-day activities by its Rules and Procedures. The CDS also provides consultancy services to African exchanges and depositories as well as IT outsourcing services and registry software as a service, and allocates International Securities Identification Numbers (ISIN) to financial instruments issued by issuers that are registered in Mauritius and maintains the ISIN database.

Board of Directors

| | |
|----------------------------|-------------------|
| Ms Aruna Radhakeesoon | Chairperson |
| Mr Jaiyansing Soobah | Vice-Chairperson |
| Mr Dipak Chummun | |
| Mr Vinaye Jaggessur | |
| Mr Tommy Lo Seen Chong | |
| Dr Ashwin Moheeput | |
| Mr Vipin Y.S. Mahabirsingh | Managing Director |
| Mr Vimal Ori | |
| Mr Shivraj Rangasami | |

Company Secretary

Mr Chaitanand Jheengun (FCG)

Management Team

| | |
|--------------------------------|----------------------------------|
| Mr Vipin Y.S. Mahabirsingh | Managing Director |
| Mr Manoven Sadayen | Systems Manager |
| Mrs Joëlle L'Eveque-L'Emplatre | Finance & Administration Manager |

Registered Office

4th Floor, One Cathedral Square Building
16 Jules Koenig Street
Port Louis
Mauritius

Website: www.stockexchangeofmauritius.com/cds

Legal Adviser

Me Anwar Moollan SC
Chambers of Sir Hamid Moollan KC
PCL Building
43, Sir William Newton Street
Port Louis

Bankers

The Mauritius Commercial Bank Limited
Sir William Newton Street
Port Louis

SBM Bank (Mauritius) Ltd
SBM Tower
1, Queen Elizabeth II Avenue
Port Louis

ABC Banking Corporation Ltd
7, Duke of Edinburgh Avenue
Place D'Armes
Port Louis

BCP Bank (Mauritius) Ltd
9th Floor, Maeva Tower
Cnr Bank Street / Silicon Avenue
Ebene

Afrasia Bank Limited
Bowen Square
10, Dr Ferrière Street
Port Louis

Bank One Limited
16, Sir William Newton Street
Port Louis

Independent Auditors

PKF (Mauritius)
5 Duke of Edinburgh Avenue
Port Louis

CHAIRPERSON'S AND MANAGING DIRECTOR'S REPORT

The main achievements of the CDS during 2023-2024 were on the operational front. In line with our objective to minimize the use of paper and contribute to the protection of the environment, section 15.2 of the CDS Procedures was amended to allow CDS to send statements of accounts to holders of inactive accounts by post on an annual basis instead of once every six months. Previously, statements of accounts were sent on a monthly basis to active account holders and once every six months to inactive account holders. An inactive account is one where there has been no transaction during a month. The CDS sends statement of accounts to investors by email since 2008 to account holders who have opted for this. Inactive account holders who have opted to receive their statements by email, receive their statements by email on a monthly basis instead of once every six months. Participants of CDS have been enticed to enter the email addresses of their clients in the CDS system so that the latter can receive their statement of accounts on a monthly basis even when there is no transaction in their accounts. The amendment to the CDS Procedures has allowed us to avoid printing and sending by post 24,000 statements and this has also resulted in significant cost savings.

To mitigate the impact of climate-related risks on our operations, we have amended the CDS Procedures Regarding Operations during Cyclones to ensure alignment with the Mauritius Meteorological Services (Warnings) Regulations. Section 22.1 of the CDS Procedures has been deleted and the terms "removal or downgrading of a cyclone warning class III" have been replaced by "issue of a termination bulletin by the Mauritius Meteorological Services" in sections 22.2, 22.3, 22.5.1 and 22.5.2. Furthermore, to ensure alignment with a circular letter issued by the Bank of Mauritius to banks on 12 January 2024 whereby it is stated that if the termination bulletin is issued at 10h00 or later on any business day, banks shall not open for the transaction of business with the public on that day, the cut-off time "10:30" has been replaced by "10:00" in section 22.2 of the CDS Procedures. A new section 26 has also been added to the CDS Procedures to cover the Operations of CDS During Torrential Rainfall and Other Disasters. The new section 26 of the CDS Procedures is consistent with section 22 on Operations of CDS During Cyclones and is aligned with the circular letter issued by the Bank of Mauritius to banks on this matter.

Some major changes were made to the CDS system to address a fundamental design issue whereby each Participant of CDS had a single username to access and use the CDS system. This means that, previously, different employees of a Participant had to use the same username to access the system and an employee who made changes to clients' accounts could not be identified directly from the system. With the changes made to the system, a Participant can now allocate different usernames to its employees and the employee who makes any change or performs any activity on the CDS system can be identified directly from the system.

On the trading front, we assisted the automated trading system vendor (STT) to implement a new native version of the mySEM mobile app that can be downloaded from Google Play and App Store. The mySEM app allows investors to follow the market in real time, seize market opportunities and trade in real time, and have online access to their CDS accounts to monitor their account activity and account status. In addition to its user-friendly look and feel, mySEM also provides investors seamless access to a wide variety of market data in real time, including company specific order books, highs and lows, best bids and asks as well as market trades and other relevant company-specific data. It also allows interactive charting for all listed securities.

We have continued to provide our services in accordance with the Securities (Central Depository, Clearing and Settlement) Act 1996, the Securities Act 2005 and the Financial Services Act 2007, and in compliance with international standards, with a particular focus on the Principles for Financial Market Infrastructures (PFMIs) issued by the Committee for Payments and Market Infrastructures (CPMI) of the Bank for International Settlements (BIS), and the International Organisation of Securities Commissions (IOSCO). 63,374 trades with a total value of MUR 12.92 Billion were cleared and settled by CDS during 2023-2024 without any failure. Our risk management framework operated effectively and there were no defaults, operational issues nor systems downtime.

Despite a declining trend in market turnover mainly due to high interest rates and the depreciation of the Mauritian Rupee, CDS managed to achieve a Profit after Tax of Rs 32.203 M in 2023-2024 which represents an increase of 22.3% compared to last year. An actuarial gain on the Defined Benefit Pension Scheme of the Company increased the Total Comprehensive Income for the year to Rs 34.652 M which represents an increase of 27.3% compared to last year. The retirement benefit liability has decreased mainly due to an increase in the value of the assets of the Pension Scheme and a liability experience gain.

The Company earned an amount of Rs 20.277 M, which represents around 28% of total revenue, from sources other than the depository, clearing and settlement services which is its core business. These other sources of income include: investment income; IT outsourcing services; ISIN service fee to FSC; and provision of registry software as a service.

On the international front, the mandate of the Managing Director as member of the Product Advisory Committee (PAC) of the Digital Token Identifier Foundation (DTIF) was renewed. DTIF's mission is to provide the golden source reference data for the unique identification of digital tokens based on ISO's new standard for digital assets, ISO 24165. DTIF issues and maintains these digital token identifiers (DTIs) on non-profit basis, with the aim of increasing transparency in the digital asset space through the creation of a core reference data set based on open data principles and available as a public good. The main objectives of the PAC are to:

- Provide product stewardship to the DTIF Board
- Offer guidance on the application and utilization of DTIs
- Advise DTIF on the implementation of future product enhancements

The PAC also discusses such topics as how future regulatory changes will impact the crypto and digital asset market landscape. The PAC comprises over 20 members, representing a cross-section of crypto and digital asset market stakeholders, including global institutional investors, standard setting bodies, academics, asset managers and market infrastructure providers from various regions globally.

The Managing Director was also an active member of the Task Force set up by the Association of National Numbering Agencies (ANNA) and the DTIF. The work done by the Task Force has led to the signature of a Memorandum of Understanding between ANNA and DTIF in October 2023. ANNA is a global member association seeking to foster standardisation within the financial industry and ISO Registration Authority for ISO 6166 International Securities Identification Numbers (ISINs). The MOU will allow the phased introduction of new ISINs to identify crypto assets to further optimise and automate more comprehensive data sets within both ISO standard registries. This comes from two years of work on the joint Task Force, initially established in April 2021, for collaboration to ensure a complementary relationship between the ISO 6166 ISIN and ISO 24165 DTI (Digital Token Identifier) standards. ANNA's National Numbering Agencies (NNAs), already issue ISINs for financial and referential instruments and have done so for over thirty years, including ISINs for a number of security tokens. The Task Force has progressed to introduce ISINs assigned by ANNA which are recognised by a new XT ISIN prefix. These are based on DTIs for crypto assets that are not themselves financial instruments. The two complementary, interoperable identifiers, with different functions but intrinsically linked, will work together to bring more transparency to the market. Where the ISIN identifies the asset, which has historically always been the case and will continue to be, the DTI uniquely identifies the implementation of the token on a DLT. Under the MOU, those DTIs included in the DTI register can be issued an ISIN at ANNA's discretion. This integration will reduce operational complexity and industry costs and provide a clear link between an asset and a digital token(s) that relates to the asset. In April 2024, the ANNA and DTIF won the 'Most Innovative Data Standards Initiative' at the 2024 A-Team Innovation Awards thanks to this initiative. These awards recognise innovative projects and teams across the vendor and practitioner communities that make use of new and emerging technologies to deliver high-value solutions for financial institutions in capital markets, with a specific focus on Data Management, Trading Technology, ESG and RegTech suppliers. Having standardised identification data that seamlessly integrates digital assets with traditional financial systems is key as the digital asset market grows. To address this challenge, the ANNA/DTI Foundation partnership was launched in October 2023 to facilitate the introduction of innovative new International Identification Securities Numbers (ISIN) to identify crypto assets.

The Financial Services Commission, Mauritius hosted the International Organization of Securities Commissions (IOSCO) Africa/Middle-East Regional Committee ("AMERC") Plenary Meeting and AMERC Public Conference on 20 and 21 February 2024 and the Managing Director of CDS participated in a panel discussion on 'Artificial Intelligence and Robotics - How technology can better serve the Capital Markets?' at the Public Conference. The AMERC, as one of four regional committees constituted by the IOSCO, brings together financial market regulators and consists of 28 ordinary members as well as 14 associate members, all representing regulators from the Africa and Middle-East regions and the Regional Committee serves as a forum focusing on regional issues relating to securities regulation. The event gathered high-level officials from IOSCO, regulatory and supervisory authorities from the Africa and Middle-East region, leading experts from the AMERC member jurisdictions and the local industry as well as other eminent personalities. The theme of the AMERC Public Conference was "Navigating Tomorrow's Financial Landscape: Innovation, Inclusion and Sustainability" and the focus was on latest trends in financial technology, innovation and sustainable finance. It provided a platform for the Africa/Middle-East jurisdictions to meet and address policy issues and challenges in financial regulation. During the panel discussion, the Managing Director highlighted that AI and robotics have the potential to transform various aspects of capital markets by improving efficiency, reducing costs, and enabling more data-driven decision-making processes. However, it is essential to consider the potential risks and challenges associated with the use of these technologies, such as algorithmic biases, cybersecurity threats, and regulatory compliance issues.

The Managing Director participated as a representative of the securities industry in consultations with the Ministry of Financial Services and Good Governance, and the FSC in the context of the AML/CFT National Risk Assessment.

The Board of CDS has played a key role in the above achievements by providing guidance, support and strategic direction. We wish to thank all directors for the insights that they have offered at Board meetings and for their contribution to the development of the Company. We also wish to thank our employees for their loyalty and commitment, and for consistently delivering a high quality of service to our stakeholders.



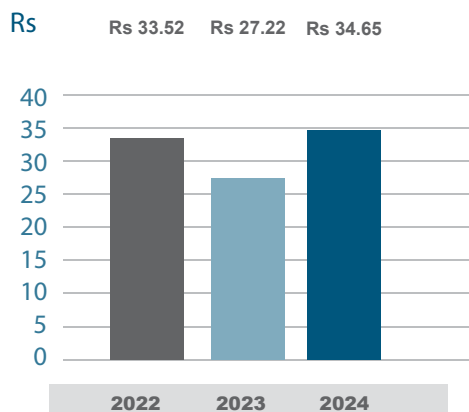
Aruna Radhakeesoon
Chairperson



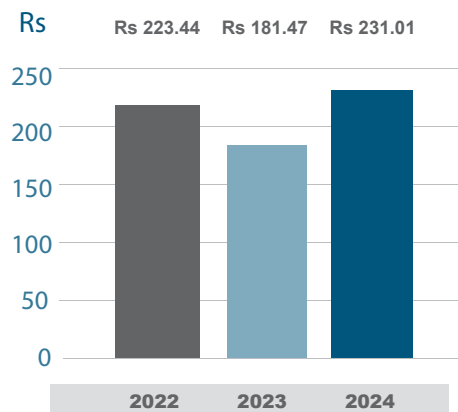
Vipin Mahabirsingh
Managing Director

FINANCIAL HIGHLIGHTS

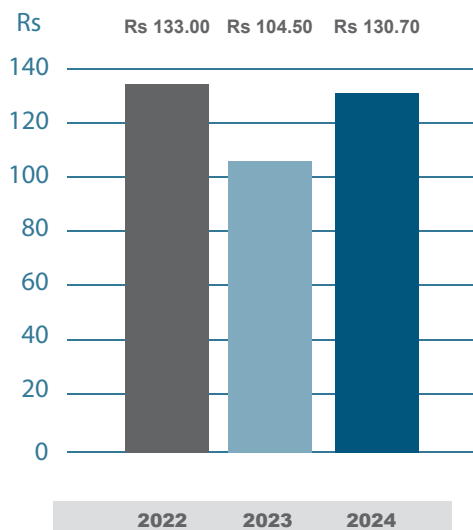
TOTAL COMPREHENSIVE INCOME (IN MILLION)



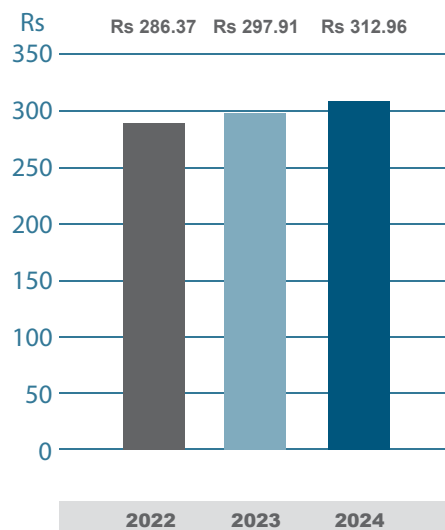
EARNINGS PER SHARE



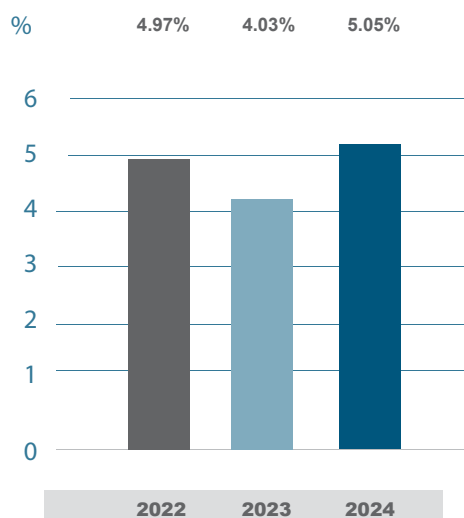
DIVIDENDS PER SHARE



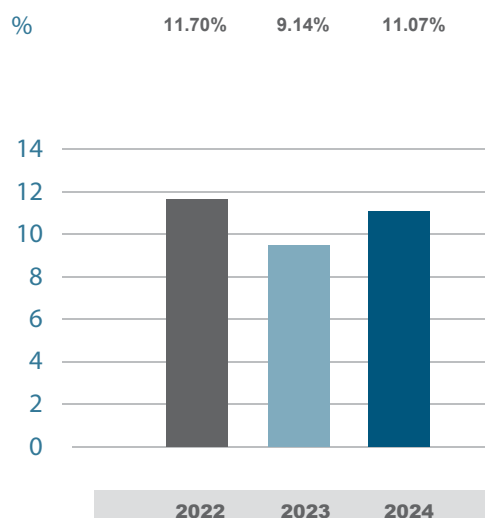
NET ASSET VALUE (in Million)



GROWTH IN NET ASSET VALUE



RETURN ON EQUITY



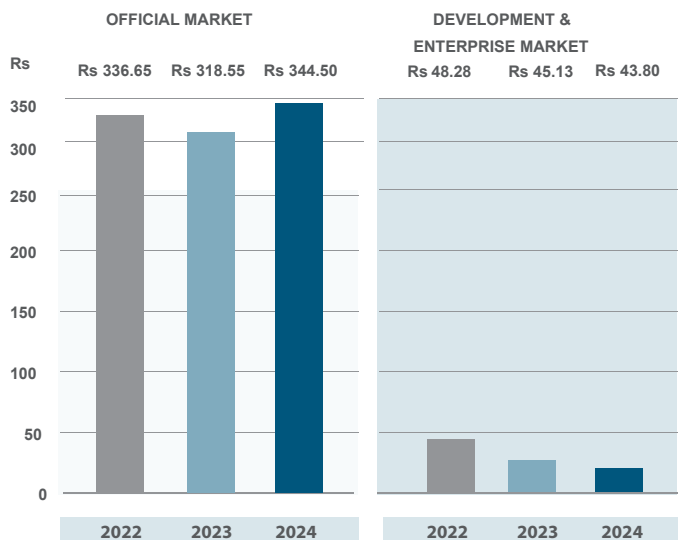
FINANCIAL HIGHLIGHTS (Cont'd)

