

Ideas. into Action.

Ideas. into Action.

The value of an idea lies in the using of it.
Thomas A Edison

At the Colombo Stock Exchange we are very aware of the value of a good idea. Innovation after all, has always been a key part of our success. Yet we also recognise that no idea is useful until it is transformed into a significant activity, with measurable results. And that's exactly what we have been doing.

In last year's annual review, we discussed the dramatic post-war changes seen across the local economic and societal landscape. We also looked at our own long term strategies as a key stakeholder of the nation's developmental drive.

This year's report describes the next step in the process, as we analyse how we have turned ideas into actions and evaluate our achievements in the year under review.

We also review the ongoing activities that have always been a part of our work; driving forward a vibrant trading environment that attracts investors from across the world, developing the knowledge and awareness through training and education programmes and contributing to national development by creating wealth through many avenues and at many levels.

We are energetic, passionate and inspired by ideas... transformed into action.

The Colombo Stock Exchange.
Ideas into Action.

 COLOMBO STOCK EXCHANGE					SYMBOL BID ASK TRADE QTY					SYMBOL BID ASK TRADE QTY					SYMBOL BID ASK TRADE QTY																								
					HEALTH CARE					-0.6% ▼					SHAW.N 249.0 259.0 254.0 7.4K ▲					TDLN 83.2 89.8 87.0 130 ▲					BLUEX 1.1 1.8 1.8 1														
					ASHA.N 250.1 260.8 0.0 0					0					WAPD.N 26.0 26.9 26.9 3.3K ▲					KDLN 16.7 17.9 17.9 1 ▲					BOGA.N 18.0 18.0 18.0 1														
					ASIR.N 18.8 19.4 19.0 7K					7K					INFORMATION TECHNOLO.					-1.3% ▼					MHDLN 5.3 6.0 6.0 600 ▲					CAREN 30.0 30.0 30.0 1									
					CHL.N 106.0 112.0 0.0 0					0					ECL.N 14.2 14.7 14.5 20.3K					ONAL.N 45.0 55.0 49.0 335					CERAN 93.1 93.1 93.1 1														
					CHLX 77.4 79.0 0.0 0					0					PCH.N 0.3 0.4 0.3 691.4K ▼					OSEA.N 20.2 20.6 20.2 150					CIND.N 56.5 56.5 56.5 1														
					LHCL.N 41.0 42.0 41.1 6.2K ▼					6.2K ▼					LAND AND PROPERTY					0.7% ▲					PDLN 59.2 64.0 64.0 14K ▲					DIPD.N 88.0 88.0 88.0 1									
					NHL.N 3.2 3.3 3.2 16.8K ▼					16.8K ▼					CABO.N 100.1 105.9 0.0 0					0					SLND.N 876.0 1,084.6 0.0 0					GLAS.N 31.7 31.7 31.7 1									
					0.4% ▲					0					CHOU.N 9.2 9.7 9.5 23.3K ▲					YORK.N 13.0 13.3 0.0 0					-0.1% ▼					GRAN.N 36.3 36.3 36.3 1									
					INVESTMENT TRUSTS					0					CLND.N 34.1 35.0 34.1 4.5K ▼					MANUFACTURING					-0.1% ▼					HEXP.N 26.1 26.1 26.1 1									
					ASCO.N 112.1 130.0 0.0 0					0					COMD.N 71.0 74.9 73.0 35.1					ABAN.N 99.1 102.4 102.4 1					KCAB.N 77.5 77.5 77.5 1														
					CFI.N 88.0 94.9 94.5 1 ▲					1 ▲					CSD.N 9.2 9.7 9.2 12.9K ▼					ACLN 60.5 62.0 60.5 49					LALU.N 27.6 27.6 27.6 1														
					CINV.N 75.1 77.0 77.0 200 ▲					200 ▲					CTLD.N 28.8 29.7 29.0 1K ▲					ACMEN 9.0 9.4 9.1 30.5K ▲					LCEN.N 6.2 6.2 6.2 1														
					CIT.N 93.1 109.9 0.0 0					0					EAST.N 11.5 11.9 11.9 14.8K ▲					AGST.N 4.3 4.5 4.5 100					LITE.N 3.5 3.5 3.5 1														
					GREG.N 12.6 12.8 12.7 23.8K ▼					23.8K ▼					EQT.N 26.1 29.0 0.0 0					ALUF.N 13.0 13.6 13.0 3.7K ▼					LLUB.N 271.0 271.0 271.0 1														
					GUAR.N 173.0 179.0 0.0 0					0					ETWO.N 27.0 28.0 0.0 0					APLA.N 81.1 90.0 93.5 14.6K ▲					LWL.N 62.0 62.0 62.0 1														
					RHL.N 29.6 31.4 29.6 16.7K ▼					16.7K ▼					HUEJ.N 50.8 68.9 0.0 0					BLUE.N 3.3 3.5 3.4 503.8K																			
					RHLX 21.1 21.9 0.0 0					0																													

