

ANNUAL REPORT 12011

MAPPING OUR TRANSFORMATIVE ROAD PLAN





OUR VISION

To be the preferred choice for creation of wealth and value



OUR MISSION

Encourage issuers to raise capital through the Colombo Stock Exchange (CSE)

Increase the number of active investors

Provide facilities to trade Equity, Debt and Derivative products

Ensure balanced regulation to maintain market integrity and investor confidence

N

Mapping Our Transformative Road Plan

Transformation has been the CSE's core driver. Continuing our journey in to the future we will remain committed to transforming ourselves to meet the ever changing requirements of tomorrow.

In order to successfully carry out future transformation within the CSE, we progressed towards a process of Mapping our Transformative Road Plan.

Thus the foundation for our future strategic direction is set by implementing the Transformative Road Plan.



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7 KEEPING SCORE

In the midst of a global downturn the CSE upheld its responsibilities to the nation and our stakeholders by implementing a strategic framework, preparing for our next leap forward.

The following scorecard allows our stakeholders to measure our progress towards an economic recovery.

| | | 2011 | 2010 | Variance |
|-------------------------|--|-------|-------|----------|
| | CSE and CDS Fees (Rs. Mn) | 1,022 | 1,149 | -11% |
| Selected | Listings Fees (Rs. Mn) | 49.9 | 32 | 56% |
| Operational Revenues | Listed Company Fees (Rs. Mn) | 47.9 | 50.3 | -5% |
| E | Brokers' Fees (Rs. Mn) | 20 | 15.4 | 30% |
| Equity Capital Flows | Initial Capital Raised from Equity and Debt (Rs. Bn) | 20.2 | 19.3 | 4% |
| | Capital Raised from Further Issues (Rs. Bn) | 40.3 | 25.2 | 60% |
| Market Supervision | Referrals made to the SEC for Further Investigation | 20 | 22 | -9% |
| | Client Complaints Investigated | 44 | 39 | 13% |

KEEPING SCORE (Cont...)

| | | 2011 | 2010 | Variance | | | | |
|-----------------|----------------------------------|-----------|-----------|----------|--|--|--|--|
| | System Uptime | | | | | | | |
| | Trading System (ATS) | 99.60% | 99.99% | * | | | | |
| | Depository System (CDS) | 99.60% | 100.00% | * | | | | |
| | Network | 100.00% | 100.00% | * | | | | |
| | External Connections | | | | | | | |
| | Member Firms | 29 | 26 | 12% | | | | |
| | Custodian Banks | 4 | 4 | * | | | | |
| IT Services and | Company Secretaries / Registrars | 43 | 20 | 115% | | | | |
| Infrastructure | Data Vendors | 6 | 5 | 20% | | | | |
| | Total External Connections | 82 | 55 | 49% | | | | |
| | ATS Front End Users | 760 | 621 | 22% | | | | |
| | ATS Performance | | | | | | | |
| | Max No of Orders / Day | 77,981 | 66,385 | 17% | | | | |
| | Max No of Trades / Day | 49,924 | 36,917 | 35% | | | | |
| | Total Orders Processed | 9,361,639 | 6,582,751 | 42% | | | | |
| | Total Trades Processed | 4,582,464 | 3,363,626 | 36% | | | | |

| | | 2011 | 2010 | Variance |
|--------------------------|---|---------|---------|----------|
| | CDS Accounts (No.) | 666,665 | 554,192 | 20% |
| | Deposits (No.) | 519,063 | 363,880 | 43% |
| Clearing and Settlements | Securities held by the CDS (No. Bn) | 50.16 | 23.8 | 111% |
| | Value of Securities held by the CDS (Rs. Bn) | 1,683 | 1,373 | 23% |
| | Gender Balance (Female:Male) | 45:55 | 58:42 | * |
| | Age Analysis | | | |
| Our Staff | % of staff below 25 years | 11% | 8% | * |
| | % of staff between 25-35 years | 63% | 59% | * |
| | % of staff between 36-55 years | 25% | 33% | * |
| | People Cost as % of Turnover | 16.42% | 9.1% | * |
| | Training Programmes Attended (No.) | 40 | 112 | * |
| CSE and Community | Page Views by the Public of the CSE Website, www.cse.lk (No. Mn) | 42.7 | 25.8 | 66% |
| | Banner Views by the Public for Online Education through the CSE Website (No.) | 116,918 | 86,403 | 35% |
| | % of Turnover Captured through Branches | 8% | 7% | * |

Source: Colombo Stock Exchange

[★] Variance calculated only where relevant / applicable to indicator. Certain data has been approximated.

MARKET HIGHLIGHTS

| | 2011 2010 | | 2009 |
|---------------------------------|-----------|-----------|-----------|
| Equity | | | |
| Annual Turnover (Rs. Mn) | 546,255.8 | 570,326.8 | 142,462.6 |
| Domestic (Rs. Mn) | 486,959.4 | 464,733.6 | 99,010.8 |
| Foreign (Rs. Mn) | 59,296.4 | 105,593.2 | 43,451.8 |
| Daily Average Turnover (Rs. Mn) | 2,285.6 | 2,396.3 | 593.6 |
| Shares Traded (No. Mn) | 24,543.7 | 18,489.2 | 4,762.7 |
| Domestic (No. Mn) | 23,151.6 | 16,684.5 | 3,784.2 |
| Foreign (No. Mn) | 1,392.1 | 1,804.7 | 978.4 |
| Trades (No.) | 4,579,352 | 3,355,126 | 1,266,299 |
| Domestic (No.) | 4,463,404 | 3,225,041 | 1,190,822 |
| Foreign (No.) | 115,948 | 130,085 | 75,477 |
| Market Capitalization (Rs. Bn) | 2,213.9 | 2,210.5 | 1,092.1 |
| Turnover Velocity (%) | 24.7 | 34.5 | 18.0 |
| Initial Capital Raised (Rs. Bn) | 19.2 | 4.3 | 0.7 |
| New Companies Listed via Equity | 29 | 10 | 2 |

| | 2011 | 2010 | 2009 | | | | |
|---|------------|------------|----------|--|--|--|--|
| Foreign Trading Activity | | | | | | | |
| Annual Turnover (Rs. Mn) | 59,296.4 | 105,593.2 | 43,451.8 | | | | |
| Purchases (Rs. Mn) | 49,776.8 | 92,425.5 | 43,057.3 | | | | |
| Sales (Rs. Mn) | 68,816.0 | 118,760.9 | 43,846.3 | | | | |
| Net Foreign Flow (Rs. Mn) | (19,039.2) | (26,335.3) | (789.0) | | | | |
| Returns, Yields and Valuation Multiples | | | | | | | |
| All Share Price Index | 6,074.4 | 6,635.9 | 3,385.6 | | | | |
| Y-O-Y Change % | (8.5) | 96.0 | 125.3 | | | | |
| Milanka Price Index | 5,229.2 | 7,061.5 | 3,849.4 | | | | |
| Y-O-Y Change % | (25.9) | 83.4 | 136.0 | | | | |
| Market PER Year End (Times) | 15.8 | 25.2 | 16.6 | | | | |
| Price to Book Value Year End (Times) | 2.0 | 3.0 | 1.7 | | | | |
| Dividend Yield Year End (%) | 1.8 | 1.2 | 3.0 | | | | |

 $oldsymbol{6}$

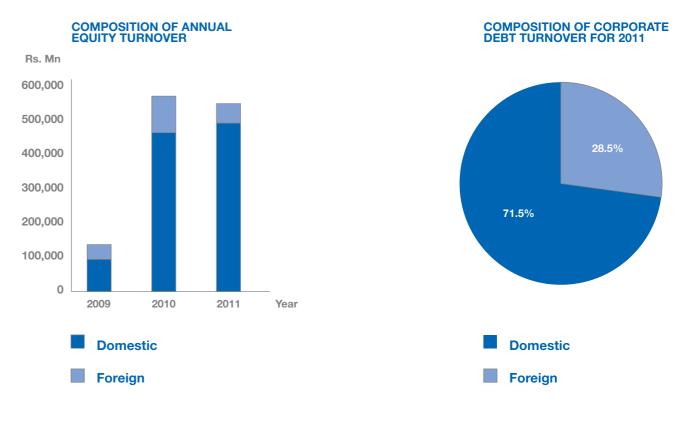
MARKET HIGHLIGHTS (Cont..)

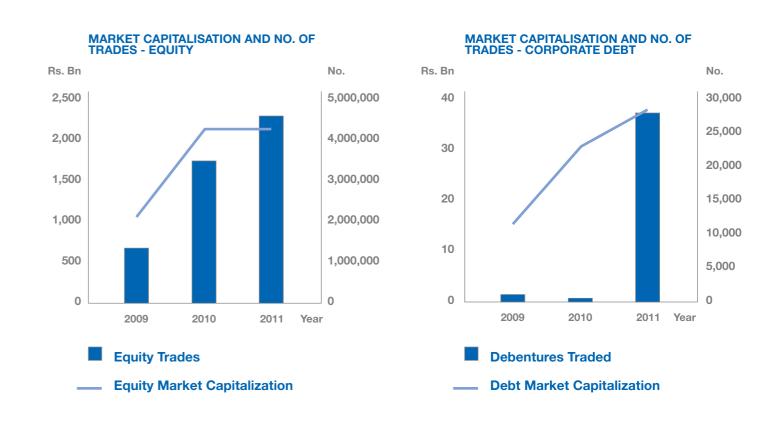
| | 2011 | 2010 | 2009 | | | |
|-------------------------------------|-------------|----------|-----------|--|--|--|
| Debt | | | | | | |
| Corporate Debt | | | | | | |
| Turnover (Rs. 000) | 2,690,664.4 | 72,288.1 | 136,765.0 | | | |
| Domestic (Rs. 000) | 1,925,668.9 | 72,288.1 | 136,765.0 | | | |
| Foreign (Rs. 000) | 764,995.5 | 0 | 0 | | | |
| Trades (No.) | 62 | 92 | 42 | | | |
| Domestic (No.) | 61 | 92 | 42 | | | |
| Foreign (No.) | 1 | 0 | 0 | | | |
| Debentures Traded (No. 000) | 25,861 | 693 | 1,020 | | | |
| Debt Market Capitalization (Rs. Bn) | 37.9 | 30.1 | 14.9 | | | |
| New Companies Listed via Debt | 3 | 2 | 2 | | | |
| Initial Capital Raised (Rs. Bn) | 1.0 | 15.0 | 0.6 | | | |
| Government Debt | | | | | | |
| Turnover (Rs. 000) | 28,356.8 | 45,673.2 | 98,977.0 | | | |
| Trades (No.) | 7 | 18 | 42 | | | |
| Debentures Traded (No. 000) | 28,912 | 46,794 | 102,778 | | | |
| Warrants | | | | | | |
| Turnover (Rs. Mn) | 14,076.1 | 19,581.2 | 1,688.1 | | | |
| Domestic (Rs. Mn) | 13,606.4 | 18,835.8 | 1,612.7 | | | |

| | 2011 | 2010 | 2009 |
|--|-----------|---------|----------|
| Foreign (Rs. Mn) | 469.7 | 745.4 | 75.4 |
| Trades (No.) | 242,328 | 227,671 | 35,826 |
| Domestic (No.) | 238,975.5 | 223,626 | 34,621.5 |
| Foreign (No.) | 3,352.5 | 4,045 | 1,204.5 |
| Warrants Traded (No. Mn) | 2,733.1 | 1,531.6 | 148.8 |
| No of Warrants Traded (as per type of warrant) | 14 | 16 | 5 |
| New Warrants Listed (Types) | 1 | 12 | 2 |
| Closed End Funds | | | |
| Turnover (Rs. Mn) | 137.8 | 621.3 | 4.6 |
| Trades (No.) | 2,898 | 8,302 | 228 |
| Units Traded (No. 000) | 1,642.4 | 8,221.7 | 87.0 |
| Funds Listed (as at 31st December No.) | 1 | 1 | 1 |
| Additional Data | | | |
| Companies Listed (No.) | 272 | 242 | 232 |
| Companies Traded (No.) | 265 | 239 | 232 |
| Delistings (No.) | 0 | 1 | 6 |
| Market Days (No.) | 239 | 238 | 240 |
| | | | |

Source: Colombo Stock Exchange Subject to rounding error N

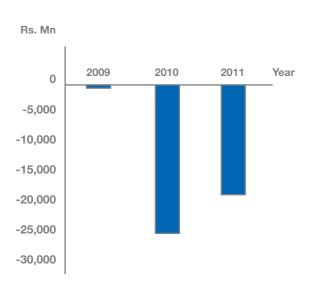
Colombo Stock Exchange | ANNUAL REPORT 2011 GRAPHICAL REVIEW



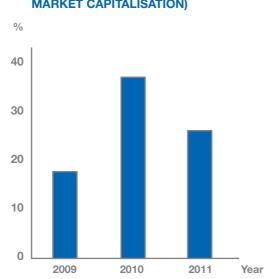


GRAPHICAL REVIEW (Cont...)

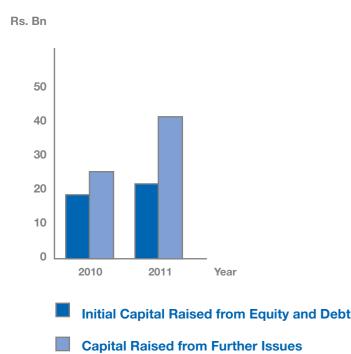
NET FOREIGN FLOW - EQUITY



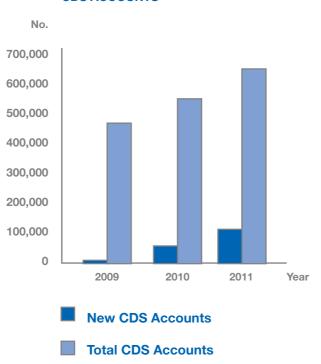
TURNOVER VELOCITY - EQUITY (TURNOVER AS A % OF AVERAGE MARKET CAPITALISATION)



CAPITAL RAISED TROUGH THE MARKET

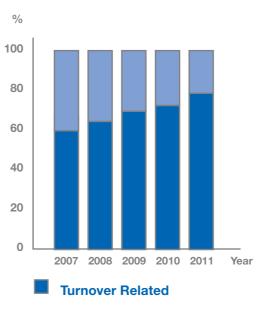






7 KEY FINANCIAL INDICATORS

TOTAL INCOME

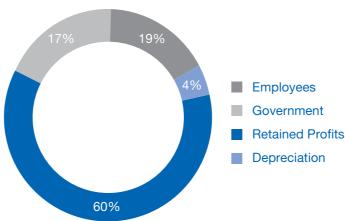


PROFIT BEFORE TAX & AFTER TAX

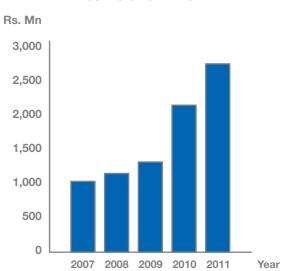


Non Turnover Related

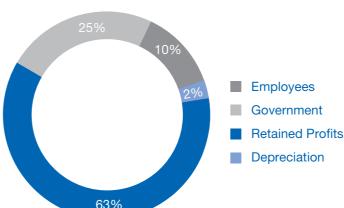
DISTRIBUTION OF VALUE ADDED 2011



NET ASSETS GROWTH OVER FIVE YEARS



DISTRIBUTION OF VALUE ADDED 2010





CHAIRMAN'S MESSAGE

Dear Stakeholders,

Mapping the Transformative Gap

During a vibrant phase of market activity in 2010, we emphasized how the CSE had gained growth momentum. We also addressed the need to reassess strategy in congruence with growth expectations of the Sri Lankan economy as it embraced post-war development. As a result, the CSE entered year 2011, intent on reassessing its strategic logic and reprioritising the roadmap for transformation into an enduring and sustainable marketplace.