VALUE ADDED STATEMENT

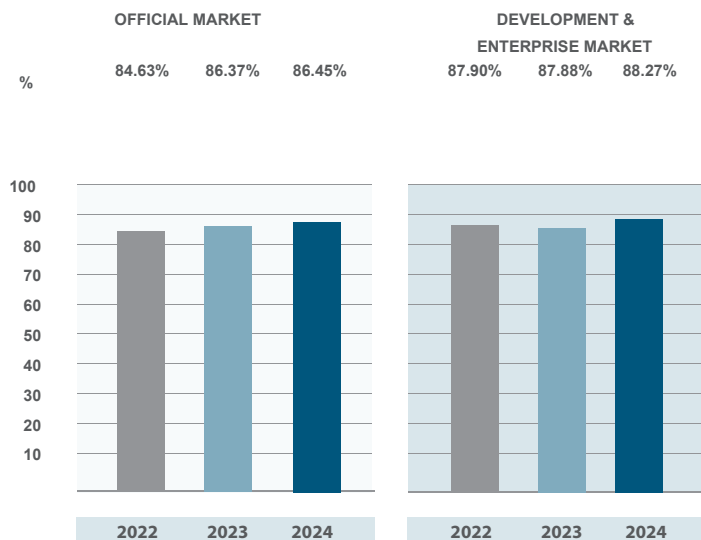
| | As at 30 th June 2024 | | As at 30 th June 2023 | |
|--|----------------------------------|------------|----------------------------------|------------|
| | Rs ' 000 | % | Rs ' 000 | % |
| Turnover | 51,880 | | 52,802 | |
| Other Income | 20,277 | | 16,064 | |
| Administrative Expenses | (8,654) | | (10,650) | |
| Total Wealth Created | 63,503 | 100 | 58,216 | 100 |
| Distributed as follows | | | | |
| Members of Staff Salaries and other Benefits | 20,234 | 32 | 21,516 | 37 |
| CDS Guarantee Fund Contributions made by the Company | 21 | 1 | 18 | 1 |
| Providers of Capital Dividends to Ordinary Shareholders | 19,605 | 30 | 15,675 | 26 |
| | 39,860 | 63 | 37,209 | 64 |
| Government - Taxation | 5,572 | 9 | 7,030 | 12 |
| Corporate Climate Responsibility | 739 | 1 | - | - |
| Corporate Social Responsibility | 690 | 1 | 790 | 1 |
| Wealth reinvested in the Company | | | | |
| Profit Retained | 15,047 | 24 | 11,545 | 20 |
| Depreciation | 1,595 | 2 | 1,642 | 3 |
| | 16,642 | 26 | 13,187 | 23 |
| Total Wealth Distributed and Retained | 63,503 | 100 | 58,216 | 100 |

STATISTICS ON OPERATIONS

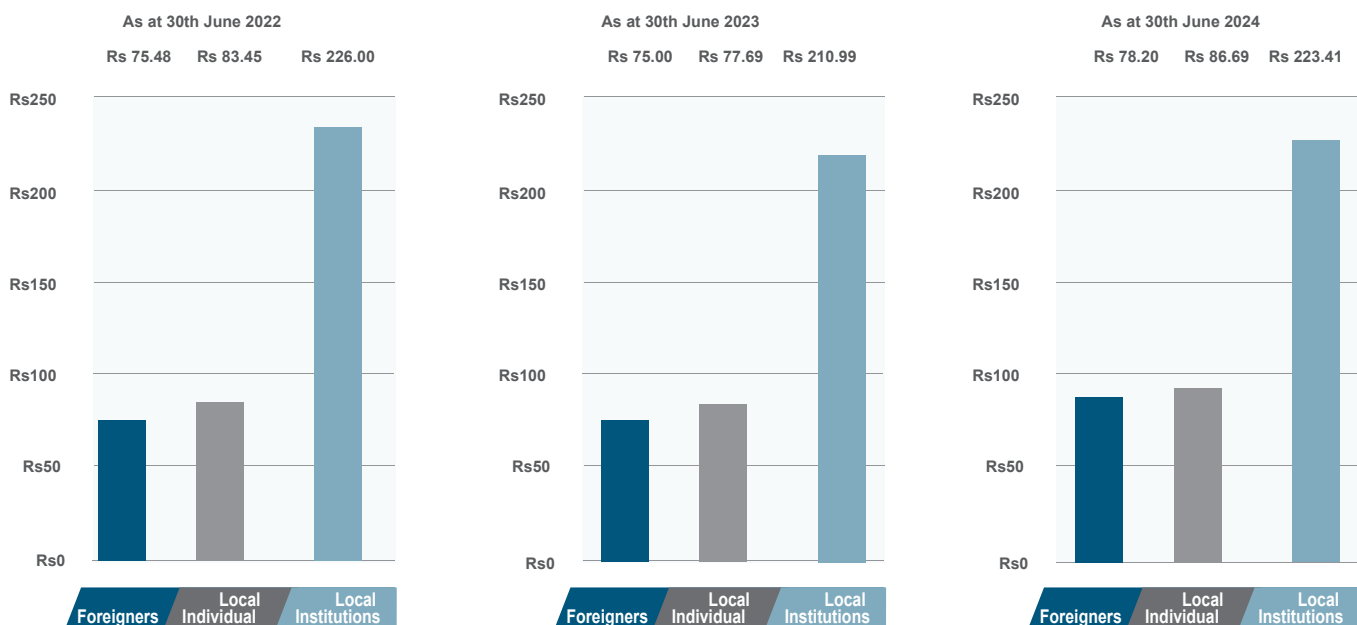
AGGREGATE VALUE OF SECURITIES HELD IN CDS (in Billion MUR)



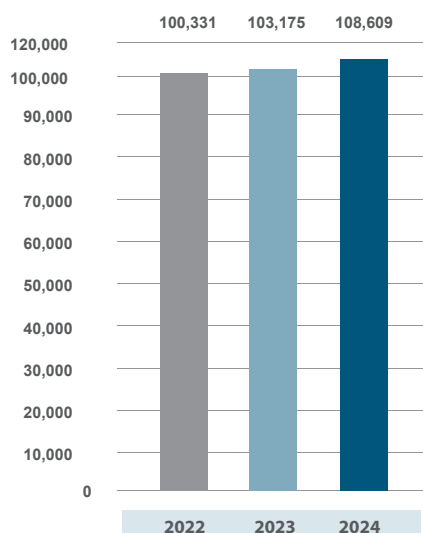
PERCENTAGE OF TOTAL NUMBER OF SECURITIES ISSUED HELD IN CDS



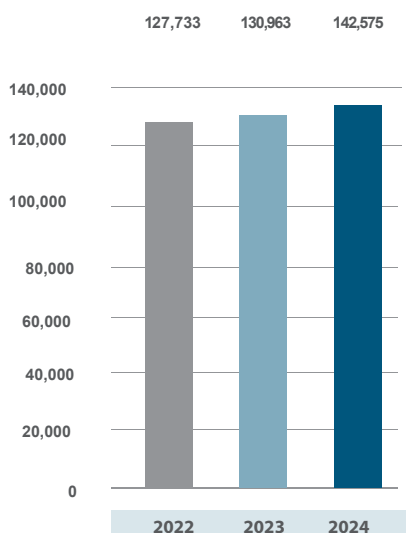
BREAKDOWN OF AGGREGATE VALUE HELD IN CDS (in Billion MUR)



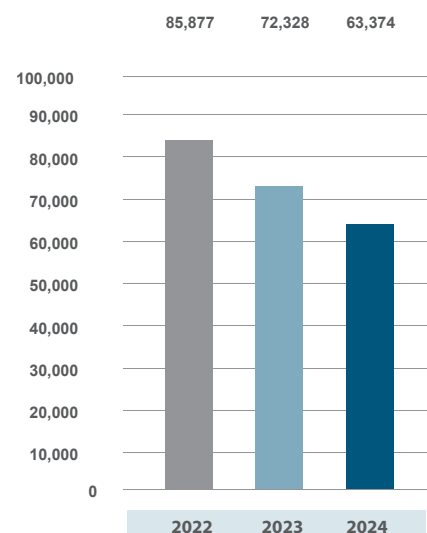
NUMBER OF INVESTORS REGISTERED WITH CDS



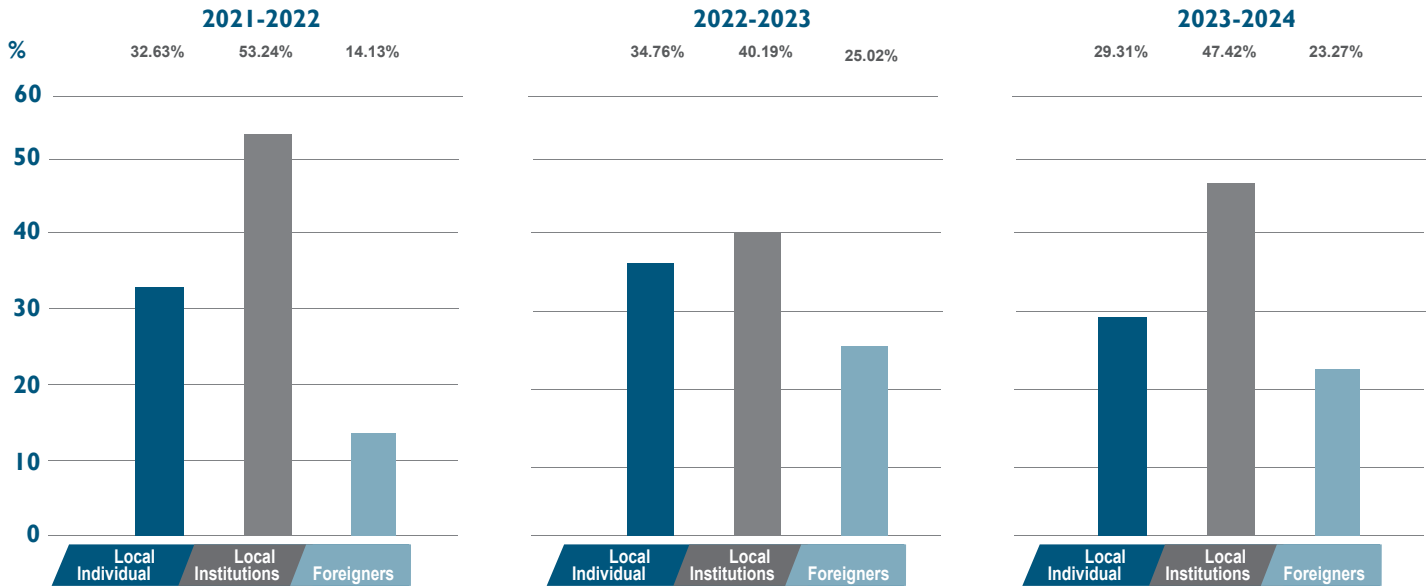
NUMBER OF CLIENTS ACCOUNTS IN CDS



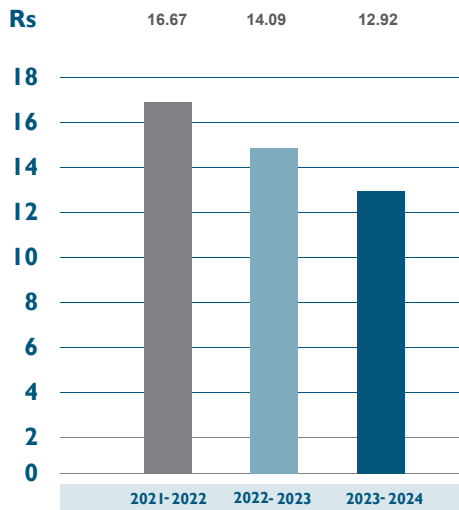
NUMBER OF TRADES CLEARED AND SETTLED



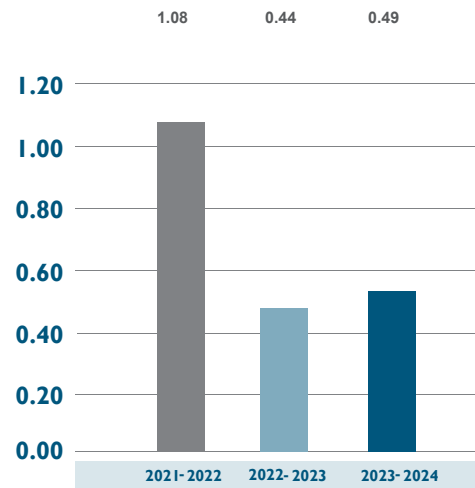
BREAKDOWN OF VALUE OF TRADES CLEARED AND SETTLED



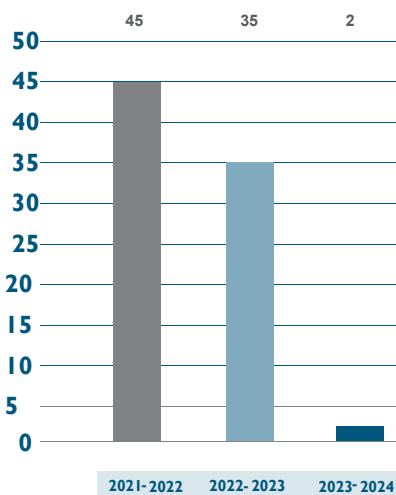
VALUE OF TRADES CLEARED AND SETTLED (in Billion MUR)



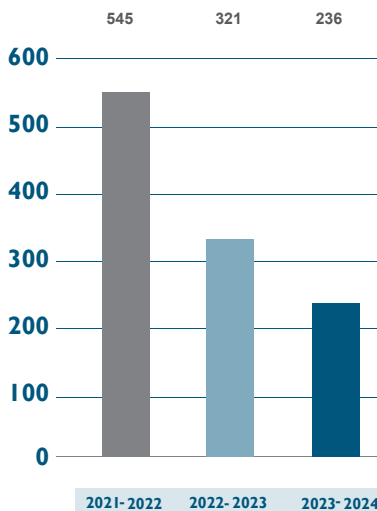
VOLUME OF SECURITIES CLEARED AND SETTLED (in Billion)



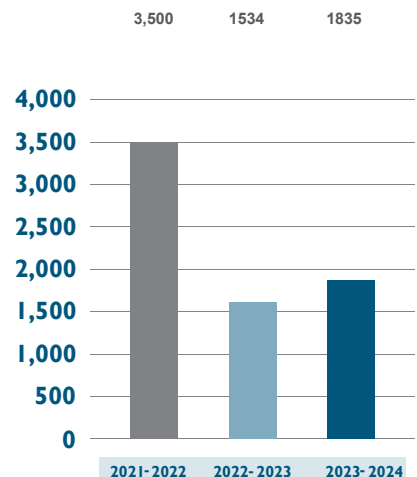
NUMBER OF WITHDRAWALS PROCESSED



NUMBER OF PLEDGES PROCESSED



NUMBER OF DEPOSITS PROCESSED



CORPORATE GOVERNANCE REPORT

1.0 STATEMENT OF COMPLIANCE WITH THE NATIONAL CODE OF CORPORATE GOVERNANCE FOR MAURITIUS (2016)

This report describes the governance measures that have been implemented by the Central Depository & Settlement Co. Ltd (CDS) during the financial year 2023-2024 and complies with the requirements of Section 20(1)(a) of the Securities Act 2005. Throughout the year ended 30th June 2024, to the best of the Board's knowledge, the Company has complied with the National Code of Corporate Governance for Mauritius (2016) in the manner set out in this report. The Company has applied all of the principles set out in the Code and explained how these principles have been applied. Matters relating to risk management, internal control and audit are covered in the Risk Management Report and the Directors' Report.

2.0 GOVERNANCE STRUCTURE

The Board of the CDS assumes responsibility for leading and controlling the Company and meeting all legal and regulatory requirements. The Board Charter, Code of Corporate Behaviour, Position Statements of Chairperson and Company Secretary, Job Description of Management Team, and Organisational Chart have been approved by the Board. These documents and the Constitution of the Company are available on the website of the CDS.

The Managing Director performs the following main duties:

- a) Lead the management team;
- b) Make recommendations to the Board regarding strategic issues;
- c) Oversee management activities and human resources;
- d) Responsible for overall operations, cost control, risk management and development of the Company;
- e) Manage legal and regulatory issues;
- f) Responsible for the implementation of Board decisions and policies;
- g) Interact with government and relevant institutions in the financial sector;
- h) Promote the Company on the international scene;
- i) Provide consultancy services to African stock exchanges and depositories.

3.0 THE STRUCTURE OF THE BOARD AND ITS COMMITTEES

3.1 SIZE AND COMPOSITION OF THE BOARD

The Company has a unitary Board composed of 10 directors as follows:

- 5 directors appointed by the SEM;
- 1 director appointed by the Minister to whom the responsibility of Financial Services is attributed;
- 1 director appointed by the Bank of Mauritius;
- 2 directors appointed by ordinary resolution at the annual meeting of shareholders (and where the SEM is not entitled to vote on any resolution appointing such 2 directors);
- 1 Managing Director.

The title, function and role of the Chairperson is separate from that of the Managing Director. The status of directors and their attendance at Board meetings during the year under review are provided in Table 1 below.

Table 1

| Name | Status | No. of meetings attended |
|---------------------------|---|--------------------------|
| Ms Aruna Radhakeesoon | Chairperson, Non-Executive (appointed at annual meeting) | 6/6 |
| Mrs Reedhee Bhuttoo | Non-Executive (appointed by SEM) | 2/6 (up to 25/06/2024) |
| Mr Dipak Chummun | Non-Executive (appointed by SEM) | 2/6 |
| Mr Vinaye Jaggessur | Independent (appointed by Minister of Financial Services and Good Governance) | 5/6 |
| Mr Tommy Lo Seen Chong | Non-Executive (appointed by SEM) | 6/6 |
| Mr Vipin Y.S Mahabirsingh | Executive | 6/6 |
| Dr Ashwin Moheeput | Independent (appointed by Bank of Mauritius) | 6/6 |
| Mr Vimal Ori | Non-Executive (appointed at annual meeting) | 6/6 |
| Mr Shivraj Rangasami | Non-Executive (appointed by SEM) | 6/6 |
| Mr Jaiyansing Soobah | Non-Executive (appointed by SEM) | 5/6 |

The Company has only one executive director. The Board is of the view that due to the relative small size of the Company, there is no need to appoint a second executive director. Moreover, directors may have access to departmental managers.