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Market Highlights

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Financial Information



www.cse.lk



About Us

The CSE is a company limited by guarantee, established under the Companies Act No. 17 of 1982 and is licensed by the Securities & Exchange Commission of Sri Lanka (SEC). The CSE is a mutual exchange and has 15 full Members and 15 Trading Members licensed to trade both equity and debt securities, while two members are licensed to trade in debt securities only. All members are licensed by the SEC to operate as stockbrokers. All members are corporate entities and some are subsidiaries of large financial institutions.

At present 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. Furthermore the CSE is actively involved in promoting the stock market among issuers and investors.

Vision

To be the preferred choice for creation of wealth and value

Mission

- Encourage issuers to raise capital through the Colombo Stock Exchange (CSE)
- Increase the number of active investors
- Provide facilities to trade diversified products
- Ensure balanced regulation to maintain market integrity and investor confidence

Market Highlights

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Equity										
Turnover (Rs. Mn)	200,467.8	213,827.2	546,255.8	570,326.8	142,462.6	110,453.9	104,985.4	105,153.7	114,599.2	59,052.0
Domestic (Rs. Mn)	128,227.6	160,543.3	486,959.4	464,733.6	99,010.8	50,796.9	63,815.7	70,675.1	89,959.1	48,327.0
Foreign (Rs. Mn)	72,240.2	53,283.9	59,296.4	105,593.2	43,451.8	59,656.9	41,169.7	34,478.6	24,640.1	10,724.0
Shares Traded (No. Mn)	9,054.2	9,691.2	24,543.7	18,489.2	4,762.7	3,154.9	2,887.3	3,912.3	5,128.3	2,752.0
Domestic (No. Mn)	7,861.6	8,289.6	23,151.6	16,684.5	3,784.2	1,934.9	2,009.9	3,178.2	4,313.2	2,479.0
Foreign (No. Mn)	1,192.6	1,401.7	1,392.1	1,804.7	978.4	1,220.0	877.3	734.2	815.0	272.0
Trades (No.)	1,421,303	1,857,384	4,579,352	3,355,126	1,266,299	776,244	876,928	952,382	1,100,451	645,083
Domestic (No.)	1,355,380	1,796,868	4,463,404	3,225,041	1,190,822	730,415	831,663	908,220	1,038,538	611,654
Foreign (No.)	65,923	60,516	115,948	130,085	75,477	45,829	45,265	44,162	61,913	33,429
Daily Average Turnover (Rs. Mn)	828.4	883.6	2,285.6	2,396.3	593.6	464.1	435.6	436.3	481.5	246.0
Market Capitalisation (Rs. Bn)	2,459.9	2,167.6	2,213.9	2,210.5	1,092.1	488.8	820.7	834.8	584.0	382.1
Turnover to Market Capitalisation (%)	8.7%	9.8%	24.7%	34.5%	18.0%	16.9%	12.7%	14.8%	23.7%	18.3%
Market Capitalisation as a % of GDP	28.4%	28.6%	33.8%	39.5%	22.6%	11.1%	22.9%	29.8%	24.6%	16.3%