Shifting Market Dynamics

The year was a turbulent one for international financial markets, punctuated by a plethora of events that resulted in widespread volatility and lacklustre performance in cash equity markets. Reflecting this situation, only a few equity markets recorded positive gains.

In Sri Lanka, the benchmark All Share Price Index (ASPI) closed the year down 8.5% whilst the Milanka Price Index (MPI) fell 25.9% YoY. Market Capitalization was preserved at just above Rs. 2.2 Tn reflecting minimal change from the previous year.

Our debt platform remains an area which needs pressing reform and where the engagement of the State and private sector is paramount. At Rs. 2.7 Bn, the corporate debt market reported an improvement in total turnover supported by growth in corporate debt from a low base of Rs.72.3 Mn in the previous year.

The Urban Development Authority (UDA) debenture (UDA.D0148) accounted for 99% of corporate debt market turnover and was the only instrument available for foreign trading during 2011.

In 2011, Equity Turnover remained over the Rs. 500 Bn mark first reached in 2010, sustained mainly by domestic trading. Contribution to Turnover through domestic trading increased to 90% of the total from 81% recorded in the previous year. We have prioritized the implementation of certain structural changes to attract portfolio investment flows as this skewed investor mix is not optimal for the long term development of the Exchange.

Enhancing Visibility

The CSE held two investor forums in Singapore and Malaysia, in November 2011. Themed "Invest Sri Lanka", the Singapore based forum was organized in association with the High Commission of Sri Lanka in Singapore. The forum in Malaysia themed "Invest Sri Lanka: Opportunities in a New Era", was organized in association with the CIMB Group. These forums presented an opportunity to highlight the potential of postwar Sri Lanka and the attractiveness of select listed corporates from multiple sectors. The events were well attended by specialized funds, other international investors and leading corporates.

Where We Are

In the new post-war environment of growth, the CSE is working towards operational improvements with a focus on a development agenda which benefits all its stakeholders. The Chief Executive's report sets out significant achievements of the CSE and also details the priorities for the coming year.

Our priority is to sustain and improve our core business.
Consequently, the CSE began the formulation of a new medium-term strategic plan in 4Q2011, with the aim of strengthening core capabilities and infrastructure.

Unveiling the Transformational Map

Laying in place a cohesive risk infrastructure, implementing state of the art technologies, enhancing our products, optimising attractiveness as a vehicle that meets domestic demand for investment and capital raising, enhancing Sri Lanka's position as an attractive destination for foreign investment, restructuring our organization and processes and improving governance – all these aspects are considered in our transformational plans.

We had already earmarked better risk management as a critical and urgent need. The implementation of the Risk Management System (RMS) was commenced in November 2011. Having completed system development and backtesting activities with the assistance of the National Stock Exchange of India, this margin based RMS has been deployed at the Exchange as



CHAIRMAN'S MESSAGE (Cont..)

at date for training and familiarization by internal users prior to participant engagement.

In the backdrop of this new RMS, we will also review the manner in which the Delivery Versus Payment (DVP) mechanism can best be introduced to the market. The ultimate goal is to introduce Central Counter Party (CCP) based post trade services.

I am also enthusiastic about the negotiations initiated by the Exchange and Standard & Poor's Financial Services LLC in launching a co-branded index. A credible and transparent index would positively impact the market by providing visibility and better pricing and serve us well in attracting the foreign investor. A credible index also forms the foundation for exploring the previously unchartered territory of index linked products as well as cross exchange alliances. These are elements which would in the future help us establish revenue-raising avenues in the context of the Exchange's business model, particularly relevant for a profit-oriented setting.

During these difficult economic and market climes worldwide, reinforcing investor confidence is of great importance to us. We will in this endeavor continue to work in close contact with the Securities and Exchange Commission of Sri Lanka (SEC) to ensure that our market is fair and transparent with balanced regulation being the pragmatic standard, rather than the imposition of regulatory burden.

We are on track to launch our transformational map in early 2012. The pursuit of these initiatives will enhance the functions of our Exchange and position the CSE as an attractive and user-oriented market.

Acknowledgements

I wish to thank my fellow Board members for their constructive and invaluable contribution over the year.

During the year 2011 Mr. Ashroff Omar and Dr. Laksiri Fernando resigned from their Directorships. Whilst thanking them, I wish them well in their future endeavors.

Mr. Nihal Fonseka resigned from his Directorship on 31st March 2012. He served on the CSE Board for ten years and was Chairman of the CSE for a period of five years from 2006 to 2011. Mr. Fonseka has contributed immensely to the development of the CSE. I wish him the very best in his future endeavours.

I wish to recognize the management team headed by the Chief Executive Officer, Surekha Sellahewa and staff for the commitment and passion that they bring to their work. I am confident that the collective efforts of the management team and staff will steer the CSE forward in its envisaged transformation.

To meet the challenges of our transformational map, the CSE will engage and continue to work closely with the Government of Sri Lanka as well as our regulator, the SEC. I thank Mr. Thilak Karunaratne, Chairman, SEC, the Commission Members and the SEC team for their support.

I thank all our stakeholders for their confidence in us. We enter 2012 with great optimism and determination to execute the initiatives that will make fundamental transformation a possibility. We look forward to working closely with all our stakeholders during the coming year to introduce these initiatives.

Yours sincerely,

Krishan Balendra Chairman

10th May 2012



CHIEF EXECUTIVE OFFICER'S MESSAGE

The Transformative Landscape

"We are an Exchange focused on transformation. As a frontier market, gearing for growth and transformation equates to focusing first on transforming our core capabilities. We have over the year pragmatically prioritized our strategic initiatives. We will be entering the coming year which is likely to be a challenging one, with a clear and comprehensive strategy for organic growth. We are mindful that the execution of these plans would require much commitment from our management and staff."

Pervasive Uncertainty

Widespread uncertainty prevailed in global financial markets, with the unfolding of significant events including the Mid-Eastern and Northern African uprising, protracted Eurozone sovereign debt crisis, natural disasters in Japan, sluggish economic

conditions in the U.S and rising inflation in China. These events impacted investor sentiment and financial market performance. Stock markets worldwide endured what was termed 'wild volatility'.

It was noted that only a handful of Exchanges recorded gains, albeit lacklustre, including the U.S, Venezuela and Philippines. Investor concerns globally regarding macroeconomic issues and market fundamentals resulted in capital flight. In most markets, investment in larger more established companies outpaced those of riskier small caps. Fluctuating prices and lack of investor confidence, especially in the foreign investor segment was visible in our own market.

Ensuring resilience through business and especially risk models was crucial for Exchanges during this period of tumult. Whilst we are vigilant about variable investor confidence levels and sensitive to market views on speculation and volatility, the need for establishing a risk culture not only within the Exchange but also amongst our stakeholders has been strongly felt.

Secondary Market Performance

Our market was not impervious to geopolitical, economic and market vacillations of local, regional and global implication. Having reached a high of 7,811.8 points in February, the benchmark ASPI closed the year at 6,074.4 points reflecting a loss of 8.5% YoY.

The market was dominated by domestic investors during the year, apparent from the turnover contribution analysis depicted in Figure 1. Foreign investors remained net sellers during the year, recording net outflows of Rs. 19,039.2 Mn. Domestic participation sustained the turnover for the year at Rs. 546.3 Bn, where total turnover for the year reflected a drop of 4.2% from 2010.

Market Size

Sustaining Market Capitalization was a challenge faced by many Exchanges due to depleting market value. Amongst World Federation of Exchanges (WFE) members, three Exchanges including Indonesia, Philippines and Mauritius recorded positive growth in Market Capitalisation in USD terms. In Sri Lanka, Market

Figure 1 - Investor Contribution to Total Market Turnover (2009 - 2011)

| Year | Total Market Turnover (Rs Bn) | Turnover Breakdown (Rs.Bn) | | | | | | | |
|------|----------------------------------|----------------------------|----------|---------------|-------|--------|----------|------|--------|
| | | | Domestic | | | | Fore | ign | |
| | | Institutional | | al Individual | | Instit | tutional | Indi | vidual |
| 2009 | 142.5 | 48.3 | 33.9% | 50.8 | 35.6% | 38.1 | 26.8% | 5.3 | 3.7% |
| 2010 | 570.3 | 214.0 | 37.5% | 250.7 | 44.0% | 87.1 | 15.3% | 18.5 | 3.2% |
| 2011 | 546.3 | 188.7 | 34.5% | 298.3 | 54.6% | 45.2 | 8.3% | 14.1 | 2.6% |

Source: Colombo Stock Exchange Subject to rounding error

CHIEF EXECUTIVE OFFICER'S MESSAGE (Cont...)

Capitalization remained steady at Rs. 2,213.9 Bn as at year end as against Rs.2,210.5 Bn in 2010. However, in USD terms, the CSE's Market Capitalization recorded a decrease of 2.4%.

Initial and Subsequent Capital Raised

It was encouraging to note that 13 new companies listed through

nies listing by way of Introduction, contributing to an overall increase of the number of Introductory listings for equity and debt by 18 in 2011. In total, 16 companies listed equity by way of Introduction during the year. Collectively, the 29 equity listings added 13.9 Bn shares to the quantity indexed. This year marked a five year record in initial listings on the CSE.

In our strategic advancement, enhancing size and liquidity have always been concerns. Fundamental transformation with emphasis on engaging both the State and private sectors in the capital market is necessary in order to strengthen our position as an attractive venue for investment and raising capital.

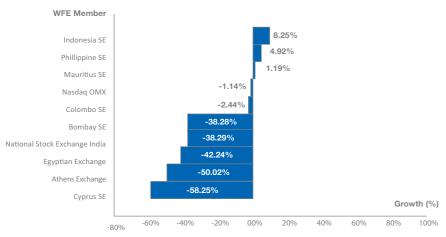
Operational Achievements

I would like to highlight selected operational achievements for the year.

Website

The CSE website, www.cse.lk, the main information portal of the CSE, recorded 42.7 Mn page views during the year, a YoY increase of 66% from 25.8Mn page views in 2010. The CSE website will be re-launched introducing new features such as accessibility to archived CSE publications and a trilingual viewer facility. The re-launch will also highlight the most viewed information on the website for easy navigation. To ensure that the CSE website is robust and reliable so as to discharge its important role as a primary information provider of the CSE, we plan to strengthen and increase the system capacity. Live data pertaining to the website is constantly transferred to a disaster recovery system whereby data could be recovered at any given time.

Figure 2- Top 5 & Last 5 WFE Members in Terms of Change in Domestic Market Capitalisation in 2011 (in USD)



Source: World Federation of Exchanges

Note: Of the WFE members, Irish SE recorded the highest growth (79.6%) in Domestic Market Capitalisation in 2011 (in USD). This is mainly due to a single stock (Allied Irish Banks PLC) having issued 500 Bn shares. This exceptional item has been excluded from the above graph

equity IPOs during 2011 raising Rs. 19.2 Bn in initial capital in comparison to Rs.4.3 Bn raised in 2010. A regulation was imposed by the Central Bank of Sri Lanka mandating all Finance Companies to be listed by mid 2011. Whilst certain companies were given further extension of the stipulated timeframe, this requirement resulted in many Finance Compa-

In our nascent debt market, Rs.1.0 Bn was raised through one IPO whilst four debt issuers listed through Introduction.

Total subsequent capital raised through rights issues and private placements during the year amounted to Rs.32.7 Bn, reflecting a 51.4% increase, compared to Rs. 21.5 Bn raised in 2010.

Figure 3 - Initial Listings

| Initial Listings | 2011 | 2010 |
|--|------|------|
| Initial Equity Capital Raised (Rs. Bn) | 19.2 | 4.3 |
| Initial Debt Capital Raised (Rs. Bn) | 1 | 15 |
| No of Introductions (Equity and Debt) | 20 | 2 |
| No of IPOs (Equity and Debt) | 14 | 10 |

Source: Colombo Stock Exchange

Market Supervisor

The Regulatory Affairs division resolved 44 investor complaints during the year. A total of 20 cases of suspected market malpractices (2 insider dealing, 2 front running, 1 circular trading and 15 price manipulations) were referred to the SEC in 2011 for further investigations and necessary action.

Trading Landscape

The Information Technology
Division made sound progress
towards the introduction of the
Automated Trading platform 7.10
(ATS v7.10). Having identified the
necessary changes to the new
platform, the CSE coordinated the
required development and implementation process. Final acceptance and testing of the new
system, initiated in 4Q2011 led the
way for the phased migration onto
the one platform for multi asset
trading in equities, derivatives and
fixed income.

The globally established technology in specialized processing enables the system to handle large order volumes and is a more robust and flexible system relative to the preceding version. It also permits a broad range of trading functionality. Through an involved testing phase of engaging broker firms, the Information Technology Division spearheaded the launch of ATS v 7.10 in early 2012.

Post Trade Services

The CSE offers depository, clearing and settlement service in order to facilitate dealings in securities on the Exchange through its wholly owned subsidiary, the Central Depository Systems (Pvt.) Ltd (CDS).

The total number of deposits handled over the year 2011 amounts to 519,063, reflecting a YoY increase of 43%. A record 112,473 new accounts were opened during the year. The growth in deposits and CDS accounts was due to the mandating of dematerialization by the SEC, for new listings of securities with effect from 1st January 2011. The relevant SEC directive also mandated that all shares of listed entities be dematerialized by 1st January

2012 with a further extention granted to 30th June 2012.

As a result the applicants of IPOs over the year were compelled to open CDS accounts as the option for owning physical share certificates had been eliminated. For investors, dematerialization yields several benefits, including the facilitation of timely trading, in particular of IPO shares. Dematerialization facilitates direct lodgement of shares in case of allotment under IPOs as well as secondary offerings. In particular investors of IPO shares are able to trade on the market as immediately as secondary trading commences, a distinct benefit unavailable to an investor holding a physical share certificate.

Outlook

The past year was dominated by continued preparation as well as engagement in re-examining our strategic direction, as proposed in our Annual Report for the year 2010. We established the foundation on which cohesive transformation of core capabilities can be achieved. Beginning 4Q2011, the CSE closely worked with an external consultant to assess where we stood in the Exchange space. With the active involvement of divisional managers, research was conducted engaging a cross section of stakeholders, and current approaches to service delivery as well as core competencies were benchmarked against regional and global 'bests'.

During December 2011, a detailed transformational roadmap was developed with the understanding that strategic initiatives identified therein were to be prioritized as soon as practicable. Main themes included the developing of value propositions for the CSE as a center for listing and an attractive

venue for investment together with building world class infrastructure. Initiatives under the broad theme of enhancing intermediary quality will be assessed, prioritized and executed under the aegis of the SEC.

Within this context, we have already identified gaps and initiated strategic mapping for our transformational journey. The CSE feels the pressing need of developing its organizational and governance structure. In this area, talent pool development must be addressed as a matter of priority.

A further priority, on core infrastructure is to complete the key projects underway, not least the transition to ATS v7.10, the new integrated trading platform which has been implemented at the time of publication of this annual report. Progress has been steady, nevertheless further engagement of broker firms with our technology teams was requisite, and as at date, a smooth go-live has been facilitated.

