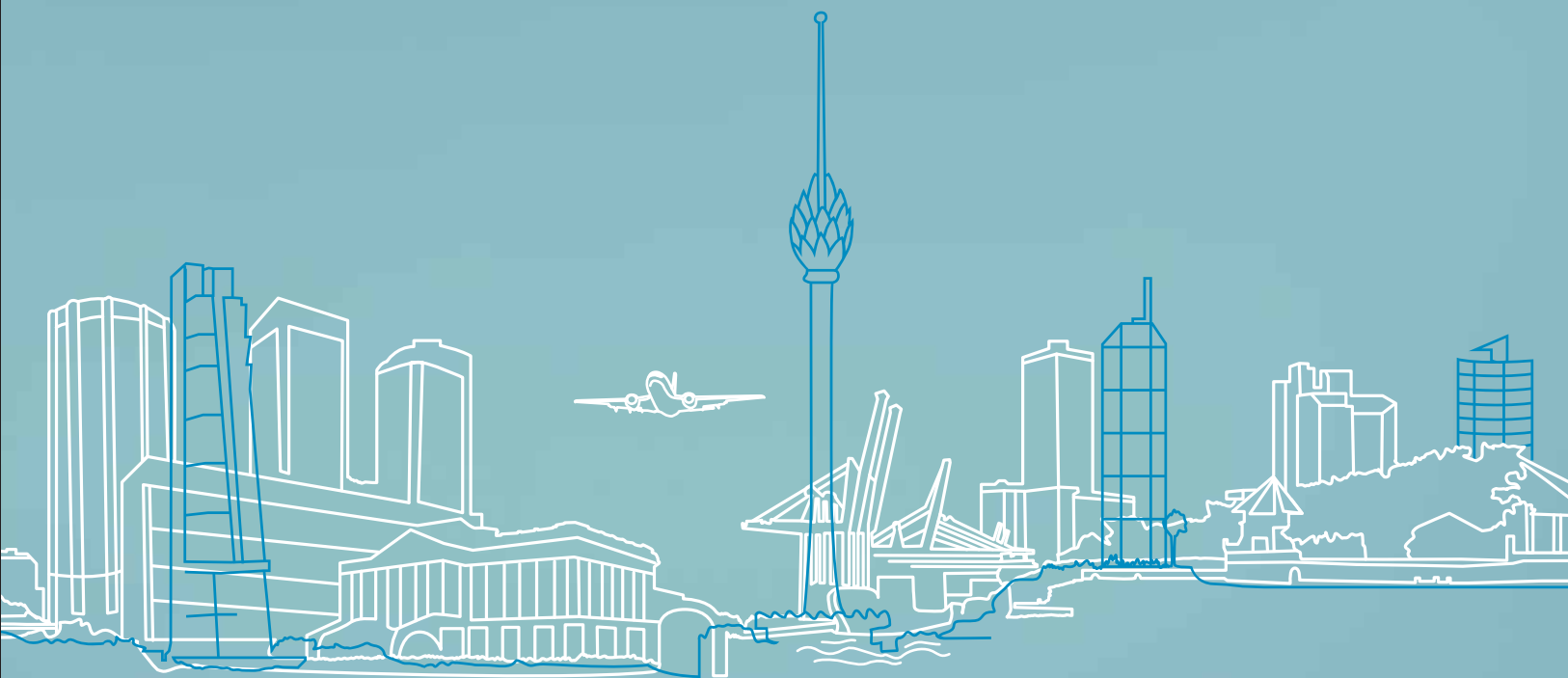
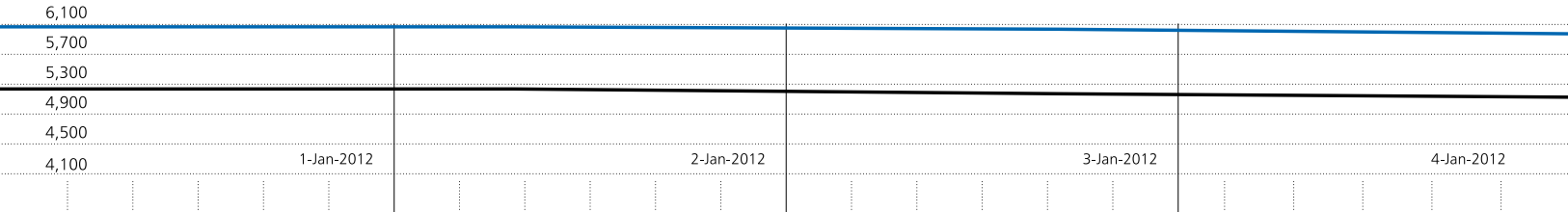


# Setting Strategy in Motion



■ All Share Price Index (ASPI)  
■ Milanka Price Index (MPI)



### Setting Strategy in Motion

The ‘skyline’ of Sri Lanka is constantly evolving. In fact, the past few years has seen dramatic change sweep across the Nation as post-war development initiatives kick in. These initiatives are seen in most spheres of activity. Making it all happen required the initiative of key stakeholders - the Government, the SEC and other key players in developing and strengthening the country’s stock market. Our aim is to create the most enabling and vibrant trading environment which, through its success and therefore the success of investors and investees alike, will dynamically drive national development to greater heights.

In 2012, the Colombo Stock Exchange focused on the development of proficiency and skills via a sustained programme of awareness building and education. From the relaunch of the website to encompass all three major languages of Sri Lanka, through an ever-widening footprint, to a well-planned series of educational programmes that are ongoing across several areas of the country, the CSE is fully involved in advocacy, education and promotion of a robust stock exchange.

On the national front, the Government has announced various measures for implementation in 2013, which should prove a fillip to the market.

In essence, strategy has been set in motion.

				6,100
				5,700
				5,300
				4,900
				4,500
5-Jan-2012	6-Jan-2012	7-Jan-2012	8-Jan-2012	4,100



ABOUT US

The Colombo Stock Exchange (CSE) was established under the Companies Act No. 17 of 1982 and functions under license from the Securities and Exchange Commission of Sri Lanka (SEC). The CSE is a mutual exchange and has 15 Members and 13 Trading Members licensed to trade both equity and debt securities, whilst one member is licensed to trade in debt securities only. All members are licensed by the SEC to operate as Stockbrokers.

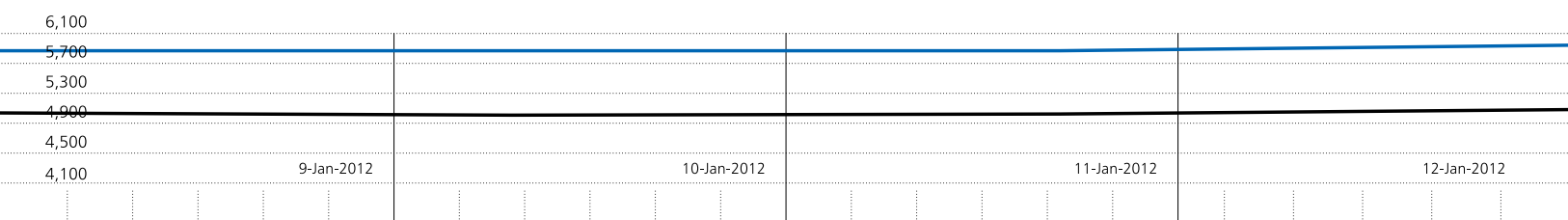
The CSE functions as a market operator and through its fully-owned subsidiary, Central Depository Systems (Pvt.) Limited. (CDS), acts as a clearing and settlement system facilitator. The CSE also oversees compliance through a set of rules, promotes standards of corporate governance among listed companies and is actively involved in educating investors.

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



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Corporate Information	Inner Back Cover

			6,100
			5,700
			5,300
			4,900
			4,500
13-Jan-2012	14-Jan-2012	15-Jan-2012	16-Jan-2012 4,100

\* Since 27 June 2012, date of launch

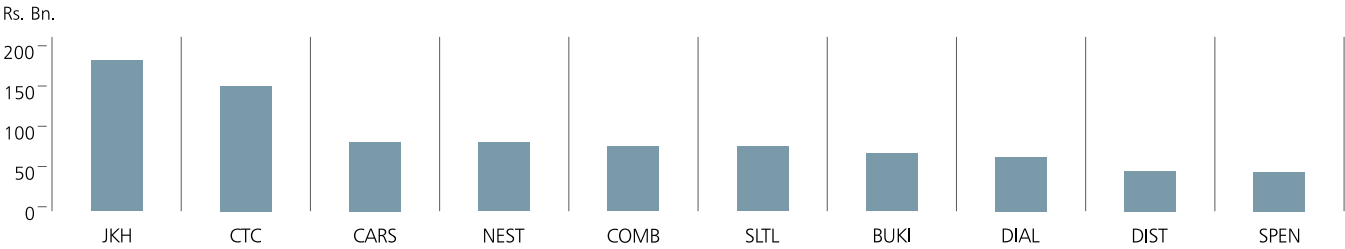
6,100				
5,700				
5,300				
4,900				
4,500				
4,100	17-Jan-2012	18-Jan-2012	19-Jan-2012	20-Jan-2012

	2012	2011
<b>Debt</b>		
<b>Corporate Debt</b>		
Turnover (Rs. '000)	75,717.1	2,690,664.4
Trades (No.)	39	62
Debentures Traded (No. '000)	740	25,861
Corporate Debt Market Capitalisation (Rs. Bn.)	46.3	37.9
<b>Government Debt</b>		
Turnover (Rs. '000)	6,128.0	28,356.8
Trades (No.)	2	7
Securities Traded (No.)	6,744	28,912
<b>Close Ended Funds</b>		
Turnover (Rs. '000)	21,865.5	137,848.1
Trades (No.)	767	2,898
Units Traded (No.)	339	1,642
Funds Listed (as at 31 December, No.)	1	1
<b>Warrants</b>		
Turnover (Rs. Mn.)	3,942.5	14,076.1
Trades (No.)	85,462	242,328
Warrants Traded (No. Mn.)	754.7	2,733.1
No. of Warrants Traded (as per Type of Warrant)	9	14
New Warrants Listed (Types)	1	1
<b>Additional Data</b>		
Companies Listed (as at 31 December, No.)	287	272
Companies Traded (No.)	280	265
<b>New Listings</b>		
Equity IPOs (No.)	6	13
Equity Introduction (No.)	11	16
Debt Introduction (No.)	–	2
<b>Capital Raised</b>		
Equity IPOs (Rs. Mn.)	1,739.4	19,155.7
Debt IPOs (Rs. Mn.)	12,500.0	1,000.0
Rights Issues (Rs. Mn.)	11,128.0	28,019.7
Conversion of Warrants (Rs. Mn.)	1,954.8	2,675.0
Private Placement (Rs. Mn.)	2,266.2	4,683.7
Delistings (No.)	2	–
Market Days (No.)	242	239

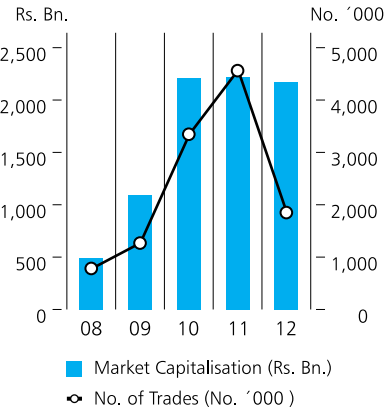
				6,100
				5,700
				5,300
				4,900
				4,500
21-Jan-2012	22-Jan-2012	23-Jan-2012	24-Jan-2012	4,100

	2012	2011
<b>Capital Raised</b>		
Initial Capital Raised from Equity and Debt (Rs. Mn.)	14,239.4	20,155.7
Further Capital Raised (Rs. Mn.)	15,348.9	40,344.2

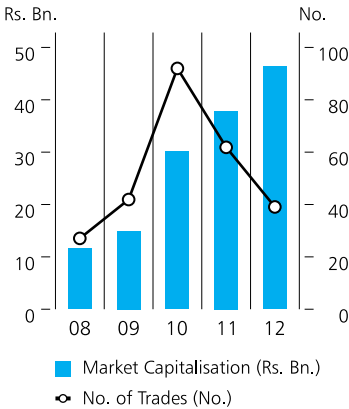
Top Ten Contributors to Market Capitalisation



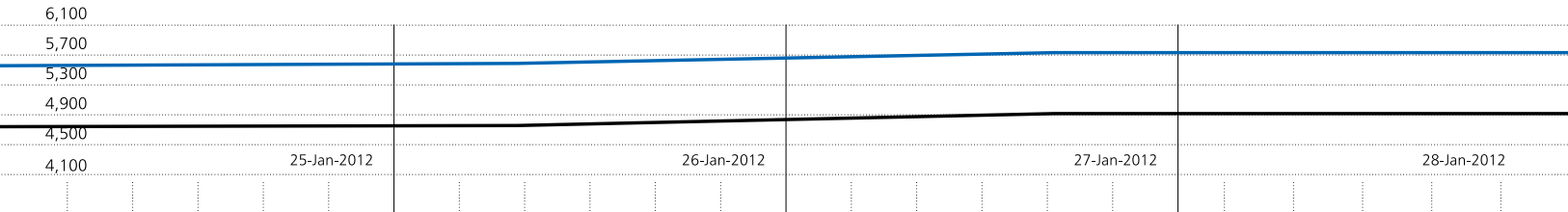
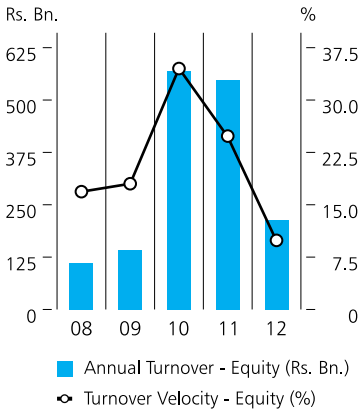
Market Capitalisation and No. of Trades - Equity



Market Capitalisation and No. of Trades - Corporate Debt



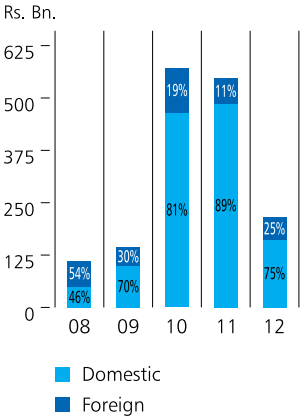
Annual Turnover and Turnover Velocity - Equity



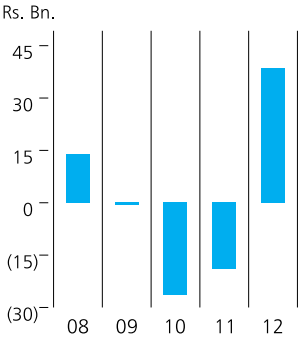
2012 ▶	<b>ASPI</b> 5,643.00 (7.1%)	<b>MPI</b> 5,119.09 (2.1%)	<b>S&amp;P SL20</b> 3,085.33 8.4%*
2011 ▶	<b>ASPI</b> 6,074.42 (8.5%)	<b>MPI</b> 5,229.16 (25.9%)	

\*Since 27 June, date of launch

Composition of Annual Equity Turnover



Net Foreign Flow - Equity



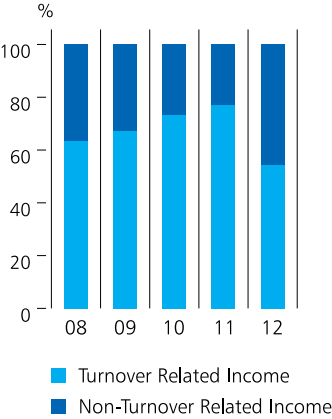
			6,100
			5,700
			5,300
			4,900
			4,500
29-Jan-2012	30-Jan-2012	31-Jan-2012	1-Feb-2012
			4,100

FINANCIAL HIGHLIGHTS - GROUP

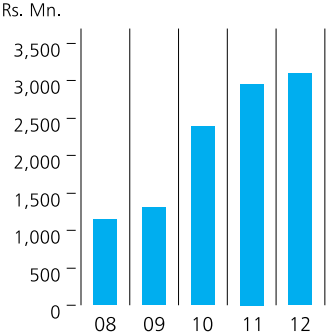
Year ended 31 December	2012 Rs.	2011 Rs.	Growth %
Total Revenue	732,875,210	1,402,515,330	(48)
Profit Before Taxation	107,110,673	755,177,888	(86)
Taxation	17,751,956	165,041,268	(89)
Other Comprehensive Income	41,171,924	(21,223,064)	294
Profit After Tax and Other Comprehensive Income	130,530,641	568,913,556	(77)
Total Equity	3,093,729,874	2,963,199,233	
Total Assets	3,297,844,025	3,271,862,779	
Net cash from:			
Operating Activities	(237,696,234)	66,687,429	
Investing Activities	296,456,573	(48,281,545)	
Financing Activities	-	-	

6,100			
5,700			
5,300			
4,900			
4,500			
4,100	2-Feb-2012	3-Feb-2012	4-Feb-2012
			5-Feb-2012

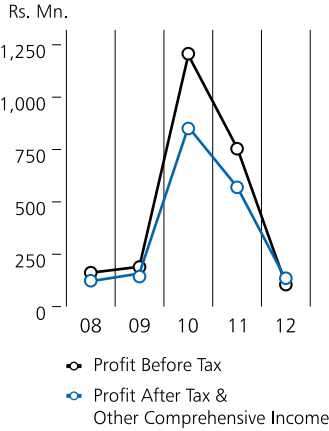
Total Income



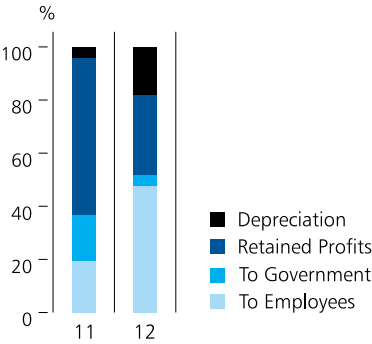
Net Assets Growth



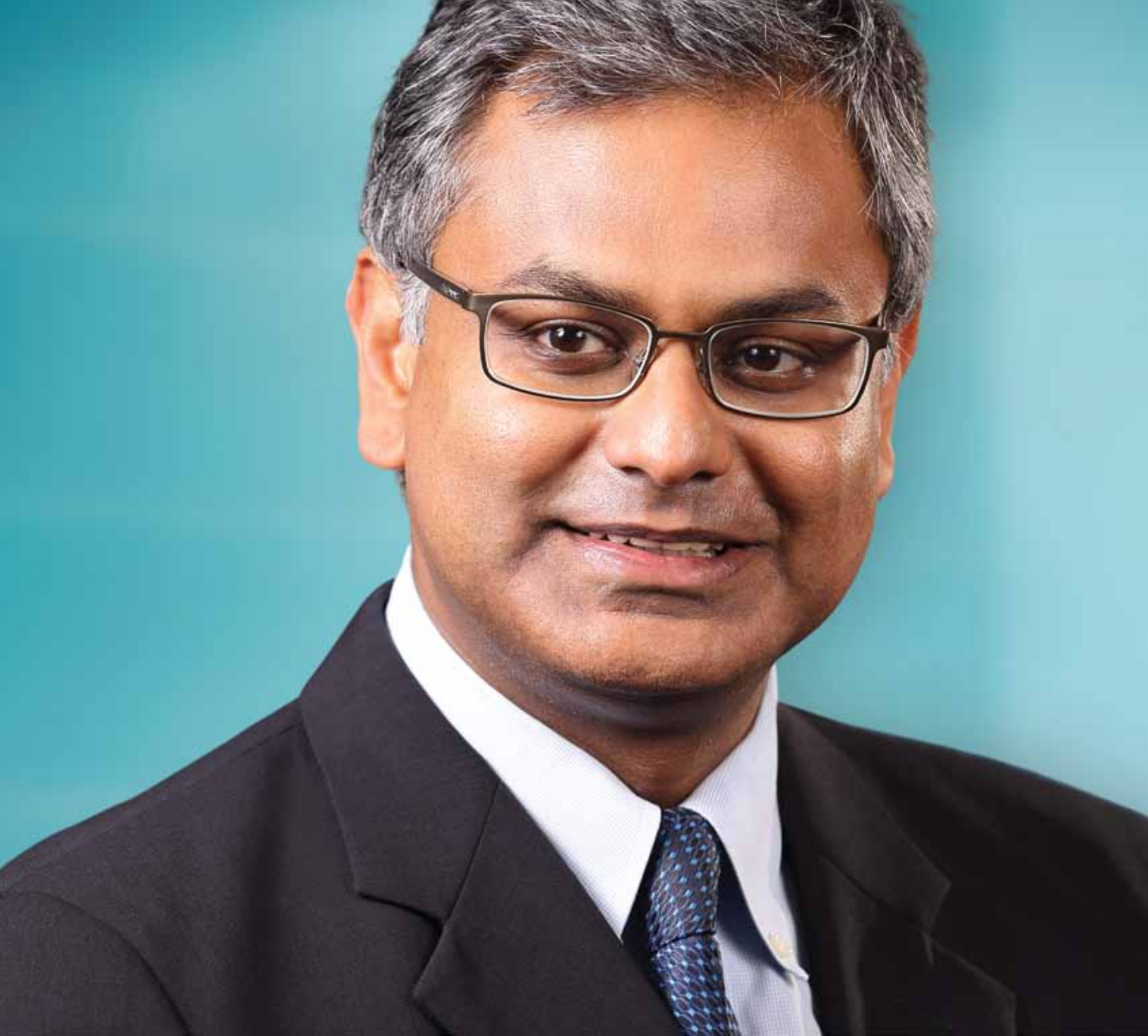
Profit Before Tax and After Tax & Other Comprehensive Income



Distribution of Value Added



				6,100
				5,700
				5,300
				4,900
				4,500
6-Feb-2012	7-Feb-2012	8-Feb-2012	9-Feb-2012	4,100



6,100			
5,700			
5,300			
4,900			
4,500			
4,100	10-Feb-2012	11-Feb-2012	12-Feb-2012
			13-Feb-2012

CHAIRMAN’S STATEMENT

“We remain fully focused on capitalising on opportunities for growth in the future”

				6,100
				5,700
				5,300
				4,900
14-Feb-2012	15-Feb-2012	16-Feb-2012	17-Feb-2012	4,500
				4,100

## REVIEW OF THE YEAR

## CHAIRMAN'S STATEMENT

## — TRENDING TOWARDS REVITALISATION

The world economy is in the midst of a recovery. Last year, resilience and growth was apparent in some Asian economies alongside the bottoming out and subsequent signs of recovery in the US. However, the intractable Eurozone debt crisis is expected to take time to resolve. South Asia's economic importance continues to increase within this framework. On the economic front, Sri Lanka started the past year within a stringent policy regime. The framework adopted by the Central Bank of Sri Lanka with combined monetary, fiscal, exchange rate and administered pricing policies attained the expected stabilisation objectives and some relaxation measures were introduced at the end of 2012 including the reduction of Repo and reverse Repo rates in addition to the lifting of the credit ceiling imposed on banks. Enhanced economic growth is anticipated in the coming year. At the CSE we intend to respond by working even harder to improve the efficiency of our operations.