The Corporate Governance Committee of CDS has in the past reviewed the blend of skills and experience needed by the CDS so that the Board can discharge its responsibilities effectively and has assessed the availability of these skills with respect to the composition of the Board. The blend of knowledge, skills and experience identified include the following: IT; Company Secretary; Investment Dealer; Legal; Risk Management; Banking; Finance/Investment; Accountancy; and Economics. The members of the Board and of the Board Committees do have the appropriate balance of skills, experience and knowledge of the organization to enable them to discharge their respective duties and responsibilities effectively.

There is diversity, including gender, on the Board, Board committees and management of CDS. In line with section 9 of the Equal Opportunities Act 2008 and the Guidelines issued by the Equal Opportunities Commission pursuant to Section 27(3)(f) of the Act, CDS has adopted an Equal Opportunity Policy with a view to minimizing the risks of discrimination and to promoting recruitment, training, selection and employment on the basis of merit.

The number of directors of CDS was previously reduced from 15 to 10 after an assessment of the optimal size of the Board. Based on the size of the organisation, turnover and the activities carried out by CDS, a Board comprising 10 members is sufficient to meet the requirements of the business.

The secretary of the Company is Mr Chaitanand Jheengun (FCG). The Position Statement for the Company Secretary has been approved by the Board.

3.2 BOARD COMMITTEES

The Board of CDS is ultimately responsible and accountable for the performance and affairs of the organization. Board committees have been established to assist the Board to discharge its duties effectively and there are transparent procedures for committees to report to the Board. The Board has constituted the following committees to facilitate efficient decision making and to assist it in the execution of its duties and responsibilities: Business Conduct Committee; Audit Committee; Corporate Governance Committee; Remuneration Committee; Investment Committee and Pension Committee. The terms of reference of these Committees have been determined and approved by the Board and are posted on the website of the Company. The Corporate Governance Committee also has the responsibilities of a Nomination Committee. A separate Risk Committee has not been set up since the Business Conduct Committee, which was set-up at the inception of CDS in accordance with its Rules, already covers the functions of the Risk Committee. The work done by the Business Conduct Committee is covered in the Risk Management Report.

AUDIT COMMITTEE

The composition of the Audit Committee as at 30th June 2024 was as follows:

Chairperson: Mr Jaiyansing Soobah

Members: Mr Vinaye Jaggessur
Mr Vimal Ori

Secretary: Mr Chaitanand Jheengun

The main responsibility of the Audit Committee is to assist the Board in discharging its duties relating to the safeguarding of assets, the operation of adequate systems, control processes and the preparation of accurate financial reporting and statements in compliance with all applicable legal requirements and accounting standards.

The attendance of members at the meetings of the Audit Committee for the year under review is given in Table 2 below.

CORPORATE GOVERNANCE COMMITTEE

The composition of the Corporate Governance Committee as at 30th June 2024 was as follows:

Chairperson: Dr Ashwin Moheeput
 Members: Ms Aruna Radhakeesoon
 Mr Dipak Chummun
 Secretary: Mr Chaitanand Jheengun

The Corporate Governance Committee makes recommendations to the Board on all corporate governance measures to be adopted so that the Board remains effective and complies with prevailing corporate governance principles. It also oversees the CSR activities of the Company. The Committee ensures that the reporting requirements with regard to corporate governance, whether in the annual report or on an ongoing basis, are in accordance with the principles of the National Code of Corporate Governance.

The attendance of members at the meeting of the Corporate Governance Committee for the year under review is given in Table 2 below.

REMUNERATION COMMITTEE

The composition of the Remuneration Committee as at 30th June 2024 was as follows:

Chairperson: Ms Aruna Radhakeesoon
 Members: Mr Jaiyansing Soobah
 Mr Vimal Ori

The Remuneration Committee determines the annual salary increases and the performance bonus of employees of the Company. The Committee makes recommendations to the Board regarding the remuneration of the Managing Director and Non-Executive Directors.

The attendance of members at the meeting of the Remuneration Committee for the year under review is given in Table 2 below.

INVESTMENT COMMITTEE

The composition of the Investment Committee as at 30th June 2024 was as follows:

Chairperson: Dr Ashwin Moheeput
 Members: Mr Shivraj Rangasami
 Mr Vipin Mahabirsingh

The Investment Committee sets investment guidelines within which funds generated by the Company are invested. Investment decisions are then made by management based on the guidelines. The decisions of management do not need to be approved by the Investment Committee as long as they comply with the investment guidelines. Any proposed deviation from the Investment Guidelines must be approved by the Committee. Reporting to the Investment Committee and any subsequent discussions generally take place via electronic mail.

PENSION COMMITTEE

The composition of the Pension Committee as at 30th June 2024 was as follows:

Chairperson: Mr Jaiyansing Soobah

Member: Dr Ashwin Moheeput

The Pension Committee was set-up by the Board in 2019 to monitor the investments of the CDS Pension Scheme and to make recommendation on matters relating to Scheme. Reporting to the Pension Committee and any subsequent discussions generally take place via electronic mail.

Table 2: Attendance at Meetings of Board Committees

| NAME | AUDIT COMMITTEE | CORPORATE GOVERNANCE COMMITTEE | REMUNERATION COMMITTEE |
|-----------------------|-----------------|--------------------------------|------------------------|
| Ms Aruna Radhakeesoon | | 1/1 | 1/1 |
| Mrs Reedhee Bhuttoo | | 1/1 (up to 25/06/2024) | 1/1 (up to 25/06/2024) |
| Dr Ashwin Moheeputh | | (as from 28/06/2024) | |
| Mr Dipak Chummun | | 1/1 | |
| Mr Vinaye Jaggessur | 3/3 | | |
| Mr Vimal Ori | 3/3 | | 1/1 |
| Mr Jaiyansing Soobah | 3/3 | | (as from 28/06/2024) |

4.0 DIRECTOR APPOINTMENT PROCEDURES

The Board assumes responsibility for succession planning and for the appointment and induction of new directors to the Board. With the exception of the Managing Director, all directors have a term of office of one year. The non-executive directors are elected/ re-elected/ appointed/ re-appointed every year at the Annual Meeting, pursuant to the provisions of the Constitution of the Company. Before the Annual Meeting a letter is addressed to all shareholders, other than SEM, requesting them to nominate a candidate as prospective director for the election of directors at the next Annual Meeting. A resolution for the election of directors is forwarded to all shareholders with the notice of the Annual Meeting, together with a brief of prospective directors. The Annual Report contains details of each director. The election of non-executive directors, if the need arises, is carried out by ballot pursuant to the provisions of the Constitution. The SEM does not vote for the election of directors. Other non-executive directors, nominated by SEM, Bank of Mauritius and the Minister of Financial Services and Good Governance as per the Constitution of the Company, are re-appointed/ appointed at the Annual Meeting following a review of their short biography by the Corporate Governance Committee.

An induction pack including an overview of CDS and the latest annual report is provided to new directors.

Succession planning for senior management positions is discussed at the level of the Remuneration Committee. A short profile of each director is provided in the table below.

| DIRECTORS | KEY POSITION AND MAIN DIRECTORSHIP |
|--|---|
| Aruna Radhakeesoon (Ms) <i>Attorney-at-law, Mauritius</i> <i>Solicitor, England & Wales (NP)</i> <i>BA (Hons) Jurisprudence, Oxon</i> <i>F.MIoD</i> | Founder and Director, Prakriti One Ltd. INED - Absa Bank (Mauritius) Ltd & The United Basalt Products Ltd Chair - National Committee on Corporate Governance |
| Dipak Chummun <i>BSc (Hons.) Computer Science</i> <i>Fellow of the Institute of Chartered Accountants in England & Wales</i> | Group CFO, IBL Ltd Director of Alteo Group, Eagle Insurance, DTOS Group and a number of companies within IBL Group Member of the Board of EDB Director, The Stock Exchange of Mauritius Ltd Council Member of ICAEW, UK |
| Vinaye Jaggessur <i>BSc (Hons) Accounting (minor management)</i> | Audit Manager, Grant Thornton (Mauritius) |

| DIRECTORS | KEY POSITION AND MAIN DIRECTORSHIP |
|---|--|
| <p>Tommy Lo Seen Chong <i>BSc (Hons.) Economics</i> <i>Fellow of the Institute of Chartered Accountants in England & Wales</i></p> | <p>Director, Intercontinental Trust Ltd Director, The Stock Exchange of Mauritius Ltd Director, Capital Market Brokers Ltd</p> |
| <p>Ashwin Moheeput <i>BSc (First Class Hons) Economics</i> <i>MSc Economics</i> <i>PhD Economics</i> CFA</p> | <p>Assistant Director - Research, Economic Analysis, Modelling and Forecasting Division - Bank of Mauritius</p> |
| <p>Vipin Y.S. Mahabirsingh <i>B.Tech (First Class, Hons) Electronic Engineering</i> <i>M.Phil Microelectronic Engineering</i> <i>MBA (with distinction)</i> F.MIoD</p> | <p>Managing Director, CDS Member, Rating Committee of CARE Ratings Africa Director, ABC Motors Co. Ltd</p> |
| <p>Vimal Ori <i>Fellow of the Association of Chartered Certified Accountants</i></p> | <p>Chief Operating Officer, MCB Capital Markets Ltd Director, MCB Registry & Securities Ltd Director of a number of subsidiaries of MCB Group Member, Financial Services Consultative Council</p> |
| <p>Shivraj Rangasami <i>Fellow of the Association of Chartered Certified Accountants</i> MBA</p> | <p>Managing Director, MCB Stockbrokers Ltd Director, The Stock Exchange of Mauritius Ltd</p> |
| <p>Jaiyansing S. Soobah <i>Fellow of the Association of Chartered Certified Accountants</i> MBA <i>Associate of The Chartered Governance Institute</i></p> | <p>Group Company Secretary, Swan Group Director, The Stock Exchange of Mauritius Ltd Director of a number of companies of Swan Group</p> |

5.0 DIRECTOR DUTIES, REMUNERATION AND PERFORMANCE

Directors of the CDS are aware of their legal duties. A Code of Corporate Behaviour that sets out the standards of behaviour that all directors and employees of CDS are expected to uphold in conducting the Company's business, is in place at CDS. As per its Terms of Reference, the Corporate Governance Committee is responsible for reviewing any statements on ethical standards or requirements for the Company and assisting in developing such standards and requirements and for the identification of any violations of ethical conduct. The Code of Corporate Behaviour contains procedures for reporting breaches of the Code and complaints regarding behaviour of directors or employees to the Corporate Governance Committee. The Board also monitors and evaluates compliance with the Code of Corporate Behaviour and no breach was observed during the year under review.

The conflicts of interest policy of the Company is incorporated in the Board Charter, Code of Corporate Behaviour and Terms of Reference of the Corporate Governance and Audit Committees. As per its Terms of Reference, the Corporate Governance Committee can give recommendations on any potential conflict of interest and the Audit Committee has the responsibility of directing and supervising investigations into matters relating to conflicts of interest. The letter of appointment for non-executive directors also contains a specific clause to draw the attention of new directors on the disclosure of conflicts of interest. The Company Secretary maintains an interests register that is available for consultation to shareholders.

An Information Security Policy approved by the Board, has been implemented at CDS. This document defines the responsibilities relating to the management of the Information Technology (IT) systems of the CDS and the procedures to be followed by employees as well as by remote users (investment dealers, custodian banks, Financial Services Commission, Bank of Mauritius and registries) when using the IT systems of the Company. The IT Security Policy is based on the ISO 27001:2013 standard and the document was last reviewed in March 2024. The documents relating to the IT systems of the CDS (including the Disaster Recovery Plan) that should be maintained by the Company are set out in the IT Security Policy.

All significant expenditures on information technology are provided for in the annual budget that has to be approved by the Board before the start of the financial year.

Board meetings are generally held every two months and are convened by formal notice. A detailed agenda together with a comprehensive board pack are circulated to directors at least a week before board meetings. Management accounts are circulated to directors by email on a monthly basis and directors can request information regarding the affairs of the Company, from the management at any time.

As per section 3(7) of the Securities (Central Depository, Clearing and Settlement) Act 1996, all the directors and employees of the CDS have taken an oath of confidentiality.

A directors' and officers' liability insurance policy has been subscribed to by the Company. This policy provides cover for the risks arising out of acts or omissions of the directors and officers of the Company but excludes claims for any deliberately fraudulent act or omission or any wilful violation of any statute or regulation.

Related Party Transaction

CDS has a contract with its holding Company (SEM) for the technical management of the Automated Trading System and for other IT services. The fees for the IT outsourcing services provided to the SEM for the year ended 30th June 2024 amounted to Rs 2,103,000 plus VAT

Performance

In accordance with section 3.5 of the CDS Board Charter, a survey was carried out among directors of CDS in October 2022 to evaluate the overall performance of the Board. The questionnaire covered the following main areas:

- A Board Meetings
- B Board Structure And Composition
- C Leadership Of The Board
- D Board Functions
- E Board Committees
- F Planning And Objectives
- G Risk Assessment
- H Human Resources And Succession Planning
- I Financial And Operational Reporting
- J Compliance And Ethical Framework

5 out of 9 directors responded to the questionnaire and the response to all 25 questions was either "meets objectives" or "exceeds objectives" for a majority of the 5 directors who responded.

The Board Self-Evaluation exercise is conducted once every two years as per section 3.5 of the CDS Board Charter. The next evaluation will be done in September-October 2024.

Remuneration

The Remuneration Committee makes recommendations to the Board regarding the remuneration of the Managing Director and Non-Executive Directors. A fixed monthly fee as well as an attendance fee is paid to directors of the Company. An additional fee is paid to directors who are members of Board Committees for each meeting of the respective Board committee that they attend. The Managing Director is not remunerated for attending Board and Committee meetings. The remuneration received by each director during the year under review are provided in the table below:

| NAME | REMUNERATION RECEIVED |
|---------------------------|----------------------------|
| Ms Aruna Radhakeesoon | 285,390 |
| Mrs Reedhee Bhuttoo | 145,530 (up to 25/06/2024) |
| Mr Dipak Chummun | 91,770 |
| Mr Vinaye Jaggessur | 150,360 |
| Mr Tommy Lo Seen Chong | 139,860 |
| Mr Vipin Y.S Mahabirsingh | 6,930,086* |
| Dr Ashwin Moheeput | 139,860 |
| Mr Vimal Ori | 172,620 |
| Mr Shivraj Rangasami | 139,860 |
| Mr Jaiyansing Soobah | 163,590 |

* For the Managing Director, the total remuneration consists of Short Term Benefits of Rs 6,095,817 and Post-Employment Benefits of Rs 834,269.

Dealing in Shares by the Directors

There was no dealing in the shares of the Company by the directors for the year under review.

Common directors and percentage shareholding of the shareholders they represent

The table below gives the names of the common Directors of CDS and its holding Company (SEM), together with the shareholding percentages of the shareholders they represent:

| NAME OF DIRECTORS | SHAREHOLDERS' NAMES | % Holding in CDS | % Holding in SEM |
|------------------------|-----------------------------------|------------------|------------------|
| Mr Shivraj Rangasami | MCB Stockbrokers Ltd | - | 5.44% |
| Mr Jaiyansing Soobah | Swan General Ltd | 3.33% | 7.5% |
| Mr Dipak Chummun | IBL Ltd | - | 8.88% |
| Mr Tommy Lo Seen Chong | Azelbourne Financial Services Ltd | - | 4.95% |

6.0 RISK GOVERNANCE AND INTERNAL CONTROL

The Board is responsible for the governance of risk and for determining the nature and extent of the principal risks it is willing to take in achieving its objectives. Given the specific nature of the activities of the CDS and the requirements of Section 20(4) of the Securities Act 2005, the risk management and internal control framework of the Company is set out in the Risk Management Report that forms part of the Annual Report.

7.0 REPORTING WITH INTEGRITY

Company law requires directors to prepare financial statements for each financial year which present fairly the financial position, financial performance, changes in equity and cash flows of the Company. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2001. They are also responsible for safeguarding the assets of the Company and hence for the implementation and operations of accounting and internal control systems that are designed to prevent and detect fraud and errors, as well as an effective risk management system.

The five latest annual reports of the CDS are published on the website of the Company.

7.1 CORPORATE SOCIAL RESPONSIBILITY

The CDS has been supporting the Association of Disability Service Providers (ADSP) under its CSR programme since 2007. ADSP operates a specialised school for disabled children and thanks to our support it has significantly improved its infrastructure and the services it offers to its students over the years. Since a few years now, the Corporate Governance Committee of CDS has decided to support other NGOs registered with the National Social Inclusion Foundation, as ADSP now has other sources of income that allow it to cover its expenses.

CDS donated 25% of its CSR Fund for 2023-2024 (Rs 172,500) to the Rotary Club of Port Louis for part funding of the Rotary ZEP (Zones d'Education Prioritaires / Priority Education Zones) Breakfast project which consist of providing breakfast to around 1,300 pupils from underprivileged background in seven ZEP schools located mainly in the suburbs of Port Louis. Many beneficiaries of the project are also on the Social Register of Mauritius (SRM) and the Rotary Club of Port Louis has noted that the number of pupils on SRM at the various schools has increased.

The CSR Fund of CDS for the financial year 2023-2024 amounted to Rs 690,000 and as per section 50L of the Income Tax Act, 25% was donated to a non-governmental organisation implementing a CSR Programme.