Headway was made in terms of setting out detailed business frameworks for the envisaged implementation of a post trade RMS and DVP mechanism for settlement. Priority was given to the implementation of the RMS with back testing and offshore deployment of the system having advanced well. At the time of publication, the deployment of the RMS at the Exchange for testing by internal users has been completed. This is to be followed by engagement of broker firms in the familiarization in, and adoption of the system.

During a year punctuated by turbulence in global markets, we strongly felt the need for identifying and managing risks at a

CHIEF EXECUTIVE OFFICER'S MESSAGE (Cont...)

business-wide scale. A cohesive enterprise wide risk strategy, of which post trade risk management is but a component, is to be put in place, forming the basis to inculcate a risk culture within the Exchange.

We identified that a transparent and globally accepted index will play an important role in improving the visibility of the Exchange and listed securities and to develop new products. We have already initiated decisive discussions to be concluded by entering into a formal agreement shortly, placing Standard & Poor's Financial Services LLC as a partner in progress, to establish a recognized index at the CSE.

In the process of designing the transformational roadmap we have recognized the need for CSE to better understand the threats and opportunities of the wider Exchange environment. Although as a mutual Exchange, we may face some difficulties in reaching benchmarks of established demutualised Exchanges, we remain optimistic in orienting towards higher levels of service delivery.

Acknowledgements

I wish to thank the Board of Directors for their leadership and counsel proffered over the year. My sincere thanks go to the management team of the CSE for their hard work over the year and enthusiasm in view of the transformative journey envisaged for this institution. I wish to thank all staff members whose dedication and loyalty to this workplace is invaluable. I anticipate your commitment to the strategic vision we intend to execute in the ensuing year and beyond.

I acknowledge with gratitude the support and insight of our regulator, the SEC of Sri Lanka.

I wish to also thank our listed companies, investors, members and other market participants. We look forward to active interaction with you over the coming year.

We are fully aware of the trust put in us by the nation to execute our responsibilities as a driver of economic growth and development. To be entrusted with such a responsibility requires collaborative and untiring effort, commitment, as well as strategic logic on the part of the CSE. We are determined to deliver positive results to all our stakeholders, through an inclusive transformational vision.

Surekha Sellahewa Chief Executive Officer

S. Sellalueros

10th May 2012

7 BOARD OF DIRECTORS



In order of Appearance

MR. DAKSHITHA THALGODAPITIYA

DR. SAMAN KELEGAMA

MR. NIHAL FONSEKA

DR. LAKSIRI FERNANDO (Not appearing in picture) Resigned with effect from 1st August 2011

MR. ASHROFF OMAR (Not appearing in picture)
Resigned with effect from 19th December 2011

MR. KRISHAN BALENDRA - Chairman

Appointed on 14th June 2011

MR. VAJIRA KULATILAKA

MR. HIRAN DE ALWIS

MR. MOKSEVI PRELIS

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BOARD OF DIRECTORS Cont.

MR. KRISHAN BALENDRA was appointed to the Board in December 2008. He is a President and member of the Group Executive Committee of John Keells Holdings PLC (JKH) and has responsibility for the Retail sector, John Keells Stock Brokers and the Corporate Finance & Strategy function of the group. He started his professional career at UBS Warburg, Hong Kong, in investment banking, focusing primarily on equity capital markets. After a four year stint in Hong Kong, he continued his career in corporate finance at Aitken Spence & Co. PLC, Sri Lanka prior to joining JKH. Mr. Balendra holds a law degree (LLB) from the University of London and an MBA from INSEAD.

MR. VAJIRA KULATILAKA is the Chief Executive Officer - Investment Banking Cluster of the NDB Group, overseeing the operations of NDB Investment Bank, NDB Stockbrokers, NDB AVIVA Wealth Management and NDB Capital, Bangladesh. In addition to being a Director in the above mentioned companies he is also a Director at Capital Development Investment Corporation PLC. Prior to joining NDB, he functioned as the Chief Executive Officer at CKN Fund Management (Pvt) Limited. He is a Chartered Financial Analyst and an FCMA, UK. He has a BSc in Civil Engineering (University of Moratuwa) and MEng in Industrial Engineering and Management (Asian Institute of Technology).

MR. MOKSEVI PRELIS counts a 27 year career in banking with 21 years collectively as Chief Executive Officer / Director of the DFCC Bank and the Nations Trust Bank. He has held the posts of Chairman-Ceylon Electricity Board, National Institute of Business Management, Association of Development Finance Institutions of Asia & Pacific headquartered in Manila, and SME Bank. He is currently the Chairman of the Capital Trust Securities Group and an Independent Director of Dialog Axiata. An Honors graduate in Mechanical Engineering (University of Ceylon), he also holds a Masters in Industrial Engineering and Management from Purdue University USA as a Fulbright Scholar. He is a Chartered Engineer of UK, a Fellow of the Institution of Engineers Sri Lanka, a Member of the Institute of Personnel Management and a Fellow of the Institute of Bankers Sri Lanka.

MR. NIHAL FONSEKA is a career banker and the Chief Executive Officer of DFCC Bank since 2000. He is the Chairman of the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP), the first President of the Sri Lanka Committee of the Chartered Institute for Securities & Investment – UK. a member of the National Payments Council and the Financial System Stability Consultative Committee of the Central Bank of Sri Lanka. He served as a member of the Presidential Commission on Taxation and the Inter Regulatory Institutions Council. Mr Fonseka is a Graduate of the University of Ceylon, Colombo, and a Fellow of the Chartered Institute of Bankers, UK.

DR. SAMAN KELEGAMA is the Executive Director of the Institute of Policy Studies of Sri Lanka. He is a Fellow of the National Academy of Sciences of Sri Lanka and was the President of the Sri Lanka Economic Association. He has published books on Sri Lankan and South Asian economic issues and published extensively in both local and foreign journals. He serves and has served in a number of government and private sector Boards as an independent member. An Economist by training, he completed his doctoral work at the University of Oxford, U.K.

MR. DAKSHITHA THALGODAPITIYA an

accountant by profession, he is CEO/Secretary General of the Chamber of Construction Industry Sri Lanka. He is a member of the Board of Governors of the Sri Lanka Arbitration Centre. He has served the public sector as Chairman/CEO of Sri Lanka Land Reclamation and Development Corporation, River Valleys Development Board, and Lanka Machine Leasers Limited. He has also carried out many assignments with international organizations. He holds postgraduate qualifications in Management from the George Washington University, Washington D.C.

MR. HIRAN DE ALWIS Attorney-at-Law, is a Legal Counsel in Colombo, specializing in Civil and Commercial Law and Commercial Arbitrations. He is a Law graduate of the University of Colombo holding Post-Graduate qualifications from the University of London in International Dispute Resolution. a Chartered Arbitrator and a Member of the Chartered Institute of Arbitrators, London, He is a Member of the Board of Governors of the Sri Lanka National Arbitration Centre and also its Honorary Chief Legal Advisor.

BOARD COMMITTEES

Rules Committee

The Rules Committee of the CSE approves rules and regulations of the CSE pertaining to listed companies and broker firms. The Committee ensures that the rules strike a sound balance between market development and regulation.

Mr. K Balendra - Chairman

Mr. A N Fonseka

Mr. M R Prelis

Mr. Murtaza Jafferjee

Mr. Ravi Abeysuriya - representing Heraymila

Securities (Pvt) Ltd - representing JB

Securities (Pvt) Ltd Mr. Sheyantha Abeykoon - representing CT Smith

Stockbrokers (Pvt) LTd

Audit Committee

The Audit Committee comprises of three Non-Executive Directors and the Committee ensures the detailed reviews of the financial statements audited by the external auditors, internal control procedures, accounting policies, compliance with accounting standards and emerging accounting issues, review of risk management process and regulatory compliance and such other related functions as the Board may delegate to the Committee.

Mr. D Thalgodapitiya - Chairman

Dispute Resolution Committee

Mr. C V Kulatilaka

Mr. M R Prelis

Arbitration and Disciplinary Committee

The Arbitration and Disciplinary Committee reviews any disputes or disciplinary matters arising between the Members of the CSE.

Mr. H de Alwis - Chairman

Mr. K Balendra Mr. M R Prelis

Dr. L Fernando (resigned w.e.f. 01st August 2011) Mr. A Omar (resigned w.e.f. 19th December 2011)

Mr. H de Alwis

Mr. K Balendra Dr. S Kelegama

Mr. M R Prelis

to share transactions).

Mr. A Omar (resigned w.e.f. 19th December 2011)

The Dispute Resolution Committee of the CSE reviews

arising between investors and Member firms as well as

(relating to a breach of the rules of CSE with reference

- Chairman

the decisions of the Secretariat on disputes

any disputes arising among Members Firms

HR Committee

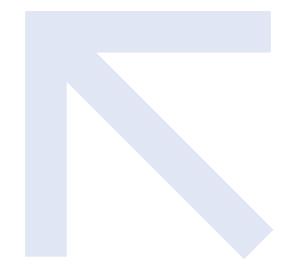
The HR Committee of the CSE reviews matters relating to staff remuneration, other perks, bonuses and promotions.

Mr. A Omar

Mr. K Balendra

- Chairman (resigned w.e.f. 19th December 2011)

Dr. S Kelegama Mr. C V Kulatilaka Mr. D Thalgodapitiya Mr. M R Prelis



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

The Board of Directors of the CSE has pleasure in presenting their report to the Members, together with the audited Consolidated Financial Statements for the year ended 31st December 2011.

This Annual Report on the affairs of the Company contains the information required in terms of the Companies Act, No. 7 of 2007.

The Financial Statements were reviewed and approved by the Board of Directors on 16th March 2012.

General

The CSE is a company limited by guarantee, incorporated in Sri Lanka on 02nd December 1985, under the Companies Act No.17 of 1982 and is licensed by the SEC. The CSE was re-registered as per the Companies Act No.7 of 2007 on 13th May 2008 with GL 12 as the new number assigned to the Company.

The CSE is a mutual exchange and has 15 Members & 14 Trading Members, All Members are licensed by the SEC to operate as Stockbrokers. All Members are corporate entities. The CSE became the first South Asian member of the WFE in 1998. CSE is also a member of the South Asian Federation of Exchanges (SAFE).

The policy making body of the CSE is the Board of Directors composed of nine members. Five Directors are elected by the 15 Members, while the Minister of Finance nominates four.

The Board of Directors has appointed five subcommittees to administer the operations of the CSE. The CSE Secretariat, headed by the Chief Executive Officer is responsible for the operations of the CSE, and is accountable to the Board of Directors.

Principal Activities

The principal activity of the Company is the operation of a Stock Exchange. The fully owned subsidiary CDS acts as a depository for listed securities.

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

Financial Statements & Auditor's Report

The Financial Statement of the Company and its subsidiary for the year ended 31st December 2011 duly signed by the Manager Finance & Administration and two of the Directors of the Company are given on pages 39 to 60 and form an integral part of the annual report of the Board.

Messrs KPMG Ford, Rhodes, Thornton and Co. the Auditors of the Company carried out the audit on the Consolidated Financial Statements for the year ended 31st December 2011 and their report on those statements which forms an integral part of the Report of the Board of Directors, is given on page 38 of this Annual Report.

A sum of Rs. 653,549/- (Rs. 497,500/in 2010) was paid to them on account of providing audit services. A sum of Rs. 389,546/- (Rs. 376,259/- in 2010) was paid on account of tax related services. The detail of their remuneration is given in Note 23 to the Financial Statements. As far as the Directors are aware the Auditors do not have any interest with the CSE or its subsidiary other than those disclosed above.

Board Audit Committee

The composition of the Board Audit committee, comprising of Non Executive Directors is provided on page 33.

The report of the Board Audit Committee is given on page 36.

Significant Accounting Policies

The accounting policies adopted in preparation of the Financial Statements and the impact of the changes in Sri Lanka Accounting Standards during the year are given on pages 44 to 47. There have been no changes in the accounting policies adopted by the company & its subsidiary, during the year under review.

Going Concern

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

Donations

Donations made during the year amounted to Rs. 2,600,774/-(Rs. 7,746,635/- in 2010). From this amount, a sum of Rs.1.748.274/-(Rs. 7,222,000/- in 2010) was made to approved charities.

Taxation

The income tax rate applicable on the Company is 30% (2010 – 30%) and the subsidiary company is taxed at 28% (2010 - 35%). It is the Company's policy to provide for deferred taxation on all known temporary differences under the liability method.

Statutory Payments

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

Property & Equipment

Details of property & equipment are given in Note 4 to the Financial Statements. There was no

significant change in the property & equipment of the Company.

Outstanding Litigation

In the opinion of the Directors and the Company's Lawyers, pending litigation against the Company disclosed in Note 25.1 of the Financial Statements will not have a material impact on the financial position of the Company or its future operations.

Events occurring after the Balance Sheet date

No material events have taken place after the Balance Sheet date up to the date of the Report of the Auditors which require adjustment to, or disclosure in the Financial Statements.

Board of Directors

Mr. H.M.C. de Alwis

The following Directors held office as at the Balance Sheet date.

Name of the Director **Status** Mr. K. Balendra Elected (Chairman) Mr. A.N. Fonseka Elected Mr. C.V.Kulatilaka Elected Dr. Saman Kelegama Elected Mr. M.R. Prelis Elected Mr. D.T.W.Thalgodapitiya Appointed

Mr. A. N Fonseka resigned from the Board with effect from 31st March 2012.

Appointed

In terms of Article 51 of the Articles of Association, the Board filled the casual vacancy that arose by the appointment of Mr. Rajendra Theagarajah on 17th April 2012.

In terms of the said Article, Mr. R. Theagarajah who is due to retire at the conclusion of the forthcoming Annual General Meeting, being eligible offers himself for election.

In terms of Article 50 of the Articles of Association Messrs Krishan Balendra and Vaiira Kulatilaka who

are due to retire by rotation at the conclusion of the forthcoming Annual General Meeting being eligible offer themselves for election.

In terms of Section 211 (2) of the Companies Act, the Board of Directors has given notice to the Company that Mr. M. R. Prelis, aged 75 years be elected as a Director and that the age limit of 70 years referred to in Section 210 of the Companies Act shall not apply to Mr. M. R. Prelis.

Directors' Interest Register

The CSE maintains a Directors' Interests Register as stipulated by the Companies Act No. 7 of 2007. The Directors of the CSE have disclosed their interests in other companies to the Board and those interests are recorded in the Interests Register conforming to the provisions of the Companies Act No.7 of 2007. The particulars of those entries are set out on Note 27 of the Financial Statements which form an integral part of the Annual Report of the Board.

Directors interest in contracts and related party transactions are given on Note 27.2 of the Financial Statements which form an integral part of the Annual Report of the Board.

Directors' Responsibility for Financial Reporting The Directors are responsible for the

preparation of the Financial Statements of the Company and its subsidiary to reflect a true and fair view of the state of its affairs. The Directors are of the view that these Financial Statements have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, Companies Act No. 07 of 2007 and Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995.

Directors' Remuneration

In compliance with the provisions of the Articles of Association, the CSE has not made any payments on account of Directors' remuneration other than the payment pertaining to meet out of pocket expenses for attending Board Meetings as given in Note 27.1 to the Financial Statements.

Appointment of Auditors

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

Annual General Meeting

The Annual General Meeting will be held at Dukes Court, Cinnamon Lakeside, 115, Sir Chittampalam A. Gardiner Mawatha, Colombo 02, on Thursday 28th June 2012 at 5.30 p.m.

For and on behalf of the Board of Directors.

Chairman

D.T.W. Thalgodapitiya

Director

Corporate Services (Private) Limited Secretaries

10th May 2012 Colombo

AUDIT COMMITTEE REPORT

The Audit Committee of the CSE comprises of two elected Directors and one appointed Director.