## — SETTING STRATEGY IN MOTION

In light of the current business environment, the CSE has dedicated considerable effort towards constructing and executing its medium-term strategic plan. Launched in early 2012, it encompasses four broad strategies: (1) channelling increased investment flows, (2) attracting more listings, (3) transforming key market intermediaries, and (4) enhancing the internal resources and infrastructure of the CSE.

## — EXCHANGE-CENTRIC STRATEGIES

Over the year the Exchange took a number of strategic measures to enhance the value of its markets. In particular, the Exchange invested in fundamentally enhancing its trading system and related infrastructure. The next generation trading system launched in February 2012, offers superior efficiency levels, scalability and stability in comparison to its predecessor. We place great importance in maintaining robust market infrastructure.

As a priority initiative we also successfully launched the Co-branded Index S&P Sri Lanka 20 (S&P SL 20) together with S&P Dow Jones Indices. This transparent and credible index is expected to form the basis on which Exchange Traded Funds (ETFs) and other new instruments can be introduced to the equity market.

In the coming year, we plan to work closely with the SEC to re-establish the process of introducing ETFs for which substantive groundwork had been completed.

Additionally, we have accomplished several internal system changes to improve business processes including the CSE's Business Continuity Plan (BCP). In view of business-wide risk management we have successfully formulated a comprehensive Enterprise Risk Management Framework (ERM). In the context of enterprise risk, one vital area needing redress remains post-trade risk management infrastructure. On the post-trade side, market structure reform is already underway through the sequential implementation of a central counterparty.

In spite of setbacks in the implementation process we are striving towards the introduction of real time margining and a Delivery Versus Payment (DVP) mechanism for settlement of equities. We advanced in developing the margining system together with the National Stock Exchange of India and have carried out comprehensive consultations with stockbrokers regarding operational changes and the business model. Ongoing debate with market participants regarding the customising of the DVP model to the local market is expected to conclude in early 2013. We will continue to promote the dialogue necessary to steadily effect appropriate risk controls in keeping with participant requirements.

## — LESS SPECULATION

Year 2012 was marked with a decrease in retail participation with the ASPI trending downwards, with lower trading value of microcaps and penny stocks in addition to a post-bubble stagnation. Addressing the lack of awareness on the part the small investor regarding this asset class is critical if we are to realise the full potential of the equity markets. Together with the educational activities that the Exchange is conducting we aim to work with the SEC to expand the proportion of investment through unit trusts. This initiative is significant in that retail investors are offered a route to participating in equities via a systematic investment plan better placed to yield longer term returns at acceptable risk. The CSE remains committed to further expanding its reach to instill responsible investing amongst new entrants in the retail sector.

We will also continue to monitor changes in market activity in order to ensure that market operations remain orderly and transparent. Public trust in our markets is a decisive component for our success as an exchange operator.

#### — PROACTIVELY RAISING VISIBILITY

In the recent past a 'safe and defensive' stance by global investors had resulted in declining capital flows into equity investments. Risk aversion and slow capital formation was witnessed in the equity segment world over. At present, capital markets internationally are poised for increased stability and reduced volatility over the coming years. For the CSE too this is a critical juncture for assuring a steady flow of funds from savings into investment, revitalising investor confidence and rapidly transforming into a world class investment destination.

During November 2011, we pursued international visibility for the CSE through investor forums held in Singapore and Malaysia respectively. The equity value proposition presented by us was met with positive responses during the year 2012. A net foreign inflow of Rs. 38.7 Bn. was recorded over the year. Foreign purchases were up by 45.9% YoY at Rs. 72.6 Bn. The latter included the investment of Rs. 14.5 Bn. by Khazanah Nasional Berhad Group, the Malaysian sovereign wealth fund.

With the understanding that increased foreign inflows would play a catalytic and pivotal role in our growth trajectory, four investor forums are to be held in 2013. As at date, we have hosted one such forum in Mumbai, India in association with Bloomberg Data Services.

#### — IN PREPARATION FOR DEMUTUALISATION...

Delivering on our strategic plan would assist us in clearly understanding the underlying profit structure of the Exchange and in time help facilitate an improved and dynamic management style. Much effort has already been expended on legislative reform in view of demutualisation. In parallel the Exchange must bring about adequate real value. This is why we remain fully focused on capitalising on opportunities for growth in the future. We are confident that our strategic plan would enable our transformation from a mutualised organisation to a dynamic profit oriented one.

Demutualisation of the CSE has been identified as an initiative of the '10 Key Projects' of the SEC. A joint committee of SEC and CSE officials has been set up to implement this initiative.

#### — ACKNOWLEDGMENTS

I would like to thank my fellow Board Members for their constructive contribution and support over the year. I would also like to express my appreciation to Mr. Nihal Fonseka who resigned from his position on the Board in March 2012, for his valuable contribution during his service on the Board.

I would also like to take the opportunity to welcome formally Mr. Rajendra Theagarajah and Ms. Jeeva Shirajanie Niriella, appointed as directors in April and May 2012 respectively.

On behalf of the Board, I wish to recognise the management team of the CSE for their hard work and concerted effort in pursuing our strategic initiatives. I thank all staff members of the Exchange and urge their continued commitment towards the CSE's transformational road map.

I wish to thank the former Chairman of the SEC, Mr. Tilak Karunaratne for the support extended during his tenure. I wish to express my appreciation to Dr. Nalaka Godahewa who took up office as Chairman, SEC in August 2012 and the management team at the SEC for their support throughout the year.



Krishan Balendra  
Chairman

14 May 2013

			6,100
			5,700
			5,300
			4,900
			4,500
22-Feb-2012	23-Feb-2012	24-Feb-2012	25-Feb-2012
			4,100

CHIEF EXECUTIVE OFFICER’S REVIEW

“We are excited about the opportunities to be explored and achieving strategic progress that yields tangible benefits for all our stakeholders”

6,100			
5,700			
5,300			
4,900			
4,500			
4,100	26-Feb-2012	27-Feb-2012	28-Feb-2012
			29-Feb-2012



				6,100
				5,700
				5,300
				4,900
				4,500
1-Mar-2012	2-Mar-2012	3-Mar-2012	4-Mar-2012	4,100



to facilitate this process, stakeholder consultations were initiated in Q1 2013 in order to better understand the requirements of issuers and particularly professional investors. In tandem secondary market trading in the debt market will be enhanced through platform infrastructure improvements made over the year.

#### — A TRANSPARENT AND CREDIBLE INDEX

In our blueprint for growth, we identified that a transparent and globally accepted index would be important in improving the visibility of the Exchange and its listed securities. As a priority initiative earmarked, the S&P Sri Lanka 20 (S&P SL 20) Co-branded by S&P Dow Jones Indices and the Colombo Stock Exchange was launched on 27 June 2012. The S&P SL 20 follows a transparent and robust construction methodology in conformity with global best practice.

The Milanka Index hitherto utilised as the performance reflector of the top 25 largest and liquid shares is discontinued with effect from year end 2012 giving way to the S&P SL 20. The latter represents 55.6% of the total market value in contrast to the MPI's comparatively lesser representation of 22.0% as at year end. Comparative advantages of the S&P SL 20 count its ability to act as a credible, investable index for both global and domestic investors. It is designed to form the basis for tradable products, with possible applications as Index Funds and Exchange Traded Funds.

Since its launch, the S&P SL 20 reflected an increase of 8.4% by the end of 2012.

#### — SUSTAINABILITY AND THE INVESTMENT COMMUNITY

A key aspect of our journey towards sustainability of our securities market is building an informed investment community. Given the incidence of high domestic retail participation in our cash equity market, the local investment community gleans much from market development and educational activities executed by the Exchange.

In reinforcing market awareness and education we held 19 investor-day programmes attended by approximately 3,400 participants over the year. A total of 20 educational workshops attended by 783 participants were held island-wide over a period of four days.

Under our growth road map we pinpointed that public interest in the integrity and quality of our financial markets is a crucial element in understanding how investment insight can be disseminated. In order to facilitate accurate interpretation of market related information and to increase reporting on the CSE a three-day 'Business Journalism Workshop' was organised by the Exchange targeting members of the Sinhala print media.

Publications of the CSE maintain investor user-friendliness. The CSE Daily, Weekly, Monthly and Quarterly publications are being published in all three languages since 29 June 2012, in line with the objectives of 'The Year for a Trilingual Sri Lanka'.

The CSE website: [www.cse.lk](http://www.cse.lk) the main information portal of the CSE, recorded 17.9 Mn. page views during 2012. The website has been launched in its trilingual guise in keeping with the national policy to ensure impartial outreach to investors regardless of their language of preference.

#### — REGULATORY AFFAIRS

We place emphasis on investor confidence and the integrity of our markets and have responded effectively to irregularities identified in the course of our regulatory role. The Secretariat of the CSE inquired into 42 investor complaints during the year relating to unauthorised transactions, extension of credit/force selling and disputes pertaining to Margin Trading Agreements. The Secretariat of the CSE has given decisions on 23 such complaints. A total of 16 matters were settled by the respective Broker Firm while three complaints were not proceeded with.

A total of 14 cases of suspected market malpractices (3 insider dealing, 3 front running and 8 price manipulations) were referred to the SEC in 2012 for further investigation and necessary actions.

We continuously review and refine our set of rules in order to remain fair, transparent and market oriented. New Stockbroker Rules were implemented with effect from 14 February 2012. The following new provisions are included in the new rules:

- Operational Requirements
- Trading Practices and Conduct
- Minimum Standards for Stockbroker Firms
- Rules Relating to Client's Money
- Supervisory Rules
- Disciplinary Action Against Stockbrokers

			6,100
			5,700
			5,300
			4,900
			4,500
9-Mar-2012	10-Mar-2012	11-Mar-2012	12-Mar-2012
			4,100

The Automated Trading System (ATS) Rules were amended to be in line with the implementation of the ATS version 7.10, applicable from 24 February 2012.

### — INFORMATION TECHNOLOGY

As an exchange operator, improving platform infrastructure and market structure reform are critical to our business. Some of our initiatives in this area began to bear fruit in 2012. In terms of IT platform infrastructure, I recount the following significant achievements. The trading system upgrade ATS 7.10 for equity trading successfully completed in February 2012 leads the way for the phased migration onto a multi-asset platform for trading in equities, derivatives and fixed income.

Several infrastructure enhancements were carried out in the Production and Disaster Recovery Data Centres, to facilitate the new trading platform and CSE's back office systems with maximum availability. Further, information security of the exchange environment was strengthened through the implementation of threat mitigation initiatives.

Migration of debt trading to the ATS 7.10 platform was completed in February 2013. The system supports secondary market augmentation resultant from anticipated regulatory reforms to enhance debt listing.

Substantive progress has been made in the aligning of Information Security functions with a best practice framework for effective Information Security Governance and Control. The project was initiated in February 2012 and due to be completed in August 2013 with the obtaining of ISO 27001 Certification. In addition to creating awareness regarding information security management amongst exchange employees, the process mitigates costs associated with business risks. The introduction of a long-term information security strategy generates confidence in stakeholders and will assist the Exchange in pursuing its ambitious plans in enhancing competitiveness.

We have over the year engaged our efforts in enabling stable continuation of our operations. Specifically, we have advanced towards developing a Business Continuity Plan constituting policy, system and procedures inter alia for continuing business in the face of emergency situations.

### — 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 (Private) Limited (CDS). Post Trade Service statistics broadly followed subdued activity levels in the cash market. The number of trades cleared and settled in 2012 amounted to 1.8 Mn. decreasing by 59.4% YoY. New accounts totalling 35,321 were opened during the year. As at year end 93% of equity securities were held by the CDS comparing favourably to 75% as at the end 2011, reflecting enhanced dematerialisation levels. As at year end 71% of debt securities were held by the CDS relative to 54% as at end 2011.

### — MARKET STRUCTURE REFORM: POST TRADE RISK MANAGEMENT

The sequential implementation of central counterparty clearing through the implementation of real time margining for equity market Risk Management (RMS) followed by the establishment of a Delivery Vs. Payment (DVP) mechanism has been a pre-eminent market structure reform pursued over the recent past. In May 2012, we deployed industry-wide a test system for the RMS developed by the National Stock Exchange of India (NSE) the lead consultant to the said Post-Trade Risk Management initiatives. Subsequently, we completed an extended market consultation on risk management reform measures. We received much support from our major stakeholder group the stockbroker firms in this market consultation which has helped further refine our approach to post-trade risk reforms.

This is a long overdue market reform which will allow us to significantly enhance risk management capabilities through a transition from historic to real time margining. However, in the implementation process we were compelled to devote an extended time period in closely aligning with stockbroker firms than was previously intended. This was due in part to the nature of the two initiatives under consideration which necessitates corresponding changes to broker systems and operations in tandem with changes at the exchange end. Additionally, global benchmarks anticipated in the reform process also place relatively more stringent risk controls than before on market participants. We believe that the market consultations have yielded a revised approach to the implementation process that will work well for

6,100

5,700

5,300

4,900

4,500

4,100

13-Mar-2012

14-Mar-2012

15-Mar-2012

16-Mar-2012

all stakeholders. We are very much aware of the potential impact on the market through these initiatives and will continue to communicate with the relevant stakeholders throughout the implementation process.

#### — ENTERPRISE RISK MANAGEMENT

In the ongoing environment of variable investor confidence levels and challenging market conditions ensuring resilience through cohesive business-wide risk strategies has become a preoccupation. As a team we collaborated and formulated an Enterprise Risk Management (ERM) framework which aids the prioritisation of key risks and creation of risk consciousness amongst employees. The framework enables the establishment of a risk culture first within the Exchange and would act as a channel to create risk awareness amongst our stakeholders. Identified as vital for sustainability, this comprehensive ERM framework was completed in February 2013.

#### — SHARED VISION

In our evolution we understand better than ever before that deeper stakeholder engagement and integration would be vital for sustainable growth and success. We are glad to play a pivotal role in the Government's larger vision for the growth of the Sri Lankan economy. In sharing this vision our aim is to become a well-regulated and successful investment destination. In the past year, we have utilised the experience of our immediate neighbour, the NSE. Similarly we will continue to bridge the gap in our competencies to transform in our role as a capital market.

Even as we provide critical infrastructure to capital market participants we seek to provide a greater product and service range to the Sri Lankan market. I recap the principal themes of our strategic plan which include developing the CSE as a centre for listing and an attractive venue for investment together with building world-class infrastructure.

Simultaneously, the SEC has pragmatically prioritised its own strategic initiatives during November 2012. The aspirational '10 Key Projects' of the SEC further streamlines how we can articulate our variously themed blueprint for growth. Congruency in delivering these initiatives means a cohesive joint effort would be extended by the Exchange and its regulator to reinforce the

vision of the Government in achieving economic growth. We intend to continue the type of meaningful debate that has resulted in the beneficial proposals supporting capital market growth evinced through the Budget 2013 announced in November last year.

We recognise that our strategic plan will take time to complete. At this stage, I believe that our value proposition has the best potentiality of evolving due to the dynamic relationships that are being formed now amongst market participants. There is much to be done in sharing a common vision.

#### — ACKNOWLEDGEMENTS

I would like to thank the members of the Board for their support and guidance during the year in formulating and pursuing our strategic direction.

I thank the management of the Exchange for extending their efforts and expertise with sincerity to achieve progress during these challenging times. I wish to also express my appreciation to all staff members for their commitment towards the stability of our operations and for ardently embracing change.

I acknowledge with thanks the collaborative guidance proffered by our regulator, the SEC.

I would also like to thank our listed companies, investors, members and all other stakeholders for their continued trust in us.

We look forward to a productive year ahead resolute in providing to you an innovative and efficient capital market.

*S. Sellaheewa*

**Surekha Sellaheewa**  
Chief Executive Officer

14 May 2013

				6,100
				5,700
				5,300
				4,900
				4,500
17-Mar-2012	18-Mar-2012	19-Mar-2012	20-Mar-2012	4,100



**WE CONTINUALLY ASPIRE  
TOWARDS OUR VISION - TO BE  
THE PREFERRED CHOICE FOR  
CREATION OF WEALTH AND VALUE**

6,100			
5,700			
5,300			
4,900			
4,500			
4,100	21-Mar-2012	22-Mar-2012	23-Mar-2012
			24-Mar-2012

## COLOMBO STOCK EXCHANGE AND YOU

### — WHAT WE UPHOLD

We continually aspire towards **Our Vision - To be the preferred choice for creation of wealth and value.** As the only stock exchange in Sri Lanka the CSE's primary markets aid capital formation, while the secondary markets facilitate capital allocation, price discovery and risk transfer. As a stakeholder-centric institution our drive is to accomplish the objectives set out in our Mission statement based on the complementary strengths of our core services, Market Development, Regulatory Affairs, Information Technology and Clearing & Settlement.

### — OUR MISSION

- Encourage issuers to raise capital through the 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

Primarily the CSE engenders confidence by providing exchange infrastructure, processes and services reliably and fairly to market participants. Also integral to our long-term success is the quality of our frontline regulatory role. Confidence in the operations of the CSE is reinforced by the regulation undertaken by the Securities and Exchange Commission of Sri Lanka (SEC).

The diverse stakeholder base of CSE includes issuers of listed debt and equity securities, institutional and retail investors, stockbrokers, custodian banks, settlement banks, regulators, our staff and the community at large. By providing clear accountability on our key responsibilities we ensure that all our stakeholders can see and measure our progression. The following commentary recounts our achievements over year 2012 and the opportunities capitalised on to create value for our stakeholders.

### — MARKET DEVELOPMENT

The Market Development Division is responsible for expanding the investor base of the CSE by ensuring a wide and equitable spread of market information and knowledge. Whilst working to maximise the attractiveness of the CSE to both domestic and global investors the division strives to maintain close issuer

relations. The Division oversees the CSE's branch network through which access and participation by the local investor base in our market is energised.

### — LOCAL REACH

Our branch network aids in capturing greater visibility and provides easy access to an ever expanding cross section of domestic investors. The CSE has five branch offices in the Southern (Matara), Central (Kandy), Western (Negombo), North Western (Kurunegala) and Northern (Jaffna) Provinces. Whilst providing on line access to the stock market, our branches also offer a range of stock brokering services which include order acceptance and on line order execution, investment advice, pre-trade and post-trade documentation such as account opening, deposits, withdrawals etc. in addition to research and other related services.

The CSE conducts educational and awareness programmes on investing in the stock market and stock market developments, on a regular basis at branch offices and at schools and other institutions in the island.

### — INVESTOR DAY PROGRAMMES

With the objective of increasing awareness amongst potential investors regarding the CSE and its functions, the Market Development Division organised 19 Investor Day Programmes which attracted approximately 3,400 participants in total.

### — EDUCATIONAL WORKSHOPS

With the aim of educating investors the Market Development Division held 20 educational workshops islandwide, attracting a total of 783 participants. These workshops were conducted in all three languages, depending on the target audience and spanned a period of four days. Topics of discussion are tailored so as to profile the CSE and the merits of informed investment.

We also organised a three day 'Business Journalism' workshop for the Sinhala print media with the objective of facilitating accurate interpretation of information and augmenting the visibility of the CSE.

				6,100
				5,700
				5,300
				4,900
				4,500
25-Mar-2012	26-Mar-2012	27-Mar-2012	28-Mar-2012	4,100

— WEBSITE AND PUBLICATIONS

The CSE website, [www.cse.lk](http://www.cse.lk) which acts as the main information portal of the CSE was launched in a tri-lingual format on 29 June 2012 in line with the objectives of ‘The Year for a Trilingual Sri Lanka’. ‘My CSE’ was also relaunched on 3 September 2012 fortified by more active features that assist investors in portfolio analysis.

The CSE enhanced the user-friendliness of its publications by making them available in all three national languages. The CSE Daily, Weekly, Monthly and Quarterly publications have been translated from English into Sinhala and Tamil and have been produced as tri-lingual publications since 29 June 2012.

Other publications which include the ‘Basic Investor Guide’ (appearing in English, Sinhala and Tamil) are continually updated to provide timely and accurate information. The Investor Guide ‘Career Shareholder’ has been published in Sinhala. The School Brochure disseminated to students is currently available in Sinhala and Tamil. These publications are made available at the Investor Day Programmes and Educational Workshops in a bid to increase awareness regarding the CSE and particularly investment in equities.

6,100			
5,700			
5,300			
4,900			
4,500			
4,100	29-Mar-2012	30-Mar-2012	31-Mar-2012
			1-Apr-2012



6,100				
5,700				
5,300				
4,900				
4,500				
4,100	6-Apr-2012	7-Apr-2012	8-Apr-2012	9-Apr-2012

### — BROKER SUPERVISION

We diligently monitor the business conduct and level of compliance of Stockbroker Firms through methodical supervisory activities. Our broker supervision role is pivotal to securing investor protection and preventing systemic risks.

On-site and off-site inspection exercises help determine the level of Stockbroker compliance with relevant rules. During the year, system reviews were carried out on 28 broker firms, of which 25 were conducted through on-site inspections. We undertook a more systematic risk based approach to inspections, with the extensiveness of system reviews being based on risk analysis and control environment prevailing within respective broker firms.