7.2 PROTECTION OF THE ENVIRONMENT

The Company has implemented the following actions to contribute to the protection of the environment:

- i. Sending statements of accounts by electronic mail rather than by post to account holders who choose this option (23,513 statements were sent by e-mail for the month of June 2024);
- ii. Sending Board and Committee papers by electronic mail to directors and members of business conduct committee;
- iii. Sensitising employees to use consumables efficiently and print mails and documents only when necessary. The Company is gradually moving towards paperless operations;
- iv. All reports that are provided to participants, registries and settlement banks are sent by email in pdf format. No hard copies are provided;
- v. Reduce energy consumption by using energy efficient lights and devices.

Section 15.2 of the CDS Procedures was amended in August 2023 to allow CDS to send statements of accounts to holders of inactive accounts by post on an annual basis instead of once every six months. This amendment to the CDS Procedures has allowed the Company to avoid printing and sending by post 24,000 statements annually.

7.3 POLITICAL DONATIONS

No political donation was made by the Company for the year under review.

7.4 HUMAN CAPITAL

Labour cost represented around 69% of the Company's total operating expenses for 2023 -2024. The Company recognizes the importance of its human capital in sustaining its smooth operations and growth. The Company's remuneration philosophy is to pitch its pay policy at the market average. The Company has a stable workforce with very low turnover.

The Company has also implemented a number of measures to promote the welfare of its staff. These include car grant scheme, car loan scheme and soft loans to cater for specific needs. Training courses are provided to employees on a regular basis to enhance their skills. Financial assistance is also given to staff taking professional or tertiary courses. Managers and executives are given the opportunity to attend international conferences and training programmes.

The Company complies with the provisions of the Occupational Safety and Health Act 2005 regarding the safety and health of its employees. There was no complaint on this matter for the year under review.

7.5 EQUAL OPPORTUNITY POLICY

In line with section 9 of the Equal Opportunities Act 2008 and the Guidelines issued by the Equal Opportunities Commission pursuant to Section 27(3)(f) of the Act, CDS has adopted an Equal Opportunity Policy with a view to minimizing the risks of discrimination and to promoting recruitment, training, selection and employment on the basis of merit. There was no complaint on these matters for the year under review.

8.0 AUDIT

Matters relating to internal and external audit are dealt with in the Risk Management Report and the Directors' Report that form part of the Annual Report.

9.0 RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS

The shareholders of CDS as at 30th June 2024 are listed in the table below.

| SHAREHOLDER | NUMBER OF SHARES | PERCENTAGE HOLDING |
|-------------------------------------|------------------|--------------------|
| The Stock Exchange of Mauritius Ltd | 76,500 | 51.00% |
| The Mauritius Commercial Bank Ltd | 25,000 | 16.67% |
| Rogers and Company Ltd | 20,000 | 13.33% |
| Promotion & Development Limited | 10,000 | 6.67% |
| SBM Capital Markets Ltd | 5,000 | 3.33% |
| Swan General Ltd | 5,000 | 3.33% |
| United Docks Ltd | 2,500 | 1.67% |
| Harel Mallac & Co. Ltd | 2,500 | 1.67% |
| State Investment Corporation Ltd | 2,000 | 1.33% |
| Automatic Systems Ltd | 1,000 | 0.67% |
| Harel Mallac Technologies Ltd | 500 | 0.33% |
| | 150,000 | 100% |

Any change in the ownership of shares of the Company is subject to restrictions and limitations set out in the Constitution of the Company.

Annual meetings are held within 4 months from the end of the financial year and the notice of the annual meeting is sent to shareholders at least 21 days before the meeting in accordance with the Companies Act 2001.

The key stakeholders of the Company are as follows: Ministry of Financial Services and Good Governance; Financial Services Commission; Stock Exchange of Mauritius Ltd; Bank of Mauritius; Investment Dealers; Custodian Banks; and Company Registries. Regular meetings are held with stakeholders to discuss matters of common interest. Investment Dealers, Custodian Banks, Company Registries and SEM are consulted prior to amendments to Rules and Procedures. Such consultations take place by email as well as at the level of the Consultative and Informative Committee and the Clearing and Settlement Advisory Committee. Regular meetings are also held with the Financial Services Commission to discuss market development initiatives.

10.0 DIVIDEND

The dividend policy of the CDS is to distribute around 60% of the Profit after Tax as dividend.

The Board maintained the above dividend policy and declared a dividend equal to Rs 19.605 M (Rs 130.7 per share) for the year ended 30th June 2024.



Chaitanand Jheengun (FCG)
Company Secretary

Risk Management Report

RISK MANAGEMENT FRAMEWORK

The ability to identify, monitor, measure and manage risks on an ongoing basis is crucial for a central depository, clearing and settlement organisation. Over the years, the Central Depository & Settlement Co. Ltd (CDS) has developed a comprehensive risk management framework to manage the different types of risks that arise in or are borne by a central depository, clearing and settlement organisation, namely: legal risk; credit (counterparty) risk; liquidity risk; systemic risk; general business risk; investment risk; and operational risk. The Board of the CDS is responsible for the governance of risk and for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. This report describes the risk management and internal control policies, procedures and systems that are in place at the CDS and their application during 2023-2024, and complies with the requirements of Section 20(4) of the Securities Act 2005.

The main pillars of the risk management framework implemented by the CDS are as follows:

- Clear, transparent and enforceable rules and procedures that are consistent with the Securities (Central Depository, Clearing and Settlement) Act 1996, the Securities Act 2005 and the Financial Services Act 2007
- The Business Conduct Committee
- Capital Adequacy Requirements for Participants
- Settlement on a strict delivery versus payment basis
- Prevention of Settlement Failures and Guarantee Fund Mechanism
- Securities Lending and Borrowing
- System of Internal Controls
- External Audit of the System of Internal Controls on Operations
- Internal Audit of Operations and Systems Departments
- Disaster Recovery Plan
- IT Security Audit
- Financial Controls
- Investment Committee
- Strong and liquid balance sheet

ELIGIBLE SECURITIES DEPOSITORY UNDER US INVESTMENT COMPANY ACT

The CDS qualifies as an Eligible Securities Depository under the US Investment Company Act Rule 17f-7. This rule requires US registered investment companies to hold their securities only in Eligible Securities Depositories to reduce risks associated with offshore investments. Rule 17f-7 of the US Investment Company Act sets forth the following six criteria for the determination that a depository is "eligible" to hold assets of a U.S. or Canadian domiciled investment company:

1. Acts as or operates a system for the central handling of securities or equivalent book-entries in the country where it is incorporated, or a transnational system for the central handling of securities or equivalent book-entries;
2. Is regulated by a foreign financial regulatory authority;
3. Holds assets for the custodian that participates in the system on behalf of the fund under safekeeping conditions no less favourable than the conditions that apply to other participants;
4. Maintains records that identify the assets of each participant, and segregates the system's own assets from the assets of participants;
5. Provides periodic reports to its participants with respect to its safekeeping of assets, including notices of transfers to or from any participant's account; and
6. Is subject to periodic examination by regulatory authorities or independent accountants.

The CDS meets the above six criteria.

THE BUSINESS CONDUCT COMMITTEE

Since its inception in 1997 and in accordance with section 1.4 of the CDS Rules, the CDS has set up a Business Conduct Committee (BCC) with the following mandate:

1. Recommend the adoption of a risk management policy to the Board of Directors
2. Monitor the operations relating to risk management issues
 - 2.1 Ensure enforcement of the risk management policy adopted
 - 2.2 Ensure compliance with the requirements of Rule 3.8.7 with regard to the review of internal control
3. Monitor the operations relating to the Guarantee Fund
4. Hear complaints from aggrieved Participants who claim to be adversely affected by any decision of CDS with respect to CDS operations in accordance with Rule 2.4
5. Make recommendations to the Board of Directors of CDS with respect to Participation Applications in accordance with Rule 2.2.4 and to Termination in accordance with Rule 2.3.3.

As per section 1.4.2 of the CDS Rules, the Business Conduct Committee is composed of a majority of members who are not members of the Board of CDS, nor Participants or related to Participants, and not employed by a Participant. The quorum for meetings of the Business Conduct Committee is three with at least two independent members. The composition of the Business Conduct Committee as at 30th June 2024 was as follows:

Chairperson: Mr Tega Appavou (Independent)
 Members: Mr Jean Michel Chung Chun Lam (Independent)
 Mr Ashish Jagarnath (Independent)
 Mr James Leung Yin Kow (Independent)
 Mr Vikash Tulsidas

The Finance & Administration Manager of CDS is the Secretary of the Business Conduct Committee, which generally meets on a monthly basis to review and discuss the following issues:

- Financial Resource Requirements returns submitted by Participants
- Statement of assets and liabilities of the Guarantee Fund
- Settlement Limits of Participants
- Internal audit report
- Audited and unaudited accounts of Participants
- Statistics on operations

The attendance of members at the meetings of the BCC held during the year under review was as follows:

| NAME | NO. OF MEETINGS ATTENDED |
|-------------------------------|--------------------------|
| Mr Tega Appavou | 11/11 |
| Mr Jean Michel Chung Chun Lam | 11/11 |
| Mr Ashish Jagarnath | 10/11 |
| Mr James Leung Yin Kow | 11/11 |
| Mr Vikash Tulsidas | 11/11 |

CHANGE IN PARTICIPANTS

During the year under review, MUA Stockbroking Ltd and Redwood Finance Ltd ceased to be Participants of CDS after giving thirty days' notice to CDS in accordance with section 2.3.5 of the CDS Rules. The securities accounts of all clients of MUA Stockbroking Ltd and Redwood Finance Ltd were transferred to other Participants prior to their withdrawal from CDS.

CAPITAL ADEQUACY REQUIREMENTS FOR PARTICIPANTS

The CDS has set up capital adequacy requirements for Investment Dealers as a first line of defence against risk. An assessment of the stability and financial health of Investment Dealers in the clearing and settlement services provides an important indication of potential trouble. The CDS has implemented a set of rules on conditions for participation called Financial Resource Requirements. These rules require each Investment Dealer to have sufficient adjusted liquid capital to cover its fixed expenditure base requirements and risk (position, counter party and foreign exchange) requirements. Investment Dealers are required to submit monthly returns so that CDS can monitor compliance with the Financial Resource Requirements (FRR). These returns are analysed by the BCC at its monthly meetings. Copies of the FRR returns are also filed with the Financial Services Commission

All the FRR returns submitted by investment dealers during the year 2023 – 2024 showed Capital Surpluses.

DELIVERY VERSUS PAYMENT

The CDS has eliminated principal risk with respect to transactions effected on the Stock Exchange of Mauritius, by performing the settlement of transactions on a strict delivery versus payment basis. There is no risk that a CDS Participant delivers securities but does not receive payment or vice-versa. Trades executed on the Automated Trading System (SEMATS) are automatically fed into the CDS system and the relevant securities accounts are updated on a real-time basis. On trade day, the seller's securities account shows a Sale-in-Suspense and the traded securities are blocked in this account. The buyer's securities account shows a Purchase-in-Suspense but the securities are not transferred to this account. On settlement date, funds transfer between the seller's and buyer's Participants takes place at a cut-off time on a net basis through the Participants' settlement banks and the Bank of Mauritius. When funds settlement is completed by final and irrevocable transfer in the books of the Bank of Mauritius, the latter sends a confirmation message to CDS which then immediately transfers the securities by debiting the seller's securities account and crediting the buyer's securities account. The securities are delivered to the buyer if and only if the CDS receives confirmation of settlement of the cash leg from the central bank. Conversely, if the buyer makes payment, the delivery of the securities is guaranteed since the securities have already been blocked in the securities account of the seller.

GUARANTEE FUND

In accordance with Section 3(8)(a) of the Securities (Central Depository, Clearing and Settlement) Act 1996, the CDS has set up a Guarantee Fund for the purpose of providing an indemnity against any default in respect of payments for or delivery of securities and of obligations of Participants towards CDS. The Guarantee Fund is used to guarantee the settlement of transactions in the event of a default by a Participant. In such a situation, the Guarantee Fund steps into the net settlement mechanism and makes good the obligation of the defaulting Participant. The Guarantee Fund will seize the unpaid securities and sell these back on the market in order to replenish itself. The Guarantee Fund acts as a shock absorber in the event of a settlement failure and thus prevents the market from collapsing through systemic effect. The Guarantee Fund contributes to maintain confidence in the stock market.

It is important to note that to date there has never been any failed trade in the CDS.

The Fund is constituted of cash contributions by investment dealers and CDS, as well as Letters of Credit/Deposits provided by investment dealers. The CDS contributed an amount of Rs 21,238 to the Fund in 2023–2024 (Rs 18,398 in 2022–2023). The assets of the Fund are segregated from those of the CDS (separate bank accounts) and are available only for the purpose of the Fund as required by law. The Fund is independently managed by the Business Conduct Committee. The assets of the Fund are only invested in low-risk liquid instruments. The size of the Fund as at 30th June 2024 was as follows:

Cash contributions: Rs 37,253,657 (Rs 36,832,250 as at 30th June 2023).

Letters of Credit/Deposits submitted by investment dealers: Rs 24,461,000 (Rs 26,866,432 as at 30th June 2023)

The Fund can also have recourse to a standby line of credit of Rs 50 M from its banker.

RISK CONTROLS TO ADDRESS FUNDS SETTLEMENT FAILURES

Each investment dealer has a settlement limit that is based on the amount of collateral (cash and letters of credit) submitted to CDS. The minimum amount of the collateral required for an investment dealer is based on the moving average of its cumulative liability over the past 12 months. CDS monitors the settlement obligation of each investment dealer on a daily basis. If at the close of trading, the net cumulative liability (total amount of unsettled obligations over a period of three days) of an investment dealer exceeds its settlement limit, the investment dealer is required to submit additional collateral before being allowed to buy more securities during the next trading session.

During the year 2023–2024, there were 8 cases where the settlement limits of investment dealers were exceeded (8 cases in 2022–2023). In each case, the relevant investment dealer submitted the required collateral on the next business day after the limit was exceeded.

If an investment dealer fails to meet its settlement obligations, the CDS will have recourse to its Letter of Credit and to the Guarantee Fund to meet the investment dealer's obligations and complete the settlement of transactions. The Stock Exchange of Mauritius (SEM) and the Financial Services Commission will be immediately notified of the funds settlement failure.

There was no funds settlement failure during the year under review.

RISK CONTROLS TO ADDRESS SECURITIES DELIVERY FAILURES

When an investment dealer places a sell order for a client on the automated trading system (ATS), the system verifies that the client has previously deposited or purchased the securities that it wishes to sell, before accepting the sell order in the order book. However, the ATS allows an investment dealer to place a bulk order without indicating the clients' accounts. After the execution of the bulk order, the investment dealer will then allocate the trades to its clients. The CDS system automatically checks the securities balance each time a trade is allocated to a client's account. In case of insufficient balance in the client's account, the system will not allow the investment dealer to allocate the sale to that client. In such a situation, the trade is automatically posted to the account of the investment dealer that must now deliver the securities. If the investment dealer does not hold the securities, its proprietary account will show a negative balance.

When an investment dealer buys or sells securities for the client of a custodian bank, the transaction is subject to the confirmation of the latter. A situation that may lead to a negative balance in an investment dealer's account is when a custodian bank does not accept a sale that has been allocated to its client's account by the investment dealer. In such a case, the sale is allocated to the proprietary account of the investment dealer and this account will show a negative balance if the investment dealer does not hold the securities that must be delivered.

CDS monitors whether there are any negative balances in the proprietary accounts of investment dealers on a daily basis. Any negative balance in the securities account of an investment dealer must be rectified before 9:00 a.m on T+3 by re-allocating the trade to another client or by borrowing the securities through the securities loan service of CDS.

If the investment dealer still does not have securities in the account at 9:00 a.m on T+3, the trade is temporarily suspended and a buy-in procedure is initiated. The SEM and FSC are immediately notified. The investment dealer is required to make a cash deposit of 50% to CDS and pay a daily fine of 0.20% of the value of the securities (marked to market daily) until the buy-in is completed or the situation is corrected. CDS may abort the buy-in procedure in the following circumstances:

1. The Custodian Bank confirms the trade after T+3, 9:00 a.m and such confirmation is submitted to CDS before T+5, 9:00 a.m.
2. The defaulting investment dealer reports to CDS a loan transaction to settle the trade and the duly completed CDS Loan Forms reach CDS by T+5, 9:00 a.m.

When buy-in is aborted, the original failed trade together with all turnaround trades (see next section) linked to it will be reinstated and will be settled on the next Business Day. In such a situation, CDS will return the cash deposit to the defaulting investment dealer.

When buy-in is completed, notwithstanding whether it is successful or not, the CDS will use the cash deposit to compensate all the buyers involved in each turnaround trade linked to the failed trade, except the buyers involved in the last transaction in each chain of turnaround trades, by paying them an amount equal to 50% of the difference between the price at which they bought the securities and the price at which they subsequently sold the securities.

If after 5 trading sessions the buy-in is unsuccessful, CDS will use the cash deposit to also compensate the buyers in the last transaction in each chain of turnaround trades linked to the failed trade, by paying them an amount equal to 15% of the value of the securities that remain undelivered after the buy-in and CDS will request the SEM to cancel the failed trade together with all turnaround trades linked to it.

There was no securities delivery failure during the year under review.

TURNAROUND TRADING

Turnaround trading involves the selling of securities that have been purchased earlier during a trading session or during previous trading sessions before the settlement date of the initial purchase (i.e. between T and T+2 inclusive, where T is the date of the first trade), to take advantage of an upward movement in prices. Similarly an investor may purchase securities that have been sold earlier during a trading session or during previous trading sessions before the settlement date of the initial sale, to take advantage of a downward movement in price, provided that the investor had the securities in its account prior to the initial sale. The transaction fees applicable to turnaround trades are lower than those applicable to normal transactions. 1,365 turnaround trades for a total amount of Rs 156.25 M were cleared and settled in 2023-2024 compared to 1,435 turnaround trades for a total amount of Rs 139.93 M in 2022-2023.