The members of the Board appointed Audit Committee are;

Mr. D.T.W. Thalgodapitiya - Chairman

Mr. C.V. Kulatilaka Mr. M.R. Prelis

All three members of the Audit Committee are Non-Executive Directors. Manager Finance & Administration attended the meeting of the Audit Committee on invitation. The Company Secretary functions as the Secretary to the Audit Committee. The Committee had one meeting during the year under review.

The Committee is empowered to examine matters relating to the financial affairs of the CSE and its subsidiary CDS. Its duties include detailed reviews of the Financial Statements, internal control procedures, accounting policies, compliance with accounting standards and emerging accounting issues, review of risk management process and regulatory compliance and such other related functions as the Board may delegate to the Committee.

The independence of the External Auditor was evaluated by the Committee which also reviewed the non audit services provided by the Auditors to ensure that provision of such services does not impair the External Auditors' independence. The Audit Committee reviewed the Financial Statements audited by KPMG

Ford Rhodes Thornton & Company for the financial year ended 31st December 2011 together with the management comments on the observations made by the Auditors and approved the Financial Statements at the Audit Committee meeting held on 28th February 2012 for submission to the Board. The Committee reviewed & approved the draft Letter of Representation & the Letter of Engagement to be given to the External Auditors for the year 2011.

The Audit Committee has recommended to the Board of Directors the re-appointment of the External Auditor KPMG Ford Rhodes Thornton & Company and fixed the Auditors' remuneration, for approval at the Annual General Meeting. The internal audit function is outsourced to Ernst & Young Advisory Services (Pvt) Ltd.

On behalf of the Audit Committee;

D.T.W. Thalgodapitiya

Chairman - Audit Committee

28th February 2012 Colombo



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DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

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

As per the provisions of the Companies Act No. 7 of 2007 the Directors are required to prepare Financial Statements for each financial year and place them before a General Meeting. The Financial Statements comprise the Balance Sheet as at 31st December 2011, and the Income Statement, Statement of changes in Equity and Cash flow for the year then ended and Notes thereto.

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

the state of affairs of the Company and its Subsidiary as at the Balance Sheet date and

the Profit or Loss of the Company and its Subsidiary for the financial year ended on the Balance Sheet date.

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

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

The Directors confirm that the Financial Statements of the CSE and its Subsidiary CDS for the year ended 31st December 2011 presented in this report have been prepared in accordance with the Sri Lanka Accounting Standards, Companies Act No: 7 of 2007 and Sri Lanka Accounting and Auditing Standards Act No: 15 of 1995.

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

The Directors have taken reasonable steps to safeguard the assets of the CSE and its subsidiary CDS and in this regard to give proper consideration to the establishment of appropriate internal control systems with a view of preventing and detecting fraud and other irregularities.

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

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

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

By order of the Board

Secretarial Services Limited

16th March 2012 Colombo

Secretaries

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INDEPENDENT AUDITORS' REPORT



KPMG Ford, Rhodes, Thornton & Co. (Chartered Accountants) 32A, Sir Mohamed Macan Marker Mawatha, P. O. Box 186, Colombo 00300, Sri Lanka.

Tel : +94 - 11 542 6426
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+94 - 11 244 6058
+94 - 11 254 1249
+94 - 11 230 7345
Internet : www.lk.kpmg.com

TO THE MEMBERS OF COLOMBO STOCK EXCHANGE

Report on the Financial Statements

We have audited the accompanying financial statements of Colombo Stock Exchange, the consolidated financial statements of the Company and its subsidiary as at 31 December 2011, which comprise the balance sheet as at 31 December 2011, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting polices used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion - Company

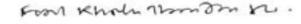
In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 December 2011 and the financial statements give a true and fair view of the Company's state of affairs as at 31 December 2011 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Opinion - Group

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs as at 31 December 2011 and the profit and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiary dealt with thereby, so far as concerns the members of the Company.

Report on Other Legal and Regulatory Requirements

These financial statements also comply with the requirements of Section 153(2) to 153(7) of the Companies Act No. 07 of 2007.



CHARTERED ACCOUNTANTS Colombo, 16 March 2012.



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BALANCE SHEET

| | | Group | | Company | | |
|---|------|---------------|---------------|---------------|---------------|--|
| As at 31st December | | 2011 | 2010 | 2011 | 2010 | |
| | Note | Rs. | Rs. | Rs. | Rs. | |
| ASSETS | | | | | | |
| Non Current Assets | | | | | | |
| Property and Equipment | 4 | 75,405,780 | 57,717,660 | 75,405,736 | 57,717,616 | |
| Intangible Assets | 5 | 15,008,222 | 21,649,466 | 15,008,222 | 21,649,466 | |
| Capital Work in Progress | 6 | 118,820,507 | 65,367,613 | 118,820,507 | 65,367,613 | |
| Investments in Subsidiary | 7 | - | - | 25,000 | 25,000 | |
| Investments in Unit Trusts | 8 | 992,009,940 | 1,440,000,001 | 616,009,940 | 1,440,000,001 | |
| Investments in LFSB | 9 | 1,000,000 | 1,000,000 | - | _ | |
| Settlement Guarantee Fund | 19 | 100,000,000 | - | 100,000,000 | _ | |
| Deferred Tax Assets | 16 | 3,103,674 | 218,097 | 3,103,674 | 218,097 | |
| Total Non Current Assets | | 1,305,348,123 | 1,585,952,837 | 928,373,079 | 1,584,977,793 | |
| Current Assets | | | | | | |
| Inventories | | 4,770,409 | 5,557,330 | 4,608,474 | 5,444,636 | |
| Investments in Treasury Bills and Repos | | 98,120,283 | 304,667,278 | 98,120,283 | 304,667,278 | |
| Income Tax Receivable | | 5,274,447 | - | 15,959,136 | - | |
| Investments in Unit Trusts | 8 | 1,448,019,983 | 639,400,359 | 1,448,019,983 | 639,400,359 | |
| Trade and Other Receivables | 10 | 126,323,887 | 90,580,906 | 74,597,689 | 78,842,955 | |
| Cash and Cash Equivalents | 11 | 75,895,218 | 58,948,298 | 57,688,161 | 40,284,841 | |
| Total Current Assets | | 1.758.404.227 | 1,099,154,171 | 1,698,993,726 | 1,068,640,069 | |
| Total Assets | | 3,063,752,350 | 2,685,107,008 | 2,627,366,805 | 2,653,617,862 | |
| EQUITY AND LIABILITIES | | | | | | |
| Accumulated Fund | | 2,655,113,804 | 2,061,989,990 | 2,336,385,972 | 1,861,079,718 | |
| Capital Reserve | 12 | 99,975,000 | 99,975,000 | 2,000,000,012 | 1,001,079,710 | |
| Total Equity | 12 | 2,755,088,804 | 2,161,964,990 | 2,336,385,972 | 1,861,079,718 | |
| | | 2,733,000,004 | 2,101,304,330 | 2,000,000,012 | 1,001,073,710 | |
| Non Current Liabilities | | | | | | |
| Brokers' Deposits in lieu of Bank Guarantee | 13 | 82,689,970 | 66,939,970 | 82,689,970 | 66,939,970 | |
| Retirement Benefit Obligations | 14 | 36,172,270 | 31,478,202 | 36,172,270 | 31,478,202 | |
| Deferred Grants | 15 | - | 211,027 | - | 211,027 | |
| | | 118,862,240 | 98,629,199 | 118,862,240 | 98,629,199 | |
| Current Liabilities | | | | | | |
| Brokers' Deposits in lieu of Bank Guarantee | | 45,986,633 | 60,260,905 | 16,000,000 | 33,500,000 | |
| Income Tax Payable | | - | 324,552,891 | - | 245,609,194 | |
| Other Payables | 17 | 142,314,856 | 36,740,242 | 140,347,658 | 35,713,449 | |
| Amounts due to Related Company | 18 | - | - | 14,271,118 | 376,127,521 | |
| Bank Overdraft | 11 | 1,499,817 | 2,958,781 | 1,499,817 | 2,958,781 | |
| | | 189,801,306 | 424,512,819 | 172,118,593 | 693,908,945 | |
| Total Equity and Liabilities | | 3,063,752,350 | 2,685,107,008 | 2,627,366,805 | 2,653,617,862 | |

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

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

12th

Manager Finance & Administration

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

Kirshe Balenh Chairman Longopuya

16 March 2012 Colombo.

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INCOME STATEMENT

| | | Gro | oup | Company | | |
|---|----------|---|---|---|---|--|
| For the Year Ended 31st December | Note | 2011 Rs. | 2010 Rs. | 2011 Rs. | 2010 Rs. | |
| Revenue Other Income | 20 21 | 1,175,767,154 229,735,371 | 1,440,976,998 208,232,879 | 866,979,322 245,937,605 | 1,121,094,875 212,328,758 | |
| Staff Cost Depreciation & Amortisation Other Operating Expenses | 22 | 1,405,502,525 (186,752,905) (37,734,494) (422,850,044) | 1,649,209,877 (131,520,094) (33,071,232) (282,946,077) | 1,112,916,927 (167,145,115) (37,734,494) (322,870,500) | 1,333,423,633 (112,964,033) (33,071,232) (217,156,352) | |
| Profit before taxation Income Tax | 24 | 758,165,082 (165,041,268) | 1,201,672,474 (345,960,796) | 585,166,818 (109,860,564) | 970,232,016 (257,777,230) | |
| Net profit for the year | | 593,123,814 | 855,711,678 | 475,306,254 | 712,454,786 | |

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



STATEMENT OF CHANGES IN EQUITY

| GROUP | Accumulated Fund Rs. | Capital Reserve Rs. | Conference Fund Account Rs. | Total Rs. |
|---|---|---------------------------|-----------------------------------|-----------------------------------|
| Balance as at 01st January 2010 Net Profit for the year Transferred to / (from) during the year | 1,205,719,599 855,711,678 558,713 | 99,975,000 | 558,713 - (558,713) | 1,306,253,312 855,711,678 - |
| Balance as at 31st December 2010 | 2,061,989,990 | 99,975,000 | - | 2,161,964,990 |
| Balance as at 01st January 2011 Net Profit for the year | 2,061,989,990 593,123,814 | 99,975,000 | - | 2,161,964,990 593,123,814 |
| Balance as at 31st December 2011 | 2,655,113,804 | 99,975,000 | - | 2,755,088,804 |

| COMPANY | Accumulated Fund Rs. | Conference Fund Account Rs. | Total Rs. |
|---|---|-----------------------------------|------------------------------|
| Balance as at 01st January 2010 Net Profit for the year Transferred to / (from) during the year | 1,148,066,219 712,454,786 558,713 | 558,713 - (558,713) | 1,148,624,932 712,454,786 |
| Balance as at 31st December 2010 | 1,861,079,718 | - | 1,861,079,718 |
| Balance as at 01st January 2011 Net Profit for the year | 1,861,079,718 475,306,254 | - | 1,861,079,718 475,306,254 |
| Balance as at 31st December 2011 | 2,336,385,972 | - | 2,336,385,972 |

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

CASH FLOW STATEMENT

| | | Gro | oup | Con | npany |
|--|------|------------------------------|------------------------------|-----------------------------|-------------------------|
| For the Year Ended 31st December | | 2011 | 2010 | 2011 | 2010 |
| | Note | Rs. | Rs. | Rs. | Rs. |
| Cash Flows from Operating Activities | | | | | |
| Net Profit before Taxation | | 758,165,082 | 1,201,672,474 | 585,166,818 | 970,232,016 |
| Adicates anto Fau | | | | | |
| Adjustments For: | A /E | 27 724 404 | 00 071 000 | 07 704 404 | 22 071 020 |
| Depreciation / Amortisation | 4/5 | 37,734,494 | 33,071,232 | 37,734,494 | 33,071,232 |
| Interest Income Amortisation of Deferred Grant | 21 | (14,807,341) | (17,468,808) | (14,040,791) | (17,456,634) |
| | 15 | (211,027) | (320,407) | (211,027) | (320,407) |
| Profit on Sale of Property & Equipment | | (2,237,006) | (13,827) | (2,237,006) | (13,827) |
| Gain on Redemption of Unit Trust Investments Dividend Income | 21 | (3,047,361) | (5,760,152) | (3,047,361) | (5,760,152) |
| Gratuity Provision | 21 | (189,292,477) | (160,364,697) | (207,292,477) | (164,994,163) |
| , | 14 | 12,984,833 | 1,903,717 | 14,283,377 | 1,775,113 |
| Gratuity Provision - Transfer to Subsidiary | 14 | (004 405) | 110 105 | (1,298,544) | 128,604 |
| Provision for Bad Debts | | (204,105) | 118,135 | 21,840 | 115,630 |
| Operating Profit before Working Capital Changes | | 599,085,092 | 1,052,837,667 | 409,079,323 | 816,777,412 |
| (Increase) / Decrease in Inventories | | 786,921 | (2,218,489) | 836,162 | (2,138,873) |
| (Increase) / Decrease in Other Receivables | 10 | (35,538,877) | (24,616,713) | 4,223,426 | (17,968,615) |
| Increase in other Payables | 17 | 5,574,613 | 4,382,793 | 4,634,209 | 4,090,439 |
| Increase / (Decrease) in Amounts due to Related Company | 18 | - | -,002,700 | (361,856,403) | 206,678,769 |
| Increase / (Decrease) in Broker Deposits | | 1,475,729 | 30,115,905 | (1,750,000) | 28,750,000 |
| Cash Generated from Operations | | 571,383,478 | 1,060,501,163 | 55,166,717 | 1.036.189.132 |
| Income Tax Paid | | (496,405,285) | (31,775,040) | (372,965,572) | (13,126,069) |
| Gratuity Paid | 14 | (8,290,765) | (314,037) | (8,290,765) | (314,037) |
| Net Cash Flow from Operating Activities | 1-7 | 66,687,428 | 1,028,412,086 | (326,089,620) | 1,022,749,026 |
| | | | | | |
| Cash Flow from Investing Activities Interest Income | | 13,458,444 | 15,790,382 | 12,691,892 | 15,779,329 |
| | | · · · · · | 1 1 | | |
| Purchase of Property & Equipment and Intangible Assets | | (12,406,845) | (18,452,843) | (12,406,845) 2,530,752 | (18,452,843) |
| Proceeds from Sale of Property & Equipments Increase in Deposits & Treasury Bills & Bonds | | 2,530,752 206,546,995 | 13,837 | | 13,837 (224,568,752) |
| Dividend Income | | 189,292,477 | (224,568,752) 160,364,697 | 206,546,995 207,292,477 | 164,994,163 |
| | | | 1 1 | 18,417,798 | |
| (Increase) / Decrease in Investments in Unit Trusts | | (357,582,201) | (885,995,084) | | (885,995,084) |
| Capital Work in Progress Net Cash Flow from Investing Activities | | (90,121,165) (48,281,543) | (66,539,968) (1,019,387,730) | (90,121,165) 344,951,904 | (66,539,968) |
| Net Cash Flow from fivesting Activities | | (40,201,343) | (1,019,367,730) | 344,931,904 | (1,014,709,317) |
| Cash Flow from Financing Activities | | - | - | - | - |
| | | - | - | - | - |
| Net Increase / (Decrease) in Cash and Cash Equivalents | | 18,405,884 | 9,024,356 | 18,862,284 | 7,979,709 |
| Cash and Cash Equivalents at beginning of the Year | | 55,989,517 | 46,965,161 | 37,326,060 | 29,346,351 |
| Net Cash and Cash Equivalents at end of the Year | 11 | 74,395,401 | 55,989,517 | 56,188,344 | 37,326,060 |
| Cash in hand | | 175,000 | 175,000 | 170,000 | 170,000 |
| Cash at bank | | 3,142,206 | 6,816,733 | 2,789,687 | 5,804,344 |
| RTGS Account | | 13,270 | 23,740 | 2,700,007 | 5,004,044 |
| Short term investment - Overnight repo | | 72,564,742 | 51,932,825 | 54,728,474 | 34,310,497 |
| Cash & Cash Equivalents | | 75,895,218 | 58,948,298 | 57,688,161 | 40,284,841 |
| Justi & Justi Equivalents | | | 00,340,230 | 57,000,101 | 40,204,041 |
| · | | . 0,000,2.0 | | | |
| Bank Overdraft | | (1,499,817) | (2,958,781) | (1,499,817) | (2,958,781) |

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

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NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

1.1. Domicile and Legal Form

Colombo Stock Exchange is a Company Limited by Guarantee incorporated & domiciled in Sri Lanka. The registered office of the Company is located at 4 - 01, West Block, World Trade Center, Echelon Square, Colombo 01, and the principal place of business is also situated at the same place.