Periodic submissions to the Exchange by Stockbroker Firms, which allow us to monitor compliance with the relevant rules have been enhanced and streamlined for more effective supervision.

Net capital, credit extending limits and client funds of all Stockbroker Firms are regularly monitored to ensure compliance to established regulatory requirements. Communications and engagements were resorted to when concerns surfaced.

Respective shareholding structures of ten Stockbroker Firms were changed during the period under review. The stated capital of five firms was increased. All Stockbroker Firms were compliant as at year end to net capital requirement and client fund related requirements.

### — LISTINGS

Through the Listing Division we continue to ensure that our markets are accessible to issuers. The listing approval process involves the review of Initial Listing Applications pertaining to listing of equity, debt securities and units of Closed Ended Funds, and the review of additional Listing Applications pertaining to the listing of further issues of shares.

We strive to ensure a balance between adequate disclosures being made for the benefit of investors with the aim of investor protection, and issuers of securities not being overly encumbered. The Division expends continuous effort to improve market efficiency through further improvements to the listing processes and procedures.

### — PRIMARY MARKETS

During 2012, 17 new entrants listed equity on the CSE. Amongst the new companies, six were listed by way of Initial Public Offers raising a total of Rs. 1.74 Bn. The remainder was listed via the Introductory Mechanism, which was discontinued in respect of equity listings, for applications submitted to the CSE after 31 March 2012.

In the primary debt market two listed companies raised a sum of Rs. 12.5 Bn. in the year under review, as opposed to the Rs. 1.0 Bn. which was raised by a single company in 2011. Further, three listed companies listed their debt securities by way of introduction.

A total of nineteen listed companies also availed themselves of their listed status raising Rs. 11.13 Bn. from Rights Issues. A sum of Rs. 1.96 Bn. was raised upon the conversion of warrants into shares, whilst one company raised Rs. 2.27 Bn. by way of an issue of shares via a private placement. In 2012 we also saw one company carrying out an amalgamation. Scrip dividends and capitalisations of reserves were also apparent with four companies issuing scrip dividends and two companies effecting capital increases through the capitalisation of reserves. Four companies sub-divided their shares.

### — CORPORATE AFFAIRS

Our Corporate Affairs Division constantly works towards achieving an ever more responsive approach to corporate surveillance and governance practices. The Division is also responsible for effective internal and external communication, which facilitates the forging and maintaining of strong relationships with listed companies and investors.

				6,100
				5,700
				5,300
				4,900
				4,500
10-Apr-2012	11-Apr-2012	12-Apr-2012	13-Apr-2012	4,100

— COMPLIANCE REVIEW

Over the year, Annual Reports and interim Financial Statements were reviewed against Sri Lanka Accounting Standards, CSE Listing Rules and Companies Act requirements to ensure that listed companies were in compliance with same and non-compliances were reported for rectification.

— INVESTOR COMPLAINTS

The division provides an acceptable and appropriate mechanism to rectify investor complaints/grievances that may be lodged by any investor against any company listed on the Exchange.

— REVIEW AND AMENDMENT OF RULES

The CSE formulates new rules and continuously reviews and amends (as and when necessary) the existing rules that it administers, in line with its obligation to operate a transparent, efficient and well-regulated market place. The key rule amendments carried out are highlighted below:

**In view of Enhanced Market Efficiency and Expediency**

The Automated Trading System (ATS) Rules were amended in line with the implementation of ATS version 7. The amended rules were applicable from 24 February 2012.

The rules governing debt securities transacted on the Automated Debt Securities Trading System (DEX Rules) were amended. The amended rules were implemented on 8 February 2013.

**To Enhance Stockbroker Operational Efficiency and Regulation**  
Revised Stockbroker Rules were implemented with effect from 14 February 2012. The rules/requirements relating to the following areas were introduced via the revised rules:

- Operational requirement
- Trading practices and conduct
- Minimum standards for stockbroker firms
- Rules relating to handling of clients' money
- Supervisory rules
- The procedure to be adopted by the Arbitration and Disciplinary Committee in taking disciplinary action against stockbrokers

In tandem with the evolving capital market environment in Sri Lanka, we will continue to review our regulatory framework to ensure that it remains pragmatic and effective whilst upholding the confidence of all those who participate in our markets.

— DIRECTIVES BY THE SEC

The CSE removed the 10% price band applicable to securities as directed by the SEC w.e.f. 19 April 2012.

6,100			
5,700			
5,300			
4,900			
4,500			
4,100	14-Apr-2012	15-Apr-2012	16-Apr-2012
			17-Apr-2012





### — CLEARING AND SETTLEMENT SERVICES

The extent of clearing and settlement services provided broadly followed subdued activity levels in the cash market. The number of equity trades cleared and settled in 2012 amounted to 1.8 Mn. decreasing by 59.4% YoY.

### — DEPOSITORY SERVICES

During the year a total of 702,438 registrations (inclusive of multiple registrations) were made whilst 35,321 were opened bringing the total number of investor accounts in demat form to 535,576 (up 5% YoY). The volume of securities held in the custody of CDS increased 34 % from approximately 50.2 Bn. to 67.4 Bn. securities.

By facilitating dematerialisation through which share certificates are replaced with electronic records of ownership the CDS provides investors with a safe, convenient way to hold securities whilst reducing paper work. Further, it enabling efficient and cost-effective trading by making immediate transfer possible whilst eliminating of risks associated with physical certificates such as bad delivery and delays in transit, amongst others. As at year end 93.9% of equity securities were held by the CDS comparing favourably to 75.0% as at the end 2011, reflecting enhanced dematerialisation levels. As at year end 71% of debt securities were held by the CDS in demat form relative to 53.6% as at end 2011.

			6,100
			5,700
			5,300
			4,900
			4,500
26-Apr-2012	27-Apr-2012	28-Apr-2012	29-Apr-2012
			4,100

	2012	2011
<b>Operational Highlights (No.)</b>		
New Accounts	35,321	112,473
Deposits	126,728	519,063
Withdrawals	52	168
Transfers	27,966	53,926
Trades - Equity	1,857,384	4,579,352
Trades - Close Ended Funds	759	2,898
Listed Companies	287	272
Participants	46	46
Settlement Banks	4	4
<b>Securities Accounts as at 31 December (No.)</b>		
Local Individuals	519,263	492,734
Foreign Individuals	4,134	3,847
Local Companies	7,884	7,321
Foreign Companies	4,295	4,112
Total Securities Accounts	535,576	508,014
(The above break-up excludes the number of multiple registrations sought by the same client through different participants.)		
<b>Total Number of Registrations</b>	<b>702,438</b>	<b>666,665</b>
<b>Value of Securities Held by the CDS as at 31 December (Rs. Mn.)</b>		
Domestic Clients	1,365,510	1,245,225
Foreign Clients	593,691	438,032
Market Value of Securities	1,959,201	1,683,257
Shares %	93	75
Debt Securities %	71	54
<b>Quantity of Shares Held by the CDS as at 31 December (No. Mn.)</b>		
Domestic Clients	49,910	34,928
Foreign Clients	17,464	15,241
<b>Total</b>	<b>67,375</b>	<b>50,169</b>

6,100

5,700

5,300

4,900

4,500

4,100

30-Apr-2012

1-May-2012

2-May-2012

3-May-2012

Significant market structure reforms are currently in the process of being implemented in order to introduce Central Counterparty Clearing.

#### — POST TRADE RISK MANAGEMENT INFRASTRUCTURE INITIATIVES

The CSE is currently working towards the phased implementation of a Central Counterparty Clearing House (CCP) in view of mitigating asset-commitment risk and counterparty risk prevalent under the current market structure. The implementation plan involves deploying a real time margining system for equities (RMS) and a Delivery Vs. Payment (DVP) mechanism for the settlement of equity transactions on the secondary market.

During the year, headway was made on the implementation of the RMS. The National Stock Exchange of India (NSE), the lead consultant to the implementation of RMS and DVP, assisted the CSE in the back testing of market data and subsequently developed the preliminary RMS system for the CSE. Following the completion of user acceptance testing, the test system was deployed industry-wide and market participants including stockbrokers, custodian banks and broker back office vendors have, since then, been continuously engaged in the familiarisation process.

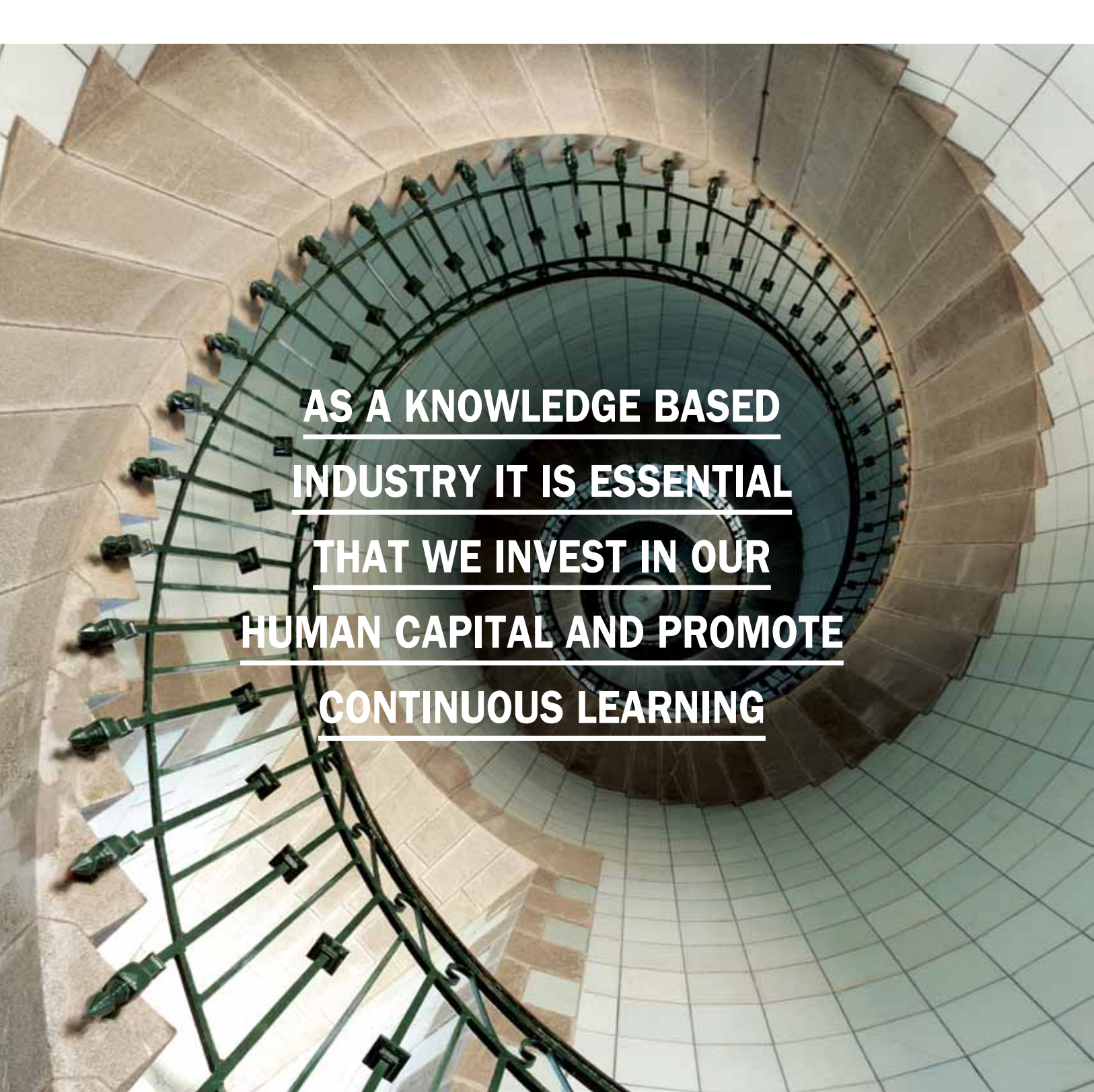
During this time broker firm specific relationship management meetings were conducted to enable industry consultation. These engagements have helped in the forming of a common understanding of the equity margining solution and the identification of potential gaps and concerns of broker firms. Modifications to the test system were carried out and the development of the RMS was completed by the NSE at the end of

the year. The rules related to real time margining of equities under the RMS have been drafted and circulated to stockbrokers and other stakeholders for their comments.

With regard to DVP implementation, the preliminary business framework and model specification formulated in early 2012 which envisaged the implementation of Model 3 DVP is currently being refined succeeding extended industry consultation. Engagements with broker firms and the NSE continue with a view to finalising the DVP business model. The related policies and the legal framework will be finalised subsequently.

The nature of the two initiatives under consideration necessitates corresponding changes to broker systems and operations in tandem with changes at the CSE's end. As a result, in congruence with the Risk Management Initiatives, a separate project is on-going to procure suitable Broker Back Office system infrastructure under the auspices of the SEC. Additionally as global benchmarks anticipated in the reform process also place relatively more stringent risk controls than before on market participants, comprehensive industry consultation remains pivotal to the acceptance of respective business models and the subsequent progression in the implementation of enhanced post-trade risk controls.

			6,100
			5,700
			5,300
			4,900
			4,500
4-May-2012	5-May-2012	6-May-2012	7-May-2012
			4,100



**AS A KNOWLEDGE BASED**  
**INDUSTRY IT IS ESSENTIAL**  
**THAT WE INVEST IN OUR**  
**HUMAN CAPITAL AND PROMOTE**  
**CONTINUOUS LEARNING**

6,100			
5,700			
5,300			
4,900			
4,500			
4,100	8-May-2012	9-May-2012	10-May-2012
			11-May-2012

— HUMAN RESOURCES

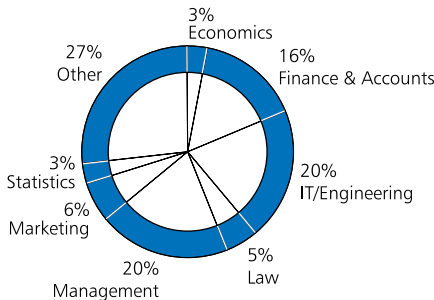
At the CSE we consider our staff as an asset. It is our diverse and talented set of employees, our ‘human capital’ that engineers not only the Exchange’s day-to-day operational but also our strategic initiatives and achievements.

As a knowledge based industry it is essential that we invest in our human capital and promote continuous learning. To sustain our performance culture we provide opportunities for training and career development. Particularly in the context of our transformational road map the skills, visions, ideas and motivation of our staff are indeed the drivers of our progress. We will continue to bring about increased performance levels whilst providing a facilitative environment and work ethic to provide personal improvement opportunities for all.

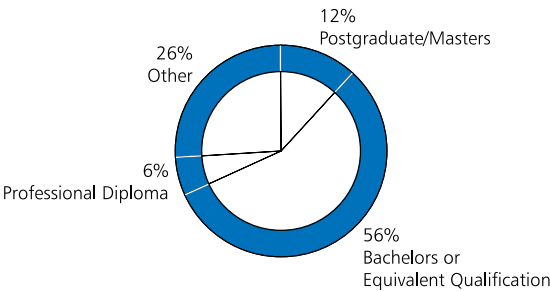
— OUR STAFF

As an Exchange, the ability to attract, retain and develop a diversely talented employee base is a key driver of business performance. As at the end of 2012 we employed approximately 130 employees reflecting diverse academic and technical backgrounds.

Dispersion of Employees based on Domain Specialisation



Dispersion of Employees based on Qualifications



— INVESTING IN HUMAN CAPITAL

We continually promote learning and skill enhancement that is well aligned with our Mission and strategic objectives.

				6,100
				5,700
				5,300
				4,900
				4,500
12-May-2012	13-May-2012	14-May-2012	15-May-2012	4,100

— CSE CORPORATE SOCIAL RESPONSIBILITY  
— MATARA DISTRICT-WIDE SCHOOL CHILDREN VISION PROGRAMME

The Colombo Stock Exchange (CSE) in partnership with So Others May See Inc. (SOMS) sponsored the Matara district-wide schoolchildren vision programme. The sponsorship amounted to Rs. 3.5 Mn.

So Others May See Inc. (SOMS) collaborated with the Vision2020 Secretariat in the Ministry of Health to conduct the district-wide schoolchildren vision programme for Matara. The project time frame was October 2012-January 2013 with the main work being carried out in February 2013. A total of about 150,000 schoolchildren from 361 national schools were screened and about 8,000 students from this number were shortlisted for additional evaluation. Of these, 3,655 were further screened for examination and testing by optometrists. 1,553 children were prescribed eye glasses immediately. Another 1,090 were prescribed convergence exercises and/or referred to eye surgeons for other follow up.

— ESTABLISHMENT OF ENTERPRISE RISK MANAGEMENT WITHIN THE CSE

Over the year an Enterprise Risk Management (ERM) Framework was developed with the aim of providing a consistent approach to risk and facilitating a reasonably accurate perception of acceptable risk by the Exchange's employees.

The Finance and Administration Division facilitated a systematic and progressive formulation of the ERM Framework through the following approach:

1. Current state assessment: The CSE's risk universe was assessed and a suitable approach to risk identification, assessment, prioritisation and reporting was identified. In addition, a comparison was made of CSE's current and proposed risk management activities against other comparable stock exchanges to identify potential areas for improvement and challenges.
2. Raising of risk awareness: An internal awareness survey was conducted to gauge the level of risk-related knowledge within the CSE. Based on the results, a risk awareness training session was designed and conducted. The session was held for senior management and included knowledge sharing on principles of risk management and case studies in addition to discussion on risks faced by other stock exchanges. Further, the benefits of having a formal risk management framework was emphasised to the staff.
3. Risk assessment: To arrive at the first risk profile, numerous interactions were carried out as follows:
  - (a) Interviews and the focus group sessions with the various Heads of Divisions at CSE
  - (b) Interviews with senior personnel of the SEC and representatives from market intermediaries to elicit and understanding on their views and concerns with regards to the CSE
  - (c) Risk assessment workshop with key personnel to identify and reach a consensus on the CSE's risk profile; Prioritisation of risks identified during the workshop and deriving of the risk profiles and registers.

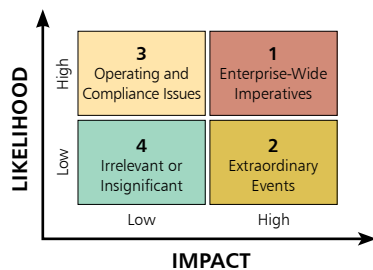
6,100			
5,700			
5,300			
4,900			
4,500			
4,100	16-May-2012	17-May-2012	18-May-2012
			19-May-2012

- (d) Oversight structure and protocols - Formulation of the draft ERM oversight structure and reporting protocols (ERM Policy) based on leading practice including comparison with other established companies.

#### — FEATURES OF THE ERM FRAMEWORK

The CSE's ERM framework has the following broad features:

Oversight & accountability	<ul style="list-style-type: none"> <li>Reporting structure and defined roles and responsibilities</li> </ul>
Risk identification	<ul style="list-style-type: none"> <li>In addition to the risk profile derived from the risk assessment, a risk universe with defined categories of risk is used for guidance in identification.</li> </ul>
Risk measurement and monitoring	<ul style="list-style-type: none"> <li>Risk parameters which measures various aspects including financial, operational and other areas to allow for a more wider assessment of the risk impact and likelihood.</li> <li>Action plans have been identified along with responsibilities and timelines.</li> </ul>
Risk reporting	<ul style="list-style-type: none"> <li>Risks are to be reported in a risk register and matrix:</li> </ul>



#### — IMPLEMENTATION OF THE ERM FRAMEWORK

The ERM framework is to be implemented during the year 2013 providing a common platform with supporting processes for the identification, assessment, scoring, reporting and review of significant risks across the Exchange.

The ERM policy and action plans for implementation were approved by the Risk and Audit Committee at a meeting held on 24 January 2013. The latter was subsequently approved by the Board at a special Board meeting held on 5 February 2013.

The identification of risk co-ordinators for each division and setting up of the Management Risk Committee consisting of Head of Divisions will follow. Additionally, in view of facilitating implementation, employees are to be trained on the ERM policy and procedures.

				6,100
				5,700
				5,300
				4,900
				4,500
20-May-2012	21-May-2012	22-May-2012	23-May-2012	4,100

STEWARDSHIP

BOARD OF DIRECTORS



— 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 and John Keells Stock Brokers. 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. Dakshitha Thalgodapitiya an Accountant by profession, now functions as the Senior Advisor on Funded Projects after his retirement from the Chamber of Construction Industry of 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 & Development Corporation, River Valleys Development Board, and Lanka Machine Leasers Ltd. He has also carried out many assignments with international organisations. He holds Postgraduate qualifications in Management from the George Washington University, Washington DC.

6,100			
5,700			
5,300			
4,900			
4,500			
4,100	24-May-2012	25-May-2012	26-May-2012
			27-May-2012



Mr. Vajira Kulatilaka

— Mr. Vajira Kulatilaka, is the Director/Chief Executive Officer - NDB Capital Holdings PLC and overlooks the operations of the Investment Banking Cluster of the NDB Group, which comprises of NDB Investment Bank Ltd., NDB Stockbrokers (Pvt) Ltd., NDB Wealth Management Ltd. and NDB Capital Ltd., Bangladesh. Mr. Vajira Kulatilaka carries over 28 years of experience in the Finance Sector and Capital Market of Sri Lanka. Prior to joining NDB Investment Bank Ltd., he functioned as the Chief Executive Officer at CKN Fund Management (Pvt) Ltd. Mr. Kulatilaka has been instrumental in managing some of the largest IPOs in Sri Lanka.

He is a Chartered Financial Analyst and has obtained a BSc Degree in Civil Engineering with First Class Honours from the University of Moratuwa, and M.Eng. in Industrial Engineering & Management from the Asian Institute of Technology. He has also obtained qualifications as a Fellow Member of the Chartered Institute of Management Accountants (UK).