SECURITIES LENDING

The securities loan service implemented by CDS allows an investment dealer that faces a potential securities delivery failure consequential to the refusal of a sale by a custodian bank, to borrow the securities from a lender (which can be another Participant or its client) and deliver the securities to the buyer/s. The failure of the trade together with any turnaround trades linked to it would thus be avoided with the execution of the loan transaction.

Even with the implementation of the securities loan service, a securities delivery failure may occur if the investment dealer that faces the failure cannot find a willing lender for the securities. In such situations, the CDS Procedures regarding buy-in and compensation described above are applied.

It should again be noted that there was no securities delivery failure during the year under review.

INTERNAL CONTROL

The CDS has implemented a system of internal controls pertaining to:

1. The recording of transactions in securities accounts;
2. The processing of transactions, including clearing and settlement, in accordance with CDS Rules and Procedures; and
3. The integrity and reliability of its data processing facilities.

The system of internal controls is implemented in the Rules and Procedures that govern the day-to-day activities of the CDS and is also integrated in the design of the computer system of CDS. Additional measures have been implemented to ensure the integrity of data and the effectiveness of the internal control system. These measures include the following:

- a) Before any entry is made in the system, strict verifications are carried out against source documents and instructions.
- b) The list of the authorised personnel of registries and CDS participants together with their specimen signatures and the respective powers conferred to them by their company, are kept up-to-date and are referred to when processing transactions relating to the registries and participants.
- c) After posting into the system, verifications are carried out to ensure that balances are correctly updated by new validations or transactions posted. The balances of securities recorded in the system of CDS are reconciled with the figures (balances of securities held in the name of CDS) provided by registries, after the processing of each deposit and withdrawal.
- d) All operations like deposits, withdrawals, transfers, pledges and trade amendments involve at least two CDS staff for control purposes. One person executes the function while the other verifies whether the function has been correctly executed.
- e) A concurrent audit is carried out to ensure that all transactions are backed up by relevant instructions and source documents.
- f) A series of automated tests are performed by the Systems Department to verify the integrity of the database on a daily basis.

ANTI-MONEY LAUNDERING (AML) AND COMBATING THE FINANCING OF TERRORISM (CFT) MEASURES

To ensure strict compliance with the Financial Intelligence and Anti-Money Laundering Act 2002 and the Financial Intelligence and Anti-Money Laundering Regulations 2018, the CDS conducted a Business Risk Assessment (BRA) to identify and assess the Money Laundering and Terrorism Financing risks faced by the company. The BRA document was approved by the Board of CDS on 28th October 2022. The existing AML-CFT Policies, Procedures and Controls were also compiled into a single manual and are based on the assessment of the Money Laundering and Terrorism Financing risks faced by the CDS as set out in the BRA document. The AML-CFT manual was approved by the Board of CDS on 28th October 2022. The Compliance Officer submits an AML-CFT Compliance Report to the Audit Committee on a bi-annual basis.

EXTERNAL AUDIT OF THE SYSTEM OF INTERNAL CONTROLS ON OPERATIONS

The suitability and effectiveness of the system of internal controls are reviewed by external independent auditors on an annual basis. The external auditors also conduct an operations audit at the same time. The scope of the operations audit has been extended to include the review and verification of the adequacy and effectiveness of the AML-CFT measures taken by CDS in accordance with the Financial Intelligence and Anti-Money Laundering Act and the Financial Intelligence and Anti-Money Laundering Regulation. For the year ended 30th June 2024, the auditors, on the basis of the audit tests carried out, concluded that the system of internal controls of the CDS operated effectively and responded properly to the current environment. No exceptions were found by the auditors during the audit of the system of internal controls on operations. The certificate of the auditors is included in the Annual Report.

INTERNAL AUDIT OF OPERATIONS AND SYSTEMS DEPARTMENTS

The Secretary of the Business Conduct Committee conducts monthly internal audits of the functions performed by the Operations and Systems Departments of the CDS. The objective of these internal audits is to verify whether adequate control procedures are in place and also whether the CDS Rules and Procedures are complied with when performing the different functions. The results of these internal audits are reviewed by the Business Conduct Committee. No material exceptions were found by the internal auditor during the year under review.

IT SECURITY POLICY

The CDS ensures that its IT systems are secure (that is, has access controls; is equipped with adequate safeguards to prevent external intrusion; and provides audit trails), reliable and have sufficient capacity to handle expected volume growth. The CDS has implemented an IT Security Policy that defines the responsibilities relating to the management of the IT systems of the CDS and the procedures to be followed by employees of the company as well as by remote users (investment dealers, custodian banks, Financial Services Commission, Bank of Mauritius and registries) when using the IT systems of the company. The IT Security Policy is regularly updated to keep pace with latest developments regarding information security.

The CDS system has industry-standard security features like:

- User and Role Based Access Control (users have accessed to the different functions available in the system based on their respective roles)
- Password controls
- Auditing features at application, operating system and database levels

At the application level, the system maintains the history of all transactions carried out. Every event that changes a balance in a securities account is recorded as a ledger entry. These ledger entries are visible in the client balance inquiry screen giving a complete transaction history. In addition any changes made to investor, security and participant details are logged and are viewable in the form of an audit trail.

The system maintains log files that contain an audit trail of all activities and functions performed on the system as well as transactions processed. These log files are verified on a daily basis.

The Stock Exchange of Mauritius Ltd (SEM) has outsourced its IT function to CDS since January 2001. This includes the technical management of the Automated Trading System (ATS). SEM and CDS have renewed the IT Outsourcing Agreement where the service provided by CDS is clearly defined, in June 2022. The objective of the outsourcing is to achieve costs savings and synergies for both companies.

Investment Dealers, custodian banks, the Financial Services Commission, the Bank of Mauritius and registries use the same network and telecommunications lines to access the ATS and CDS systems. Both systems use the same database servers. However, the engine of the Automated Trading System (ATS) runs on three separate servers on the same network.

Software enhancements, modifications and additions are thoroughly tested before implementation in the live environment. A formal Change Management Procedure is in place at CDS.

No breach of the IT Security Policy was observed during the year under review and the Change Management Procedure was followed for all changes that were made to the systems during 2023-2024.

IT SECURITY AUDIT

Independent external auditors with specific expertise in IT security perform a security audit of the IT systems of the CDS and SEM, once every two years. The scope of the security audit is as follows:

- Review of Security Policy
- Review of the network architecture
- Security audit of the network components like routers, firewall, switches, etc.
- Security audit of the Solaris and Windows servers and Oracle databases
- Internal vulnerability assessment
- Verifying the VPN and Wireless connections
- Non-intrusive external penetration testing
- Verification of mySEM web application and mobile app
- Review of Disaster Recovery Planning
- Verifications of PCs on our LAN

The last IT security audit was conducted in April-June 2023 by Rogers Capital Technology Services Ltd. In their report, the auditors stated that while their intrusive penetration test methods have not allowed them to compromise the organisation's security to get hold of any valuable data, their appreciation of other risk factors from an inside perspective have allowed them to make a series of recommendations that will add value to the organisation's cybersecurity programme. The auditors assigned the "Managed" rating to CDS for the Information Security Maturity Model which is based on Gartner developed IT Score methodology which provides a holistic and meaningful insight on the organisation's security practices. The model is a 5-level maturity stages representation. Based on the five levels an organisation can opt for its targeted objective with respect to its business requirements. The "Initial" and "Developing" stages are considered as high-risk stages as they both represent a barely secured framework. For some organisations, a "Managed" level can be sufficient while other organisations may deem that an "Optimised" level is of necessity. The auditors also assigned the "Low" rating to CDS for the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Vulnerability Scale which ranges from "Very High" to "Very Low". The auditors' report highlights the key security measures that have already been implemented by CDS. 97% of the key recommendations made by the auditors have been implemented as at 30th June 2024. The remaining recommendations (non-critical) will be implemented in 2024-2025.

DISASTER RECOVERY PLAN

The CDS has in place a Disaster Recovery Plan (DRP) to cater for various scenarios. The DRP covers both preventive and corrective measures that will enable CDS to deal with various types of disasters that can disrupt normal systems operation. The physical environment includes UPS, backup generator, automatic fire extinguishing system and access control to the computer room. A back-up server maintains a mirror image of the database on the main server. In the event of a problem with the main server, the back-up server takes over within 10 minutes, without physical intervention at Participants' sites. In the event of a major disaster that causes the CDS site to be unavailable, systems and business operations will be restored at a DR site within 2 hours. Prevention of loss of data is achieved through the implementation of redundant and cyclical backup tapes that are stored both on-site and off-site. Backup to tapes is performed four times a day.

During 2023–2024, three simulations of the DRP were successfully performed on the following respective dates: 13th October 2023; 13th March 2024; and 25th June 2024. The simulation performed on 13th October 2023 involved the participation of investment dealers, custodian banks as well as SEM and CDS personnel. During the last simulation, it took 2 hours to restore the ATS and CDS systems at the DR site.

There was no systems downtime during 2023 – 2024.

FINANCIAL CONTROLS

The system of internal controls of the Finance and Administration department is made up of a series of regular reports to the Board as well as authorization controls. They are as follows:

- The management presents a detailed capital and expenditure budget as well as revenue estimates for review and approval by the Audit Committee and the Board of Directors prior to the start of the financial year;
- The management presents monthly management accounts with detailed explanations on variances to budgeted figures to the Board;
- Authorised signatories for payments and bank transactions consist of two mandatory signatures (one from each of the following two groups: Managing Director/Finance Manager; and Directors).

The Board controls financial matters by receiving and reviewing detailed management accounts at regular and short intervals (monthly). Payments, banking and other financial transactions for amounts higher than Rs 100,000 cannot be made without the authorization of one non-executive director.

INVESTMENT COMMITTEE

Investments decisions are made within guidelines determined by the Investment Committee. The Company's funds are invested in low-risk fixed income instruments (fixed deposits at banks and other deposit taking institutions; and government securities). The main risks to which such investments are exposed are credit risk (the possibility that the deposit taking institution will default by failing to pay principal and interest in a timely manner) and interest rate risk. The investment guidelines seek to minimize credit risk by limiting the percentage of total funds that can be invested at a specific institution. The investment guidelines provide for investment in other instruments subject to the approval of the Investment Committee.

REVIEW OF FINANCIAL CONTROLS

Given the financial control measures that have been implemented and considering the small size of the Company, the Board decided in the past that it is not necessary to implement an internal financial audit function at the CDS. At the request of the Audit Committee, as from 2013 the external auditors carry out an annual review of the financial controls of the company and submit a report on their findings. In their report for the year under review, the auditors have stated that they are of the opinion that the financial control processes of the company that were reviewed are adequate and that they have not observed any issues of concern.

SUSTAINABILITY-RELATED RISKS

In general, central depositories are exposed to the following sustainability-related risks:

1. Regulatory and Compliance Risks: Changes in sustainability regulations can impose compliance burdens on central depositories. Failure to comply with environmental, social, and governance (ESG) regulations can result in legal and financial penalties.

2. Operational Risks: Climate change and extreme weather events can disrupt operations, especially if the physical infrastructure of a central depository is affected. This can result in operational downtime and financial losses.

3. Reputation Risks: Failure to address ESG issues or being associated with companies involved in controversial practices can harm the reputation of a central depository. This can lead to a loss of trust and business.

4. Cybersecurity Risks: As central depositories rely heavily on technology, they are vulnerable to cyberattacks. A cyberattack on a central depository can result in financial losses and loss of trust, impacting sustainability performance.

5. Market Risks: ESG considerations are increasingly influencing investment decisions. Failure to adapt to changing market trends may affect the market share and revenue of a central depository.

Operational and cybersecurity risks are catered for in the existing risk management framework of CDS. Other ESG measures taken by CDS (protection of the environment, labour practices, community engagement, governance, transparency and ethical conduct etc.) are set out in the Corporate Governance Report.

DIRECTORS' REPORT

FINANCIAL STATEMENTS, INTERNAL CONTROL AND RISK MANAGEMENT

Company law requires directors to prepare financial statements for each financial year which present fairly the financial position, financial performance, changes in equity and cash flows of the Company. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2001. They are also responsible for safeguarding the assets of the Company and hence for the implementation and operations of accounting and internal control systems that are designed to prevent and detect fraud and errors, as well as an effective risk management system.

The Audit Committee has discussed the accounting principles and policies with the auditors at its meeting held on 21st June 2024.

AUDITORS' REMUNERATION

The fees (exclusive of VAT) payable to PKF (Mauritius) for the year ended 30th June 2024 are as follows:

| | |
|---------------------------------|--------------------------|
| Financial audit | Rs 235,000 |
| Operations audit | Rs 85,000 |
| Audit of Risk Management Report | Rs 36,000 |
| Annual income tax | Rs 25,000 |
| Financial control review | Rs 54,000 |
| Corporate Governance Review | Rs 23,000 |
| AML-CFT Policies & Procedures | Rs 29,000 |
| TOTAL | <u>Rs 487,000</u> |

APPOINTMENT OF AUDITORS

The auditors, PKF (Mauritius), have expressed their willingness to continue in office. In accordance with Section 195 of the Companies Act 2001, a resolution for their re-appointment as auditors of the Company will be proposed at the annual meeting. Mr Michael Lo is the new audit partner as from 2023-2024.

APPROVAL OF AUDITED FINANCIAL STATEMENTS

The audited financial statements of CDS which are set out from pages 43 to 73 of the Annual Report were approved by the board of directors on 30th August 2024.



Aruna Radhakeesoon
Chairperson



Vipin Mahabirsingh
Managing Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

This report is made solely to the members of the Company as a body in accordance with Section 205 of the Mauritius Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinion we have formed.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements set out on pages 43 to 73 which comprise the statement of financial position as at 30 June 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 policy information.

In our opinion, the accompanying financial statements give a true and fair view of, in all material respects, the financial position of the Company as at 30 June 2024, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and comply with the requirements of the Mauritius Companies Act 2001.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Mauritius, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The directors are responsible for the other information. The other information comprises the Corporate Information, the Chairperson's and Managing Director's Report, the Financial Highlights, the Statistics on Operations, the Corporate Governance Report, the Risk Management Report, the Directors' Report, the Company Secretary's Certificate and the Profile of Management Team. Other information does not include the financial statements and our auditor's report thereon.

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

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

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

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritius Companies Act 2001. They are also responsible for such internal control as they determine is necessary to enable the preparation of the 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

In accordance with requirements of the Mauritius Companies Act 2001, we report as follows:

- we have no relationship with, or any interests in, the Company other than in our capacity as auditors and tax advisors;
- we have obtained all the information and explanations we have required; and
- in our opinion, proper accounting records have been kept by the Company as far as it appears from our examination of those records.


Securities Act 2005

In accordance with Section 20(4) of the Securities Act 2005, we have reviewed the Risk Management Report of the Company and in our opinion, it gives a true and fair view of the risk management procedures and their application for the year ended 30 June 2024.

Financial Reporting Act 2004

The directors are responsible for preparing the corporate governance report. Our responsibility is to report on the extent of compliance with the National Code of Corporate Governance as disclosed in the annual report and on whether the disclosure is consistent with the requirements of the Code.

In our opinion, the disclosure in the annual report is consistent with the requirements of the Code.