The consolidated financial statements of the Company as at and for the year ended 31 December 2011 comprise the Company and Central Depository Systems (Private) Limited which was incorporated on 02 September 1991 as a wholly owned subsidiary of Colombo Stock Exchange.

1.2. Principal Activities and Nature of Operations

The principal activity of the Company is the operation of a Stock Exchange. The subsidiary operates a clearing and settlement of securities system for equities traded in the Colombo Stock Exchange and acts as a depository for such securities.

1.3. Number of Employees

The number of employees at the end of the year was 123 (106 in 2010).

2. BASIS OF PREPARATION

2.1. Statement of compliance

The consolidated financial statements have been prepared in accordance with Sri Lanka Accounting Standards (SLASs), adopted by the Institute of Chartered Accountants of Sri Lanka (ICASL) and the requirements of the Companies Act No. 07 of 2007.

The financial statements were authorized for issue by the Board of Directors on 16 March 2012.

2.2. Basis of measurement

The financial statements have been prepared on the historical cost basis and applied consistently with no adjustments being made for inflationary factors affecting the financial statements.

The Group financial statements comprise a consolidation of the Financial Statements of the Company and its subsidiary in accordance with Sri Lanka Accounting Standard No. 26 – "Consolidated and Separate Financial Statements".

2.3. Subsidiary

Subsidiary is an enterprise that is controlled by the company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.

2.4. Transactions eliminated on consolidation

Intra-group balances, and any unrealized gains and losses or income and expenses arising from intra – group transactions, are eliminated in preparing the consolidated financial statements.

2.5. Functional and Presentation Currency

The financial Statements are presented in Sri Lanka Rupees, which is the company's functional currency. Financial information

presented in Sri Lanka Rupees has been rounded to the nearest rupee.

2.6. Use of estimates and judgments

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

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

2.7. Materiality & Aggregation

Each material class of similar items is presented separately in the Consolidated Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial.

2.8. Going Concern

The Board of Directors certifies that the company has adequate resources to continue its operations in the foreseeable future. Therefore going concern basis has been adopted in preparing the Financial Statements.

2.9. Comparative information

When necessary comparative figures have been reclassified to conform to the current year's presentation.



NOTES TO THE FINANCIAL STATEMENTS (Cont...)

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies are applied consistently with due regard to prudence, materiality and substance-over form criteria as explained in Sri Lanka Accounting Standard No. 3 on "Presentation of Financial Statements", on accrual basis. Where appropriate, the accounting policies are disclosed in the succeeding notes.

3.1. Changes in Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements. The accounting policies of the Company have been consistently applied by Group entities where applicable and deviations if any have been disclosed accordingly.

New Accounting Standards Issued but not Effective as at Balance Sheet Date

The Institute of Chartered Accountants of Sri Lanka has issued a new volume of Sri Lanka Accounting Standards which will become applicable for financial periods beginning on or after 1 January 2012. Accordingly, these Standards have not been applied in preparing these financial statements as they were not effective for the year ended 31 December 2011.

These Sri Lanka Accounting Standards comprise Accounting Standards prefixed both SLFRS (corresponding to IFRS) and LKAS (corresponding to IAS). Application of Sri Lanka Accounting Standards prefixed SLFRS and LKAS for the first time shall be deemed to be an adoption of SLFRSs.

The said new standards have become applicable to the Company from 1 January 2012 and accordingly the reporting framework for the year ending 31 December 2012 will be SLFRS. Given the complexities and

technical expertise required in the process of convergence, the Company carried out an initial impact analysis with the assistance of an external consultant based on the 2010 balances.

This note contains the analysis of possible significant impacts that may arise from adoption of SLFRS.

Investments in Unit Trusts

In accordance with the LKAS 39, investments in Unit Trusts can be classified either as Fair Value Through Profit or Loss (FVTPL) or Available for Sale (AFS). The Company is in the process of determining the appropriate classification for investments in Unit Trusts.

The investments classified as FVTPL are subsequently measured at fair value and the fair value gain or losses are recognized in profit or loss. The investments classified as AFS are subsequently measured at fair value and the fair value gain or losses would be recognized in Other Comprehensive Income (OCI).

As stated in Note 8 to the financial statements, investments in Unit Trusts currently measured at cost and fair valuation of the investments could result in material impact on the financial statements. Fair valuation adjustments arising at the point of transition will be recognized in the retained earnings.

Government Securities

In accordance with the LKAS 39, investments in treasury bills and bonds can be classified either as Fair Value Through Profit or Loss (FVTPL), Available for Sale (AFS) or Held to Maturity (HTM).

The Company has decided to classify part of the government securities under AFS and other part under HTM.

The government securities classified as AFS, are subsequently measured at fair value and the fair value gain or losses would be recognized in Other Comprehensive Income (OCI). Fair valuation adjustments arising at the point of transition will be recognized in the retained earnings.

The government securities classified as HTM, are subsequently measured at amortized cost and interest income would be computed using Effective Interest Rates (EIR).

Staff Loans

In accordance with LKAS 39, all financial Instruments should be initially measured at fair value. Presently the Staff loans are granted at concessionary rates and they are measured at cost.

The management is in the process of quantifying the impact on fair valuation of Staff loans. Prepaid costs that may arise from fair valuation of staff loans will be amortized over the tenure of the loan. The fair valuation adjustment arising at the point of transition does not have a significant impact on the retained earnings.

3.2. Foreign currency transactions

Transactions in foreign currencies are translated to Sri Lankan Rupees at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Sri Lankan Rupees at the foreign exchange rates ruling at that date.

Foreign exchange differences arising on translation are recognized in the income statement.

ASSETS AND THE BASES OF THEIR VALUATION

3.3. Property and Equipment

3.3.1. Recognition and measurement

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

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

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

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized net within the "other income" in profit or loss.

3.3.2. Subsequent costs

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

and equipment are recognized in the income statement as incurred.

3.3.3. Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Depreciation is provided on a pro-rata basis on the assets purchased / constructed / disposed during the year.

The estimated useful lives are as follows:

Furniture 6 - 7 years & Fittings

Computers 5 years & Office Equipment

Motor Vehicles 5 years

Telephones 4 years

3.4. Capital Work-in-Progress

Capital work-in-progress is stated at cost. These are expenses of a capital nature directly incurred for system development.

3.5. Intangible Assets

An Intangible Asset is recognized if it is probable that future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably in accordance with the Sri Lanka Accounting Standards No.37, Intangible Assets. Accordingly, these assets are stated in the Balance Sheet at cost less accumulated amortization.

3.5.1. Amortization

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

The estimated useful life of Computer Software is 5 years.

3.5.2. Subsequent expenditure

Subsequent Expenditure on Intangible Assets is capitalized only when it increases the future economic benefits embodied in these assets. All other expenditure is expensed as incurred.

3.5.3. Development costs

Expenditure on development activities, a plan or design for the production of new or substantially improved processes is capitalized if the process is commercially feasible and the group has sufficient resources to complete the development. Capitalized development expenditure is stated at cost less accumulated amortization over the five year period.

3.6. Investments

Investment in subsidiary is held at cost.

Treasury Bills, Bonds are stated at their cost plus accrued interest component.

Investments in Unit Trusts classified as long-term are stated at cost. Short term component of investments in Unit Trusts are stated at the cost or market value whichever is lower.

The carrying amount of all longterm investments have been reduced to recognize a decline other than temporary in the value of the investments, such reduction being determined and made for all investments in portfolio basis.

NOTES TO THE FINANCIAL STATEMENTS (Cont...)

Cash balances maintained for working capital requirement and Member Firms' Dex Liquidity deposits are invested on Overnight Repos on a daily basis. Such Overnight Repos are stated in the balance sheet at their cost plus accrued interest component.

3.7. Inventories

Inventories include stationeries, stamps and data wall spares. Realizable values of such items can be considered as cost.

3.8. Trade and Other Receivables

Trade receivables are carried at anticipated realizable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off during the year in which they are identified.

3.9. Cash and cash equivalents

Cash and cash equivalents comprise cash balances and investments in money market instruments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

3.10. Impairment of Assets

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amounts are estimated.

An impairment loss is recognized if the carrying amount of an asset or its cash – generating unit exceeds its recoverable amount.

Impairment losses are recognized in the income statement.

3.11. Employee Benefits

3.11.1. Defined Benefits Plan – Gratuity

As required by (SLAS) -16 (Revised 2006) "Employee Benefits", which the company has provided for gratuity liability based on the gratuity formula method, for the current financial year.

However under the Payment of Gratuity Act No.12 of 1983, the liability to an employee arises only on completion of five years of continued service.

The liability is not externally funded.

3.11.2. Defined Contribution Plan – Employees' Provident Fund and Employees' Trust Fund

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

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

(a) Employees' Provident Fund

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

(b) Employees' Trust Fund

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

3.12. Provisions

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

3.13. Trade and other payables

Trade and other payables are stated at their cost.

3.14. Grants

Grants that compensate the Group for expenses incurred are recognized as revenue in the income statement on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognized in the income statement as other operating income on a systematic basis over the useful life of the asset.

3.15. Taxation

3.15.1. Current Taxation

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted on the balance sheet date, and any adjustment to tax payable in respect of previous years.

Provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provision of the Inland Revenue Act No. 10 of 2006 and subsequent amendments thereto. The Company is Liable for income tax at the rate of 30% on the taxable profits.

3.15.2. Deferred Taxation

Deferred taxation is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted by the reporting date. Deferred tax assets, including those related to temporary tax effects of income tax losses and credits available to be carried forward available against which the asset can be utilized.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.15.3. Withholding Tax on Dividends Distributed by Subsidiary

Dividend distributed out of profit of the Subsidiary attracts 10% deduction at source and is not available for set off against the tax liability of the Colombo Stock Exchange. Thus the withholding tax deducted at source is added to the expense of the Subsidiary company in the Group financial statements as a consolidation adjustment.

3.16. Revenue

Revenue is principally recognized on an accrual basis. Dividend income from unit trusts is recognized in the period they are declared.

3.17. Expenses

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

3.18. Related Party Transactions

For the purpose of these Financial Statements, parties are considered to be related to the Company if the Company has the ability directly or indirectly, to control the party or exercise significant influence over the party or vice versa. The relevant disclosure notes are provided in the Financial Statements.

3.19. Cash Flow Statement

The Cash Flow Statement has been prepared using the "Indirect Method" of preparing cash flows in accordance with the Sri Lanka Accounting Standard 09, "Cash Flow Statements".



NOTES TO THE FINANCIAL STATEMENTS (Cont...)

4. PROPERTY & EQUIPMENT

| GROUP | Furniture & Fittings | Computers & Office Equipments | Motor Vehicles | Telephones | Total |
|--------------------------|-------------------------|-------------------------------------|----------------|------------|--------------|
| Cost | Rs. | Rs. | Rs. | Rs. | Rs. |
| As at 01st January 2011 | 67,310,972 | 208,244,581 | 19,350,346 | 8,469,189 | 303,375,088 |
| Additions / Transfers | 17,947,796 | 27,817,721 | - | 642.283 | 46.407.800 |
| Disposals / Transfers | (642,223) | (9,569,075) | (2,755,859) | (314,897) | (13,282,054) |
| As at 31st December 2011 | 84,616,545 | 226,493,227 | 16,594,487 | 8,796,575 | 336,500,834 |
| Depreciation | | | | | |
| As at 01st January 2011 | 48,986,065 | 174,196,720 | 14,995,549 | 7,479,094 | 245,657,428 |
| Charge for the year | 7,694,600 | 16,630,633 | 3,318,897 | 781,806 | 28,425,936 |
| Disposals / Transfers | (640,266) | (9,537,806) | (2,495,859) | (314,379) | (12,988,310) |
| As at 31st December 2011 | 56,040,399 | 181,289,547 | 15,818,587 | 7,946,521 | 261,095,054 |
| | | | | | |
| Net Book Value | | | | | |
| As at 31st December 2011 | 28,576,146 | 45,203,680 | 775,900 | 850,054 | 75,405,780 |
| As at 31st December 2010 | 18,324,907 | 34,047,861 | 4,354,797 | 990,095 | 57,717,660 |

| COMPANY | Furniture & Fittings | Computers & Office Equipments | Motor Vehicles | Telephones | Total |
|--------------------------|-------------------------|-------------------------------------|----------------|------------|--------------|
| Cost | Rs. | Rs. | Rs. | Rs. | Rs. |
| As at 01st January 2011 | 66,919,655 | 205,247,425 | 19,350,346 | 8,408,339 | 299,925,765 |
| Additions / Transfers | 17,947,796 | 27,817,721 | - | 642,283 | 46,407,800 |
| Disposals / Transfers | (642,223) | (9,569,075) | (2,755,859) | (314,897) | (13,282,054) |
| As at 31st December 2011 | 84,225,228 | 223,496,071 | 16,594,487 | 8,735,725 | 333,051,511 |
| Depreciation | | | | | |
| As at 01st January 2011 | 48,594,771 | 171,199,583 | 14,995,549 | 7,418,246 | 242,208,149 |
| Charge for the year | 7,694,600 | 16,630,633 | 3,318,897 | 781,806 | 28,425,936 |
| Disposals / Transfers | (640,266) | (9,537,806) | (2,495,859) | (314,379) | (12,988,310) |
| As at 31st December 2011 | 55,649,105 | 178,292,410 | 15,818,587 | 7,885,673 | 257,645,775 |
| Net Book Value | | | | | |
| As at 31st December 2011 | 28,576,123 | 45,203,661 | 775,900 | 850,052 | 75,405,736 |
| As at 31st December 2010 | 18,324,884 | 34,047,842 | 4,354,797 | 990,093 | 57,717,616 |

| | Gro | oup | Company | |
|-------------------------------|-------------|-------------|-------------|-------------|
| As at 31st December | 2011 Rs. | 2010 Rs. | 2011 Rs. | 2010 Rs. |
| 5. Intangible Assets Cost: | | | | |
| Balance as at 01st January | 124,718,393 | 120,243,206 | 124,718,393 | 120,243,206 |
| Acquired during the year | 2,667,316 | 4,475,187 | 2,667,316 | 4,475,187 |
| Balance as at 31st December | 127,385,709 | 124,718,393 | 127,385,709 | 124,718,393 |
| Amortisation | | | | |
| Balance as at 01st January | 103,068,927 | 94,076,953 | 103,068,927 | 94,076,953 |
| Charge for the year | 9,308,560 | 8,991,974 | 9,308,560 | 8,991,974 |
| Balance as at 31st December | 112,377,487 | 103,068,927 | 112,377,487 | 103,068,92 |
| Net Book Value | 15,008,222 | 21,649,466 | 15,008,222 | 21,649,46 |