Directorships currently held by Mr. Vajira Kulatilaka are as follows:

NDB Investment Bank Ltd. - *Director*  
 NDB Stockbrokers Ltd. - *Director*  
 NDB AVIVA Wealth Management - *Director*  
 NDB Capital Ltd., Bangladesh - *Director*



Mr. Hiran de Alwis

— Hiran de Alwis, is an Attorney-at-Law, and a Legal Counsel in Colombo, specialising in Civil and Commercial Law and Commercial Arbitrations. He is a Law Graduate of the University of Colombo holding Postgraduate 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.

				6,100
				5,700
				5,300
				4,900
28-May-2012	29-May-2012	30-May-2012	31-May-2012	4,500
				4,100





Mr. Rajendra Theagarajah

— F.C.M.A. (UK), F.C.A. (Sri Lanka), M.B.A. (Cranfield), F.I.B. (Hon.) Sri Lanka. Appointed Director/General Manager/Chief Executive Officer of Hatton National Bank in December 2004. He was appointed Managing Director in December 2005. Member of the Corporate Management of HNB since 1997. He counts over 28 years of experience in Banking including overseas assignments. Chairman of Acuity Partners (Pvt) Ltd. and Acuity Securities Ltd. Director of Acuity Stockbrokers (Pvt) Ltd., HNB Assurance PLC, Sithma Development (Pvt) Ltd., Guardian Acuity Asset Management (Pvt) Ltd., Lanka Financial Services Bureau Ltd., Lanka Clear (Pvt) Ltd., Carson Cumberbatch PLC, Majan Exchange LLC, Oman and Colombo Stock Exchange. He was a past Chairman of Sri Lanka Banks' Association (Guarantee) Ltd., Financial Ombudsman Sri Lanka (Guarantee) Ltd. and Chairman of the Asian Bankers Association. Member of the Sri Lanka Accounting & Auditing Standards Monitoring Board, Committee Member of the Ceylon Chamber of Commerce, Vice-Chairman of the Chartered Institute of Management Accountants (UK) Governing Board - Sri Lanka, Member of the Sri Lanka Auditing Quality Assurance Board and Council Member of the Sri Lanka Institute of Directors.

(Resigned with effect from 1 May 2013)



Mrs. M.A.D.S. Jeeva Shirajanie Niriella

— Mrs. M.A.D.S.J.S. Niriella - Attorney-at-Law, Senior Lecturer in Law, Head/Department of Public and International Law, Faculty of Law, University of Colombo. Specialised in Public Law, International Law and Commercial Law. She holds a LLB Degree with an honour pass and M.Phil Degree in Law obtained from Faculty of Law, University of Colombo.

			6,100
			5,700
			5,300
			4,900
			4,500
5-Jun-2012	6-Jun-2012	7-Jun-2012	8-Jun-2012
			4,100





**Renuke Wijayawardhane**  
AGM - Regulatory Affairs



**Priyana Gunasekera**  
Head of Listing & Corporate Affairs



**Nishantha Hewavithana**  
Manager Research



**Nalin Fonseka**  
Manager CDS



**Charita Dumbukola**  
Senior Manager IT Project  
Management



**Wasantha Perera**  
Head of Information Security & Compliance



**Janaka Mahagedarawatta**  
Manager Data Centre Operations

				6,100
				5,700
				5,300
				4,900
13-Jun-2012	14-Jun-2012	15-Jun-2012	16-Jun-2012	4,500
				4,100

## BOARD COMMITTEES

### — 1. RULES COMMITTEE

The purpose of the Rules Committee is to ensure that the Rules of the CSE achieve the purpose of maintaining a market in which securities are issued and traded in an orderly and fair manner. The Committee reviews amendments to Listing Rules, Stockbroker Rules and Automated Trading Rules of the CSE. All decisions of the Committee will be submitted to the Board of Directors for approval, modification or rejection (as per TOR and Articles). Two meetings were held during the year.

The members of the Committee are:

Mr. K. Balendra (Chairman)

Mr. M.R. Prelis

Mr. R. Theagarajah

Mrs. J. Niriella

Mr. C.V. Kulatilaka

### — 2. RISK AND AUDIT COMMITTEE

The primary functions of the Risk and Audit Committee are to ensure the establishment of an appropriate risk management framework within the CSE, to monitor the integrity of Financial Statements and review internal controls and work of internal and external audit functions. The Committee should comprise of at least two appointed Directors and two elected Directors, one of whom shall have recent and relevant financial experience. One meeting was held during the year.

The members of the Committee are:

Mr. D. Thalgodapitiya (Chairman)

Mr. C.V. Kulatilaka

Mr. M.R. Prelis

Mr. R. Theagarajah

Mrs. J. Niriella

### — 3. ARBITRATION AND DISCIPLINARY COMMITTEE

The Arbitration and Disciplinary Committee reviews any disputes arising between the members of the CSE in the course of business as well as all matters of a disciplinary nature. The Committee consists of four Directors of CSE, one of whom shall be an elected Director and the other three shall be appointed Directors. Members of the Committee shall notify the Board of Directors before the hearing, of any possible conflict of interest and abstain from hearing a charge in which they may have a conflict of interest. The Committee may establish its own procedures except where it is expressly provided in the Stockbroker Rules and/or the Articles of Association of the CSE. No meetings were held during the year.

The members of the Committee are:

Mr. H. de Alwis (Chairman)

Mr. D. Thalgodapitiya

Mrs. J. Niriella

Mr. K. Balendra

### — 4. DISPUTE RESOLUTION COMMITTEE

The Dispute Resolution Committee of the CSE adjudicates upon the decisions of the CSE Secretariat on disputes arising between investors and members. The Committee may grant a hearing to the member and/or the complainant if required. The decisions of the Committee shall be referred to the Board of Directors for ratification and the decision of the Board will be conveyed to the relevant parties in dispute. The Committee consists of one elected Director and three appointed Directors. Eight meetings were held during the year.

The members of the Committee are:

Mr. H. de Alwis (Chairman)

Mr. D. Thalgodapitiya

Mrs. J. Niriella

Mr. M.R. Prelis\*

\* Mr. C.V. Kulatilaka will replace Mr. Prelis on the Committee in the event there is a conflict of interest in Mr. Prelis hearing any disputes.

6,100

5,700

5,300

4,900

4,500

17-Jun-2012

18-Jun-2012

19-Jun-2012

20-Jun-2012

4,100

## — 5. HR COMMITTEE

The HR Committee is vested with power to evaluate, assess, decide and recommend to the Board of Directors on any matter that may affect the Human Resource Management of the CSE. One meeting was held during the year.

The members of the Committee are:

Mr. K. Balendra (Chairman)

Mr. M.R. Prelis

Mr. C.V. Kulatilaka

Mr. D. Thalgodapitiya

Mr. H. de Alwis

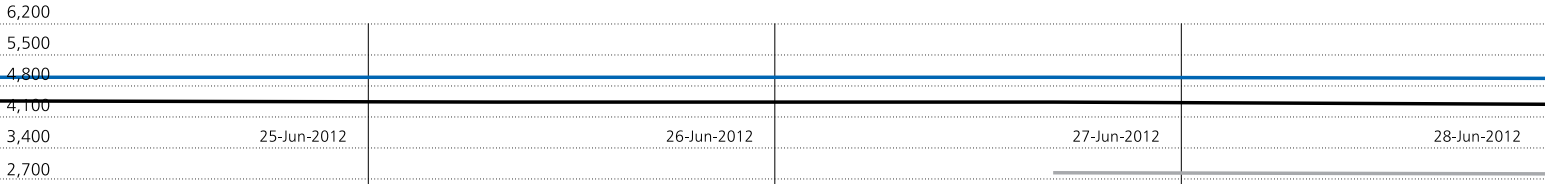
## — 6. CONSULTATIVE COMMITTEE OF MARKET STAKEHOLDERS

The Consultative Committee was set up to provide recommendations to the Rules Committee or the Board of Directors of the CSE, on CSE and CDS rules and on Market Development functions relating to promoting the inflow of local and foreign funds to the CSE and promoting listings to issuers.

The Committee consists of 16 members comprising Chairman of CSE, an appointed Director of CSE, President of the Colombo Stock Brokers Association (CSBA) and six (6) CEOs of its members nominated by the CSBA, two (2) Broker Firms who are not members of the CSBA, President of the Unit Trust Association, two (2) Investment Bankers, President of the Margin Trading Association and CEO of CSE. One meeting was held during the year.

				6,100
				5,700
				5,300
				4,900
21-Jun-2012	22-Jun-2012	23-Jun-2012	24-Jun-2012	4,500
				4,100

■ All Share Price Index (ASPI)  
■ Milanka Price Index (MPI)  
■ Standard & Poor's Sri Lanka 20 (S&P SL 20)





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				6,200
				5,500
				4,800
				4,100
29-Jun-2012	30-Jun-2012	1-Jul-2012	2-Jul-2012	3,400
				2,700

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

The Board of Directors of the Colombo Stock Exchange has pleasure in presenting their report to the Members, together with the Audited Consolidated Financial Statements for the year ended 31 December 2012.

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

The Financial Statements were reviewed and approved by the Board of Directors on 14 May 2013.

## — GENERAL

The Colombo Stock Exchange (CSE) is a company limited by guarantee, incorporated in Sri Lanka on 2 December 1985, under the Companies Act No.17 of 1982 and is licensed by the Securities and Exchange Commission of Sri Lanka (SEC). The CSE was re-registered as per the Companies Act No. 07 of 2007 on 13 May 2008 with GL 12 as the new number assigned to the Company.

The CSE is a mutual exchange and has fifteen members and fourteen 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 World Federation of Exchanges (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 fifteen members, while the Minister of Finance nominates four.

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, Central Depository Systems (Pvt) Ltd. (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.

## — REVIEW OF OPERATION AND FUTURE DEVELOPMENTS

A review of the activities of the CSE during the year is contained in the Chairman's Statement on pages 10 to 13 and the Chief Executive Officer's Review on pages 14 to 19 and the Management Discussion and Analysis titled 'The Colombo Stock Exchange and You' on pages 21 to 35 of the Annual Report 2012. These reports form an integral part of the Annual Report.

## — FINANCIAL STATEMENTS AND AUDITORS' REPORT

The Financial Statements for the year ended 31 December 2012 are the first, the Company and its subsidiary prepared, in accordance with SLFRS/LKASs, the accounting standards issued by The Institute of Chartered Accountants of Sri Lanka to converge with International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS).

The Financial Statements of the Company and its subsidiary for the year ended 31 December 2012 duly signed by the Manager Finance & Administration and two of the Directors of the Company are given on pages 52 to 88 and form an integral part of the Annual Report of the Board.

Messrs KPMG, the Auditors of the Company carried out the audit on the Consolidated Financial Statements for the year ended 31 December 2012 and their Report on the Financial Statements which forms an integral part of the Annual Report of the Board of Directors, is given on page 51 of this Annual Report.

A sum of Rs. 883,497/- (Rs. 653,549/- in 2011) was paid to KPMG on account of providing audit services. A sum of Rs. 350,406/- (Rs. 389,546/- in 2011) was paid on account of tax related services. The details of their remuneration are given in Note 7 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.

6,200				
5,500				
4,800				
4,100				
3,400	3-Jul-2012	4-Jul-2012	5-Jul-2012	6-Jul-2012
2,700				

### — BOARD RISK AND AUDIT COMMITTEE

The composition of the Board Risk and Audit Committee, comprising of Non-Executive Directors is provided on page 42.

The Report of the Board Risk and Audit Committee is given on page 49.

### — SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in preparation of the Financial Statements are given on pages 58 to 62.

### — 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. 9,469,500/- (Rs. 2,600,774/- in 2011). From this amount, a sum of Rs. 5,100,000/- (Rs. 1,748,274/- in 2011) was made to approved charities.

### — TAXATION

The income tax rate applicable on the Company is 28% (2011 - 30%) and the subsidiary company is taxed at 28% (2011 - 28%).

### — 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 10 to the Financial Statements.

### — OUTSTANDING LITIGATION

In the opinion of the Directors and the Company's Lawyers, pending litigation against the Company disclosed in Note 26.1 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 adjustments to, or disclosure in the Financial Statements.

### — BOARD OF DIRECTORS

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

Name of the Director	Board Meetings
Mr. Krishan Balendra	9/9
Mr. Vajira Kulatilaka	8/9
Dr. Saman Kelegama	9/9
Mr. M.R. Prelis	9/9
Mr. Dakshitha T.W. Thalgodapitiya	9/9
Mr. Hiran M.C. de Alwis	9/9
Mr. R. Theagarajah (Appointed to the Board on 17 April 2012)	4/9
Ms. M.A.D.S. Jeeva Shirajanie Niriella (Appointed to the Board on 22 May 2012)	5/9

Mr. A.N. Fonseka resigned from the Board of Directors on 31 March 2012.

				6,200
				5,500
				4,800
				4,100
7-Jul-2012	8-Jul-2012	9-Jul-2012	10-Jul-2012	3,400
				2,700

#### — DIRECTORS' INTEREST REGISTER

The CSE maintains a Directors' Interests Register as stipulated by the Companies Act No. 07 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. 07 of 2007. The particulars of those entries are set out on Note 29 to 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 29.2 to 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 payment pertaining to meet out of pocket expenses for attending Board meeting as given in Note 29.1 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 authorise 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 8 Degrees Cinnamon Lakeside, 115, Sir Chittampalam A. Gardiner Mawatha, Colombo 02, on Tuesday 25 June 2013 at 5.30 p.m.

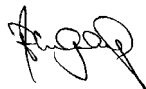
For and on behalf of the Board of Directors.



Mr. Krishan Balendra  
Chairman



Mr. M.R. Prelis  
Director



Corporate Services (Private) Limited  
Secretaries

14 May 2013  
Colombo

6,200				
5,500				
4,800				
4,100				
3,400	11-Jul-2012	12-Jul-2012	13-Jul-2012	14-Jul-2012
2,700				

## **RISK AND AUDIT COMMITTEE REPORT**

The Risk and Audit Committee of the Colombo Stock Exchange (CSE) comprised of 3 elected Directors and two appointed Directors.

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

Mr. D.T.W. Thalgodapitiya - *Chairman*

Mr. C.V. Kulatilaka

Mr. M.R. Prelis

Mr. R. Theagarajah

Mrs. M.A.D.S. Jeeva Shirajanie Niriella

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

External & Internal auditors, Chief Executive Officer and Manager Finance & Administration attended the meetings of the Risk and Audit Committee on invitation.

The Company Secretary functions as the Secretary to the Risk and Audit Committee. The committee had five meetings during the year.

The responsibilities and work of the Committee were based on the Terms of Reference (TOR) adopted by the Company in terms of best practices.

The scope of the Risk & Audit committee was enlarged to cover risk management aspects of the company. Hence establishment of an appropriate risk management framework within CSE is among the primary functions of the committee in addition to ensuring the integrity of financial statements, effectiveness of the system of internal controls and internal audit function.

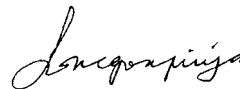
The committee has reviewed Enterprise Risk Management (ERM) policy together with action plans to mitigate risks, the system of internal controls and recommended to the Board of Directors appropriate remedial actions.

The independence of the External Auditor was evaluated by the Committee and 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 Risk and Audit Committee reviewed the Consolidated Financial Statements audited by KPMG for the financial year ended 31 December 2012 and approved the Financial Statements for submission to the Board. The Committee reviewed and approved the Letter of Representation to be given to the External Auditors for the year 2012.

The internal audit function is outsourced to Ernst & Young Advisory Services (Pvt) Ltd. The findings of the internal audit reports together with management comments were reviewed by the Committee during the year.

The Risk and Audit Committee has recommended to the Board of Directors the reappointment of the External Auditor KPMG and fixed the Auditors' remuneration, for approval at the Annual General Meeting.

On behalf of the Risk and Audit Committee,



**D.T.W. Thalgodapitiya**  
*Chairman*  
Risk and Audit Committee

14 May 2013  
Colombo

				6,200
				5,500
				4,800
				4,100
15-Jul-2012	16-Jul-2012	17-Jul-2012	18-Jul-2012	3,400
				2,700

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. 07 of 2007 the Directors are required to prepare Financial Statements for each financial year and place them before a General Meeting. The Financial Statements comprise the Statement of Financial Position as at 31 December 2012, and the Statement of Comprehensive Income, Statement of Changes in Equity and cash flows for the year then ended and Notes thereto.

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

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

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

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

The Directors confirm that the Financial Statements of the CSE and its Subsidiary, CDS for the year ended 31 December 2012 presented in this Report have been prepared in accordance with the Sri Lanka Accounting Standards, Companies Act No. 07 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 and 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 to 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 Statement of Financial Position date have been paid or where relevant provided for.

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

By order of the Board

[Signature]

Corporate Services (Private) Limited
Secretaries

14 May 2013
Colombo

6,200				
5,500				
4,800				
4,100				
3,400	19-Jul-2012	20-Jul-2012	21-Jul-2012	22-Jul-2012
2,700				

# INDEPENDENT AUDITORS' REPORT



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

Tel : +94 - 11 542 6426  
Fax : +94 - 11 244 5872  
+94 - 11 244 6058  
+94 - 11 254 1249  
+94 - 11 230 7345  
Internet : www.lk.kpmg.com

## — REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying consolidated Financial Statements of Colombo Stock Exchange ("the Company"), which comprise the consolidated statement of financial position as at 31 December 2012, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information set out on pages 52 to 88 of the annual report.

## — 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 policies 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 2012 and the financial statements give a true and fair view of the financial position of the Company as at 31 December 2012, and of its financial performance and its cash flow 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 financial position of the Company and its subsidiary dealt with thereby as at 31 December 2012 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

## — REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

**CHARTERED ACCOUNTANTS**  
Colombo

14 May 2013

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

M.R. Mihular FCA  
T.J.S. Rajakarier FCA  
Ms. S.M.B. Jayasekara ACA  
G.A.U. Karunaratne ACA  
P.Y.S. Perera FCA  
W.W.J.C. Perera FCA  
W.K.D.C. Abeyratne ACA  
R.M.D.B. Rajapakse ACA  
C.P. Jayatilake FCA  
Ms. S. Joseph FCA  
S.T.D.L. Perera FCA  
Ms. B.K.D.T.N. Rodrigo ACA

Principals - S.R.I. Perera ACMA, LLB, Attorney-at-Law, H.S. Goonewardene ACA

				6,200
				5,500
				4,800
				4,100
23-Jul-2012	24-Jul-2012	25-Jul-2012	26-Jul-2012	3,400
				2,700

## STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31 December	Note	Group		Company	
		2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
<b>Revenue</b>	4	<b>490,943,615</b>	1,175,767,154	<b>369,922,020</b>	866,979,322
Other Income	5	<b>241,931,595</b>	226,748,176	<b>239,841,434</b>	242,950,410
		<b>732,875,210</b>	1,402,515,330	<b>609,763,454</b>	1,109,929,732
Staff Cost	6	<b>(205,431,191)</b>	(186,752,904)	<b>(187,800,342)</b>	(167,145,115)
Depreciation & Amortisation		<b>(75,319,220)</b>	(37,734,494)	<b>(75,319,220)</b>	(37,734,494)
Other Operating Expenses	7	<b>(345,014,126)</b>	(422,850,044)	<b>(274,690,341)</b>	(322,870,500)
<b>Profit before Taxation</b>		<b>107,110,673</b>	755,177,888	<b>71,953,551</b>	582,179,623
Income Tax	8	<b>(17,751,956)</b>	(165,041,268)	<b>(5,969,809)</b>	(109,860,564)
<b>Profit for the Year</b>		<b>89,358,717</b>	590,136,620	<b>65,983,742</b>	472,319,059
<b>OTHER COMPREHENSIVE INCOME</b>					
Net Change in Fair Value of Available-for-Sale Financial Assets	9	<b>41,171,924</b>	(21,223,064)	<b>30,274,649</b>	(19,728,032)
<b>Other Comprehensive Income Net of Tax</b>		<b>41,171,924</b>	(21,223,064)	<b>30,274,649</b>	(19,728,032)
<b>Total Comprehensive Income for the Year</b>		<b>130,530,641</b>	568,913,556	<b>96,258,391</b>	452,591,027

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

Figures in brackets indicate deductions.