PKF (MAURITIUS)
PUBLIC ACCOUNTANTS

Port Louis
MAURITIUS
Date: 30th August 2024



MICHAEL V K LO TIAP KWONG, FCCA
(Licensed by FRC)

STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2024

| ASSETS | NOTES | 2024 Rs'000 | 2023 Rs'000 |
|-------------------------------------|-------|----------------|----------------|
| Non-current assets | | | |
| Property, plant and equipment | (5) | 14,734 | 15,091 |
| Investments | (6) | 249,388 | 225,290 |
| Intangible assets | (7) | 93 | 6 |
| Trade and other receivables | (8) | 11,530 | 11,954 |
| | | <u>275,745</u> | <u>252,341</u> |
| Current assets | | | |
| Inventories | | 234 | 385 |
| Trade and other receivables | (8) | 12,305 | 9,717 |
| Deposits and cash balances | | 65,191 | 70,455 |
| | | <u>77,730</u> | <u>80,557</u> |
| TOTAL ASSETS | | <u>353,475</u> | <u>332,898</u> |
| EQUITY AND LIABILITIES | | | |
| Capital and reserves | | | |
| Stated capital | (9) | 15,000 | 15,000 |
| Retained earnings | | 297,958 | 282,911 |
| Total equity | | <u>312,958</u> | <u>297,911</u> |
| Non-current liabilities | | | |
| Retirement benefit obligations | (10) | 1,110 | 3,941 |
| Deferred tax liabilities | (11) | 1,089 | 556 |
| | | <u>2,199</u> | <u>4,497</u> |
| Current liabilities | | | |
| Trade and other payables | (12) | 18,139 | 14,736 |
| Current tax liabilities | (11) | 574 | 79 |
| Dividend payable | (15) | 19,605 | 15,675 |
| | | <u>38,318</u> | <u>30,490</u> |
| TOTAL LIABILITIES | | <u>40,517</u> | <u>34,987</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>353,475</u> | <u>332,898</u> |

These financial statements were approved by the Board of Directors & authorised for issue on 30th August 2024 and signed on its behalf by:



ARUNA RADHAKESOON
CHAIRPERSON



VIPIN Y.S. MAHABIRSINGH
MANAGING DIRECTOR

The notes on pages 47 to 73 form an integral part of these financial statements. Auditors' Report on pages 40 to 42.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2024

| | NOTES | 2024 Rs'000 | 2023 Rs'000 |
|--|---------|-------------------|----------------|
| Revenue | (3(b)) | 51,880 | 52,802 |
| Other income | (13(a)) | 20,277 | 16,064 |
| | | <u>72,157</u> | <u>68,866</u> |
| Administrative expenses | | (32,837) | (34,646) |
| Operating profit | | 39,320 | 34,220 |
| Contribution to guarantee fund | | (21) | (18) |
| Finance costs | (14) | (95) | (70) |
| PROFIT BEFORE TAXATION | | 39,204 | 34,132 |
| Taxation | (11) | (5,572) | (7,030) |
| Corporate climate responsibility | | (739) | - |
| Corporate social responsibility | | (690) | (790) |
| PROFIT FOR THE YEAR | | <u>32,203</u> | <u>26,312</u> |
| OTHER COMPREHENSIVE INCOME | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | |
| Actuarial gain on Retirement benefit obligations | (10) | 2,951 | 1,094 |
| Deferred tax on net actuarial gain | (11) | (502) | (186) |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | <u>34,652</u> | <u>27,220</u> |
| Dividends | (15) | (19,605) | (15,675) |
| RETAINED COMPREHENSIVE INCOME FOR THE YEAR | | <u>15,047</u> | <u>11,545</u> |
| EARNINGS PER SHARE | (16) | Rs. <u>231.01</u> | <u>181.47</u> |

The notes on pages 47 to 73 form an integral part of these financial statements. Auditors' Report on pages 40 to 42.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2024

| | STATED CAPITAL | RETAINED EARNINGS | TOTAL EQUITY |
|---|-------------------|----------------------|-----------------|
| | Rs'000 | Rs'000 | Rs'000 |
| BALANCE AT 1st JULY 2022 | 15,000 | 271,366 | 286,366 |
| Total comprehensive income for the year | - | 27,220 | 27,220 |
| Dividends | - | (15,675) | (15,675) |
| BALANCE AT 30th JUNE 2023 | 15,000 | 282,911 | 297,911 |
| BALANCE AT 1st JULY 2023 | 15,000 | 282,911 | 297,911 |
| Total comprehensive income for the year | - | 34,652 | 34,652 |
| Dividends | - | (19,605) | (19,605) |
| BALANCE AT 30th JUNE 2024 | 15,000 | 297,958 | 312,958 |

The notes on pages 47 to 73 form an integral part of these financial statements. Auditors' Report on pages 40 to 42.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2024

| | NOTES | 2024 Rs'000 | 2023 Rs'000 |
|---|-------|-----------------|-----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before taxation | | 39,204 | 34,132 |
| Adjustments for: | | | |
| Corporate social responsibility | | (690) | (790) |
| Corporate climate responsibility | | (739) | - |
| Actuarial gain on defined benefit pension plan and gratuities | | 2,951 | 1,094 |
| Depreciation | (5) | 1,589 | 1,623 |
| Amortisation | (7) | 7 | 20 |
| Bad debts written off | | - | 435 |
| Provision for bad debts | | - | 395 |
| Increase in fair value of investments | | (1,982) | (372) |
| Interest income | | (11,603) | (9,332) |
| Investment income | | (1,181) | (1,090) |
| Retirement benefit obligations | | (2,831) | (7,198) |
| OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES | | 24,725 | 18,917 |
| Decrease in inventories | | 151 | 67 |
| Decrease/(increase) in trade and other receivables | | 917 | (325) |
| Increase/(decrease) in trade and other payables | | 3,403 | (1,231) |
| CASH GENERATED FROM OPERATING ACTIVITIES | | 29,196 | 17,428 |
| Tax paid | | (5,046) | (6,592) |
| NET CASH GENERATED FROM OPERATING ACTIVITIES | | 24,150 | 10,836 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Net movement in investment in financial assets | | (22,116) | (17,371) |
| Purchase of property, plant and equipment | (5) | (1,232) | (523) |
| Purchase of intangible assets | (7) | (94) | - |
| Interest received | | 8,522 | 10,003 |
| Dividend received | | 1,181 | 1,090 |
| NET CASH USED IN INVESTING ACTIVITIES | | (13,739) | (6,801) |
| CASH FLOWS FROM FINANCING ACTIVITY | | | |
| Dividend paid | | (15,675) | (19,950) |
| NET CASH USED IN FINANCING ACTIVITY | | (15,675) | (19,950) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | | (5,264) | (15,915) |
| Cash and cash equivalents at beginning of year | | 70,455 | 86,370 |
| Cash and cash equivalents at end of year | | 65,191 | 70,455 |
| ANALYSIS OF CASH AND CASH EQUIVALENTS: | | | |
| Deposits and cash balances | | 65,191 | 70,455 |

The notes on pages 47 to 73 form an integral part of these financial statements. Auditors' Report on pages 40 to 42.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2024

1. GENERAL INFORMATION

Central Depository & Settlement Co. Ltd is a private company incorporated in Mauritius. Its registered office is situated at 4th floor, One Cathedral Square building, 16 Jules Koenig Street, Port Louis.

The main activities of the company are to provide depository, clearing and settlement services in order to facilitate dealings in securities.

2. ADOPTION OF NEW AND REVISED STANDARDS

(i) New and amended standards and interpretations adopted during the year

The accounting policies adopted are consistent with those of the previous financial year except that the Company has adopted the following Standards (amendments) as of 01 July 2023:

- Definition of Accounting Estimates (Amendments to IAS 8)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - (Amendments to IAS 12)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

The effects of these standards (amendments) have been described below:

Definition of Accounting Estimates (Amendments to IAS 8)

The definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - (Amendments to IAS 12)

The amendments narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

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

The amendments modify the requirements introduced by Classification of Liabilities as Current or Non-current on how an entity classifies debt and other financial liabilities as current or non-current in particular circumstances: Only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months.

2. ADOPTION OF NEW AND REVISED STANDARDS (CONT'D)

(i) New and amended standards and interpretations adopted during the year (cont'd)

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. Applying the amendments, an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments to IAS 1 were made to explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendments, the IASB Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

These amendments did not impact on the Company's financial position or performance.

(ii) New standards, amendments and interpretations issued but not yet effective

Standards, amendments and interpretations issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing is of standards, amendments and interpretations issued, which the Company reasonably expects to be applicable at a future date.

| | Effective for accounting period beginning on or after |
|--|---|
| - Non-current Liabilities with Covenants (Amendments to IAS 1) | 1 January 2024 |
| - Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 Leases | 1 January 2024 |
| - Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments | 1 January 2024 |

The directors anticipate that the adoption of these standards, amendments and interpretations in future years will have no material impact on the financial statements of the Company.

Non-current Liabilities with Covenants (Amendments to IAS 1)

The amendments states that an entity does not have the right to defer settlement of a liability and thus classifies the liability as current when the entity would not have complied with covenants based on its circumstances at the reporting date, even if compliance with such covenants were tested only within twelve months after that date. The amendments issued clarify that covenants of loan arrangements which an entity must comply with only after the reporting date would not affect classification of a liability as current or non-current at the reporting date. However, those covenants that an entity is required to comply with on or before the reporting date would affect classification as current or non-current, even if the covenant is only assessed after the entity's reporting date.

Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 Leases

The amendments confirm the following.

On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction.

After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains.

A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments

The amendments introduce two new disclosure objectives – one in IAS 7 and another in IFRS 7 – for a company to provide information about its supplier finance arrangements that would enable users (investors) to assess the effects of these arrangements on the company's liabilities and cash flows, and the company's exposure to liquidity risk.

3. MATERIAL ACCOUNTING POLICIES

The material accounting policies adopted in the preparation of these financial statements have been consistently applied to all years presented, unless otherwise stated and are set out below:

(a) Basis of preparation

The financial statements comply with the Companies Act 2001 and have been prepared in accordance with International Financial Reporting Standards (IFRS). Where necessary, comparative figures have been amended to conform with change in presentation and disclosure in the current year. The financial statements are prepared on a going concern basis, under the historical cost convention unless otherwise stated.

(b) Revenue Recognition

Revenue from contracts with customers

The Company recognises revenue from contracts with customers based on a five-step model as set out in 'IFRS 15 – Revenue from Contracts with Customers' as follows:

- Step 1.** Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and set out the criteria for every contract that must be met.
- Step 2.** Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer to the customer either a good or service (or a bundle of goods or services) that is distinct; or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.
- Step 3.** Determine the transaction price: The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- Step 4.** Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.
- Step 5.** Recognise revenue when (or as) the entity satisfies a performance obligation.

The Company satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

1. The customer simultaneously receives and consumes all of the benefits provided by the Company's performance as the Company performs; or
2. The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
3. The Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

3. MATERIAL ACCOUNTING POLICIES (CONT'D)

For performance obligations where any of the above conditions are not met, revenue is recognised at a point in time at which the performance obligation is satisfied.

When the Company satisfies a performance obligation by delivering the promised goods or services it creates a contract asset based on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised this gives rise to a contract liability.

The revenue of the Company for the year has been recognised at a point in time upon performance of services, net of Value Added Tax.

Other income earned by the company is recognised on the following basis:

- (i) Interest Income - using the effective interest method.
- (ii) Dividend Income - when the shareholder’s right to receive payment is established.
- (iii) IT Facilities Management fees - as it accrues.
- (iv) Registry Software fees - as it accrues.
- (v) ISIN Service fees - as it accrues.

(c) Property, Plant and Equipment

Property, Plant and Equipment is stated at historical cost less accumulated depreciation.

Depreciation is calculated so as to write off the cost of assets by equal instalments to their expected residual values over their estimated useful lives as follows:

| | |
|------------------------------|----------|
| Office Premises | 50 years |
| Office furniture & Equipment | 5 years |
| Computer Equipment | 5 years |
| Motor Vehicles | 5 years |

The assets’ estimated residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

When the carrying amount of an asset is greater than that its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of Property, Plant and Equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

(d) Intangible Assets

Computer software

Intangible assets (Application Software) were capitalised on the basis of costs incurred to acquire and bring to use the specific software and were amortised at the rate of 7.69% per annum for a period of 13 years.

Development Costs

Costs associated with developing or maintaining computer software are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software controlled by the Company and that will generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs.

Other Computer software recognised as assets are amortised over their estimated useful lives (5 years).

3. MATERIAL ACCOUNTING POLICIES (CONT'D)

(e) Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

Inventories represent stationery and CDS Forms, and are stated at cost. Cost is determined on the first-in first-out (FIFO) method.

(f) Taxation

Income taxation for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Corporate Social Responsibility (CSR)

The Corporate Social Responsibility (CSR) is calculated at 2% of its previous year's chargeable income.

Corporate Climate Responsibility (CRR)

The Corporate Climate Responsibility (CCR) levy is applied at 2% on chargeable income for the year.

Deferred Tax

Deferred tax is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

(g) Employee Benefits

Defined benefit pension plan

The company contributes to a pension scheme which is a 'Defined Benefit' plan.

The present value of funded obligations is recognised in the statement of financial position as a non-current liability after adjusting for the fair value of plan assets, any recognised actuarial gains and losses and any unrecognised past service cost. The valuation of these obligations is carried out annually by a firm of consulting actuaries.

Remeasurement for the net defined benefit liability, which comprise actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), is recognised immediately in other comprehensive income in the period in which they occur. Remeasurements recognised in other comprehensive income shall not be reclassified to profit or loss in subsequent period.

The current service cost and any recognised past service cost are included as an expense together with the associated interest cost, net of expected return on plan assets.

Residual Retirement Gratuities

For employees who are insufficiently covered by the above pension plans, the net present value of gratuity on retirement payable under the Workers Rights Act (WRA) 2019 is calculated by a qualified actuary and provided for. The obligations arising under this item are not funded.

3. MATERIAL ACCOUNTING POLICIES (CONT'D)

(h) Provisions

Provisions are recognised when the company has a present or constructive obligation as a result of past events and it is probable that it will result in an outflow of economic benefits that can be reasonably estimated to settle the obligation.

(i) Stated capital

Ordinary shares are classified as equity.

(j) Foreign Currencies

(i) *Functional and presentation currency*

Items included in the financial statements are measured using Mauritian rupees, the currency of the primary economic environment in which the entity operates ("functional currency").

The financial statements are presented in Mauritian rupees, which is the company's functional and presentation currency.

(ii) *Transactions and balances*

Transactions denominated in foreign currencies are translated in Mauritian rupees at the rates ruling at the transactions dates. Monetary assets and liabilities which are expressed in foreign currencies are translated into Mauritian rupees at the rates ruling at reporting date. Resulting gains or losses are transferred to the statement of profit or loss and other comprehensive income.

(k) Related Parties

For the purpose of these financial statements, parties are considered to be related to the company if they have the ability, directly or indirectly, to control the company or exercise significant influence over the company in making financial and operating decisions, or vice versa, or where the company is subject to common control or common significant influence. Related parties may be individuals or other entities.

(l) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less cost to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

(m) Financial instruments

Classification of financial assets

Initial recognition

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

3. MATERIAL ACCOUNTING POLICIES (CONT'D)

(m) Financial instruments (cont'd)

Classification of financial assets (cont'd)

(i) Financial assets measured at amortised cost:

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 the financial 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.

For the year ended 30 June 2024, the Company held financial assets listed below at amortised cost:

(a) *Investments in fixed deposits:*

Investments are financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity. They are measured at amortised cost, less any impairment loss. The interest accrued is recorded as interest income in the statement of profit or loss and other comprehensive income.

(b) *Trade and other receivables*

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. The amount of loss is recognised in the statement of profit or loss and other comprehensive income.

(c) *Cash and cash equivalents*

Cash includes balances with banks. Cash equivalents are short-term, highly liquid assets which are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value.

(ii) Financial assets measured at FVOCI:

- Debt Instruments: Debt Instruments may be classified as at FVOCI, where the contractual cash flows are solely for payments of principal and interest on the outstanding principal, and the objective of the Company's business model is achieved both by collecting contractual cash flows and selling the underlying financial assets.
- Equity Instruments: In case of equity instruments which are not held for trading or designated at FVTPL, the Company may irrevocably elect to recognise subsequent changes in other comprehensive income. This election is made on an investment-by-investment basis.

For the year ended 30 June 2024, the Company did not hold financial assets which are classified as measured at FVOCI.

3. MATERIAL ACCOUNTING POLICIES (CONT'D)

(m) Financial instruments (cont'd)

(iii) Financial assets measured at FVTPL

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 FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

All other financial assets are classified as measured at FVTPL.

For the year ended 30 June 2024 the Company held an investment in financial asset which is classified as measured at FVTPL.

Investment in financial assets.

The investment in funds and their performance are evaluated on a fair value basis measured at FVTPL because they are neither held to collect contractual cash flows, nor held both to collect contractual cash flows and to sell financial assets. The only cash flows to be received are dividend payments which are not contractual and are dependent upon the performance of the funds.

Business model assessment

The Company makes an assessment of the objective of a 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 frequency, volume and timing of trades of financial assets in prior periods, the reasons for such trades and its expectations about the future trading activity. However, information about trading activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realized;
- how the performance of the portfolio is evaluated and reported to the management; and
- 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.

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

Assessments 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 outstanding principal.

3. MATERIAL ACCOUNTING POLICIES (CONT'D)

(m) Financial instruments (cont'd)

In assessing whether the contractual cash flows are solely payments of principal and interest on the outstanding principal, the Company considers the contractual terms of the instruments. This includes assessing whether the financial assets contains a contractual terms that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Reclassification of financial assets

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

Derecognition of financial assets

Any cumulative gain/loss recognised in the statement of other comprehensive income in respect of an equity instrument designated as FVOCI is reclassified to retained earnings upon derecognition.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model followed under IAS 39 with the forward-looking 'expected credit losses' ('ECL') model. Assessing how changes in economic factors affect ECL requires considerable judgement. ECL are determined on a probability-weighted basis.

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-months ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For amounts due from related parties, the Company applies general approach in calculating ECLs. The Company applies loss allowance at an equal to 12-months ECL since the credit risk on amounts due from related parties has not increased significantly since initial recognition. 12-months ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12-months after the reporting date.

In certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3. MATERIAL ACCOUNTING POLICIES (CONT'D)

(m) Financial instruments (cont'd)

Classification of financial liabilities

Initial recognition

Financial liabilities are classified, at initial recognition (i) at amortised cost or (ii) at FVTPL, or (iii) as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value, net of directly attributable transaction costs, wherever applicable.

Financial liabilities at FVTPL:

Financial liabilities at FVTPL including financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL, shall be measured at fair value. For the year ended on 30 June 2023, the Company has not designated any financial liability as at FVTPL.

Other financial liabilities

After initial recognition, these are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisitions and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

The Company has no derivatives designated as hedging instruments as at 30 June 2024. Hence, all other financial liabilities are classified at amortised cost.

Trade and other payables

Trade payables are stated at fair value and subsequently measured at amortised cost using the effective interest rate method.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender with substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(n) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in accordance with IFRSs requires the directors and management to exercise judgement in the process of applying the accounting policies. It also requires the use of accounting estimates and assumptions that may affect the reported amounts and disclosures in the financial statements. Judgements and estimates are continuously evaluated and are based on historical experience and other factors, including expectations and assumptions concerning future events that are believed to be reasonable under the circumstances. The actual results could, by definition therefore, often differ from the related accounting estimates.

The company makes estimates and assumptions concerning the future. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year and areas where management has applied a higher degree of judgement that have a significant effect on the amounts recognised in the financial statements are listed below.

Property, plant and equipment and Intangible assets

The cost of the property, plant and equipment and intangible assets are depreciated and amortised over the estimated useful life of the asset. The estimated useful life is based on expected usage of the asset and expected physical wear and tear, which depends on operational factors. Management has not considered any residual value as it is deemed immaterial.

Retirement benefit obligations

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using various assumptions that may differ from actual developments in future. The assumptions used include the discount rate, future salary increases, mortality rates and future pension increases. Changes in these assumptions will impact the carrying amount of the pension obligation.