Contribution to Total Market

Turnover (%)

Foreign Companies	34.3%	23.6%	8.3%	15.3%	26.8%	49.0%	33.8%	26.3%	15.2%	12.9%
Foreign Individuals	1.8%	1.4%	2.6%	3.2%	3.7%	5.0%	5.4%	6.5%	6.2%	5.2%
Total Foreign Investor Contribution (%)	36.1%	24.9%	10.9%	18.5%	30.5%	54.0%	39.2%	32.8%	21.4%	18.1%
Local Companies	30.4%	41.0%	34.5%	37.5%	33.9%	23.8%	29.0%	32.2%	35.2%	34.6%
Local Individuals	33.5%	34.1%	54.6%	44.0%	35.6%	22.2%	31.8%	35.1%	43.4%	47.3%
Total Local Investor Contribution (%)	63.9%	75.1%	89.1%	81.5%	69.5%	46.0%	60.8%	67.2%	78.6%	81.9%

Foreign Trading Activities

Secondary Market

Purchases (Rs. Mn.)	83,607.0	72,614.2	49,776.8	92,425.5	43,057.3	66,632.2	46,796.8	37,167.3	27,712.4	11,278.0
Sales (Rs. Mn.)	60,873.3	33,953.6	68,816.0	118,760.9	43,846.3	52,681.7	35,542.5	31,789.9	21,567.9	10,171.7
Net Foreign Flow (Rs. Mn)	22,733.7	38,660.7	(19,039.2)	(26,335.3)	(789.0)	13,950.5	11,254.3	5,377.3	6,144.5	1,106.3

Returns, Yields and Valuation

Multiples

All Share Price Index	5,912.8	5,643.0	6,074.4	6,635.9	3,385.6	1,503.0	2,541.0	2,722.4	1,922.2	1,506.9
Change %	4.8%	(7.1%)	(8.5%)	96.0%	125.3%	(40.9%)	(6.7%)	41.6%	27.6%	41.9%
S&P SL 20*	3,263.9	3,085.3	-	-	-	-	-	-	-	-
Change %	5.8%	8.4%*	-	-	-	-	-	-	-	-
Market PER (Times)	15.9	15.9	15.8	25.2	16.6	5.4	11.6	14.0	12.4	10.8
Price to Book Value (Times)	2.0	2.1	2.0	3.0	1.7	0.8	1.8	2.0	1.7	1.3
Dividend Yield (%)	2.9%	2.4%	1.8%	1.2%	3.0%	5.6%	2.5%	2.2%	2.7%	3.2%

* Launched on 27th June 2012

** Includes companies delisted within the year

2013 2012 2011 2010 2009 2008 2007 2006 2005 2004

Debt

Corporate Debt

Turnover (Rs. 000)	2,229,221.3	75,717.1	2,690,664.4	72,288.0	136,765.0	102,639.0	98,903.1	405,211.4	206,857.0	199,530.0
Trades (No.)	173	39	62	92	42	27	144	321	625	1362
Debentures Traded (No. 000)	19,999	740	25,861	693	1,020	953	1,020	2,421	2,211	2,193
Corporate Debt Market Capitalisation (Rs. Bn.)	165.7	46.3	37.9	30.1	14.9	-	-	-	-	-

Government Debt

Turnover (Rs. 000)	-	6,128.0	28,356.8	45,673.0	98,977.0	195,157.0	709,333.2	207,079.5	326,423.0	1,987,918.0
Trades (No.)	-	2	7	18	42	69	208	379	522	1,343
Debentures Traded (No. 000)	-	6,744	28,912	46,794	102,778	208,183	742,736	213,242	306,955	553,511

Close Ended Funds

Turnover (Rs. 000)	44,160.0	21,865.5	137,848.1	621,264.6	4,615.6	-	-	-	-	-
Trades (No.)	883	767	2,898	8,302	228	-	-	-	-	-
Units Traded (No. 000)	640	339	1,642	8,222	87	-	-	-	-	-
Funds Listed (as at 31st December, no.)	1	1	1	1	1	-	-	-	-	-