6,200			
5,500			
4,800			
4,100			
3,400	27-Jul-2012	28-Jul-2012	29-Jul-2012
2,700			30-Jul-2012

## STATEMENT OF FINANCIAL POSITION

As at		31 December 2012 Rs.	Group 31 December 2011 Rs.	1 January 2011 Rs.	31 December 2012 Rs.	Company 31 December 2011 Rs.	1 January 2011 Rs.
	Note						
<b>ASSETS</b>							
<b>Non-Current Assets</b>							
Property & Equipment	10	211,474,152	75,405,780	57,717,660	211,474,109	75,405,736	57,717,616
Intangible Assets	11	161,110,143	15,008,222	21,649,466	161,110,143	15,008,222	21,649,466
Capital Work-in-Progress	12	60,701,465	118,820,507	65,367,613	60,701,465	118,820,507	65,367,613
Investments in Subsidiary	13	—	—	—	25,000	25,000	25,000
Financial Investments - Available-for-Sale	14	839,931,677	983,856,706	1,661,378,081	424,529,431	609,351,736	1,661,378,081
Investments in LFSB	15	1,000,000	1,000,000	1,000,000	—	—	—
Settlement Guarantee Fund	16	100,000,000	100,000,000	—	100,000,000	100,000,000	—
Deferred Tax Assets	17	3,103,674	3,103,674	218,097	3,103,674	3,103,674	218,097
<b>Total Non-Current Assets</b>		<b>1,377,321,111</b>	<b>1,297,194,889</b>	<b>1,807,330,917</b>	<b>960,943,822</b>	<b>921,714,875</b>	<b>1,806,355,873</b>
<b>CURRENT ASSETS</b>							
Inventories		4,425,860	4,770,410	5,557,330	4,278,540	4,608,474	5,444,636
Trade and Other Receivables	18	197,067,746	126,691,477	94,080,439	168,524,776	74,965,280	82,342,488
Income Tax Receivable		12,227,747	5,274,447	—	16,374,967	15,959,136	—
Financial Investments - Held to Maturity		—	97,750,000	301,104,885	—	97,750,000	301,104,885
Financial Investments - Available-for-Sale	14	813,251,375	1,664,286,338	650,405,826	813,251,375	1,664,286,338	650,405,826
Investments in Fixed Deposits		750,000,000	—	—	750,000,000	—	—
Cash and Cash Equivalents	19	143,550,186	75,895,218	58,948,298	143,079,307	57,688,161	40,284,841
<b>Total Current Assets</b>		<b>1,920,522,914</b>	<b>1,974,667,890</b>	<b>1,110,096,778</b>	<b>1,895,508,965</b>	<b>1,915,257,389</b>	<b>1,079,582,676</b>
<b>Total Assets</b>		<b>3,297,844,025</b>	<b>3,271,862,779</b>	<b>2,917,427,695</b>	<b>2,856,452,787</b>	<b>2,836,972,264</b>	<b>2,885,938,549</b>
<b>EQUITY AND LIABILITIES</b>							
Accumulated Fund		2,973,806,014	2,884,447,297	2,294,310,677	2,631,703,206	2,565,719,464	2,093,400,405
Other Reserve	20	119,923,860	78,751,936	99,975,000	10,546,617	(19,728,032)	—
<b>Total Equity</b>		<b>3,093,729,874</b>	<b>2,963,199,233</b>	<b>2,394,285,677</b>	<b>2,642,249,823</b>	<b>2,545,991,432</b>	<b>2,093,400,405</b>

			6,200
			5,500
			4,800
			4,100
31-Jul-2012	1-Aug-2012	2-Aug-2012	3-Aug-2012
			3,400
			2,700

As at		31 December 2012 Rs.	Group 31 December 2011 Rs.	1 January 2011 Rs.	31 December 2012 Rs.	Company 31 December 2011 Rs.	1 January 2011 Rs.
	Note						
<b>NON-CURRENT LIABILITIES</b>							
Brokers' Deposits in Lieu of Bank Guarantee	21	84,439,970	82,689,970	66,939,970	84,439,970	82,689,970	66,939,970
Retirement Benefit Obligations	22	39,684,711	36,172,270	31,478,202	39,684,711	36,172,270	31,478,202
Deferred Grants	23	—	—	211,027	—	—	211,027
Total Non-Current Liabilities		124,124,681	118,862,240	98,629,199	124,124,681	118,862,240	98,629,199
<b>CURRENT LIABILITIES</b>							
Brokers' Deposits in Lieu of Bank Guarantee		11,790,000	45,986,633	60,260,905	—	16,000,000	33,500,000
Income Tax Payable		—	—	324,552,891	—	—	245,609,194
Other Payables	24	57,805,024	142,314,856	36,740,242	56,046,159	140,347,657	35,713,449
Amounts due to Related Company	25	—	—	—	23,637,678	14,271,118	376,127,521
Bank Overdraft	19	10,394,446	1,499,817	2,958,781	10,394,446	1,499,817	2,958,781
Total Current Liabilities		79,989,470	189,801,306	424,512,819	90,078,283	172,118,592	693,908,945
<b>Total Equity and Liabilities</b>		<b>3,297,844,025</b>	<b>3,271,862,779</b>	<b>2,917,427,695</b>	<b>2,856,452,787</b>	<b>2,836,972,264</b>	<b>2,885,938,549</b>

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.



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.



Director



Director

14 May 2013  
Colombo

6,200				
5,500				
4,800				
4,100				
3,400	4-Aug-2012	5-Aug-2012	6-Aug-2012	7-Aug-2012
2,700				

## STATEMENT OF CHANGES IN EQUITY

### GROUP

	Accumulated Fund Rs.	Available-for-Sale Reserve Rs.	Capital Reserve Rs.	Total Rs.
Restated Balance as at 1 January 2011	2,294,310,677	–	99,975,000	2,394,285,677
<b>TOTAL COMPREHENSIVE INCOME</b>				
Profit for the Year	590,136,620	–	–	590,136,620
Other Comprehensive Income for the Year (Net of Tax)	–	(21,223,064)	–	(21,223,064)
Total Comprehensive Income for the Year	590,136,620	(21,223,064)	–	568,913,556
<b>Restated Balance as at 31 December 2011</b>	<b>2,884,447,297</b>	<b>(21,223,064)</b>	<b>99,975,000</b>	<b>2,963,199,233</b>
<b>TOTAL COMPREHENSIVE INCOME</b>				
<b>Profit for the Year</b>	<b>89,358,717</b>	<b>–</b>	<b>–</b>	<b>89,358,717</b>
<b>Other Comprehensive Income for the Year (Net of Tax)</b>	<b>–</b>	<b>41,171,924</b>	<b>–</b>	<b>41,171,924</b>
<b>Total Comprehensive Income for the Year</b>	<b>89,358,717</b>	<b>41,171,924</b>	<b>99,975,000</b>	<b>130,530,641</b>
<b>Balance as at 31 December 2012</b>	<b>2,973,806,014</b>	<b>19,948,860</b>	<b>99,975,000</b>	<b>3,093,729,874</b>

### COMPANY

	Accumulated Fund Rs.	Available-for-Sale Reserve Rs.	Total Rs.
Restated Balance as at 1 January 2011	2,093,400,405	–	2,093,400,405
<b>TOTAL COMPREHENSIVE INCOME</b>			
Profit for the Year	472,319,059	–	472,319,059
Other Comprehensive Income for the Year (Net of Tax)	–	(19,728,032)	(19,728,032)
Total Comprehensive Income for the Year	472,319,059	(19,728,032)	452,591,027
<b>Restated Balance as at 31 December 2011</b>	<b>2,565,719,464</b>	<b>(19,728,032)</b>	<b>2,545,991,432</b>
<b>TOTAL COMPREHENSIVE INCOME</b>			
<b>Profit for the Year</b>	<b>65,983,742</b>	<b>–</b>	<b>65,983,742</b>
<b>Other Comprehensive Income for the Year (Net of Tax)</b>	<b>–</b>	<b>30,274,649</b>	<b>30,274,649</b>
<b>Total Comprehensive Income for the Year</b>	<b>65,983,742</b>	<b>30,274,649</b>	<b>96,258,391</b>
<b>Balance as at 31 December 2012</b>	<b>2,631,703,206</b>	<b>10,546,617</b>	<b>2,642,249,823</b>

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

				6,200
				5,500
				4,800
				4,100
8-Aug-2012	9-Aug-2012	10-Aug-2012	11-Aug-2012	3,400
				2,700

## CASH FLOW STATEMENT

For the Year Ended 31 December	Note	Group		Company	
		2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Cash Flows from Operating Activities					
Net Profit before Taxation		107,110,673	755,177,888	71,953,551	582,179,623
Adjustments for:					
Depreciation/Amortisation	10/11	75,319,220	37,734,494	75,319,220	37,734,494
Interest Income	5	(91,245,487)	(14,867,507)	(90,281,213)	(14,100,957)
Amortisation of Deferred Grant	23	–	(211,027)	–	(211,027)
Profit on Sale of Property & Equipment	5	(5,860,265)	(2,237,006)	(5,860,265)	(2,237,006)
Dividend Income	5	(114,839,375)	(189,292,477)	(114,151,503)	(207,292,477)
Gratuity Provision	22	4,269,941	12,984,833	4,040,716	14,283,377
Gratuity Provision - Transfer to/Reversal from Subsidiary	22	–	–	229,225	(1,298,544)
Provision/(Reversal) for Impairment of Trade Receivables		565,753	(204,105)	173,325	21,840
Operating (Loss)/Profit before Working Capital Changes		(24,679,540)	599,085,093	(58,576,944)	409,079,323
Decrease in Inventories		344,550	786,921	329,934	836,162
(Increase)/Decrease in Other Receivables		(70,942,022)	(35,538,877)	(93,732,823)	4,223,426
(Decrease)/Increase in Other Payables		(84,509,832)	5,574,613	(84,301,498)	4,634,209
Increase/(Decrease) in Amounts due to Related Company		–	–	9,366,561	(361,856,403)
Increase/(Decrease) in Broker Deposits		(32,446,633)	1,475,729	(14,250,000)	(1,750,000)
Cash (Used in)/Generated from Operations		(212,233,477)	571,383,479	(241,164,770)	55,166,717
Income Tax Paid		(24,705,257)	(496,405,285)	(6,385,640)	(372,965,572)
Gratuity Paid	22	(757,500)	(8,290,765)	(757,500)	(8,290,765)
Net Cash (Used in)/Generated from Operating Activities		(237,696,234)	66,687,429	(248,307,910)	(326,089,620)
Cash Flows from Investing Activities					
Interest Income	5	91,245,487	13,458,444	90,281,213	12,691,892
Purchase of Property & Equipment and Intangible Assets	10	(133,747,065)	(12,406,845)	(133,747,065)	(12,406,845)
Proceeds from Sale of Property & Equipment		5,889,539	2,530,752	5,889,539	2,530,752
Decrease in Deposits and Treasury Bills & Bonds		97,750,000	206,546,995	97,750,000	206,546,995
Increase in Fixed Deposit Investments		(750,000,000)	–	(750,000,000)	–
Dividend Income	5	114,839,375	189,292,477	114,151,503	207,292,477
(Increase)/Decrease in Investments in Unit Trusts	9	1,036,131,914	(357,582,201)	1,066,131,915	18,417,798
Capital Work-in-Progress	12	(165,652,677)	(90,121,167)	(165,652,677)	(90,121,165)
Net Cash Flow Generated from/Used in Investing Activities		296,456,573	(48,281,545)	324,804,428	344,951,904

6,200

5,500

4,800

4,100

3,400

2,700

12-Aug-2012

13-Aug-2012

14-Aug-2012

15-Aug-2012

For the Year Ended 31 December	Note	Group		Company	
		2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
<b>Cash Flows from Financing Activities</b>		—	—	—	—
Net Increase in Cash & Cash Equivalents		<b>58,760,339</b>	18,405,884	<b>76,496,517</b>	18,862,284
Cash & Cash Equivalents at beginning of the Year		<b>74,395,401</b>	55,989,517	<b>56,188,344</b>	37,326,060
<b>Net Cash &amp; Cash Equivalents at end of the Year</b>	19	<b>133,155,740</b>	74,395,401	<b>132,684,861</b>	56,188,344
Cash in Hand		<b>175,000</b>	175,000	<b>170,000</b>	170,000
Cash at Bank		<b>11,538,851</b>	3,142,206	<b>11,122,146</b>	2,789,687
RTGS Account		<b>6,670</b>	13,270	—	—
Short-Term Investment - Overnight Repo		<b>131,829,665</b>	72,564,742	<b>131,787,161</b>	54,728,474
Cash & Cash Equivalents		<b>143,550,186</b>	75,895,218	<b>143,079,307</b>	57,688,161
Bank Overdraft		<b>(10,394,446)</b>	(1,499,817)	<b>(10,394,446)</b>	(1,499,817)
<b>Net Cash &amp; Cash Equivalents</b>		<b>133,155,740</b>	74,395,401	<b>132,684,861</b>	56,188,344

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

Figures in brackets indicate deductions.

			6,200
			5,500
			4,800
			4,100
16-Aug-2012	17-Aug-2012	18-Aug-2012	19-Aug-2012
			3,400
			2,700

## NOTES TO THE FINANCIAL STATEMENTS

### — 1. REPORTING ENTITY

#### — 1.1 DOMICILE AND LEGAL FORM

Colombo Stock Exchange is a company limited by guarantee incorporated and domiciled in Sri Lanka. The registered office of the Company is located at 4-01, West Block, World Trade Center, Echelon Square, Colombo 1, 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 2012 comprise the Company and Central Depository Systems (Private) Ltd. which was incorporated on 2 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 131 (123 in 2011).

### — 2. BASIS OF PREPARATION

#### — 2.1 STATEMENT OF COMPLIANCE

The Institute of Chartered Accountants of Sri Lanka has issued a new volume of Sri Lanka Accounting Standards which became applicable for financial periods beginning on or after 1 January 2012. The Consolidated Financial Statements which comprise the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Financial Statements thereto have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs and LKASs) laid down by The Institute of Chartered Accountants of Sri Lanka, and comply with the requirements of Companies Act No. 07 of 2007.

These Financial Statements for the year ended 31 December 2012 are the first Consolidated Financial Statements of the Group and the Company prepared in accordance with SLFRSs and accordingly, SLFRS 1- First-Time Adoption of Sri Lanka Financial Reporting Standards has been applied.

An explanation of how the transition to SLFRS has affected the reported financial position, financial performance and cash flows of the Group is provided in Notes 33 to 35.

The Financial Statements were authorised for issue by the Board of Directors on 14 May 2013.

#### — 2.2 BASIS OF MEASUREMENT

The Financial Statements have been prepared on the historical cost basis and applied consistently subject to the impact in Note 2.1, with no adjustments being made for inflationary factors affecting the Financial Statements except for the financial assets are measured at fair value.

#### — 2.3 BASIS OF CONSOLIDATION

The Group Financial Statements comprise a consolidation of the Financial Statements of the Company and its subsidiary in accordance with Sri Lanka Accounting Standard LKAS 27 - 'Consolidated and Separate Financial Statements'.

#### — Acquisitions on or after 1 January 2012

For acquisitions on or after 1st January 2012, the Group measures goodwill as the fair value of consideration transferred including the recognised amount of non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date in terms of the Sri Lanka Accounting Standards - SLFRS 3 on 'Business Combinations'.

#### — Acquisitions prior to 1 January 2012

As part of its transition to SLFRSs, the Group elected not to restate those business combinations that occurred prior to 1 January 2012. In respect of acquisitions prior to 1 January 2012, goodwill represents the amount recognised under the previous Sri Lanka Accounting Standards.

#### — 2.4 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.

6,200				
5,500				
4,800				
4,100				
3,400	20-Aug-2012	21-Aug-2012	22-Aug-2012	23-Aug-2012
2,700				

## — 2.5 TRANSACTIONS ELIMINATED ON CONSOLIDATION

Intra-group balances, and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the Consolidated Financial Statements.

## — 2.6 FUNCTIONAL AND PRESENTATION CURRENCY

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

## — 2.7 MATERIALITY AND 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 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of Financial Statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

The most significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have most significant effect on the amount recognised in the Financial Statements of the Group and the Company are as follows:

### — 2.8.1 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.

### — 2.8.2 Deferred Tax Assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be

available against which the tax losses can be utilised. Judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

## — 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set below have been consistently applied to all the period presented in these Financial Statements and in preparing the opening Statement of Financial Position as at 1 January 2011 for the purposes of transition to SLFRS unless otherwise indicated. 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.

### — 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 recognised in the Statement of Comprehensive Income.

### — 3.3 FINANCIAL INSTRUMENTS - INITIAL RECOGNITION, CLASSIFICATION AND SUBSEQUENT MEASUREMENT

#### — 3.3.1 Recognition and Initial Measurement

The Group initially recognises all financial assets and liabilities on the settlement date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

All financial instruments are measured initially at fair value plus transaction costs that are directly attributable to acquisition or issue of such financial instrument, except in the case of financial assets and financial liabilities at fair value through profit or loss as per Sri Lanka Accounting Standards - LKAS 39 'Financial Instrument - Recognition and Measurement'.

				6,200
				5,500
				4,800
				4,100
24-Aug-2012	25-Aug-2012	26-Aug-2012	27-Aug-2012	3,400
				2,700

**— 3.3.2 Classification and Subsequent Measurement**

At inception a financial asset is classified into one of the following categories:

***At Fair Value Through Profit or Loss (Either as Held for Trading or Designated at Fair Value Through Profit or Loss)***

A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Financial assets are designated as at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, which takes into account any dividend income, are recognised in profit or loss.

***Loans and Receivables***

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. The losses arising from impairment are recognised in profit or loss.

***Held-to-Maturity Financial Assets***

If the Group has the positive intent and ability to hold securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses. The losses arising from impairment of such investments are recognised in profit or loss.

***Available-for-Sale Financial Assets***

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognised in other comprehensive income.

**— ASSETS AND THE BASES OF THEIR VALUATION****— 3.4 PROPERTY AND EQUIPMENT****— 3.4.1 Recognition and Measurement**

Property & 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 capitalised as part of that equipment.

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

Gains and losses on disposal of an item of property & equipment are determined by comparing the proceeds from disposal with the carrying amount of property & equipment, and are recognised net within the 'other income' in Statement of Comprehensive Income.

**— 3.4.2 Subsequent Costs**

The cost of replacing part of an item of property & equipment is recognised 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 & equipment are recognised in the Statement of Comprehensive Income as incurred.

**— 3.4.3 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 & equipment. Depreciation is provided on a pro-rata basis on the assets purchased/constructed/disposed during the year.

6,200				
5,500				
4,800				
4,100				
3,400	28-Aug-2012	29-Aug-2012	30-Aug-2012	31-Aug-2012
2,700				

The estimated useful lives are as follows:

Furniture & Fittings	6-7 years
Computers & Office Equipment	5 years
Motor Vehicles	5 years
Telephones	4 years

### — 3.5 CAPITAL WORK-IN-PROGRESS

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

### — 3.6 INTANGIBLE ASSETS

An intangible asset is recognised 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 amortisation.

#### — 3.6.1 Amortisation

Intangible assets are amortised 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.

#### — 3.6.2 Subsequent Expenditure

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in these assets. All other expenditure is expensed as incurred.

#### — 3.6.3 Development Costs

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

### — 3.7 INVENTORIES

Inventories include stationary, stamps and data-wall spares. Realisable values of such items can be considered as cost.

### — 3.8 TRADE AND OTHER RECEIVABLES

Trade receivables are carried at anticipated realisable 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 & 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 & 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 recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the Income Statement.

### — 3.11 EMPLOYEE BENEFITS

#### — 3.11.1 Defined Benefits Plan - Gratuity

As required by LKAS 19 - 'Employee Benefits', which the Company has provided for gratuity liability based on the gratuity formula method.

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 into separate entity and will have no legal or constructive obligation to pay further amounts.

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

				6,200
				5,500
				4,800
				4,100
1-Sep-2012	2-Sep-2012	3-Sep-2012	4-Sep-2012	3,400
				2,700

**(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 recognised 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 recognised 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 recognised 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 28% 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 realisation 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 utilised.

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 realised.

**— 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 recognised on an accrual basis. Dividend income from unit trusts is recognised 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 - LKAS 7 - 'Statement of Cash Flows'.

6,200				
5,500				
4,800				
4,100				
3,400	5-Sep-2012	6-Sep-2012	7-Sep-2012	8-Sep-2012
2,700				

#### 4. REVENUE

For the Year Ended 31 December	Group		Company	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
CSE & CDS Fees	371,110,445	1,021,939,585	287,360,261	785,278,131
Listing Fees	54,105,524	49,930,975	54,105,524	49,930,975
Quotation Fees	4,300,000	8,700,000	4,300,000	8,700,000
Brokers Fees	21,658,780	20,040,684	21,658,780	20,040,684
Charges for Remote Data Link	1,008,000	969,767	1,008,000	969,767
Charges for Computer Information	1,489,455	2,059,765	1,489,455	2,059,765
Listed Company Fees	25,669,255	47,885,440	—	—
Custodian Bank Fees	3,073,224	10,681,750	—	—
Packeting & Posting Income	8,528,932	13,559,188	—	—
	490,943,615	1,175,767,154	369,922,020	866,979,322

#### 5. OTHER INCOME

Interest Income	91,245,487	14,867,507	90,281,213	14,100,957
Dividend Income - Unit Trusts	114,839,375	189,292,477	96,151,503	189,292,477
Dividend Income - CDS	—	—	18,000,000	18,000,000
Dividend Income - LFSB	—	63,000	—	—
Amortisation of Deferred Grant	—	211,027	—	211,027
Profit on Disposal of Property & Equipment	5,860,265	2,237,006	5,860,265	2,237,006
Miscellaneous Income	29,986,467	20,077,159	29,548,453	19,108,943
	241,931,595	226,748,176	239,841,434	242,950,410

#### 6. STAFF COST

Salaries	158,983,491	126,373,075	145,957,855	111,418,043
Staff Bonus	27,013,859	33,094,307	24,792,859	29,138,348
Terminal Benefits (Gratuity)	4,295,981	12,829,008	4,040,715	14,283,377
Staff Welfare	8,717,829	8,071,809	7,306,142	6,794,379
Medical Expenses	2,305,291	2,176,715	2,043,027	1,776,762
Transport & Travelling	4,114,741	4,207,990	3,659,744	3,734,206
	205,431,191	186,752,904	187,800,342	167,145,115

				6,200
				5,500
				4,800
				4,100
9-Sep-2012	10-Sep-2012	11-Sep-2012	12-Sep-2012	3,400
				2,700

**7. OTHER OPERATING EXPENSES**

For the Year Ended 31 December	Group		Company	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
<i>Other Operating Expenses include the following:</i>				
Directors' Expenses	1,393,000	726,000	1,393,000	712,000
Auditors' Remuneration	883,497	653,549	553,711	397,466
Fees Paid to Auditors for Non-Audit Services	350,406	389,546	206,968	216,676
Legal Fees	1,469,585	1,056,986	1,469,585	1,056,986
Professional Charges & Subscription	32,239,661	176,174,304	31,860,524	149,466,731
(Write-Off)/Provision for Impairment of Trade Receivables	565,754	(204,105)	173,326	21,840

**8. TAXATION**

Current Tax Expenses:				
Current year	25,264,188	167,816,452	13,482,041	112,688,161
Under/(Over) Provision in Prior Years	(7,512,232)	110,393	(7,512,232)	57,980
	17,751,956	167,926,845	5,969,809	112,746,141
Deferred Tax Expenses:				
Origination & Reversal of Temporary Differences	—	(2,885,577)	—	(2,885,577)
Total Income Tax Expenses	17,751,956	165,041,268	5,969,809	109,860,564
<b>Reconciliation of Effective Tax Rates</b>				
Accounting Profit	107,110,673	758,165,082	71,953,551	585,166,818
Tax at the Domestic Rate on Accounting Profit (8.1)	29,990,988	223,629,559	20,146,994	175,550,046
Tax Effect of Expenses that are not Deductible for Tax Purpose	105,196,393	15,083,751	105,258,240	15,417,334
Effect of Tax on Capital Allowances	(47,394,919)	(13,750,943)	(47,394,919)	(13,750,943)
Disallowed Provisions	(64,528,275)	(59,145,915)	(64,528,275)	(64,528,276)
Dividend Tax	2,000,000	2,000,000	—	—
Tax on Profits for the Period	25,264,188	167,816,452	13,482,040	112,688,161
Effective Tax Rate	24%	22%	19%	19%

**8.1** Tax has been provided at the rate of 28% in respect of CSE and CDS for the financial year 2012.

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 1 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. 2,837,322/- ( Rs. 1,348,898/- in 2011).