The company determines the appropriate discount rate at each reporting date after discussions with the actuaries. In determining the appropriate discount rate, management considers the yield curve for government bonds traded on secondary market that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the expected term of the related pension obligation.

Income tax expense

Income tax expense comprises current tax and deferred tax. Current tax is expected tax payable on the taxable income for the year using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous year. Deferred tax is provided using the liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes, except differences relating to the initial recognition of assets or liabilities which affect neither accounting nor taxable profit.

Deferred tax is calculated on the basis of the tax rates currently enacted.

A deferred tax asset is based upon whether it is probable that future taxable profits will be available against which the asset can be utilised. Recognition, therefore, involves judgement regarding the future financial performance of the Company.

Calculation of loss allowance

When measuring expected credit loss the company uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring expected credit loss. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

5. PROPERTY, PLANT AND EQUIPMENT

| | OFFICE PREMISES | OFFICE FURNITURE & EQUIPMENT | COMPUTER EQUIPMENT | MOTOR VEHICLES | TOTAL |
|--------------------------|--------------------|------------------------------------|-----------------------|-------------------|---------------|
| COST | Rs'000 | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| At 1st July 2022 | 16,409 | 5,946 | 15,759 | 4,359 | 42,084 |
| Additions | 335 | 99 | 89 | - | 389 |
| At 30th June 2023 | 16,744 | 6,045 | 15,848 | 4,359 | 42,996 |
| Additions | - | 19 | 1,213 | - | 1,232 |
| At 30th June 2024 | 16,744 | 6,064 | 17,061 | 4,359 | 44,228 |
| DEPRECIATION | | | | | |
| At 1st July 2022 | 3,923 | 5,722 | 13,955 | 2,682 | 24,659 |
| Charge for the year | 333 | 148 | 304 | 838 | 1,623 |
| At 30th June 2023 | 4,256 | 5,870 | 14,259 | 3,520 | 27,905 |
| Charge for the year | 335 | 85 | 332 | 837 | 1,589 |
| At 30th June 2024 | 4,591 | 5,955 | 14,591 | 4,357 | 29,494 |
| NET BOOK VALUES | | | | | |
| At 30th June 2024 | 12,153 | 109 | 2,470 | 2 | 14,734 |
| At 30th June 2023 | 12,488 | 175 | 1,589 | 839 | 15,091 |

6. INVESTMENTS

| | 2024 Rs'000 | 2023 Rs'000 |
|-----------------------------|----------------|----------------|
| At amortised cost: | | |
| Maturity falling: | | |
| - Between two to five years | 204,345 | 182,229 |
| - After five years | - | - |
| | 204,345 | 182,229 |
| At FVTPL: | | |
| Investment in funds: | | |
| Opening balance | 43,061 | 42,689 |
| Increase in fair value | 1,982 | 372 |
| Closing balance | 45,043 | 43,061 |
| Total Investments | 249,388 | 225,290 |

The investments at amortised cost bear interest at rates ranging from 2.5% to 6.60% p.a. (2023: 1.84% to 6.60% p.a.) These investments will mature in the financial years 2026 to 2029.

The investment in funds are valued on a fair value basis using the Net Asset Value method Dividend payments may be received depending upon the performance of the funds.

7. INTANGIBLE ASSETS

| | APPLICATION SOFTWARE | DEVELOPMENT COSTS | TOTAL |
|--------------------------|-------------------------|----------------------|--------------|
| COST | Rs'000 | Rs'000 | Rs'000 |
| At 1st July 2022 | 6,996 | 250 | 7,246 |
| Additions | - | - | - |
| At 30th June 2023 | 6,996 | 250 | 7,246 |
| Additions | 94 | - | 94 |
| At 30th June 2024 | 7,090 | 250 | 7,340 |
| AMORTISATION | | | |
| At 1st July 2022 | 6,970 | 250 | 7,220 |
| Charge for the year | 20 | - | 20 |
| At 30th June 2023 | 6,990 | 250 | 7,240 |
| Charge for the year | 7 | - | 7 |
| At 30th June 2024 | 6,997 | 250 | 7,247 |
| NET BOOK VALUES | | | |
| At 30th June 2024 | 93 | - | 93 |
| At 30th June 2023 | 6 | - | 6 |

8. TRADE AND OTHER RECEIVABLES

| | Current | | Non-current | |
|---------------------------------|---------------|--------------|---------------|---------------|
| | 2024 | 2023 | 2024 | 2023 |
| | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| Trade receivables | 1,381 | 2,828 | - | - |
| Prepayments | 1,502 | 1,341 | - | - |
| Amount due from holding company | 548 | 545 | - | - |
| Interest receivable | 8,521 | 4,490 | 9,901 | 10,850 |
| Other receivables | 353 | 513 | 1,629 | 1,104 |
| | 12,305 | 9,717 | 11,530 | 11,954 |

The average credit period on sales of services is 1 month. No interest was charged on the trade receivables. The company does not hold any collateral as security.

Before accepting any new customer, the Company assesses the potential customer's credit quality.

The directors believe that no provision for impairment is required as at 30th June 2024 because most of the trade receivables have been recovered after year end.

The amount due from holding company is unsecured, interest free and receivable on demand

| | 2024 | 2023 |
|--|--------------|--------------|
| | Rs'000 | Rs'000 |
| Ageing of past due but not impaired | | |
| Less than 1 month | 1,350 | 2,824 |
| More than 1 month | 31 | 4 |
| | 1,381 | 2,828 |

9. STATED CAPITAL

| | ISSUED & FULLY PAID | |
|--|---------------------|----------------|
| | 2024 Rs'000 | 2023 Rs'000 |
| 150,000 Ordinary Shares of Rs 100 each | 15,000 | 15,000 |

The holding of an ordinary share in the company shall confer on the holder:

- (a) the right to vote at meetings of shareholders and on a poll to cast one vote for each share held;
- (b) the right to an equal share in dividends and other distributions made by the company; and
- (c) the right to an equal share in the distribution of the surplus assets of the company on its liquidation.

10. RETIREMENT BENEFIT OBLIGATIONS

The benefits of employees fall under 2 different types of arrangements:

- (i) A defined benefit scheme which is funded. The plan assets are held independently by a pension fund.
- (ii) A residual gratuity for employees in line with the requirements of the Workers Rights Act (WRA) 2019.

| | 2024 Rs'000 | 2023 Rs'000 |
|---|----------------|----------------|
| Pension Scheme (asset)/obligations | (61) | 3,941 |
| Residual Retirement Gratuities obligations | 1,171 | - |
| Retirement benefit obligations | 1,110 | 3,941 |
| Actuarial gain on defined benefit pension plan | 4,060 | 1,094 |
| Actuarial loss on Residual Retirement Gratuities | (1,109) | - |
| Total actuarial gain recognised in other comprehensive income | 2,951 | 1,094 |

Pension Scheme

The amounts recognised in the statement of financial position are determined as follows:

| | 2024 Rs'000 | 2023 Rs'000 |
|--|----------------|----------------|
| Present value of defined benefit obligation | 54,890 | 52,593 |
| Fair value of plan assets | (54,951) | (48,652) |
| (Asset)/Liability in the statement of financial position | (61) | 3,941 |

The amounts recognised in the Statement of profit or loss and other comprehensive income are as follows:

| | 2024 Rs'000 | 2023 Rs'000 |
|---|----------------|----------------|
| Current service cost | 1,941 | 2,197 |
| Net Interest expense | 166 | 391 |
| Fund expenses | 554 | - |
| P&L Charge | 2,661 | 2,588 |
| Liability gain | (1,880) | (2,079) |
| Assets (gain)/ loss | (2,180) | 985 |
| Total comprehensive income/ (loss) relating to retirement benefit obligations | (1,399) | 1,494 |

10. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

Movements in the (asset)/liability recognised in the Statement of financial position:

| | 2024 | 2023 |
|--------------------------------|-------------|--------------|
| | Rs'000 | Rs'000 |
| Opening balance | 3,941 | 11,139 |
| Amount recognised in P&L | 2,661 | 2,588 |
| Contributions paid by employer | (2,603) | (8,692) |
| Amount recognised in OCI | (4,060) | (1,094) |
| Closing balance | (61) | 3,941 |

The principal actuarial assumptions used were as follows:

| | 2024 | 2023 |
|--------------------------|-------|-------|
| Discount rate | 5.70% | 5.70% |
| Future salary increases | 3.50% | 3.20% |
| Future pension increases | 1.90% | 1.90% |

Sensitivity

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected salary increase and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the period, while holding all other assumptions constant.

| | 2024 | 2023 |
|--|---------------|---------------|
| | Rs'000 | Rs'000 |
| Effect on present value of defined benefit obligation | | |
| Decrease due to 1% increase in discount rate | 8,300 | 8,784 |
| Increase due to 1% decrease in discount rate | 10,400 | 11,258 |
| Increase due to 1% increase in salary increase rate | 4,000 | 4,115 |
| Decrease due to 1% decrease in salary increase rate | 3,600 | 3,619 |
| | 2024 | 2023 |
| | Rs'000 | Rs'000 |
| Reconciliation of the present value of defined benefit obligation | | |
| Present value of obligation at start of year | 52,593 | 51,969 |
| Current service cost | 1,941 | 2,197 |
| Interest cost | 2,977 | 2,724 |
| Benefits paid | (741) | (2,218) |
| Liability loss/ (gain) due to change in financial assumptions | 1,064 | (3,881) |
| Liability experience (gain)/ loss during the period | (2,944) | 1,802 |
| Present value of obligation at end of year | 54,890 | 52,593 |

10. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

Reconciliation of fair value of plan assets

| | | |
|---|---------|---------|
| Fair value of plan assets at start of year | 48,652 | 40,830 |
| Interest income | 2,810 | 2,333 |
| Employer contributions | 2,603 | 8,692 |
| Benefits paid | (1,294) | (2,218) |
| Return on plan assets excluding interest income | 2,180 | (985) |
| Fair value of plan assets at end of year | 54,951 | 48,652 |
| Actual return on plan assets | 4,990 | 1,348 |

Weighted average duration of the defined benefit obligation (years) 17 19.3

Distribution of plan assets at end of year

The assets of the scheme are invested in local and overseas equity (quoted), and local and overseas debt (quoted and unquoted).

History of obligations, assets and experience adjustments

| | 2024 | 2023 |
|--|----------|----------|
| | Rs'000 | Rs'000 |
| Fair value of plan assets | 54,951 | 48,652 |
| Present value of defined benefit obligation | (54,890) | (52,593) |
| Asset/(Liability) | 61 | (3,941) |
| Asset experience gain/(loss) during the year | 2,180 | (985) |
| Liability experience gain during the year | 1,880 | 2,079 |

Residual Retirement Gratuities

Amounts recognised in SOFP at end of year:

| | 2024 | 2023 |
|---|--------|--------|
| | Rs'000 | Rs'000 |
| Defined benefit obligation | 1,171 | - |
| Fair value of plan assets | - | - |
| Liability recognised in SOFP at end of year | 1,171 | - |

Amounts recognised in SOCI:

| | | |
|----------------------|----|---|
| Service cost: | | - |
| Current service cost | 62 | - |
| P&L Charge | 62 | - |

Remeasurement

| | | |
|---|-------|---|
| Liability loss | 1,109 | - |
| Assets (gain)/loss | - | - |
| Total Other Comprehensive Income (OCI) recognised | 1,109 | - |

Total 1,171 -

10. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

Movements in liability recognised in SOFP:

| | 2024 Rs'000 | 2023 Rs'000 |
|--------------------------|----------------|----------------|
| At start of year | - | - |
| Amount recognised in P&L | 62 | - |
| Amount recognised in OCI | 1,109 | - |
| At end of year | <u>1,171</u> | <u>-</u> |

The Company's SOFP reflects a net defined liability of Rs 1,170,751 as at 30 June 2024 in respect of any residual retirement gratuities expected to be paid to its employees out of Company cashflow as per the Workers' Rights Act 2019.

Reconciliation of the present value of defined benefit obligation

| | | |
|---|--------------|----------|
| Present value of obligation at start of year | - | - |
| Current service cost | 62 | - |
| Liability loss due to change in financial assumptions | 1,025 | - |
| Liability experience loss during the year | 84 | - |
| Present value of obligation at end of year | <u>1,171</u> | <u>-</u> |
| Weighted average duration of the defined benefit obligation (years) | 21 | - |

The cost of providing the benefits is determined using the Projected Unit Method. The principal assumptions used were as follows:

| | 2024 | 2023 |
|-------------------------------------|---------------------------------|------|
| Discount rate | 5.70% | - |
| Future salary increases | 3.50% | - |
| Mortality before retirement | Nil | - |
| Post retirement mortality table | PA(90) rated down by 2 years | - |
| Normal Retirement Age (NRA) (Years) | 65 | - |

Sensitivity

The sensitivity analysis below have been determined based reasonably on possible changes of the assumptions occurring at the end of the reporting year.

| | 2024 Rs'000 | 2023 Rs'000 |
|--|----------------|----------------|
| Increase due to 1% decrease in discount rate | 274 | - |
| Decrease due to 1% increase in discount rate | 217 | - |
| Increase due to 1% increase in discount rate | 348 | - |
| Decrease due to 1% decrease in discount rate | 272 | - |

10. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

| | 2024 Rs'000 | 2023 Rs'000 |
|--|----------------|----------------|
| Expected employer contributions to post-employment benefit plans | 2,713 | 2,612 |

Pension amounts and disclosures have been based on the report submitted by SICOM Group.

The plan exposes the Company to normal risks associated with defined benefit pension plans such as investment, interest, longevity and salary risks.

Investment risk (where the plan is funded): The plan liability is calculated using a discount rate determined by reference to government bond yields; if the return on plan assets is below this rate, it will create a plan deficit and if it is higher, it will create a plan surplus.

Interest risk: decrease in the bond interest rate will increase the plan liability; however, this may be partially offset by an increase in the return on the plan's debt investments and a decrease in inflationary pressures on salary and pension increases.

Longevity risk (where the plan is funded and an annuity is paid over life expectancy): The plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan liability.

Salary risk: The plan liability is calculated by reference to the future projected salaries of plan participants. As such, an increase in the salary of the plan participants above the assumed rate will increase the plan liability whereas an increase below the assumed rate will decrease the liability.

11. TAXATION

| | 2024 | 2023 |
|--|--------------|--------------|
| | Rs'000 | Rs'000 |
| (a) Tax liabilities | | |
| Opening balance | 79 | 700 |
| Taxation paid | (5,046) | (6,592) |
| Provision for the year | 5,541 | 5,971 |
| Closing balance | 574 | 79 |
| (b) Tax expense | | |
| Current tax on the adjusted profit for the year at 15% | 5,541 | 5,971 |
| Deferred taxation | 31 | 1,059 |
| Tax charge | 5,572 | 7,030 |

The tax on the company's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the company as follows:

| | | |
|--|--------------|--------------|
| Profit before tax | 39,204 | 34,132 |
| Tax calculated at a tax rate of 15% | 5,881 | 5,120 |
| Non-deductible expenses for tax purposes | 419 | 523 |
| Non-taxable income for tax purposes | (475) | (219) |
| Deferred taxation | 31 | 1,059 |
| Capital allowances effects | (284) | (248) |
| Additional tax paid | - | 1,731 |
| Contribution in pension liability | - | (936) |
| Tax charge | 5,572 | 7,030 |
| (c) Deferred Tax Liabilities/(Assets) | | |
| Opening balance | 556 | (689) |
| Charged for the year | 31 | 1,059 |
| Charged to other comprehensive income | 502 | 186 |
| Closing balance | 1,089 | 556 |

| | Capital tax allowances | Retirement benefit obligations | Total |
|---------------------------------------|------------------------|--------------------------------|--------------|
| | Rs'000 | Rs'000 | Rs'000 |
| At 1st July 2022 | 1,205 | (1,894) | (689) |
| Charged for the year | 22 | 1,037 | 1,059 |
| Charged to other comprehensive income | - | 186 | 186 |
| At 30th June 2023 | 1,227 | (671) | 556 |
| Charged/ (credited) for the year | 51 | (20) | 31 |
| Charged to other comprehensive income | - | 502 | 502 |
| At 30th June 2024 | 1,278 | (189) | 1,089 |

| 12. TRADE AND OTHER PAYABLES | 2024 Rs'000 | 2023 Rs'000 |
|--|----------------|----------------|
| Service fees received in advance | 8,739 | 8,679 |
| Other payables | 9,400 | 6,057 |
| | <u>18,139</u> | <u>14,736</u> |
| | | |
| 13. OPERATING PROFIT | 2024 Rs'000 | 2023 Rs'000 |
| | | |
| (a) Operating profit is arrived at after : | | |
| Crediting other income : | | |
| | | |
| Interest income | 11,603 | 9,332 |
| Dividend received | 1,181 | 1,090 |
| ISIN service fee - FSC | 2,298 | 2,139 |
| Sundry income | 182 | 189 |
| Connection fees | - | 50 |
| IT facilities management fees | 2,103 | 2,028 |
| Registry software fees | 928 | 864 |
| Increase in fair value of investment | 1,982 | 372 |
| | <u>20,277</u> | <u>16,064</u> |
| | | |
| and Charging : | | |
| | | |
| Fees paid to auditors - Audit and other services | 560 | 506 |
| Non-executive directors' emoluments | 1,429 | 1,311 |
| Depreciation | 1,589 | 1,623 |
| Amortisation | 7 | 20 |
| Staff costs (Note 13(b)) | 22,745 | 22,424 |
| | <u>22,745</u> | <u>22,424</u> |
| | | |
| (b) Staff costs | 2024 Rs'000 | 2023 Rs'000 |
| Salaries and allowances | 18,913 | 18,764 |
| Pension Contributions | 3,832 | 3,660 |
| | <u>22,745</u> | <u>22,424</u> |
| | | |
| (c) Number of employees | | |
| Systems, Operations and Finance/Administration | <u>11</u> | <u>11</u> |
| | | |
| 14. FINANCE COSTS | 2024 Rs'000 | 2023 Rs'000 |
| Bank charges | 95 | 70 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024 (CONT'D)

| 15. DIVIDENDS | 2024 Rs'000 | 2023 Rs'000 |
|--|----------------|----------------|
| Declared : | | |
| Dividend of Rs 130.7 per Ordinary Share (2023: Rs 104.5) | 19,605 | 15,675 |

| 16. EARNINGS PER SHARE | 2024 | 2023 |
|---|---------------|---------|
| Total Comprehensive Income attributable to shareholders | Rs'000 34,652 | 27,220 |
| Number of Ordinary Shares in issue | 150,000 | 150,000 |
| Earnings per share | Rs 231.01 | 181.47 |

| 17. RELATED PARTY TRANSACTIONS | 2024 Rs'000 | 2023 Rs'000 |
|---|----------------|----------------|
| (i) Sales of Services to : | | |
| The Stock Exchange of Mauritius Ltd | 2,103 | 2,028 |
| (ii) Outstanding Balance arising from the sales of services : | | |
| The Stock Exchange of Mauritius Ltd | 548 | 545 |

The above transactions were carried out on commercial terms and conditions and the repayment is over a month upon receipt of invoice.

| | | |
|--|-------|-------|
| (iii) Compensation of key management personnel | | |
| Short term benefits | 6,096 | 5,528 |
| Post employment benefits | 834 | 809 |
| | 6,930 | 6,337 |

| (iv) Remuneration of directors | 2024 Rs'000 | 2023 Rs'000 |
|--------------------------------|----------------|----------------|
| - Non executive directors | 1,429 | 1,311 |
| - Executive | 6,930 | 6,337 |
| (v) Dividend payable | 19,605 | 15,675 |

18. FINANCIAL RISK MANAGEMENT

Overview

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

- (a) Liquidity risk
- (b) Market risk
- (c) Interest rate risk
- (d) Currency risk
- (e) Credit risk

18. FINANCIAL RISK MANAGEMENT (CONT'D)

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. Investment decisions are made within guidelines determined by the Investment Committee.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to finance its operations and to mitigate the effects of fluctuation in cash flows.