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

| 6. Capital Work in Progress | | | | |
|--|---------------|---------------|---------------|---------------|
| Cost as at 01st January | 65,367,613 | 6,650,477 | 65,367,613 | 6,650,477 |
| Incurred during the year | 90,121,165 | 66,539,968 | 90,121,165 | 66,539,968 |
| Transfers | (36,668,271) | (7,822,832) | (36,668,271) | (7,822,832) |
| Cost as at 31st December | 118,820,507 | 65,367,613 | 118,820,507 | 65,367,613 |
| | | | | |
| 7. Investment in Subsidiary | | | | |
| Central Depository Systems (Pvt) Ltd. | | | | |
| (10,000,000 Ordinary Shares) | - | - | 25,000 | 25,000 |
| | - | - | 25,000 | 25,000 |
| | | | | |
| 8. Investment in Unit Trusts | | | | |
| Long Term Investments | | | | |
| NAMAL - Gilt Edge Fund | - | 600,000,000 | - | 600,000,000 |
| CEYBANK - Gilt Edge Fund | - | 200,000,000 | - | 200,000,000 |
| CEYBANK - Surakum Gilt Edged Fund | - | 640,000,001 | - | 640,000,001 |
| NDB Aviva - Eagle Gilt Edged Fund | 616,009,940 | - | 616,009,940 | - |
| NDB Aviva - Eagle Gilt Edged Fund CDS | 376,000,000 | - | - | - |
| | 992,009,940 | 1,440,000,001 | 616,009,940 | 1,440,000,001 |
| Current Investments | | | | |
| | 57 642 071 | 20/ 157 00/ | E7 640 071 | 204 157 004 |
| NAMAL - Money Market Fund | 57,643,271 | 384,157,994 | 57,643,271 | 384,157,994 |
| CEYBANK - Savings Plus - Money Market Fund | 86,208,975 | 255,242,365 | 86,208,975 | 255,242,365 |
| CEYBANK - Surakum Gilt Edged Fund | 504,167,737 | _ | 504,167,737 | _ |
| NAMAL - Gilt Edge Fund | 600,000,000 | _ | 600,000,000 | _ |
| CEYBANK - Gilt Edge Fund | 200,000,000 | | 200,000,000 | |
| | 1,448,019,983 | 639,400,359 | 1,448,019,983 | 639,400,359 |

8.1 In accordance with the accounting policy of the company, Short Term Unit Trust Investments are accounted for at the lower of cost and market value as at the balance sheet date. Market values of the Unit Trusts are as follows as at 31st December 2011.

NOTES TO THE FINANCIAL STATEMENTS (Cont...)

| As at 31st December | No Of Units: | 2011 Cost Rs. | Market Value / Net Asset Value Rs. | No Of Units: | 2010 Cost Rs. | Market Value / Net Asset Value Rs. |
|---------------------------|--------------|---|--|--------------|---------------------|--|
| | | | | | | |
| CSE | | | | | | |
| NAMAL - Gilt Edge Fund | 60,019,368 | 600,000,000 | 764,646,750 | 60,019,368 | 600,000,000 | 772,449,267 |
| CEYBANK - Gilt Edge Fund | 20,000,000 | 200,000,000 | 236,200,000 | 20,000,000 | 200,000,000 | 246,400,000 |
| CEYBANK - Surakum Gilt- | | | | | | |
| Edged Fund | 49,906,206 | 504,167,737 | 517,028,290 | 63,933,215 | 640,000,001 | 642,528,814 |
| CEYBANK - Savings- | | | | | | |
| Plus - Money Market Fund | 8,416,685 | 86,208,975 | 87,870,189 | 24,923,852 | 255,242,365 | 262,697,398 |
| NAMAL - Money Market Fund | 5,683,603 | 57.643.271 | 58.541.109 | 37,862,151 | 384.157.994 | 387,708,428 |
| | 2,200,000 | ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,, | 22,311,100 | ,-3=,-0 | | 121,100,120 |
| | | 1,448,019,983 | 1,664,286,338 | | 2,079,400,360 | 2,311,783,907 |

NAMAL & CEYBANK Gilt Edge Funds are Close Ended Unit Trusts which will mature on March 2012. CEYBANK Surakum & NDB Aviva Eagle Gilt Edged Funds are Open Ended Unit Trusts which invest exclusively in a portfolio of Government Securities.

| | Gro | Group | | pany |
|--|-------------|-------------|-------------|-------------|
| As at 31st December | 2011 Rs. | 2010 Rs. | 2011 Rs. | 2010 Rs. |
| 9. Investment in LFSB Ordinary Shares | 1.000.000 | 1.000.000 | - | _ |
| | 1,000,000 | 1,000,000 | - | - |

This represents the 100,000 ordinary shares purchased from Lanka Financial Services Bureau Ltd (LFSB) by the Central Depositary Systems (Private) Ltd. LFSB is the SWIFT Service Bureau for Sri Lanka which will facilitate inter-bank transactions.

| | | 1 | | |
|--------------------------------|-------------|-------------|-------------|-------------|
| 10. Trade & Other Receivables | | | | |
| Trade Debtors | 56,189,232 | 17,217,461 | 6,329,546 | 7,626,847 |
| Provision for Doubtful Debts | (973,032) | (1,177,137) | (861,981) | (840,141) |
| Trade Debtore Net of Provision | 55,216,200 | 16,040,324 | 5,467,565 | 6,786,706 |
| CSE & CDS Fees Receivable | 3,461,444 | 9,768,720 | 2,596,426 | 7,430,095 |
| Prepayments | 19,781,634 | 26,748,359 | 19,665,660 | 26,604,022 |
| Advance Payments | 84,130 | 360 | 84,130 | 360 |
| Refundable Deposits | 23,396,364 | 19,103,616 | 23,396,364 | 19,103,616 |
| Sundry Debtors | 1,016,070 | 3,386,242 | 19,499 | 3,385,992 |
| Other Receivable | 2,011,638 | 2,000,375 | 2,011,638 | 1,999,254 |
| Staff Loans | 21,356,407 | 13,532,910 | 21,356,407 | 13,532,910 |
| | 126,323,887 | 90,580,906 | 74,597,689 | 78,842,955 |
| 11. Cash & Cash Equivalents | | | | |
| • | 70 504 740 | E4 000 00E | E 4 700 474 | 04.040.407 |
| Treasury Bill Overnight Repos | 72,564,742 | 51,932,825 | 54,728,474 | 34,310,497 |
| Cash at Bank | 3,142,206 | 6,816,733 | 2,789,687 | 5,804,344 |
| RTGS Account | 13,270 | 23,740 | - | - |
| Cash in Hand | 175,000 | 175,000 | 170,000 | 170,000 |
| Cash & Cash Equivalents | 75,895,218 | 58,948,298 | 57,688,161 | 40,284,841 |
| Bank Overdraft | (1,499,817) | (2,958,781) | (1,499,817) | (2,958,781) |
| Net Cash & Cash Equivalents | 74,395,401 | 55,989,517 | 56,188,344 | 37,326,060 |

12. Reserves & Fund Capital Reserve

This represents 4,997,500 Ordinary Shares issued by CDS on capitalisation of its Revenue Reserves in Year 2004 and the transfer of its Capital Redemption Reserve in Year 2009.

Conference Fund Account

This represents the excess of Revenue over Expenditure on account of the Institutional Fund Managers Conference held in October 1999 after netting off the excess of expenditure over Revenue on account of the Annual Assembly & Conference of the South Asian Federation of Stock Exchanges held in January 2001.

NOTES TO THE FINANCIAL STATEMENTS (Cont...)

| | Gro | Group | | npany |
|--|------------|------------|------------|------------|
| As at 31st December | 2011 | 2010 | 2011 | 2010 |
| | Rs. | Rs. | Rs. | Rs. |
| 13. Broker Deposits In Lieu Of Bank Guarantee Broker Deposits (Note 13.1) Deposits for Computer Facility Entrance Deposits Deposits for Telephones | 81,750,000 | 66,000,000 | 81,750,000 | 66,000,000 |
| | 111,670 | 111,670 | 1111,670 | 111,670 |
| | 640,000 | 640,000 | 640,000 | 640,000 |
| | 188,300 | 188,300 | 188,300 | 188,300 |
| | 82,689,970 | 66,939,970 | 82,689,970 | 66,939,970 |

13.1 This is the cash deposit maintained by broker firms as part of their Liquidity Requirement in terms of Section 3 of the Member Regulations of the Colombo Stock Exchange.

| 14. Retirement Benefit Obligations | | | | |
|------------------------------------|-------------|------------|-------------|------------|
| Balance as at 01st January | 31,478,202 | 29,888,522 | 31,478,202 | 29,888,522 |
| Provision made during the year | 12,984,833 | 1,903,717 | 14,283,377 | 1,775,113 |
| Provision made for Subsidiary | - | - | (1,298,544) | 128,604 |
| Payments made during the year | (8,290,765) | (314,037) | (8,290,765) | (314,037) |
| Balance as at 31st December | 36,172,270 | 31,478,202 | 36,172,270 | 31,478,202 |

As required by the Sri Lanka Accounting Standard (revised 2006) - "Employee Benefits", the company has provided gratuity liability based on the Gratuity Formula Method.

| | Gr | oup | Company | | |
|---|--|--|--|--|--|
| As at 31st December | 2011 | 2010 | 2011 | 2010 | |
| | Rs. | Rs. | Rs. | Rs. | |
| 15.Deferred Grants Grant Received from USAID for Capital Market Development Received In 1992 | 9,100,113 | 9,100,113 | 9,100,113 | 9,100,113 | |
| Received In 1995 Received In 1996 Received In 1997 | 38,176,645 81,880 340,000 | 38,176,645 81,880 340,000 | 38,176,645 81,880 340,000 | 38,176,645 81,880 340,000 | |
| Grant Received from Brokers Received in 1992 | 340,384 | 340,384 | 340,384 | 340,384 | |
| Computers from MIT (Note 15.1) Received in 1998 | 1,980,000 | 1,980,000 | 1,980,000 | 1,980,000 | |
| Grant Received from SEC for Trade Automation Received in 1996 Received in 1997 Received in 1999 | 20,000,000 12,862,590 12,602,392 | 20,000,000 12,862,590 12,602,392 | 20,000,000 12,862,590 12,602,392 | 20,000,000 12,862,590 12,602,392 | |
| Grant Received from SEC for Trade Automation Audit Received in 2000 | 967,347 | 967,347 | 967,347 | 967,347 | |
| Grant Received from SEC for Video Documentary Received in 2004 | 400,000 | 400,000 | 400,000 | 400,000 | |
| Grant Received from SEC for Matara Branch Received in 2002 | 2,061,591 | 2,061,591 | 2,061,591 | 2,061,591 | |
| Grant Received from SEC for Kandy Branch Received in 2005 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | |
| Grant Received from SEC for Australia & New Zealand Road Show Received in 2005 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | |
| Grant Received from SEC for Kurunegala Branch Received in 2006 | 2,880,000 | 2,880,000 | 2,880,000 | 2,880,000 | |
| Grant Received from SEC for ITN Data Ticker Received in 2007 | 2,173,333 | 2,173,333 | 2,173,333 | 2,173,333 | |
| Grant Received from SEC for ITN Data Ticker Received in 2008 | 200,000 | 200,000 | 200,000 | 200,000 | |
| | 108,666,275 | 108,666,275 | 108,666,275 | 108,666,275 | |
| Balance brought forward Write back during the year | (108,455,248) (211,027) | (108,134,841) (320,407) | (108,455,248) (211,027) | (108,134,841) (320,407) | |
| Delance serviced desum | (108,666,275) | (108,455,248) | (108,666,275) | (108,455,248) | |
| Balance carried down | - | 211,027 | - | 211,027 | |

15.1 Amortisation of Deferred Grants

Five Servers were provided by the Vendor (MIT) to operationalise the CSE's Backup site as part of the Trade Automation Contract.

NOTES TO THE FINANCIAL STATEMENTS (Cont...)

| As at 31st December | Group 2010 | | 2011 Company 2010 | |
|---|--------------|--------------|-------------------|--------------|
| | Rs. | Rs. | Rs. | Rs. |
| 16. Deferred Tax Assets | | | | |
| Deferred Tax Liabilities | (9,554,299) | (10,954,160) | (9,554,299) | (10,954,160) |
| Deferred Tax Assets | 12,657,973 | 11,172,257 | 12,657,973 | 11,172,257 |
| | 3,103,674 | 218,097 | 3,103,674 | 218,097 |
| Balance as at 01st January | 218,097 | (686,801) | 218,097 | (686,801) |
| Recognized in the Income Statement | 2.885.577 | 904.898 | 2.885.577 | 904.898 |
| Balance as at 31st December | 3,103,674 | 218,097 | 3,103,674 | 218,097 |
| | | | | |
| Deferred tax assets and liabilities are attributable | | | | |
| to the following originations of temporary differences; | | | | |
| Property, equipment & intangible assets | 25,826,691 | 30,751,215 | 25,826,691 | 30,751,215 |
| Retirement Benefit Obligation | (36,172,270) | (31,478,201) | (36,172,270) | (31,478,201) |
| Total Taxable Temporary Difference | (10,345,579) | (726,986) | (10,345,579) | (726,986) |
| Applicable Tax Rate | 30% | 30% | 30% | 30% |
| Deferred Tax Assets | 3,103,674 | 218,097 | 3,103,674 | 218,097 |
| Deferred Tax Liabilities / (Assets) are attributable | | | | |
| to following items; | | | | |
| Property, equipment & intangible assets | 7,748,007 | 9,225,364 | 7,748,007 | 9,225,364 |
| Retirement Benefit Obligation | (10,851,681) | (9,443,461) | (10,851,681) | (9,443,461) |
| Tiothornon Borion Obligation | (3,103,674) | (218,097) | (3,103,674) | (218,097) |
| | | | | |
| 17. Other Payables | | | | |
| Interest Payable to Brokers | 616,347 | 661,668 | 603,415 | 658,661 |
| Payments Received in Advance | 703,401 | 848,339 | 703,401 | 848,339 |
| Sundry Creditors & Accrued Expenses | 140,995,108 | 35,230,235 | 139,040,842 | 34,206,449 |
| | 142,314,856 | 36,740,242 | 140,347,658 | 35,713,449 |
| 18. Amounts due to Related Company Relationship | | | | |
| Central Depository Systems (Pvt) Ltd. Subsidiary | _ | _ | 14,271,118 | 376,127,521 |
| Constant Dopository Cystems (1 vt) Eta. Substallary | - | _ | 14,271,118 | 376,127,521 |
| | | | , , , , , | |
| 19. Settlement Guarantee Fund | | | | |
| Settlement Guarantee Fund | 100,000,000 | - | 100,000,000 | - |
| | 100,000,000 | - | 100,000,000 | - |

This fund was established as a Trust on 22 May 1998 to guarantee the settlement of trades between clearing members of the central Depositary System of the Colombo Stock Exchange and to provide for matters connected therewith and incidential thereto. Current trustees of the fund are Securities Exchange Commission of Sri Lanka (SEC) and Colombo Stock Exchange (CSE). The CSE has decided to transfer Rs 100 Million to strengthen the settlement Guarantee Fund subsequent to the fund meeting held on 20th December 2011and transferred the funds on 18th January 2012.