6,200				
5,500				
4,800				
4,100				
3,400	13-Sep-2012	14-Sep-2012	15-Sep-2012	16-Sep-2012
2,700				

**9. CHANGE IN FAIR VALUE OF AVAILABLE FOR SALE FINANCIAL ASSETS**

For the Year Ended 31 December	Group		Company	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
<b>INVESTMENTS IN UNIT TRUST</b>				
Fair Value of Investment in Unit Trust as at 31 December	1,653,183,052	2,648,143,044	1,237,780,806	2,273,638,074
Net of Investments/(Redemption/Maturity) During the Year	1,036,131,916	(357,582,201)	1,066,131,917	18,417,801
Fair Value of Investment in Unit Trust as at 1 January	(2,648,143,044)	(2,311,783,907)	(2,273,638,074)	(2,311,783,907)
<b>Change in Fair Value of Available-for-Sale Financial Assets</b>	<b>41,171,924</b>	<b>(21,223,064)</b>	<b>30,274,649</b>	<b>(19,728,032)</b>

**10. PROPERTY & EQUIPMENT**

	Furniture & Fittings Rs.	Computers & Office Equipment Rs.	Motor Vehicles Rs.	Telephones Rs.	Total Rs.
<b>GROUP</b>					
<b>Cost</b>					
As at 1 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 31 December 2011	84,616,545	226,493,227	16,594,487	8,796,575	336,500,834
Additions/Transfers	17,644,224	141,080,611	18,175,000	384,848	177,284,683
Disposals/Transfers	(1,152,837)	(1,014,100)	(10,035,000)	—	(12,201,937)
<b>As at 31 December 2012</b>	<b>101,107,932</b>	<b>366,559,738</b>	<b>24,734,487</b>	<b>9,181,423</b>	<b>501,583,580</b>
<b>Depreciation</b>					
As at 1 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	781,805	28,425,936
Disposals/Transfers	(640,266)	(9,537,806)	(2,495,858)	(314,379)	(12,988,309)
As at 31 December 2011	56,040,399	181,289,547	15,818,589	7,946,520	261,095,055
Charge for the Year	8,743,062	29,150,166	2,923,049	370,758	41,187,035
Disposals/Transfers	(1,123,573)	(1,014,092)	(10,034,998)	—	(12,172,663)
<b>As at 31 December 2012</b>	<b>63,659,888</b>	<b>209,425,621</b>	<b>8,706,640</b>	<b>8,317,278</b>	<b>290,109,427</b>
<b>Net Book Value</b>					
<b>As at 31 December 2012</b>	<b>37,448,044</b>	<b>157,134,117</b>	<b>16,027,847</b>	<b>864,145</b>	<b>211,474,152</b>
As at 31 December 2011	28,576,146	45,203,680	775,899	850,055	75,405,780
As at 1 January 2011	18,324,907	34,047,861	4,354,797	990,095	57,717,660

6,200

5,500

4,800

4,100

17-Sep-2012

18-Sep-2012

19-Sep-2012

20-Sep-2012

3,400

2,700

	Furniture & Fittings Rs.	Computers & Office Equipment Rs.	Motor Vehicles Rs.	Telephones Rs.	Total Rs.
<b>COMPANY</b>					
<b>Cost</b>					
As at 1 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 31 December 2011	84,225,228	223,496,071	16,594,487	8,735,725	333,051,511
Additions/Transfers	17,644,224	141,080,611	18,175,000	384,848	177,284,683
Disposals/Transfers	(1,152,837)	(1,014,100)	(10,035,000)	—	(12,201,937)
<b>As at 31 December 2012</b>	<b>100,716,615</b>	<b>363,562,582</b>	<b>24,734,487</b>	<b>9,120,573</b>	<b>498,134,257</b>
<b>Depreciation</b>					
As at 1 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	3,318,898	781,806	28,425,937
Disposals/Transfers	(640,265)	(9,537,806)	(2,495,858)	(314,379)	(12,988,310)
As at 31 December 2011	55,649,106	178,292,410	15,818,589	7,885,673	257,645,776
Charge for the Year	8,743,062	29,150,167	2,923,049	370,758	41,187,036
Disposals/Transfers	(1,123,573)	(1,014,093)	(10,034,998)	—	(12,172,664)
<b>As at 31 December 2012</b>	<b>63,268,595</b>	<b>206,428,484</b>	<b>8,706,640</b>	<b>8,256,431</b>	<b>286,660,148</b>
<b>Net Book Value</b>					
<b>As at 31 December 2012</b>	<b>37,448,020</b>	<b>157,134,098</b>	<b>16,027,847</b>	<b>864,142</b>	<b>211,474,109</b>
As at 31 December 2011	28,576,122	45,203,661	775,900	850,051	75,405,735
As at 1 January 2011	18,324,884	34,047,842	4,354,797	990,093	57,717,616

6,200

5,500

4,800

4,100

3,400

21-Sep-2012

22-Sep-2012

23-Sep-2012

24-Sep-2012

2,700

**11. INTANGIBLE ASSETS**

As at	31 December 2012 Rs.	Group 31 December 2011 Rs.	1 January 2011 Rs.	31 December 2012 Rs.	Company 31 December 2011 Rs.	1 January 2011 Rs.
<b>Cost</b>						
Balance as at 1 January	127,385,709	124,718,393	120,243,206	127,385,709	124,718,393	120,243,206
Acquired during the Year	180,234,101	2,667,316	4,475,187	180,234,101	2,667,316	4,475,187
Balance as at 31 December	307,619,810	127,385,709	124,718,393	307,619,810	127,385,709	124,718,393
<b>Amortisation</b>						
Balance as at 1 January	112,377,487	103,068,927	94,076,953	112,377,487	103,068,927	94,076,953
Charge for the Year	34,132,180	9,308,560	8,991,974	34,132,180	9,308,560	8,991,974
Balance as at 31 December	146,509,667	112,377,487	103,068,927	146,509,667	112,377,487	103,068,927
Net Book Value	161,110,143	15,008,222	21,649,466	161,110,143	15,008,222	21,649,466

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

**12. CAPITAL WORK-IN-PROGRESS**

As at	31 December 2012 Rs.	Group 31 December 2011 Rs.	1 January 2011 Rs.	31 December 2012 Rs.	Company 31 December 2011 Rs.	1 January 2011 Rs.
Cost as at 1 January	118,820,507	65,367,613	6,650,477	118,820,507	65,367,613	6,650,477
Incurred during the Year	165,652,677	90,121,165	66,539,968	165,652,677	90,121,165	66,539,968
Transfers	(223,771,719)	(36,668,271)	(7,822,832)	(223,771,719)	(36,668,271)	(7,822,832)
Cost as at 31 December	60,701,465	118,820,507	65,367,613	60,701,465	118,820,507	65,367,613

**13. INVESTMENT IN SUBSIDIARY**

Central Depository Systems (Pvt) Ltd. (10,000,000 Ordinary Shares)	—	—	—	25,000	25,000	25,000
	—	—	—	25,000	25,000	25,000

				6,200
				5,500
				4,800
				4,100
25-Sep-2012	26-Sep-2012	27-Sep-2012	28-Sep-2012	3,400
				2,700

## 14. FINANCIAL INVESTMENTS - AVAILABLE-FOR-SALE

As at	31 December 2012 Rs.	Group 31 December 2011 Rs.	1 January 2011 Rs.	31 December 2012 Rs.	Company 31 December 2011 Rs.	1 January 2011 Rs.
<b>Long-Term Investments</b>						
NAMAL - Gilt Edge Fund	–	–	772,449,267	–	–	772,449,267
CEYBANK - Gilt Edge Fund	–	–	246,400,000	–	–	246,400,000
CEYBANK - Surakum Gilt Edged Fund	–	–	642,528,814	–	–	642,528,814
NDB Aviva - Eagle Gilt Edged Fund	<b>424,529,431</b>	609,351,736	–	<b>424,529,431</b>	609,351,736	–
NDB Aviva - Eagle Gilt Edged Fund CDS	<b>415,402,246</b>	374,504,970	–	–	–	–
	<b>839,931,677</b>	983,856,706	1,661,378,081	<b>424,529,431</b>	609,351,736	1,661,378,081
<b>Current Investments</b>						
NAMAL - Money Market Fund	<b>59,336,814</b>	87,870,189	262,697,398	<b>59,336,814</b>	87,870,189	262,697,398
CEYBANK - Savings Plus - Money Market Fund	<b>238,328,841</b>	58,541,109	387,708,428	<b>238,328,841</b>	58,541,109	387,708,428
CEYBANK - Surakum Gilt Edged Fund	<b>515,585,720</b>	517,028,290	–	<b>515,585,720</b>	517,028,290	–
NAMAL - Gilt Edge Fund	–	764,646,750	–	–	764,646,750	–
CEYBANK - Gilt Edge Fund	–	236,200,000	–	–	236,200,000	–
	<b>813,251,375</b>	1,664,286,338	650,405,826	<b>813,251,375</b>	1,664,286,338	650,405,826

## 14.1

As at	31 December 2012 No. of Units	31 December 2012 Rs.	31 December 2011 No. of Units	31 December 2011 Rs.	1 January 2011 No. of Units	1 January 2011 Rs.
<b>CSE</b>						
NAMAL - Gilt Edge Fund	–	–	60,019,368	764,646,750	60,019,368	772,449,267
CEYBANK - Gilt Edge Fund	–	–	20,000,000	236,200,000	20,000,000	246,400,000
CEYBANK - Surakum Gilt - Edged Fund	<b>48,732,110</b>	<b>515,585,720</b>	49,906,206	517,028,290	63,933,215	642,528,814
CEYBANK - Savings Plus - Money Market Fund	<b>21,885,109</b>	<b>238,328,841</b>	8,416,685	87,870,189	24,923,852	262,697,398
NAMAL - Money Market Fund	<b>5,683,603</b>	<b>59,336,814</b>	5,683,603	58,541,109	37,862,151	387,708,428
NDB Aviva - Eagle Gilt Edge Fund	<b>41,176,472</b>	<b>424,529,431</b>	60,813,576	609,351,736	–	–
		<b>1,237,780,806</b>		2,273,638,074		2,311,783,907
<b>CDS</b>						
NDB Aviva - Eagle Gilt Edge Fund	<b>40,291,197</b>	<b>415,402,246</b>	37,375,746	374,504,970	–	–
		<b>415,402,246</b>		374,504,970		–

6,200

5,500

4,800

4,100

3,400

29-Sep-2012

30-Sep-2012

1-Oct-2012

2-Oct-2012

2,700

**15. INVESTMENT IN LANKA FINANCIAL SERVICES BUREAU LTD.**

<i>As at</i>	<b>31 December 2012 Rs.</b>	Group 31 December 2011 Rs.	1 January 2011 Rs.	<b>31 December 2012 Rs.</b>	Company 31 December 2011 Rs.	1 January 2011 Rs.
Ordinary Shares	<b>1,000,000</b>	1,000,000	1,000,000	—	—	—
	<b>1,000,000</b>	1,000,000	1,000,000	—	—	—

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

**16. SETTLEMENT GUARANTEE FUND**

<i>As at</i>	<b>31 December 2012 Rs.</b>	Group 31 December 2011 Rs.	1 January 2011 Rs.	<b>31 December 2012 Rs.</b>	Company 31 December 2011 Rs.	1 January 2011 Rs.
Settlement Guarantee Fund	<b>100,000,000</b>	100,000,000	—	<b>100,000,000</b>	100,000,000	—
	<b>100,000,000</b>	100,000,000	—	<b>100,000,000</b>	100,000,000	—

This fund was established as a Trust on 22 May 1988 to guarantee the settlement of trades between clearing members of the Central Depository System of the Colombo Stock Exchange and to provide for matters connected therewith and incidental 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 Mn. to strengthen the Settlement Guarantee Fund subsequent to the fund meeting held on 20 December 2011 and transferred the funds on 18 January 2012.

**17. DEFERRED TAX ASSETS**

<i>As at</i>	<b>31 December 2012 Rs.</b>	Group 31 December 2011 Rs.	1 January 2011 Rs.	<b>31 December 2012 Rs.</b>	Company 31 December 2011 Rs.	1 January 2011 Rs.
Deferred Tax Liabilities	<b>(42,223,623)</b>	(9,554,299)	(10,954,160)	<b>(42,223,623)</b>	(9,554,299)	(10,954,160)
Deferred Tax Assets	<b>45,327,297</b>	12,657,973	11,172,257	<b>45,327,297</b>	12,657,973	11,172,257
	<b>3,103,674</b>	3,103,674	218,097	<b>3,103,674</b>	3,103,674	218,097
Balance as at 1 January	<b>3,103,674</b>	218,097	(686,801)	<b>3,103,674</b>	218,097	(686,801)
Recognised in the Income Statement	—	2,885,577	904,898	—	2,885,577	904,898
Balance as at 31 December	<b>3,103,674</b>	3,103,674	218,097	<b>3,103,674</b>	3,103,674	218,097

				6,200
				5,500
				4,800
				4,100
3-Oct-2012	4-Oct-2012	5-Oct-2012	6-Oct-2012	3,400
				2,700

As at	31 December 2012 Rs.	Group 31 December 2011 Rs.	1 January 2011 Rs.	31 December 2012 Rs.	Company 31 December 2011 Rs.	1 January 2011 Rs.
<b>Deferred tax assets and liabilities are attributable to the following originations of temporary differences:</b>						
Property, Equipment & Intangible Assets	147,442,909	25,826,691	30,751,215	147,442,909	25,826,691	30,751,215
Retirement Benefit Obligation	(39,684,711)	(36,172,270)	(31,478,201)	(39,684,711)	(36,172,270)	(31,478,201)
Brought Forward Tax Loss	(118,842,747)	–	–	(118,842,747)	–	–
Total Taxable Temporary Difference	(11,084,549)	(10,345,579)	(726,986)	(11,084,549)	(10,345,579)	(726,986)
Applicable Tax Rate	28%	30%	30%	28%	30%	30%
<b>Deferred Tax Assets</b>	<b>3,103,674</b>	<b>3,103,674</b>	<b>218,096</b>	<b>3,103,674</b>	<b>3,103,674</b>	<b>218,096</b>

Deferred tax assets arising from the unused tax losses has been recognised only to the extent of entity's taxable temporary differences. Hence, the full amount of deferred tax asset arising from the unused tax loss has not been recognised in the Financial Statements in accordance with the LKAS 12 due to the unavailability of convincing other evidence that sufficient taxable profit will be available against which the unused tax loss can be utilised by the entity.

## 18. TRADE & OTHER RECEIVABLES

As at	31 December 2012 Rs.	Group 31 December 2011 Rs.	1 January 2011 Rs.	31 December 2012 Rs.	Company 31 December 2011 Rs.	1 January 2011 Rs.
Trade Receivables	36,299,540	56,189,232	17,217,461	9,296,684	6,329,546	7,626,847
Provision for Impairment	(1,538,786)	(973,033)	(1,177,137)	(1,035,306)	(861,981)	(840,141)
	34,760,754	55,216,199	16,040,324	8,261,378	5,467,565	6,786,706
CSE & CDS Fees Receivable	2,355,192	3,461,445	9,768,720	1,831,814	2,596,426	7,430,095
Prepayments	50,389,484	19,781,634	26,748,359	50,001,286	19,665,661	26,604,022
Advance Payments	2,508,590	84,130	360	2,508,590	84,130	360
Refundable Deposits	45,214,640	23,396,364	19,103,616	45,214,640	23,396,364	19,103,616
Sundry Debtors	4,301,740	1,016,070	3,386,242	3,257,999	19,499	3,385,992
Other Receivable	6,675,900	2,011,638	2,000,375	6,587,624	2,011,638	1,999,254
Interest Receivable	16,152,629	367,590	3,499,533	16,152,629	367,590	3,499,533
Staff Loans	20,969,877	13,439,675	9,643,347	20,969,877	13,439,675	9,643,347
Prepaid Staff Cost	13,738,939	7,916,732	3,889,563	13,738,939	7,916,732	3,889,563
	197,067,746	126,691,477	94,080,439	168,524,776	74,965,280	82,342,488

6,200

5,500

4,800

4,100

3,400

2,700

7-Oct-2012

8-Oct-2012

9-Oct-2012

10-Oct-2012

**19. CASH & CASH EQUIVALENTS**

	31 December 2012 Rs.	Group 31 December 2011 Rs.	1 January 2011 Rs.	31 December 2012 Rs.	Company 31 December 2011 Rs.	1 January 2011 Rs.
Treasury Bill Overnight Repos	131,829,665	72,564,742	51,932,825	131,787,161	54,728,474	34,310,497
Cash at Bank	11,538,851	3,142,206	6,816,733	11,122,146	2,789,687	5,804,344
RTGS Account	6,670	13,270	23,740	—	—	—
Cash in Hand	175,000	175,000	175,000	170,000	170,000	170,000
Cash & Cash Equivalents	143,550,186	75,895,218	58,948,298	143,079,307	57,688,161	40,284,841
Bank Overdraft	(10,394,446)	(1,499,817)	(2,958,781)	(10,394,446)	(1,499,817)	(2,958,781)
Net Cash & Cash Equivalents	133,155,740	74,395,401	55,989,517	132,684,861	56,188,344	37,326,060

**20. OTHER RESERVES**

Capital Reserve (Note 20.1)	99,975,000	99,975,000	99,975,000	—	—	—
Available-for-Sale Reserve	19,948,860	(21,223,064)	—	10,546,617	(19,728,032)	—
	119,923,860	78,751,936	99,975,000	10,546,617	(19,728,032)	—

**20.1 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.

**21. BROKER DEPOSITS IN LIEU OF BANK GUARANTEE**

As at	31 December 2012 Rs.	Group 31 December 2011 Rs.	1 January 2011 Rs.	31 December 2012 Rs.	Company 31 December 2011 Rs.	1 January 2011 Rs.
Broker Deposits (Note 21.1)	83,500,000	81,750,000	66,000,000	83,500,000	81,750,000	66,000,000
Deposits for Computer Facility	111,670	111,670	111,670	111,670	111,670	111,670
Entrance Deposits	640,000	640,000	640,000	640,000	640,000	640,000
Deposits for Telephones	188,300	188,300	188,300	188,300	188,300	188,300
	84,439,970	82,689,970	66,939,970	84,439,970	82,689,970	66,939,970

**21.1** 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.

				6,200
				5,500
				4,800
				4,100
11-Oct-2012	12-Oct-2012	13-Oct-2012	14-Oct-2012	3,400
				2,700

**22. RETIREMENT BENEFIT OBLIGATIONS**

As at	31 December 2012 Rs.	Group 31 December 2011 Rs.	1 January 2011 Rs.	31 December 2012 Rs.	Company 31 December 2011 Rs.	1 January 2011 Rs.
Balance as at 1 January	36,172,270	31,478,202	29,888,522	36,172,270	31,478,202	29,888,522
Provision made during the Year	4,269,941	12,984,833	1,903,717	4,040,716	14,283,377	1,775,113
Provision made for Subsidiary	—	—	—	229,225	(1,298,544)	128,604
Payments made during the Year	(757,500)	(8,290,765)	(314,037)	(757,500)	(8,290,765)	(314,037)
Balance as at 31 December	39,684,711	36,172,270	31,478,202	39,684,711	36,172,270	31,478,202

As required by the Sri Lanka Accounting Standard (LKAS) 19 - 'Employee Benefits', the Company has provided gratuity liability based on the Gratuity Formula Method.