The maturity profile of the financial instruments is summarised as follows:

| | 2024 | | | Total |
|------------------------------|------------------|-----------|-----------|---------|
| | Less than 1 year | 1-5 years | > 5 years | |
| | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| Financial assets | | | | |
| Investments | - | 249,388 | - | 249,388 |
| Deposits and cash balances | 65,191 | - | - | 65,191 |
| Trade and other receivables | 10,803 | 11,530 | - | 22,333 |
| | 75,994 | 260,918 | - | 336,912 |
| Financial liabilities | | | | |
| Trade and other payables | 9,400 | - | - | 9,400 |
| Dividend payable | 19,605 | - | - | 19,605 |
| | 29,005 | - | - | 29,005 |

| | 2023 | | | Total |
|------------------------------|------------------|-----------|-----------|---------|
| | Less than 1 year | 1-5 years | > 5 years | |
| | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| Financial assets | | | | |
| Investments | - | 225,290 | - | 225,290 |
| Deposits and cash balances | 70,455 | - | - | 70,455 |
| Trade and other receivables | 8,376 | 11,954 | - | 20,330 |
| | 78,831 | 237,244 | - | 316,075 |
| Financial liabilities | | | | |
| Trade and other payables | 6,057 | - | - | 6,057 |
| Dividend payable | 15,675 | - | - | 15,675 |
| | 21,732 | - | - | 21,732 |

18. FINANCIAL RISK MANAGEMENT (CONT'D)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of its financial instruments. The objective of the market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

The company is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

Interest rate risk is managed principally through monitoring interest rate gaps.

The interest rate profile of the company's financial assets as at 30 June is as follows:

| | 2024 % | 2023 % |
|---------------|-------------|-------------|
| Bank balances | 0.15 - 0.55 | 0.15 - 0.55 |
| Deposits | 2.50 - 6.60 | 1.84 - 6.60 |

Deposits which have fixed interest rates will not be affected by fluctuations in the level of interest rates. The following table details the sensitivity of the company's bank balances and deposits if interest rate had been 50 basis points higher. For a lower interest rate by 50 basis points, there would be an equal and opposite impact on the profit and equity.

| | 2024 Rs'000 | 2023 Rs'000 |
|--------------------|----------------|----------------|
| Increase in profit | 722 | 459 |
| Increase in equity | 614 | 390 |

Currency risk

Except for the following foreign currency balances, there are no other financial assets and liabilities denominated in foreign currencies.

| | Cash and cash equivalents | Investments in fund | Fixed deposits | Total |
|------|------------------------------|------------------------|-------------------|--------|
| | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| USD | 233 | 23,887 | 7,753 | 31,873 |
| GBP | 106 | - | - | 106 |
| AUD | 3 | - | - | 3 |
| ZAR | 1 | - | - | 1 |
| EURO | 377 | - | - | 377 |
| | 720 | 23,887 | 7,753 | 32,360 |

The Company is exposed to currency risk of MUR relative to USD, GBP, AUD, ZAR and EURO. The Company dealings in foreign currency is managed by seeking the best rates available.

The following table details the company's sensitivity to a 5% decrease in the exchange rate of the USD, GBP, AUD, ZAR and EURO against the Mauritian Rupee. A positive number below indicates an increase in profit and other equity where the relevant currencies weaken 5% against Mauritian Rupee. For a 5% strengthening of relevant currencies against the Mauritian Rupee, there would be an equal and opposite impact on the profit and the equity.

18. FINANCIAL RISK MANAGEMENT (CONT'D)

| | 2024 Rs'000 | 2023 Rs'000 |
|--------------------|----------------|----------------|
| Increase in profit | 1,618 | 1,356 |
| Increase in equity | 1,375 | 1,153 |

Credit risk

The company's credit risk is primarily attributable to its trade receivables and deposits with banks and other financial institutions. At year end, the company has no significant concentration of credit risk which has not been adequately provided for. Cash and deposits are held in banks and other financial institutions with high credit ratings.

Fair value hierarchy

IFRS 13 requires disclosures relating to fair value measurements using a three level fair value hierarchy. The level within which the fair value management is categorised in its entirety is determined on the basis of the lowest input that is significant to the fair value measurement. The following table shows financial instruments recognised at fair value, categorised between those whose fair value is based on:

- Level 1 Quoted prices (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

If the fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs that measurement is a level 3 measurement.

The determination of what constitutes 'observable' requires significant judgement by the company. The company considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

| | LEVEL 1 Rs'000 | LEVEL 2 Rs'000 | LEVEL 3 Rs'000 | TOTAL Rs'000 |
|---------------------|-------------------|-------------------|-------------------|-----------------|
| 2024 | | | | |
| Investment in funds | - | 45,043 | - | 45,043 |
| 2023 | | | | |
| Investment in funds | - | 43,061 | - | 43,061 |

18. FINANCIAL RISK MANAGEMENT (CONT'D)

Capital risk management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns and value for its shareholders.

The capital structure of the company consists of cash and cash equivalents and equity attributable to equity holders of the company, comprising issued share capital and retained earnings.

The Company's overall strategy remains unchanged from 2023

Categories of financial instruments

| | 2024 | 2023 |
|-------------------------------|---------|---------|
| | Rs'000 | Rs'000 |
| Financial assets | | |
| <i>At amortised cost:</i> | | |
| Investments in fixed deposits | 204,345 | 182,229 |
| Trade and other receivables | 22,333 | 20,330 |
| Deposits and cash balances | 65,191 | 70,455 |
| | 291,869 | 273,014 |
| <i>At FVTPL:</i> | | |
| Investment in funds | 45,043 | 43,061 |
| | | |
| Financial liabilities | | |
| <i>At amortised cost:</i> | | |
| Trade and other payables | 9,400 | 6,057 |

19. CONTINGENT LIABILITY

A contingent liability will arise if, in the event of a default by a participant, the amount due by the participant exceeds the total amount of financial resources available to the Guarantee Fund.

20. HOLDING COMPANY

The directors consider The Stock Exchange of Mauritius Ltd, incorporated in the Republic of Mauritius, as the holding company.

21. WORLD EVENTS

UKRAINE WAR

In the beginning of March 2022, Russia has invaded Ukraine leading to a great turmoil, impacting the political and financial environment worldwide. The directors of the Company are monitoring the possible impact that the war has on the company and will reflect the consequences as appropriate in the financial statements.

22. EVENTS AFTER REPORTING DATE

On 12th July 2024, there was a change in shareholding whereby 2000 shares held by State Investment Corporation in CDS were transferred to Capital Asset Management Ltd.

There have been no other material events after the reporting date which require disclosure or amendment to the financial statements for the year ended 30th June 2024.

23. FIVE YEAR FINANCIAL SUMMARY

STATEMENT OF PROFIT, CAPITAL & RESERVES

| | 2024 Rs'000 | 2023 Rs'000 | 2022 Rs'000 | 2021 Rs'000 | 2020 Rs'000 |
|--|----------------|----------------|----------------|----------------|----------------|
|--|----------------|----------------|----------------|----------------|----------------|

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | | | | | |
|-------------------------------------|----------|----------|----------|----------|----------|
| TURNOVER | 51,880 | 52,802 | 60,011 | 50,576 | 60,947 |
| PROFIT BEFORE TAXATION | 39,204 | 34,132 | 40,545 | 30,642 | 46,052 |
| TAXATION | (5,572) | (7,030) | (5,798) | (4,459) | (5,609) |
| CORPORATE SOCIAL RESPONSIBILITY | (690) | (790) | (638) | (796) | (827) |
| CORPORATE CLIMATE RESPONSIBILITY | (739) | - | - | - | - |
| PROFIT FOR THE YEAR | 32,203 | 26,312 | 34,109 | 25,207 | 39,616 |
| OTHER COMPREHENSIVE INCOME / (LOSS) | 2,449 | 908 | (593) | 14,360 | (22,217) |
| DIVIDENDS | (19,605) | (15,675) | (19,950) | (15,825) | (23,700) |

CAPITAL & RESERVES

| | | | | | |
|---------------------------------|---------|---------|---------|---------|---------|
| ISSUED & PAID UP STATED CAPITAL | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 |
| REVENUE RESERVES | 297,958 | 282,911 | 271,366 | 257,800 | 234,058 |

24. GUARANTEE FUND

Section 3(8) of the Securities (Central Depository, Clearing and Settlement) Act 1996 requires the Central Depository & Settlement Co. Ltd (CDS) to establish and maintain a Guarantee Fund for the purpose of providing an indemnity against any default in respect of payments for or delivery of securities by any participant and of obligations of participants towards CDS.

The Fund is independently managed by the Business Conduct Committee (BCC) and not by the Board of Directors of the CDS. The BCC consists of a majority of independent members who are not directors of the CDS.

The assets of the Guarantee Fund consist of all money accruing lawfully to that fund and of such contributions as may be specified in the CDS rules. The assets of the Guarantee Fund are as follows:

| Guarantee Fund Assets | 2024 Rs'000 | 2023 Rs'000 |
|--|----------------|----------------|
| MCB Deposit Account | 30,800 | 31,700 |
| MCB Savings Account | 4,866 | 5,424 |
| MCB Current Account | 30 | 9 |
| Contributions due on value of transactions | 6 | 2 |
| Cash deposit from investment dealers | (1,488) | (2,030) |
| Interest receivable | 3,093 | 1,781 |
| Income tax payable | (53) | (54) |
| | <u>37,254</u> | <u>36,832</u> |

| Contributions made to the Guarantee Fund | 2024 Rs'000 | 2023 Rs'000 |
|--|----------------|----------------|
| BALANCE AT 1ST JULY | 36,832 | 35,970 |
| Contributions | 21 | 18 |
| Refund to participant | (831) | - |
| Interest | 1,450 | 1,159 |
| Income tax charge | (218) | (315) |
| BALANCE AT 30TH JUNE | <u>37,254</u> | <u>36,832</u> |

AUDITORS' REPORT ON THE SYSTEM OF INTERNAL CONTROLS TO THE BOARD OF DIRECTORS OF THE CENTRAL DEPOSITORY & SETTLEMENT CO. LTD

We have conducted a review of the system of internal controls of the Central Depository & Settlement Co. Ltd (CDS) in accordance with Section 3.8.7 of CDS Rules and have performed tests of the effectiveness of the system of internal controls during the period 1st July 2023 to 30th June 2024.

The review covered the suitability of the system of internal controls of the Central Depository & Settlement Co. Ltd pertaining to:-

- (a) The recording of transactions in Securities Accounts
- (b) The processing of transactions, including Clearing and Settlement, in accordance with CDS Rules and Procedures
- (c) The integrity and reliability of the data processing facilities of CDS.

Our review also covered the suitability of the system of internal controls of CDS pertaining to the Automated Trading System that is managed by CDS in accordance with the IT Outsourcing Agreement that has been signed between CDS and the Stock Exchange of Mauritius Ltd.

Our examination was made in accordance with generally accepted auditing standards, and accordingly, included such tests and other procedures as we considered necessary in the circumstances.

In our opinion the control procedures were suitably designed to provide reasonable assurance that the system of internal controls of the CDS operated effectively

PKF (Mauritius)

PKF (Mauritius)

Date: 23 July 2024

COMPANY SECRETARY'S CERTIFICATE

This is to certify that, in accordance with Section 166 (d) of the Companies Act 2001, all such returns as are required of the Company under the Companies Act 2001 have been filed with the Registrar of Companies during the financial year ended 30th June 2024.

A handwritten signature in blue ink, appearing to read 'Chaitanand Jheengun', with a stylized flourish at the end.

Chaitanand Jheengun (FCG)
Company Secretary

PROFILE OF MANAGEMENT TEAM

MANAGING DIRECTOR

Vipin Y.S. Mahabirsingh

Vipin Y.S Mahabirsingh holds a B.Tech (First Class, Hons.) degree in Electronic Engineering from the University of Mauritius, an M.Phil in Microelectronic Engineering and Semiconductor Physics from the University of Cambridge and an MBA (with distinction) from Edinburgh Business School, Heriot Watt University. He joined the Central Depository & Settlement Co. Ltd at its inception in 1996 as Systems Manager and was appointed General Manager in July 1997. He was then appointed as Managing Director in November 2005. In his capacity as Managing Director of CDS, he also provides consultancy services to African stock exchanges and central depositories. He was the systems vendor's Project Director in the implementation of trading and depository systems at the Nairobi Stock Exchange (2004/2006), Bank of Ghana (2004), Dar es Salaam Stock Exchange (2006), Botswana Stock Exchange (2008/2012), Lusaka Stock Exchange (2008) and Bolsa de Valores de Mocambique (2013). He supervised the implementation of an automated trading system at the Zimbabwe Stock Exchange in 2015 and has spearheaded the replacement of the trading and depository systems at the Lusaka Stock Exchange which went live in December 2017. He was also the Project Manager for the replacement of the automated trading system of the Stock Exchange of Mauritius in 2022. He is a member of the Procurement / Implementation Task Force that have been set up by the African Stock Exchanges Association (ASEA) to drive the implementation of the African Exchanges Linkage Project (AELP). Phase 1 of AELP went live in November 2022 and the implementation of Phase 2 started in January 2024. He is also a member of the Ratings Committee of CARE Ratings Africa. Vipin has been appointed as member of the Product Advisory Committee (PAC) of the Digital Token Identifier Foundation (DTIF). DTIF's mission is to provide the golden source reference data for the unique identification of digital tokens based on ISO's new standard for digital assets, ISO 24165.

SYSTEMS MANAGER

Manoven Sadayen

Manoven Sadayen holds a B.Tech (Hons) degree in Computer Science and Engineering from the University of Mauritius. He joined the CDS in December 1998 as IT Officer and was promoted to Assistant Systems Manager in October 2000. He was appointed as Systems Manager in July 2001. He is responsible for the management of the CDS system as well as the automated trading system of the SEM. Manoven is the Money Laundering Reporting Officer and Compliance Officer of CDS. He also assists the Managing Director in overseeing the Operations department and in providing consultancy services to African stock exchanges and depositories. He participated in the implementation of the automated trading system at the Zimbabwe Stock Exchange in 2015 and the replacement of the trading and depository systems at the Lusaka Stock Exchange in 2017. Manoven has been appointed as member of the Advisory Committee of the ANNA Service Bureau (ASB). The ASB was established by the Association of National Numbering Agencies (ANNA) to consolidate ISINs and associated standards as well as related data from ANNA members and partners, with an objective of improving timeliness, accuracy and standardised identification of financial instruments, and serving as the authoritative golden source of this data for financial market participants.

FINANCE AND ADMINISTRATION MANAGER

Joëlle L'Eveque-L'Emplatre

Joëlle L'Eveque-L'Emplatre is a Fellow of the Association of Chartered Certified Accountants since 2017 and also holds an MBA (2012) and a BSc (Hons.) Accounting & Finance (2004). She is also a Member of the Mauritius Institute of Professional Accountants. She joined the CDS as trainee in August 2003 and was appointed Accounts Officer in October 2004. She was then promoted to Assistant Finance and Administration Manager in July 2012. She was appointed Finance and Administration Manager as from 1st April 2023 with the approval of the Board of CDS and the Financial Services Commission. In line with the succession planning process, she has been trained to perform the duties of the Finance and Administration Manager of CDS over the past few years. She is responsible for the Finance and Administration functions at CDS and plays a key role in managing the funds of the Company. She is also the Secretary of the Business Conduct Committee which is responsible for risk management.

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