| | Cre | aup. | Company | | |
|--|---------------|---------------|-------------|---------------|--|
| For the Very Furded Of at December | | oup | | | |
| For the Year Ended 31st December | 2011 | 2010 | 2011 | 2010 | |
| | Rs. | Rs. | Rs. | Rs. | |
| 20. Revenue | | | | | |
| CSE & CDS Fees | 1,021,939,585 | 1,149,247,678 | 785,278,131 | 888,797,360 | |
| Listing Fees | 49,930,975 | 32,043,281 | 49,930,975 | 32,043,281 | |
| Quotation Fees | 8,700,000 | 6,825,000 | 8,700,000 | 6,825,000 | |
| Brokers Fees | 20,040,684 | 15,430,538 | 20,040,684 | 15,430,538 | |
| Trading Member Fees | - | 175,000,000 | - | 175,000,000 | |
| Charges for Remote Data Link | 969,767 | 776,226 | 969,767 | 776,226 | |
| Charges for Computer Information | 2,059,765 | 2,222,470 | 2,059,765 | 2,222,470 | |
| Listed Company Fees | 47,885,440 | 50,328,255 | - | - | |
| Custodian Bank Fees | 10,681,750 | 9,103,550 | - | - | |
| Packeting & Posting Income | 13,559,188 | - | - | - | |
| | 1,175,767,154 | 1,440,976,998 | 866,979,322 | 1,121,094,875 | |
| | | | | | |
| 21. Other Income | | | | | |
| Interest Income | 14,807,341 | 17,468,808 | 14,040,791 | 17,456,634 | |
| Dividend Income - Unit Trusts | 189,292,477 | 160,319,697 | 189,292,477 | 160,319,697 | |
| Dividend Income - CDS | - | - | 18,000,000 | 4,674,466 | |
| Dividend Income - LFSB | 63,000 | 45,000 | - | - | |
| Gain on Redemption of Money Market Unit Trusts | 3,047,361 | 5,760,152 | 3,047,361 | 5,760,152 | |
| Amortization of Deferred Grant | 211,027 | 320,407 | 211,027 | 320,407 | |
| Profit on Disposal of Property & Equipment | 2,237,006 | 13,827 | 2,237,006 | 13,827 | |
| Miscellaneous Income | 20,077,159 | 24,304,988 | 19,108,943 | 23,783,576 | |
| | 229,735,371 | 208,232,879 | 245,937,605 | 212,328,758 | |

NOTES TO THE FINANCIAL STATEMENTS (Cont...)

| Gro | oup | Company | |
|-------------|---|--|---|
| 2011 | 2010 | 2011 | 2010 |
| Rs. | Rs. | Rs. | Rs. |
| | | | |
| 126,373,075 | 86,008,045 | 111,418,043 | 73,825,272 |
| 33,094,307 | 32,528,196 | 29,138,348 | 27,941,374 |
| 12,829,008 | 1,949,801 | 14,283,377 | 1,775,112 |
| 8,071,809 | 6,236,834 | 6,794,379 | 5,253,952 |
| 2,176,715 | 1,934,383 | 1,776,762 | 1,523,342 |
| 4,207,991 | 2,862,835 | 3,734,206 | 2,644,981 |
| 186,752,905 | 131,520,094 | 167,145,115 | 112,964,033 |
| | | | |
| | | | |
| 726,000 | 353,000 | 712,000 | 330,000 |
| 653,549 | 497,500 | 397,466 | 315,000 |
| 389,546 | 376,259 | 216,676 | 268,386 |
| 1,056,986 | 1,474,214 | 1,056,986 | 1,393,293 |
| 176,174,304 | 53,113,396 | 149,466,731 | 52,670,261 |
| (204,105) | 118,134 | 21,840 | 115,629 |
| | 2011 Rs. 126,373,075 33,094,307 12,829,008 8,071,809 2,176,715 4,207,991 186,752,905 726,000 653,549 389,546 1,056,986 176,174,304 | Rs. Rs. 126,373,075 86,008,045 33,094,307 32,528,196 12,829,008 1,949,801 8,071,809 6,236,834 2,176,715 1,934,383 4,207,991 2,862,835 186,752,905 131,520,094 726,000 353,000 653,549 497,500 389,546 376,259 1,056,986 1,474,214 176,174,304 53,113,396 | 2011 2010 2011 Rs. Rs. Rs. 126,373,075 86,008,045 111,418,043 33,094,307 32,528,196 29,138,348 12,829,008 1,949,801 14,283,377 8,071,809 6,236,834 6,794,379 2,176,715 1,934,383 1,776,762 4,207,991 2,862,835 3,734,206 186,752,905 131,520,094 167,145,115 726,000 353,000 712,000 653,549 497,500 397,466 389,546 376,259 216,676 1,056,986 1,474,214 1,056,986 176,174,304 53,113,396 149,466,731 |

23.1 Professional Charges & Subscription includes an amount of Rs. 158,725,882/= incurred for the consultancy service obtained from M/s Mckinsey & Company, in connection with development of a transformational blue print for the Colombo Stock Exchange.

| Taxation | | | | |
|--|--------------|---------------|--------------|--------------|
| Current Tax Expenses : | | | | |
| Current year | 167,816,452 | 339,781,616 | 112,688,161 | 254,427,872 |
| Social Responsibility Levy | - | 5,088,933 | - | 3,816,418 |
| Under / (Over) Provision in prior years | 110,393 | 1,995,145 | 57,980 | 437,838 |
| | 167,926,845 | 346,865,694 | 112,746,141 | 258,682,128 |
| Deferred Tax Expenses: | | | | |
| Origination & Reversal of Temporary Differences | (2,885,577) | (904,898) | (2,885,577) | (904,898) |
| Total Income Tax Expenses | 165,041,268 | 345,960,796 | 109,860,564 | 257,777,230 |
| | | | | |
| Reconciliation of Effective Tax Rates | | | | |
| Accounting Profit | 758,165,082 | 1,201,672,474 | 585,166,818 | 970,232,017 |
| Tax at the Domestic Rate (24.1) | 223,629,559 | 372,307,489 | 175,550,046 | 291,069,605 |
| | | | | |
| Tax Effect of Expenses that are not Deductible for Tax Purpose | 15,083,751 | 23,198,709 | 15,417,333 | 20,988,823 |
| Effect of Tax on Capital Allowances | (13,750,943) | (7,880,342) | (13,750,943) | (7,880,342) |
| Disallowed Provisions | (59,145,915) | (48,363,625) | (64,528,275) | (49,750,214) |
| Dividend Tax | 2,000,000 | 519,385 | - | - |
| Tax on profits for the Period | 167,816,452 | 339,781,616 | 112,688,161 | 254,427,872 |
| Effective Tax Rate | 22% | 28% | 19% | 26% |

24.1 Tax has been provided at the rate of 30% in respect of CSE (as per the Inland Revenue Ruling) & at the rate of 28% in respect of CDS.

As per the Inland Revenue Act No.10 of 2006 any person who derived income from the secondary market transactions in Government securities issued after or outstanding at 1st April 2002 would be entitled to a notional credit in relation to tax payable by such person. Accordingly, the net interest earned by the CSE for the year, has been grossed up in the Financial Statements and the resulting notional credit is Rs. 1,348,898/- (Rs. 1,677,305/- in 2010).

25. Contingencies & Commitments

25.1 Litigation against the CSE

The case bearing No. SC (HC) (SPL): 199/2010 LA was filed in the Supreme Court of Colombo against the CSE by
Ms. Preeni Witharanage, who is a former employee of the Colombo Stock Exchange (CSE). The Application for Leave to Appeal will be
heard before the Supreme Court on 3rd May 2012.

This case is an appeal filed against the decision made by the High Court of Colombo on 30th September 2010 in case bearing No. HCALT 40/2008. Ms. Witharanage claims re-instatement of her services.

2) The case bearing No. 58365/MR was filed in the District Court of Colombo against the CSE by an investor, namely, Mr. Iqbal Bin Issac, regarding his shareholding in Touchwood Investment Ltd. and claiming a sum of Rs.10 Million as damages.

The Trial commenced on the 17th February 2009. Further Trial in the said matter has been fixed for 11th May 2012.

Based on advice received the CSE has denied liability & the matter is pending in court.

25.2 Tax Assesments against the CSE

The Department of Inland Revenue has issued assessment notices for income tax amounting to Rs. 16.1 million for the Year of Assessment 2005/2006, Rs.17.6 million for the Year of Assessment 2006/2007, Rs. 0.3 million for the Year of Assessment 2007/2008 and Rs.0.4 million for the Year of Assessment 2009/2010 respectively. The CSE has appealed to quash the income tax assessments issued by the Department of Inland Revenue. The CSE is of the view that the above assessments will not have any material impact on the Financial Statements.

25.3 Tax Assesments against the CDS

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

26. Capital Commitments

The Group and the Company had purchased commitments in the ordinary course of business as at 31st December 2011 as follows:

| | Gr | Company | | |
|-------------------------|-------------|-------------|-------------|-------------|
| As at 31st December | 2011 Rs. | 2010 Rs. | 2011 Rs. | 2010 Rs. |
| Property and Equipment | | | | |
| - approved & contracted | 151,625,919 | 51,135,830 | 151,625,919 | 51,135,830 |
| | 151,625,919 | 51,135,830 | 151,625,919 | 51,135,830 |

27. Related Party Disclosure

27.1 Transactions with Key Management Personnel

Key management personnel include all the members of the Board of Directors of the Company & the CEO, AGMs, Senior Managers and Managers having authority and responsibility for planning, directing, and controlling the activities of the Group.

CSE paid Rs. 712,000/- during the year as Directors' Expenses. (Rs. 330,000/- in 2010)

The Company has incurred following costs for the CEO, AGMs, Senior Managers and Managers during the year.

| | Com | Company | |
|--|-------------------------|-------------------------|--|
| As at 31st December | 2011 Rs. | 2010 Rs. | |
| Chart Tama Faralassa Baratita | | 40.070.071 | |
| Short Term Employee Benefits Long Term Employee Benefits | 28,183,934 2,746,397 | 42,878,871 1,108,309 | |

NOTES TO THE FINANCIAL STATEMENTS (Cont...)

27.2 Transactions with Group Companies and Director Related Entities

Central Depository Systems (Pvt) Ltd is a fully owned subsidiary of the Colombo Stock Exchange. CSE apportioned Rs. 102,551,902/- to Central Depository Systems (Pvt) Ltd as expenses during the year.

| | Company | Relationship | | Nature of Transaction | Amount Rs. |
|----|---|--------------|-----|---|---------------------|
| a) | Mr. Krishan Balendra John Keells | | | | |
| | Stockbrokers (Pvt) Ltd. | Director | CSE | Member fees, data communication charges & other charges received Member fees, data communication charges & other charges receivable as at year end | 521,143 79,208 |
| | | | | Interest paid for Member Firms' liquidity deposits | 559,900 |
| | | | | Member Firms' liquidity deposits & entrance deposit as at year end Interest payable for Member Firms' liquidity deposits as at year end | 5,040,000 19,863 |
| | | | CDS | Sale of CDS Forms & reimbursement for packeting & posting expenses | 793,919 |
| | | | | Amount receivable for sale of CDS forms as at year end Interest paid for Member Firms' margin deposits | 42,040 243,371 |
| | Nation Trust Bank PLC | Director | CSE | Annual listing fees, fees for provision of computer information received Fees receivable for provision of computer information as at year end | 665,014 2,446 |
| | | | CDS | Listed Company fees receivable as at year end Participants fees received | 294,995 63,857 |
| b) | Mr. A. Nihal Fonseka National Asset | | | | |
| | Management Ltd. | Director | CSE | Investment in Unit Trusts as at year end | 657,643,272 |
| | | | | Dividends received from Unit Trusts | 74,605,337 |
| | Acuity Stockbrokers (Pvt) Ltd. | Director | CSE | Member fees, data communication charges & | |
| | (i vi) Liu. | Director | OSL | other charges received | 1,030,350 |
| | | | | Member fees, data communication charges & other charges receivable as at year end | 5.288 |
| | | | | Interest paid for Member Firms' liquidity deposits | 1,365,503 |
| | | | | Member Firms' liquidity deposits & entrance deposit as at year end Interest payable for Member Firms' liquidity deposits as at year end | 5,540,000 55,806 |
| | | | CDS | Sale of CDS Forms & reimbursement for packeting & posting expenses Amount receivable for sale of CDS Forms & reimbursement for | 1,217,603 |
| | | | | packeting & posting expenses as at year end | 53,029 |
| | | | | Interest paid for Member Firms' margin deposits CDS Dex Liquidity deposit as at year end | 840,183 300,000 |
| | | | | | |

27.2 Transactions with Group Companies and Director Related Entities (Cont..)

| | Company | Relationship | | Nature of Transaction | Amount Rs. |
|----|---|---------------|----------|--|--|
| b) | Mr. A. Nihal Fonseka (Co | ent) | | | |
| | DFCC Bank | Director/CEO | CSE | Annual listing fees & fees for computer information received Fees receivable for provision of computer information as at year end | 1,151,051 777 |
| | | | CDS | Listed Company fees receivable as at year end | 142,454 |
| | Lanka Ventures PLC | Chairman | CSE | Annual listing fees & fees for computer information received Fees receivable for provision of computer information as at year end | 60,000 571 |
| | | | CDS | Listed Company fees receivable as at year end | 112,041 |
| c) | Mr. Vajira Kulatilaka NDB Stockbrokers (Pvt) Ltd. | Director | CSE | Member fees, data communication charges & other charges received Member fees, data communication charges & other charges receivable Interest paid for Member Firms' liquidity deposits Member Firms' liquidity deposits & entrance deposit as at year end Interest payable for Member Firms' liquidity deposits as at year end | 683,841 79,208 445,063 2,290,000 8,403 |
| | | | CDS | Sale of CDS Forms & reimbursement for packeting & posting expenses Amount receivable for sale of CDS Forms & reimbursement for packeting & posting expenses as at year end Interest paid for Member Firms' margin deposits | 762,174 33,691 90,832 |
| | NDB AVIVA Wealth Management Limited | Director | CSE | Investment made during the year Investment in Unit Trusts as at year end Dividends received from Unit Trusts | 995,000,000 616,009,940 18,526,753 |
| | | | CDS | Investment made during the year Investment in Unit Trusts as at year end | 376,000,000 376,000,000 |
| d) | Mr. M. Ashroff Omar (Resigned with effect from | m 19th Decemb | er 2011) | | |
| | John Keells Hotels PLC | Director | CSE | Annual listing fees & fees for computer information received Fees receivable for provision of computer information as at year end | 999,701 286 |
| | | | CDS | Listed Company fees receivable as at year end | 183,857 |
| | Textured Jersey | | | | |
| | Lanka PLC | Director | CSE | Initial listing fees, Annual listing fees, fees for provision of computer information received | 185,830 |
| | | | CDS | Listed Company fees receivable as at year end | 211,408 |
| e) | Mr. M. Rasingh Prelis Capital Trust | Diversity | 005 | Manakaufara data samuniation akausa 0 akkau akausa usai sad | 0.000.101 |
| | Securities (Pvt) Ltd. | Director | CSE | Member fees, data communication charges & other charges received Member fees, data communication & other charges receivable Interest paid for Member Firms' liquidity deposits Member Firms' liquidity deposits & entrance deposit as at year end Interest payable for Member Firms' liquidity deposits as at year end | 2,300,131 196,101 885,521 5,790,000 59,484 |
| | | | CDS | Sale of CDS Forms & reimbursement for packeting & posting expenses Amount receivable for sale of CDS Forms & reimbursement for packeting & posting expenses as at year end | 1,811,047 68,403 |
| | | | | Interest paid for Member Firms' margin deposits | 82,628 |

NOTES TO THE FINANCIAL STATEMENTS (Cont...)