Basic assumptions made when calculating the gratuity pension are as follows:

Expected Annual Average Salary Increment	12%
Discounting Rate/Interest Rate	11%
Staff Turnover Factor	12%

**23. DEFERRED GRANTS**

As at	31 December 2012 Rs.	Group 31 December 2011 Rs.	1 January 2011 Rs.	31 December 2012 Rs.	Company 31 December 2011 Rs.	1 January 2011 Rs.
Grant Received from USAID for Capital Market Development						
Received in 1992	9,100,113	9,100,113	9,100,113	9,100,113	9,100,113	9,100,113
Received in 1995	38,176,645	38,176,645	38,176,645	38,176,645	38,176,645	38,176,645
Received in 1996	81,880	81,880	81,880	81,880	81,880	81,880
Received in 1997	340,000	340,000	340,000	340,000	340,000	340,000
Grant Received from Brokers						
Received in 1992	340,384	340,384	340,384	340,384	340,384	340,384
Computers from MIT (Note 23.1)						
Received in 1998	1,980,000	1,980,000	1,980,000	1,980,000	1,980,000	1,980,000
Grant Received from SEC for Trade Automation						
Received in 1996	20,000,000	20,000,000		20,000,000	20,000,000	
Received in 1997	12,862,590	12,862,590	20,000,000	12,862,590	12,862,590	20,000,000
Received in 1999	12,602,392	12,602,392	12,862,590	12,602,392	12,602,392	12,862,590

6,200

5,500

4,800

4,100

3,400

15-Oct-2012

2,700

16-Oct-2012

17-Oct-2012

18-Oct-2012

As at	31 December 2012 Rs.	Group 31 December 2011 Rs.	1 January 2011 Rs.	31 December 2012 Rs.	Company 31 December 2011 Rs.	1 January 2011 Rs.
Grant Received from SEC for Trade Automation Audit						
Received in 2000	967,347	967,347	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	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	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	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	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	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	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	200,000	200,000
	108,666,275	108,666,275	108,666,275	108,666,275	108,666,275	108,666,275
Balance Brought Forward	(108,666,275)	(108,455,248)	(108,134,841)	(108,666,275)	(108,455,248)	(108,134,841)
Write Back during the Year	—	(211,027)	(320,407)	—	(211,027)	(320,407)
	(108,666,275)	(108,666,275)	(108,455,248)	(108,666,275)	(108,666,275)	(108,455,248)
Balance Carried Down	—	—	211,027	—	—	211,027

### 23.1 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.

				6,200
				5,500
				4,800
				4,100
19-Oct-2012	20-Oct-2012	21-Oct-2012	22-Oct-2012	3,400
				2,700

**24. OTHER PAYABLES**

As at	31 December 2012 Rs.	Group 31 December 2011 Rs.	1 January 2011 Rs.	31 December 2012 Rs.	Company 31 December 2011 Rs.	1 January 2011 Rs.
Interest Payable to Brokers	1,886,638	616,347	661,668	1,884,913	603,415	658,661
Payments Received in Advance	506,578	703,401	848,339	506,578	703,400	848,339
Sundry Creditors & Accrued Expenses	55,411,808	140,995,108	35,230,235	53,654,668	139,040,842	34,206,449
	57,805,024	142,314,856	36,740,242	56,046,159	140,347,657	35,713,449

**25. AMOUNTS DUE TO RELATED COMPANY**

Amounts due to Related Company	Relationship					
Central Depository Systems (Pvt) Ltd.	Subsidiary	–	–	–	23,637,678	14,271,118
		–	–	–	23,637,678	14,271,118
						376,127,521
						376,127,521

**26. CONTINGENCIES & COMMITMENTS****26.1 LITIGATION AGAINST THE CSE**

- (1) The case bearing No. SC Appeal No. 180/120 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 has been fixed for 29 October 2013.

This case is an appeal filed against the decision made by the High Court of Colombo on 30 September 2010 in case bearing No. HCALT 40/2008. Ms. Witharanage claims reinstatement 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 Mn. as damages. The Trial commenced on 17 February 2009. Further Trial in the said matter has been fixed for 27 August 2013.

Based on advice received the CSE has denied liability and the matter is pending in Court.

**26.2 TAX ASSESSMENTS AGAINST THE CSE**

The Department of Inland Revenue has issued assessment notices for income tax amounting to Rs. 16.1 Mn. for the Year of Assessment 2005/06, Rs. 17.6 Mn. for the Year of Assessment 2006/07, Rs. 0.3 Mn. for the Year of Assessment 2007/08 and Rs. 0.4 Mn. for the Year of Assessment 2009/10 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.

6,200				
5,500				
4,800				
4,100				
3,400	23-Oct-2012	24-Oct-2012	25-Oct-2012	26-Oct-2012
2,700				

### 26.3 TAX ASSESSMENTS AGAINST THE CDS

The Department of Inland Revenue has issued assessment notices for income tax amounting to Rs. 3.94 Mn. for the Year of Assessment 2008/09 and Rs. 3.03 Mn. for the Year of Assessment 2009/10 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.

### 27. CAPITAL COMMITMENTS

The Group and the Company had purchased commitments in the ordinary course of business as at 31 December 2012 as follows:

As at	Group			Company		
	2012 Rs.	2011 Rs.	2010 Rs.	2012 Rs.	2011 Rs.	2010 Rs.
Property & Equipment - Approved & Contracted	<b>124,633,633</b>	151,625,919	51,135,830	<b>124,633,633</b>	151,625,919	51,135,830
	<b>124,633,633</b>	151,625,919	51,135,830	<b>124,633,633</b>	151,625,919	51,135,830

### 28. FINANCIAL RISK MANAGEMENT

#### OVERVIEW

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

1. Credit risk
2. Liquidity risk
3. Market risk
4. Operational risk

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

#### RISK MANAGEMENT FRAMEWORK

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. In discharging its governance responsibility it operates through Risk and Audit Committee.

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

The Risk and Audit Committee is assisted in these functions by internal audit and the results are reported to the Risk & Audit Committee.

The Risk and Audit Committee provides its assessment on the effectiveness of internal audit and external disclosure of accounting policies and financial reporting to the Board.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered.

				6,200
				5,500
				4,800
				4,100
27-Oct-2012	28-Oct-2012	29-Oct-2012	30-Oct-2012	3,400
				2,700

## CREDIT RISK

Credit risk is the risk of financial loss to the Group if counterparty to a financial instrument fails to meet its contractual obligations. The Group is exposed to credit risk primarily from investment in unit trust, investment in fixed deposit, staff loans receivable, trade and other receivables which are financial assets and cash and bank balances with financial institutions. Majority of the investments in unit trust as at the Statement of Financial Position date are invested in Gilt Edged unit trust where its funds 100% invested in Government securities. Fixed deposit investments are in financial institutions which are having good credit ratings. Receivables are monitored to ensure that exposure to bad debts are minimised. Staff loans are given to permanent confirmed employees and are deducted from the salaries as per the terms of the granting loan.

## LIQUIDITY RISK

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

Finance division monitors the cash flow forecasts of the Group to ensure sufficient cash available to meet operational needs. The Group is able to meet all working capital requirements with its short-term investments in Overnight Repo and money market unit trust. Brokers' Deposits in lieu of Bank Guarantee is the cash deposit maintained by broker firms as part of their Liquidity Requirement have been invested in Overnight Repo investment in order to meet liquidity as and when required.

Surplus cash held over and above balance required for working capital management is invested in Overnight Repos and money market unit trusts.

## MARKET RISK

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

## CURRENCY RISK

The Group is exposed to currency risk on purchasing of assets and obtaining of services that are denominated in a currency other than the respective functional currency of the Group. The currency in which these transactions primarily are denominated in U.S. Dollars. The currency risk is limited by the short-term nature of the period between the dates of the purchase and the settlement of the related liability.

## INTEREST RATE RISK

The Group is exposed to interest rate risk through the holding of unit trust and fixed deposits. The Company and its subsidiary monitor interest rate risk by actively monitoring the yield curve trends and interest rate movements.

## OPERATIONAL RISK

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's involvement with financial instruments, including processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

6,200			
5,500			
4,800			
4,100			
3,400	31-Oct-2012	1-Nov-2012	2-Nov-2012
2,700			

## 29. RELATED PARTY DISCLOSURES

### 29.1 TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

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

CSE paid Rs. 1,393,000/- during the year as Directors' expenses (Rs. 712,000/- in 2011).

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

	Company 2012 Rs.	2011 Rs.
Short-Term Employee Benefits	38,251,722	28,183,934
Long-Term Employee Benefits	3,945,420	2,746,397

### 29.2 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. 68,587,468/- to Central Depository Systems (Pvt) Ltd. as expenses during the year.

Company	Relationship	Nature of Transaction	Amount Rs.
<b>(a) Mr. Krishan Balendra</b>			
Nations Trust Bank PLC	Director - CSE	Annual Listing fee received for year	450,673
		Receipt for computer information provided and subscription fees	4,983
		Computer information charges receivable as at year end	1,171
	CDS	Receipt for participants fee and sale of CDS forms	120,137
		Listed company fee receivable as at year end	137,112
John Keells Stock Brokers (Pvt) Ltd.	Director - CSE	Member fee, data communication charges and other charges received	813,578
		Interest paid for Member Firm's liquidity deposit	364,857
		Member Firms' liquidity deposits and entrance deposit as at year end	3,540,000
		Interest payable for Member Firms' liquidity deposits as at year end	79,008
		Data communication charges receivable as at year end	83,939
	CDS	Receipt of participant fee and sale of CDS forms	413,422
		Interest paid for Member Firms' margin deposits	1,007,657
		Amount receivable for sale of CDS forms and reimbursement for packeting and posting expenses as at year end	40,692

				6,200
				5,500
				4,800
				4,100
4-Nov-2012	5-Nov-2012	6-Nov-2012	7-Nov-2012	3,400
				2,700

Company	Relationship	Nature of Transaction	Amount Rs.
<b>(b) Mr. Vajira Kulatilaka</b>			
NDB Stockbrokers (Pvt) Ltd.	Director - CSE	Member fees, data communication charges & other charges received	938,926
		Interest paid for Member Firms' liquidity deposits	158,993
		Member Firms' liquidity deposits and entrance deposit as at year end	2,290,000
		Interest payable for Member Firms' liquidity deposits as at year end	50,791
	CDS	Sale of CDS Forms and reimbursement for packeting and posting expenses	351,206
		Amount receivable for sale of CDS forms and reimbursement for packeting & posting expenses as at year end	61,893
		Interest paid for Member Firms' margin deposits	274,314
NDB AVIVA Wealth Management Ltd.	Director - CSE	Investment in Unit Trusts as at year end	424,529,430
		Dividends received from Unit Trusts	28,158,499
	CDS	Investment made during the year	30,000,000
		Investment in Unit Trusts as at year end	415,402,245
		Dividends received from Unit Trusts	18,687,873
NDB Investment Bank Ltd.	Director - CSE	Subscription fee received	12,000
NDB Capital Holding PLC	Director - CSE	Annual listing fees received for year	418,001
		Receipt for computer information provided & subscription fee	2,000
		Computer information charges receivable as at year end	286
	CDS	Listed company fee receivable as at year end	24,903
<b>(e) Mr. M.R. Prelis</b>			
Capital Trust Securities (Pvt) Ltd.	Director - CSE	Member fee, data communication charges & other charges received	2,402,377
		Member fee, data communication & other charges receivable	220,763
		Interest paid for Member Firms' liquidity deposits	338,096
		Member Firms' liquidity deposits & entrance deposit as at year end	3,540,000
		Interest payable for Member Firms' liquidity deposits as at year end	79,008
	CDS	Sale of CDS forms & reimbursement for packeting & posting expenses	852,468
		Amount receivable on reimbursement for packeting & posting expenses as at year end	122,073
		Interest paid for Member Firms' margin deposits	46,453
Dialog Axiata PLC	Director - CSE	Annual listing fee & fee for high speed data signal received	1,714,286
		Payment made during the year for E1 link charges, mobile phone charges & broad band charges	3,155,510
		Amount payable for mobile phone charges & broad band charges	276,212
		Payment made for mobile phone purchased	384,847
	CDS	Listed Company fee receivable as at year end	173,020

6,100

5,700

5,300

4,900

4,500

8-Nov-2012

9-Nov-2012

10-Nov-2012

11-Nov-2012

4,100

Company	Relationship	Nature of Transaction	Amount Rs.
<b>(f) Dr. Saman Kelegama</b>			
S C Securities (Pvt) Ltd.	Director - CSE	Member fee, data communication charges & other charges received	1,452,437
		Member fee, data communication & other charges receivable	10,796
		Interest paid for Member Firms' liquidity deposits	107,922
		Member Firms' liquidity deposits & entrance deposit as at year end	1,790,000
		Interest payable for Member Firms' liquidity deposits as at year end	39,505
	CDS	Sale of CDS Forms & reimbursement for packeting & posting expenses	284,438
		Amount receivable on reimbursement for packeting & posting expenses as at year end	30,870
		CDS Dex Liquidity deposit as at year end	120,000
Singer (Sri Lanka) PLC	Director - CSE	Annual listing fee received	569,668
	CDS	Listed company fee receivable as at year end	42,490
Regnis (Lanka) PLC	Director - CSE	Annual listing fee received	59,687
	CDS	Listed company fee receivable as at year end	179,878
Singer Finance PLC	Director - CSE	Annual listing fee received	98,743
	CDS	Listed company fee receivable as at year end	235,699
<b>(g) Mr. Hiran de Alwis</b>			
Sri Lanka National Arbitration Centre	Member of the Board of Governance - CSE	Arbitration Centre charges paid during the year	147,370
<b>(e) Mr. Rajendra Theagarajah</b>			
Acuity Stock Brokers (Pvt) Ltd.	Director - CSE	Member fee, data communication charges & other charges received	847,029
		Telephone charges receivable as at year end	3,615
		Interest paid for Member Firms' liquidity deposits	183,893
		Member Firms' liquidity deposits & entrance deposit as at year end	3,540,000
		Interest payable for Member Firms' liquidity deposits as at year end	79,008
	CDS	Sale of CDS forms & reimbursement for packeting & posting expenses	293,749
		Amount receivable for sale of CDS forms as at year end	70,355
		Interest paid for Member Firms' margin deposits	20,473
		CDS Dex Liquidity deposit as at year end	300,000
Hatton National Bank PLC	Managing Director - CSE	Receipt for computer information provided	30,407
		Computer Information charges receivable as at year end	6,206
	CDS	Participant fee received	102,856
		Listed company fee receivable as at year end	145,209

				6,200
				5,500
				4,800
				4,100
12-Nov-2012	13-Nov-2012	14-Nov-2012	15-Nov-2012	3,400
				2,700

Company	Relationship	Nature of Transaction	Amount Rs.
HNB Assurance PLC	Director - CSE	Receipt for computer information provided & Subscription fees.	15,194
		Computer information chargers receivable as at year end	371
	CDS	Listed company fees receivable as at year end	22,714
Acuity Securities Ltd.	Director - CSE	Investment made in Treasury Bills during the year	250,000,000
		Interest Received during the year	1,423,973
The School for the Deaf & Blind	Committee Member - CSE	Donations made during the year	5,000,000
The Institute of Chartered Accountants of Sri Lanka	Member of the Corporate Governance Committee - CSE	Payment of participant fee for 33rd National Conference	99,000
		Payment of participant fee for Annual Report Award Competition	60,000
		Payment of participant fee for budget seminar	2,000
Ceylon Chamber of Commerce	EXCO Member - CSE	Payment for training programme	28,500
Sri Lanka Institute of Directors	Council Member - CSE	Sponsorship fee paid	250,000
Lanka Financial Services Bureau Ltd.	Director - CDS	Swift connectivity & communication link charges paid	3,279,355
		Swift connectivity & communication link charges payable	113,249
Carson Cumberbatch PLC	Director - CSE	Computer information charges receivable as at year end	2,766
	CDS	Listed company fees receivable as at year end	40,454

### 30. 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.

## 31. DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of the Company is responsible for the preparation and presentation of these Financial Statements in accordance with SLFRS/LKAS.

## 32. COMPARATIVE FIGURES

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

6,200			
5,500			
4,800			
4,100			
3,400	16-Nov-2012	17-Nov-2012	18-Nov-2012
2,700			

### 33. EXPLANATION OF TRANSITION TO SLFRS/LKAS

As stated in Note 2.1, these are the Company's first Financial Statements prepared in accordance with SLFRS/LKAS.

The accounting policies set out in Note 3 have been applied in preparing the Financial Statements for the year ended 31 December 2012, the comparative information presented in these Financial Statements for the year ended 31 December 2011 and in the preparation of an opening SLFRS/LKAS Statement of Financial Position as at 1 January 2011 (the date of transition).

In preparing its opening SLFRS/LKAS Statement of Financial Position, the Company has adjusted the amounts reported previously in Financial Statements prepared in accordance with SLAS. An explanation of how the transition from previous SLAS to SLFRS/LKAS has affected the Company's financial position, financial performance and cash flow is set out in the following tables and the notes that accompany the tables.

#### RECONCILIATION OF SHAREHOLDERS' EQUITY

##### COMPANY

As at	Under SLAS 31 December 2011 Rs.	Adjustments Rs.	Under SLFRS 31 December 2011 Rs.	Under SLAS 1 January 2011 Rs.	Adjustments Rs.	Under SLFRS 1 January 2011 Rs.
<b>ASSETS</b>						
<b>Non-Current Assets</b>						
Property & Equipment	75,405,736	Nil	75,405,736	57,717,616	Nil	57,717,616
Intangible Assets	15,008,222	Nil	15,008,222	21,649,466	Nil	21,649,466
Capital Work-in-Progress	118,820,507	Nil	118,820,507	65,367,613	Nil	65,367,613
Investments in Subsidiary	25,000	Nil	25,000	25,000	Nil	25,000
Investments in Unit Trusts (a)	616,009,940	(6,658,204)	609,351,736	1,440,000,001	221,378,080	1,661,378,081
Investments in LFSB	—	—	—	—	Nil	—
Settlement Guarantee Fund	100,000,000	Nil	100,000,000	—	Nil	—
Deferred Tax Assets	3,103,674	Nil	3,103,674	218,097	Nil	218,097
<b>Total Non-Current Assets</b>	<b>928,373,079</b>	<b>(6,658,204)</b>	<b>921,714,875</b>	<b>1,584,977,793</b>	<b>221,378,080</b>	<b>1,806,355,873</b>
<b>Current Assets</b>			—			—
Inventories	4,608,474	Nil	4,608,474	5,444,636	Nil	5,444,636
Investments in Fixed Deposits	—	Nil	—	—	Nil	—
Investments in Treasury Bills and Repos (b)	98,120,283	(370,283)	97,750,000	304,667,278	(3,562,393)	301,104,885
Income Tax Receivable	15,959,136	Nil	15,959,136	—	Nil	—
Investments in Unit Trusts (c)	1,448,019,983	216,266,355	1,664,286,338	639,400,359	11,005,467	650,405,826
Trade and Other Receivables (b)	74,597,689	367,590	74,965,280	78,842,955	3,499,533	82,342,488
Cash & Cash Equivalents	57,688,161	Nil	57,688,161	40,284,841	Nil	40,284,841
<b>Total Current Assets</b>	<b>1,698,993,726</b>	<b>216,263,662</b>	<b>1,915,257,389</b>	<b>1,068,640,069</b>	<b>10,942,607</b>	<b>1,079,582,676</b>
<b>Total Assets</b>	<b>2,627,366,805</b>	<b>209,605,458</b>	<b>2,836,972,264</b>	<b>2,653,617,862</b>	<b>232,320,687</b>	<b>2,885,938,549</b>

				6,200
				5,500
				4,800
				4,100
20-Nov-2012	21-Nov-2012	22-Nov-2012	23-Nov-2012	3,400
				2,700

As at		Under SLAS 31 December 2011 Rs.	Adjustments Rs.	Under SLFRS 31 December 2011 Rs.	Under SLAS 1 January 2011 Rs.	Adjustments Rs.	Under SLFRS 1 January 2011 Rs.
<b>EQUITY AND LIABILITIES</b>							
Accumulated Fund	(d)	2,336,385,972	229,333,490	2,565,719,464	1,861,079,718	232,320,687	2,093,400,405
Other Reserves	(d)	–	(19,728,032)	(19,728,032)	–	Nil	–
<b>Total Equity</b>		<b>2,336,385,972</b>	<b>209,605,458</b>	<b>2,545,991,432</b>	<b>1,861,079,718</b>	<b>232,320,687</b>	<b>2,093,400,405</b>
<b>Non-Current Liabilities</b>							
Brokers' Deposits in Lieu of Bank Guarantee		82,689,970	Nil	82,689,970	66,939,970	Nil	66,939,970
Retirement Benefit Obligations		36,172,270	Nil	36,172,270	31,478,202	Nil	31,478,202
Deferred Grants		–	Nil	–	211,027	Nil	211,027
<b>Total Non-Current Liabilities</b>		<b>118,862,240</b>	<b>–</b>	<b>118,862,240</b>	<b>98,629,199</b>	<b>–</b>	<b>98,629,199</b>
<b>Current Liabilities</b>							
Brokers' Deposits in Lieu of Bank Guarantee		16,000,000	Nil	16,000,000	33,500,000	Nil	33,500,000
Income Tax Payable		–	Nil	–	245,609,194	Nil	245,609,194
Other Payables		140,347,658	Nil	140,347,657	35,713,449	Nil	35,713,449
Amounts due to Related Company		14,271,118	Nil	14,271,118	376,127,521	Nil	376,127,521
Bank Overdraft		1,499,817	Nil	1,499,817	2,958,781	Nil	2,958,781
<b>Total Current Liabilities</b>		<b>172,118,593</b>	<b>–</b>	<b>172,118,592</b>	<b>693,908,945</b>	<b>–</b>	<b>693,908,945</b>
<b>Total Equity and Liabilities</b>		<b>2,627,366,805</b>	<b>209,605,458</b>	<b>2,836,972,264</b>	<b>2,653,617,862</b>	<b>232,320,687</b>	<b>2,885,938,549</b>

6,200

5,500

4,800

4,100

3,400

2,700

24-Nov-2012

25-Nov-2012

26-Nov-2012

27-Nov-2012

**GROUP**

As at	Under SLAS 31 December 2011 Rs.	Adjustments Rs.	Under SLFRS 31 December 2011 Rs.	Under SLAS 1 January 2011 Rs.	Adjustments Rs.	Under SLFRS 1 January 2011 Rs.
<b>ASSETS</b>						
<b>Non-Current Assets</b>						
Property & Equipment	75,405,780	Nil	75,405,780	57,717,660	Nil	57,717,660
Intangible Assets	15,008,222	Nil	15,008,222	21,649,466	Nil	21,649,466
Capital Work-in-Progress	118,820,507	Nil	118,820,507	65,367,613	Nil	65,367,613
Investments in Subsidiary	—	Nil	—	—	Nil	—
Investments in Unit Trusts (a)	992,009,940	(8,153,234)	983,856,706	1,440,000,001	221,378,080	1,661,378,081
Investments in LFSB	1,000,000	Nil	1,000,000	1,000,000	Nil	1,000,000
Settlement Guarantee Fund	100,000,000	Nil	100,000,000	—	Nil	—
Deferred Tax Assets	3,103,674	Nil	3,103,674	218,097	Nil	218,097
<b>Total Non-Current Assets</b>	<b>1,305,348,123</b>	<b>(8,153,234)</b>	<b>1,297,194,889</b>	<b>1,585,952,837</b>	<b>221,378,080</b>	<b>1,807,330,917</b>
<b>Current Assets</b>			—			—
Inventories	4,770,409	Nil	4,770,409	5,557,330	Nil	5,557,330
Investments in Fixed Deposits	—	Nil	—	—	Nil	—
Investments in Treasury Bills and Repos (b)	98,120,283	(370,283)	97,750,000	304,667,278	(3,562,393)	301,104,885
Income Tax Receivable	5,274,447	Nil	5,274,447	—	Nil	—
Investments in Unit Trusts (c)	1,448,019,983	216,266,355	1,664,286,338	639,400,359	11,005,467	650,405,826
Trade and Other Receivables (b)	126,323,887	367,590	126,691,477	90,580,906	3,499,533	94,080,439
Cash & Cash Equivalents	75,895,218	Nil	75,895,218	58,948,298	Nil	58,948,298
<b>Total Current Assets</b>	<b>1,758,404,227</b>	<b>216,263,662</b>	<b>1,974,667,889</b>	<b>1,099,154,171</b>	<b>10,942,607</b>	<b>1,110,096,778</b>
<b>Total Assets</b>	<b>3,063,752,350</b>	<b>208,110,428</b>	<b>3,271,862,778</b>	<b>2,685,107,008</b>	<b>232,320,687</b>	<b>2,917,427,695</b>