27.2 Transactions with Group Companies and Director Related Entities (Cont..)

| | Company | Relationship | | Nature of Transaction | Amount Rs. |
|----|--|---|-----|---|---|
| e) | Mr. M. Rasingh Prelis (C Dialog Axiata PLC | ont) Director | CSE | Annual listing fees & fees for high speed data signal received Fees receivable for high speed data signal as at year end Payment made during the year for E1 link charges, mobile phone charges & broad band charges Amount payable for mobile phone charges & broad band charges Payment made for mobile phone purchased | 1,571,428 142,857 462,266 46,093 287,964 |
| | | | CDS | Listed Company fees receivable as at year end | 225,122 |
| f) | Dr. Saman Kelegama Sampath Bank PLC | Director | CSE | Annual listing fees & fees for computer information received Fees receivable for provision of computer information as at year end Investment in Overnight Repo Investment in Overnight Repo as at year end Interest received for investment in Overnight Repo Interest receivable for investment in Overnight Repo as at year end | 1,183,446 41,229 6,181,482,000 36,399,000 4,561,971 13,662 |
| | | | CDS | Listed Company fees receivable as at year end Participants fees received Participants fees receivable as at year end Interest received for Member Firms' margin investment in Repo Interest receivable for Member Firms' margin investment in Repo Member Firms' margin investment in Overnight Repo | 234,765 45,918 15,306 2,748,365 1,036 3,150,000 |
| | Singer (Sri Lanka) PLC | Director | CSE | Annual listing fees & fees for computer information received Fees receivable for provision of computer information as at year end | 426,541 23 |
| | | | CDS | Listed Company fees receivable as at year end | 193,087 |
| | Regnis (Lanka) PLC | Director | CSE | Annual listing fees & fees for computer information received Fees receivable for provision of computer information as at year end | 66,509 1,189 |
| | | | CDS | Listed Company fees receivable as at year end | 343,362 |
| | Singer Finance PLC | Director | CSE | Annual listing fees & fees for computer information received | 62,521 |
| | | | CDS | Listed Company fees receivable as at year end | 510,204 |
| g) | Mr. Hiran de Alwis Sri Lanka National Arbitration Centre | Member of the Board of Governance | CSE | Arbitration Centre Charges paid during the year | 80,024 |

28. Events after Balance Sheet Date

There were no material events after the balance sheet date, which require adjustments to or disclosure in the Financial Statements other than those disclosed below.

- 28.1 CSE has transfered Rs. 100 Million to Settlement Guarantee Fund subsequent to the balance sheet date on 18 January 2012.
- 28.2 The Cabinet of Ministers at its meeting held on 23rd June 2010 granted approval to instruct the Legal Draftsman to draft a Bill to convert the present mutual Colombo Stock Exchange (CSE) which operates as a Company Limited by Guarantee to a Demutualized Stock Exchange which will be a Public Limited Company.

Accordingly draft Bill developed by the Legal Draftsman has been sent by the Securities and Exchange Commission (SEC) to CSE on 27th February 2012 for CSE's comments.

29. Directors' Responsibility Statement

The Board of Directors of the Company is responsible for the preparation and presentation of these Financial Statements in accordance with SLAS's.

30. Comparative Figures

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

MEMBERS OF THE CSE

Bartleet Religare Securities (Pvt) Limited,

Level "G", "Bartleet House" 65, Braybrooke Place, Colombo 2.

Tel.5220200 Fax: 2434985 F-mail: info@bartleetstock

E-mail: info@bartleetstock.com Website: www.bartleetstock.com

Mr. R. Muralidaran Managing Director

John Keells Stockbrokers (Pvt) Limited,

130, Glennie Street, Colombo 2. Tel. 4710721-4 Fax: 2342068, 2326863, 2446694

E-mail: jkstock@keells.com Website: www.jksb.keells.lk **Mr. Tivanka Ratnayake** Chief Executive Officer

Assetline Securities (Pvt) Limited,

282, Kaduwela Road, Battaramulla.
Tel. 4700111, 2307366 Fax: 4700112
E-mail: dpgs1@sltnet.lk
Website: www.dpgsonline.com
Mr. Deepta Ekanayake
Managing Director

J B Securities (Pvt) Limited,

150, St. Joseph Street, Colombo 14. Tel. 2490900, 077-2490900, 077-2490901 Fax: 2430070, 2446085, 2447875 E-mail: jbs@jb.lk

Mr. Murtaza Jafferjee
Chairman & Managing Director

Asia Securities (Pvt) Limited,

Level 21, West Tower, World Trade Centre, Echelon Square, Colombo 1. Tel. 2423905, 5320000 Fax: 2336018 E-mail: enquiry@asiacapital.lk Website: www.asiacapital.lk Mr. Sabri Marikkar Chief Executive Officer

Capital TRUST Securities (Pvt) Limited,

42, Sir Mohamed Macan Markar Mawatha, Colombo 3. Tel. 5335225 Fax: 5365725 E-mail: inquiries@capitaltrust.lk Website: www.capitaltrust.lk Mr. Tushan Wickremasinghe

Managing Director

Acuity Stockbrokers (Pvt) Limited,

Level 6, Acuity House, 53, Dharmapala Mawatha, Colombo 3.

Tel.2206206 Fax: 2206298/9

E-mail: sales@acuitystockbrokers.com

Website: www.acuity.lk **Mr. Prashan Fernando** Managing Director/CEO

Asha Phillip Securities Limited,

Director/Chief Executive Officer

No. 10, Prince Alfred Towers 2nd Floor, Alfred House Gardens, Colombo 03. Tel. 2429100 Fax: 2429199 E-mail: apsl@ashaphillip.net Mr. Dimuthu Abeysekera

Somerville Stockbrokers (Pvt) Limited,

137, Vauxhall Street, Colombo 2.
Tel. 2329201-5, 2332827, 2338292-3 Fax: 2338291, E-Mail: ssb-web@sltnet.lk

Ms. Shalini Dias

Ms. Shalini Dia

Director

Lanka Securities (Pvt) Limited,

228/2, Galle Road, Colombo 4.
Tel. 4706757, 2554942 Fax: 4706767
E-mail: lankasec@sltnet.lk
Website: www.lsl.lk
Mr. Kosala Gamage
Managing Director

Nations Lanka Equities (Pvt) Limited,

No.44, Guildford Crescent, Colombo 7 Tel. 4714300, 4714388-9, 0777-891871, 0777-896064 Fax: 2387228 E-mail: info@nlequities.com

Web site: www. nlequities .com

Mr. Janaka Palapathwala

Director/General Manager

S C Securities (Pvt) Limited,

2nd Floor, 55, D.R. Wijewardena Mawatha, Colombo 10.
Tel. 4711000 Fax: 2394405

E-mail: cscres@sltnet.lk Website:www.samapathsecurities.lk

Mr. Harsha Fernando

Director/CEO

MEMBERS OF THE CSE

CT Smith Stockbrokers (Pvt) Limited,

4-14, Majestic City, 10, Station Road, Colombo 4.
Tel. 2552290 - 4 Fax: 2552289
E-mail: ctssales@sltnet.lk
Website: www.ctsmith.lk
Mr. Rohan Fernando
Managing Director

N D B Stockbrokers (Pvt) Limited,

5th Floor, NDB Building, 40, Navam Mawatha, Colombo 2.

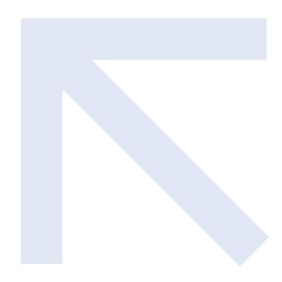
Tel. 2314170 -8 Fax: 2314180

E-mail: mail@ndbs.lk

Mrs. Prasansini Mendis
Chief Executive Officer

D N H Financial (Pvt) Limited,

Level 16, West Tower, World Trade Centre, Echelon Square, Colombo 1. Tel. 5700777 Fax: 5736264, E-mail: info@dnhfinancial.com Website: www.dnhfinancial.com Mr. Seedantha Kulatilake General Manager/CEO



TRADING MEMBERS

Capital Alliance Securities (Pvt) Limited,

Level 5, "Millennium House", 46/58 Navam Mawatha, Colombo 2

Tel: 2317777 Fax: 2317788, Email: general@capitalalliance.lk Website: www.capitalalliance.lk

Mr. Harinlal Aturupane Chief Executive Officer

First Guardian Equities (Pvt) Limited,

32nd Floor, East Tower, World Trade Centre, Echelon Square, Colombo 1

Tel: 5884400 Fax: 5884401

E-mail: info@firstguardianequities.com Website: www.firstguardianequites.com

Mr.Rohan GoonewardeneManaging Director/CEO

SMB Securities (Pvt) Limited,

47, Dharmapala Mawatha, Colombo 3
Tel: 5232091 Fax: 2339292
E-mail: smbsecurities@gmail.com
Website: www.smblk.com
Mr. Nandun Jayatillake
Chief Executive Officer

Taprobane Securities (Pvt) Limited,

Chief Executive Officer

2nd Floor, 10, Gothami Road, Colombo 8 Tel: 5328200 Fax: 5328277 E-mail: info@taprobane.lk, dinal@taprobane.lk, Web site: www.taprobanestocks.com Mr. Dinal Wijemanne

TRADING MEMBERS

Heraymila Securities Limited,

Level 8, South Wing, Millennium House, 46/58, Navam Mawatha, Colombo 2
Tel: 2359100 Fax: 2305522
E-mail: info-hsl@heraymila.com

Website: www.heraymila.com

Mr. Ravi Abeysuriya

Director/CEO

IIFL Securities Ceylon (Pvt) Limited,

27th Floor, East Tower, World Trade Centre, Echelon Square, Colombo 1 Tel: 2333000 Fax: 2333383 Email: info.ceylon@iiflcap.com Ms. Priyani Ratna-Gopal

Director

Richard Pieris Securities (Pvt) Limited,

69, Hyde Park Corner, Colombo 2 Tel: 7448900, Fax: 2675064 Email: communication@rpsecurities.com

Mr. Jayantha Perera Chief Executive Officer

New World Securities (Pvt) Limited,

2nd Floor, 45/2, Braybrooke Street, Colombo 2 Tel: 2358700/20 Fax: 2358701 Email: viraj@nws.lk

Website: www.nws.lk

Mr. Viraj Malawana

Director/CEO

LOLC Securities Limited.

Level 18, West Tower, World Trade Centre, Echelon Square, Colombo 1 Tel: 7780880 Fax: 2434771 **Mr. Sriyan Gurusinghe**

Chief Executive Officer

SKM Lanka Holdings (Pvt) Limited,

35/1, Alwis Place, Colombo 3
Tel: 2372413-4 Fax: 2372416
E-mail: info@skmlankaholdings.com
Website: www.skmlankaholdings.com

Mr. Naushervan BegChief Executive Officer

TKS Securities (Pvt) Limited,

19-01, East Tower, World Trade Centre, Echelon Square, Colombo 1 Tel: 7857799 Fax: 7857857 Email: gani@tks.lk **Mr. Hussain Gani** Chief Executive Officer

Claridge Stockbrokers (Pvt) Limited,

10, Gnanartha Pradeepa Mawatha, Colombo 8 Tel: 2697974 Fax: 2677576, Email: fonseka@mackwoods.com

Mr. Lalith Fonseka

Acting Chief Executive Officer

Arrenga Capital (Pvt) Limited,

Level 23, East Tower, World Trade Centre, Echelon Square, Colombo 1

Tel: 2689107, 0777-847720 Fax: 2689106, Email: dihand@arrengacapital.com

Mr. Dihan Dedigama Chief Executive Officer

First Capital Markets Limited,

75, Arnold Rathnayake Mawatha, Colombo 10. Tel: 2639898, 2681888 Fax: 2639899, 2681460 Email: info@firstcapital.lk

Website: www.firstcapital.lk

Mr. Chandima Desinghe

Head of Capital Markets & Fund Management

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NOTICE OF MEETING

The 27th Annual General Meeting of the CSE will be held on Thursday 28th June 2012 at 5.30 p.m. at Dukes Court, Cinnamon Lakeside, 115, Sir Chittampalam A. Gardiner Mawatha, Colombo 02.

AGENDA

- 1. To receive the Annual Report of the Directors and Statement of Accounts for the year ended 31st December 2011 and the Report of the Auditors thereon.
- 2. Election / Re-election of Directors
 - a) To elect a Director in place of Mr. Krishan Balendra who is retiring in terms of Article 50 of the Articles of Association. (Mr. Balendra being eligible is offering himself for re-election).
 - b) To elect a Director in place of Mr. Vajira Kulatilaka who is retiring in terms of Article 50 of the Articles of Association. (Mr. Kulatilaka being eligible is offering himself for re-election)
 - c) To elect a Director in place of Mr. Rajendra Theagarajah who is retiring in terms of Article 51 of the Articles of Association. (Mr. Theagarajah being eligible is offering himself for re-election)
 - d) To elect Mr. M R Prelis as a Director in terms of Section 211 of the Companies Act No 7 of 2007 by passing the following resolution.
 "Resolved that Mr. M R Prelis of 3/3 Maitland Crescent, Colombo 7, who is 75 years of age is hereby elected a Director in terms of Section 211 of the Companies Act No 7 of 2007 and it is further specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act No 7 of 2007 shall not apply to the said Mr. M R Prelis."
- 3. To re-appoint Messrs KPMG Ford Rhodes Thornton & Co., Chartered Accountants, the retiring Auditors, and authorize the Directors to determine their remuneration.
- 4. To authorize the Directors to determine donations for the year ending 31st December 2012 and up to the date of the next Annual General Meeting.

BY ORDER OF THE BOARD OF DIRECTORS

Director

Corporate Services (Private) Limited

Secretaries

10th May 2012 Colombo

CORPORATE INFORMATION

NAME - COLOMBO STOCK EXCHANGE

LEGAL STATUS - A COMPANY INCORPORATED IN SRI LANKA

LIMITED BY GUARANTEE

COMPANY REGISTRATION NO. - GL 12

SUBSIDIARY - CENTRAL DEPOSITORY SYSTEMS (PVT) LIMITED

REGISTERED OFFICE - 4-01 WEST BLOCK, WORLD TRADE CENTRE,

ECHELON SQUARE, COLOMBO 1, SRI LANKA.

SECRETARIAL SERVICES (PVT) LTD

CORPORATE SERVICES (PRIVATE) LIMITED - APPOINTED

ON 1ST MAY 2012

AUDITORS - KPMG FORD, RHODES, THORNTON & CO.

BANKERS/SETTLEMENT BANKS - BANK OF CEYLON

COMMERCIAL BANK OF CEYLON PLC

SAMPATH BANK PLC

THE HONGKONG AND SHANGHAI BANKING

CORPORATION LIMITED

COLOMBO STOCK EXCHANGE

TEL: +94-11- 2356456

FAX: CLEARING & SETTLEMENT: +94-11-2440396

FINANCE: +94-11-2448921

ADMINISTRATION: +94-11-2325804

INFORMATION TECHNOLOGY: +94-11-2440162

REGULATORY AFFAIRS: +94-11-2448925
MARKET DEVELOPMENT: +94-11-2445279

LISTING & CORPORATE AFFAIRS: +94-11-2391128

HUMAN RESOURCES: +94-11-2440163

LEGAL: +94-11-2440539

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