				6,200
				5,500
				4,800
				4,100
28-Nov-2012	29-Nov-2012	30-Nov-2012	1-Dec-2012	3,400
				2,700

As at		Under SLAS 31 December 2011 Rs.	Adjustments Rs.	Under SLFRS 31 December 2011 Rs.	Under SLAS 1 January 2011 Rs.	Adjustments Rs.	Under SLFRS 1 January 2011 Rs.
<b>EQUITY AND LIABILITIES</b>							
Accumulated Fund	(d)	2,655,113,804	229,333,492	2,884,447,297	2,061,989,990	232,320,687	2,294,310,677
Other Reserves	(d)	99,975,000	(21,223,064)	78,751,936	99,975,000	Nil	99,975,000
<b>Total Equity</b>		<b>2,755,088,804</b>	<b>208,110,428</b>	<b>2,963,199,233</b>	<b>2,161,964,990</b>	<b>232,320,687</b>	<b>2,394,285,677</b>
<b>Non-Current Liabilities</b>							
Brokers' Deposits in Lieu of Bank Guarantee		82,689,970	Nil	82,689,970	66,939,970	Nil	66,939,970
Retirement Benefit Obligations		36,172,270	Nil	36,172,270	31,478,202	Nil	31,478,202
Deferred Grants		–	Nil	–	211,027	Nil	211,027
<b>Total Non-Current Liabilities</b>		<b>118,862,240</b>	<b>–</b>	<b>118,862,240</b>	<b>98,629,199</b>	<b>–</b>	<b>98,629,199</b>
<b>Current Liabilities</b>							
Brokers' Deposits in Lieu of Bank Guarantee		45,986,633	Nil	45,986,633	60,260,905	Nil	60,260,905
Income Tax Payable		–	Nil	–	324,552,891	Nil	324,552,891
Other Payables		142,314,856	Nil	142,314,856	36,740,242	Nil	36,740,242
Amounts due to Related Company		–	Nil	–	–	Nil	–
Bank Overdraft		1,499,817	Nil	1,499,817	2,958,781	Nil	2,958,781
<b>Total Current Liabilities</b>		<b>189,801,306</b>	<b>–</b>	<b>189,801,306</b>	<b>424,512,819</b>	<b>–</b>	<b>424,512,819</b>
<b>Total Equity and Liabilities</b>		<b>3,063,752,350</b>	<b>208,110,428</b>	<b>3,271,862,778</b>	<b>2,685,107,008</b>	<b>232,320,687</b>	<b>2,917,427,695</b>

6,200

5,500

4,800

4,100

3,400

2,700

2-Dec-2012

3-Dec-2012

4-Dec-2012

5-Dec-2012

### 34. RECONCILIATION OF COMPREHENSIVE INCOME GROUP

For the Year Ended 31 December 2011

		Under SLAS Rs.	Adjustments Rs.	Under SLFRS Rs.
<b>Revenue</b>		1,175,767,154	Nil	1,175,767,154
Other Income	(f)	229,735,371	(2,987,195)	226,748,176
		1,405,502,525	(2,987,195)	1,402,515,330
Staff Cost		(186,752,905)	Nil	(186,752,905)
Depreciation & Amortisation		(37,734,494)	Nil	(37,734,494)
Other Operating Expenses		(422,850,044)	Nil	(422,850,044)
<b>Profit before Taxation</b>		758,165,082	(2,987,195)	755,177,887
Income Tax		(165,041,268)	Nil	(165,041,268)
<b>Profit for the Year</b>		593,123,814	(2,987,195)	590,136,619
<b>Other Comprehensive Income</b>				
Net Change in Fair Value of Available-for-Sale Financial Assets	(g)	–	(21,223,064)	(21,223,064)
<b>Other Comprehensive Income Net of Tax</b>		–	(21,223,064)	(21,223,064)
<b>Total Comprehensive Income for the Year</b>		593,123,814	(24,210,259)	568,913,555

### COMPANY

For the Year Ended 31st December 2011

		Under SLAS Rs.	Adjustments Rs.	Under SLFRS Rs.
<b>Revenue</b>		866,979,322	Nil	866,979,322
Other Income	(f)	245,937,605	(2,987,195)	242,950,410
		1,112,916,927	(2,987,195)	1,109,929,732
Staff Cost		(167,145,115)	Nil	(167,145,115)
Depreciation & Amortisation		(37,734,494)	Nil	(37,734,494)
Other Operating Expenses		(322,870,500)	Nil	(322,870,500)
<b>Profit before Taxation</b>		585,166,818	(2,987,195)	582,179,623
Income Tax		(109,860,564)	Nil	(109,860,564)
<b>Profit for the Year</b>		475,306,254	(2,987,195)	472,319,059
<b>Other Comprehensive Income</b>				
Net Change in Fair Value of Available-for-Sale Financial Assets	(g)	–	(19,728,032)	(19,728,032)
<b>Other Comprehensive Income Net of Tax</b>		–	(19,728,032)	(19,728,032)
<b>Total Comprehensive Income for the Year</b>		475,306,254	(22,715,227)	452,591,027

				6,200
				5,500
				4,800
				4,100
6-Dec-2012	7-Dec-2012	8-Dec-2012	9-Dec-2012	3,400
				2,700

**35. EXPLANATION OF TRANSITION TO LKAS/SLFRS****(a) Financial Investments - Available-for-Sale****Long-Term Unit Trusts - Close Ended Unit Trusts**

The Company invests in Close Ended Unit Trusts with the intention of holding them to maturity. These Unit Trusts are now classified as Financial Investments - Available-for-Sale.

These assets previously carried at cost, the difference between the cost and the fair value is accounted in the Statement of Changes in Equity through 'Other Comprehensive Income'. The impact arising from the change is summarised as follows:

	Group		Company	
	31 December 2011	1 January 2011	31 December 2011	1 January 2011
	Rs.	Rs.	Rs.	Rs.
Fair Value Adjustments	(8,153,234)	221,378,080	(6,658,204)	221,378,080

**(b) Financial Investments - Held-to-Maturity**

As per the previous SLAS, Treasury Bills are classified as short-term investments and recorded at cost and interest is recognised using straight-line basis. These investments have been classified as held-to-maturity and recorded at amortised cost.

As per SLFRS, interest is recognised using effective interest rate method.

	Group		Company	
	31 December 2011	1 January 2011	31 December 2011	1 January 2011
	Rs.	Rs.	Rs.	Rs.
Interest Receivables	370,284	3,562,393	370,284	3,562,393
IFRS Adjustment	(2,694)	(62,860)	(2,694)	(62,860)
	367,590	3,499,533	367,590	3,499,533

6,200

5,500

4,800

4,100

3,400

2,700

10-Dec-2012

11-Dec-2012

12-Dec-2012

13-Dec-2012

**(c) Short-Term Unit Trusts - Open Ended Unit Trusts**

The Company invests in Open Ended Unit Trusts. These Unit Trusts are now classified as Financial Investments - Available-for-Sale.

These assets previously carried at cost, the difference between the cost and the fair value is accounted in the Statement of Changes in Equity through 'Other Comprehensive Income'. The impact arising from the change is summarised as follows:

	Group		Company	
	31 December 2011 Rs.	1 January 2011 Rs.	31 December 2011 Rs.	1 January 2011 Rs.
Fair Value Adjustments	216,266,355	11,005,467	216,266,355	11,005,467

**(d) Accumulated Fund**

The impact arising due to new SLFRS adjustments is summarised as follows:

	Group		Company	
	31 December 2011 Rs.	1 January 2011 Rs.	31 December 2011 Rs.	1 January 2011 Rs.
Unit Trust - Close Ended Funds	(8,153,234)	221,378,080	(6,658,204)	221,378,080
Treasury Bills & Repos	(370,284)	(3,562,393)	(370,284)	(3,562,393)
Unit Trust - Open Ended Funds	216,266,355	11,005,467	216,266,355	11,005,467
Treasury Bills Interest Receivables	367,590	3,499,533	367,590	3,499,533
	208,110,427	232,320,687	209,605,457	232,320,687

**(e) Staff Loans**

As per previous standards, staff loan provided at concessionary rates was initially stated at cost and subsequently it was recorded net of prepayment and interest accrual. Interest is recognised using straight-line basis.

As per SLFRS, staff loans provided concessionary rates are recognised at their fair value discounting the estimated future cash flows at market rates. These are subsequently measured at amortised cost using the effective interest rate method.

	Group		Company	
	31 December 2011 Rs.	1 January 2011 Rs.	31 December 2011 Rs.	1 January 2011 Rs.
Staff Loans	13,439,675	9,643,347	13,439,675	9,643,347
Prepaid Staff Cost	7,916,732	3,889,563	7,916,732	3,889,563
	21,356,407	13,532,910	21,356,407	13,532,910

				6,200
				5,500
				4,800
				4,100
14-Dec-2012	15-Dec-2012	16-Dec-2012	17-Dec-2012	3,400
				2,700

**(f) Other Income**

	2011 Rs.
Gain on Unit Trust Redemption Transferred to Other Comprehensive Income	(3,047,361)
Realised Impaired Cost of Treasury Bill Interest Receivable Adjusted 31 December 2010	62,860
Impaired Treasury Bills Interest Receivable Balance as at 31 December 2011	(2,694)
	(2,987,195)

### (g) Other Comprehensive Income

	2011	
	Group Rs.	Company Rs.
Total Gain as at 1 January 2011	232,383,547	232,383,547
Gain Recognised on Redeemed Investments	(3,047,361)	(3,047,361)
Total Gain Recognised as at 31 December 2011	(208,113,122)	(209,608,154)
Change in Fair Value of Available-for-Sale Financial Assets	21,223,064	19,728,032

[illegible]

## ANNEXES

### MEMBERS

#### — BARTLEET RELIGARE SECURITIES (PVT) LTD.

Level 'G', 'Bartleet House',  
No. 65, Braybrooke Place, Colombo 2  
Tel: +94 11 5220200  
Fax: +94 11 2434985  
E-mail: info@bartleetstock.com  
Website: www.bartleetstock.com  
Mr. R. Muralidaran - *Managing Director*

#### — ACUITY STOCKBROKERS (PVT) LTD.

Level 6, Acuity House,  
No. 53, Dharmapala Mawatha, Colombo 3  
Tel: +94 11 2206206  
Fax: +94 11 2206298/9  
E-mail: sales@acuitystockbrokers.com  
Website: www.acuity.lk  
Mr. P.P.S. Fernando - *Director/CEO*

#### — JOHN KEELLS STOCK BROKERS (PVT) LTD.

No. 130, Glennie Street, Colombo 2  
Tel: +94 (0) 11 2306250, 2342066-7,  
2446694-5, 2338066-7, 2439047-8,  
4710721-4  
Fax: +94 (0) 11 2342068, 2326863  
E-mail: jkstock@keells.com  
Website: www.jksb.keells.lk  
Mr. Tivanka Ratnayake - *Chief Executive Officer*

#### — ASHA PHILLIP SECURITIES LTD.

No. 10, Prince Alfred Towers, 2nd Floor,  
Alfred House Gardens, Colombo 3  
Tel: +94 11 2429100  
Fax: +94 11 2429199  
E-mail: apsl@ashaphillip.net  
Website: www.ashaphillip.net  
Mr. Dimuthu Abeysekera - *Director/CEO*

#### — ASSETLINE SECURITIES (PVT) LTD.

No. 120, 120A, Pannipitiya Road, Battaramulla  
Tel: +94 11 4700111, 2307366  
Fax: +94 11 4700112, 2307365  
E-mail: colombo.dpglobal@dpmcfs.com  
Website: www.assetline.lk  
Mr. Deepta Ekanayake - *Managing Director*

#### — SOMERVILLE STOCKBROKERS (PVT) LTD.

No. 137, Vauxhall Street, Colombo 2  
Tel: +94 11 2329201-5, 2332827, 2338292-3  
Fax: +94 11 2338291,  
E-Mail: ssb-web@sltnet.lk  
Ms. Shalini Dias - *Director*

#### — JB SECURITIES (PVT) LTD.

No. 150, St. Joseph Street, Colombo 14  
Tel: +94 11 2490900, 0772490900,  
0772490901  
Fax: +94 11 2430070, 2446085, 2447875  
E-mail: jbs@jb.lk  
Website: www.jbs.lk  
Mr. Murtaza Jafferjee - *Chief Executive Officer*

#### — LANKA SECURITIES (PVT) LTD.

No. 228/1, Galle Road, Colombo 4  
Tel: +94 11 4706757, 2554942  
Fax: +94 11 4706767  
E-mail: lankasec@sltnet.lk  
Website: www.lsl.lk  
Mr. Kosala Gamage - *Managing Director/CEO*

#### — ASIA SECURITIES (PVT) LTD.

Level 21, West Tower, World Trade Center,  
Echelon Square, Colombo 1  
Tel: +94 11 2423905, 5320000  
Fax: +94 11 2336018  
E-mail: enquiry@asiacapital.lk  
Website: www.asiasecurities.net  
Mr. Sabri Marikar - *Chief Executive Officer*

#### — NATION LANKA EQUITIES (PVT) LTD.

No. 44, Guildford Crescent, Colombo 7  
Tel: +94 11 4714300, 4714388, 4714389,  
0773421821  
Fax: +94 11 2387228  
E-mail: info@nlequities.com  
Website: www.nlequities.com  
Mr. Janaka Palapathwala -  
*Director/General Manager*

#### — CAPITAL TRUST SECURITIES (PVT) LTD.

No. 42, Mohamed Macan Markar Mawatha,  
Colombo 3  
Tel: +94 11 2174174, 2174175  
Fax: +94 11 2174173  
E-mail: inquiries@capitaltrust.lk  
Website: www.capitaltrust.lk  
Mr. Tushan Wickramasinghe - *Managing Director*

#### — SC SECURITIES (PVT) LTD.

2nd Floor, No. 55, D.R. Wijewardena Mawatha,  
Colombo 10  
Tel: +94 11 4711000, 4711001  
Fax: +94 11 2394405  
E-mail: ceo@sampathsecurities.lk  
Website: www.sampathsecurities.lk  
Mr. Harsha Fernando -  
*Director/Chief Executive Officer*

#### — CT SMITH STOCKBROKERS (PVT) LTD.

No. 4-14, Majestic City, 10, Station Road,  
Colombo 4  
Tel: +94 11 2552 290-4  
Fax: +94 11 2552289  
E-mail: ctssales@sltnet.lk  
Website: www.ctsmith.lk  
Mr. Rohan Fernando - *Managing Director*

#### — DNH FINANCIAL (PVT) LTD.

Level 16, West Tower, World Trade Center,  
Colombo 1  
Tel: +94 11 5700777  
Fax: +94 11 5736264  
E-mail: info@dnhfinancial.com  
Website: www.dnhfinancial.com  
Mr. Seedantha Kulatilake -  
*Chief Executive Officer*

#### — NDB STOCKBROKERS (PVT) LTD.

5th Floor, NDB Building,  
No. 40, Navam Mawatha, Colombo 2  
Tel: +94 11 2314170 - 2314178  
Fax: +94 11 2314180  
E-mail: mail@ndbs.lk  
Website: www.ndbs.lk  
Mrs. Prasansini Mendis - *Chief Executive Officer*

				6,200
				5,500
				4,800
				4,100
22-Dec-2012	23-Dec-2012	24-Dec-2012	25-Dec-2012	3,400
				2,700

## TRADING MEMBERS

### — CAPITAL ALLIANCE SECURITIES (PVT) LTD.

Level 5, 'Millennium House',  
No. 46/58, Navam Mawatha, Colombo 2  
Tel: +94 11 2317777  
Fax: +94 11 2317788  
E-mail: general@capitalalliance.lk  
Website: www.capitalalliance.lk  
Mr. Harinlal Aturupane - *Managing Director/CEO*

### — SMB SECURITIES (PVT) LTD.

No. 47, Dharmapala Mawatha, Colombo 3  
Tel: +94 5232091  
Fax: +94 2339292  
E-mail: admin@smbsecurities.lk  
Website: www.smb.lk.com  
Mr. Nandun Jayatillake - *Chief Executive Officer*

### — FIRST GUARDIAN EQUITIES (PVT) LTD.

32nd Floor, East Tower, World Trade Center,  
Echelon Square, Colombo 1  
Tel: +94 11 5884400 (Hunting)  
Fax: +94 11 5884401  
E-mail: info@firstguardianequities.com  
Website: www.firstguardianequities.com  
Mr. Rohan Goonewardene -  
*Managing Director/CEO*

### — TAPROBANE SECURITIES (PVT) LTD.

2nd Floor, No. 10, Gothami Road, Colombo 8  
Tel: +94 11 5328200  
Fax: +94 11 5328277  
E-mail: info@taprobane.lk, dinal@taprobane.lk  
Website: www.taprobanestocks.com  
Mr. Dinal Wijemanne - *Managing Director/CEO*

### — HERAYMILA SECURITIES LTD.

Level 8, South Wing, Millennium House,  
No. 46/58, Nawam Mawatha, Colombo 2  
Tel: +94 11 2359100  
Fax: +94 11 2305522  
E-mail: info-hasl@heraymila.com  
Website: www.heraymila.com  
Mr. Ravi Abeyesuriya - *Director/CEO*

### — SERENDIB STOCK BROKERS (PVT) LTD.

No. 35/1, Alwis Place, Colombo 3  
Tel: +94 11 2344444  
Fax: +94 11 2434198  
E-mail: info@serendibsb.com  
Website: www.serendibsb.com  
Mr. Naushervan Beg - *Chief Executive Officer*

### — IIFL SECURITIES CEYLON (PVT) LTD.

27th Floor, East Tower, World Trade Center,  
Echelon Square, Colombo 1  
Tel: +94 11 2333000  
Fax: +94 11 2333383  
E-mail: info.ceylon@iiflcap.com  
Ms. Priyani Ratna-Gopal - *Country Head*

### — TKS SECURITIES (PVT) LTD.

No. 19-01, East Tower, World Trade Center,  
Echelon Square, Colombo 1  
Tel: +94 11 7857799  
Fax: +94 11 7857857  
E-mail: info@tkslk  
Website: www.tks.lk  
Mr. Hussain Gani - *Chief Executive Officer*

### — RICHARD PIERIS SECURITIES (PVT) LTD.

No. 69, Hyde Park Corner, Colombo 2  
Tel: +94 11 7448900  
Fax: +94 11 2675064  
E-mail: jayantha@rpsecurities.com  
Mr. Jayantha Perera - *Chief Executive Officer*

### — CLARIDGE STOCKBROKERS (PVT) LTD.

No.10, Gnanartha Pradeepa Mawatha,  
Colombo 8  
Tel: +94 11 2697974  
Fax: +94 11 2689250  
E-mail: csb@mackwoods.com  
Mr. P.N.A. Epa - *Chief Executive Officer*

### — NEW WORLD SECURITIES (PVT) LTD.

2nd Floor, No. 45/2, Braybrooke Street,  
Colombo 2  
Tel: +94 11 2358700/20  
Fax: +94 11 2358701  
Email: jaliya@nws.lk  
Website: www.nws.lk  
Mr. Jaliya Wijeratne -  
*Chief Executive Officer*

### — SOFTLOGIC STOCKBROKERS (PVT) LTD.

Level 23, East Tower, World Trade Center,  
Colombo 1  
Tel: +94 11 7277000 - 98  
Fax: +94 11 7277099  
Email: info@equity.softlogic.lk  
Website: www.softlogicequity.lk  
Mr. Dihan Dedigama - *Chief Executive Officer*

### — LOLC SECURITIES LTD.

Level 18, West Tower, World Trade Center,  
Echelon Square, Colombo 1  
Tel: +94 11 7880880  
Fax: +94 11 2434771  
Mr. Sriyan Gurusinghe - *CEO/Managing Director*

### — FIRST CAPITAL MARKETS LTD. (TRADING MEMBER - DEBT)

No. 75, Arnold Ratnayake Mawatha,  
Colombo 10  
Tel: +94 11 2639898, 2681888  
Fax: +94 11 2639899, 2681460  
E-Mail: info@firstcapital.lk  
Website: www.firstcapital.lk  
Mr. A.J. Ismail - *Chief Executive Officer*

6,200

5,500

4,800

4,100

3,400

2,700

26-Dec-2012

27-Dec-2012

28-Dec-2012

29-Dec-2012



## NOTES

[illegible]

# 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 (Private) Limited.

## — REGISTERED OFFICE

4-01, West Block, World Trade Center,  
Echelon Square, Colombo 1, Sri Lanka.

## — SECRETARIES

Secretarial Services (Pvt) Ltd.  
Corporate Services (Private) Limited -  
Appointed on 1 May 2012

## — AUDITORS

KPMG

## — 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  
E-Mail: [info@cse.lk](mailto:info@cse.lk)  
Website: [www.cse.lk](http://www.cse.lk)



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