Warrants

Turnover (Rs. Mn)	1,461.5	3,942.5	14,076.1	19,581.2	1,688.1	142.2	12.0	23.8	186.2	46.1
Trades (No.)	48,633	85,462	242,328	227,671	35,826	7,830	829	2,712	6,251	1,093
Warrants Traded (No. Mn)	334.2	754.7	2,733.1	1,531.6	148.8	24.8	6.4	9.4	36.2	3.5
No of Warrants Traded (as per type of warrant)	8	9	14	16	5	3	1	2	2	1
New Warrants Listed (Types)	2	1	1	12	2	2	0	0	1	0

Additional Data

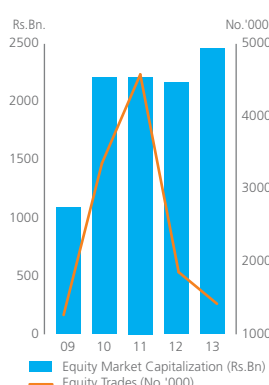
Companies Listed (No.)	289	287	272	241	231	235	235	237	239	242
Companies Traded (No.)**	278	280	264	238	231	232	231	232	242	241
Delistings (No.)	1	2	0	1	6	2	2	4	9	7
Market Days (No.)	242	242	239	238	240	238	241	241	238	240

New Listings / Issues

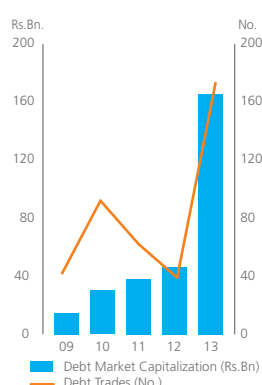
Equity IPOs (No.)	1	6	13	8	2	2	0	2	2	-
Equity Introductions (No.)	1	11	16	2	0	1	0	1	3	-
Debt IPOs (No.)	28	3	1	2	1	4	5	1	2	-
Debt Introductions (No.)	1	3	4	0	1	1	4	1	0	-

Market Highlights

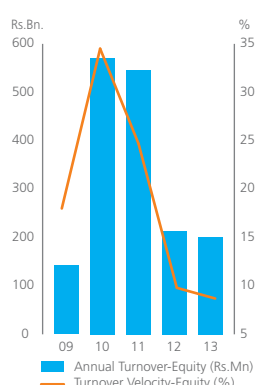
Capital Raised	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Equity IPOs (Rs.Mn)	494.4	1,739.4	19,155.7	4,347.5	681.8	1,518.5	-	500.0	9,148.0	-
Debt IPOs (Rs.Mn)	68,262.3	12,500.0	1,000.0	15,000.0	630.6	5,581.7	3,571.0	1,258.0	350.0	-
Rights Issues (Rs.Mn)	25,539.0	11,128.0	28,019.7	24,321.7	5,235.4	2,679.1	44,622.0	4,612.0	3,783.0	-
Conversion of Warrants (Rs.Mn)	0.5	1,954.8	2,675.0			Not Available				-
Private Placement (Rs.Mn)	0	2,266.2	4,500.0	433.0	1,100.0	510.0	-	-	-	-



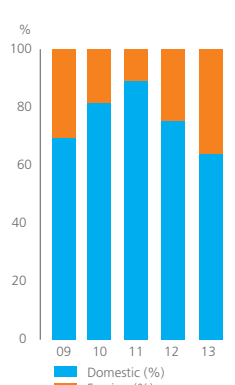
Market Capitalisation & No. of Trades – Equity



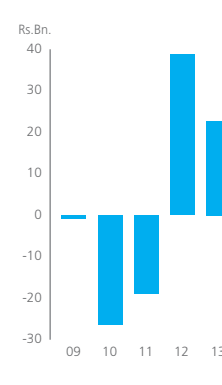
Market Capitalisation & No. of Trades – Corporate Debt



Annual Turnover and Turnover Velocity–Equity



Composition of Annual Turnover



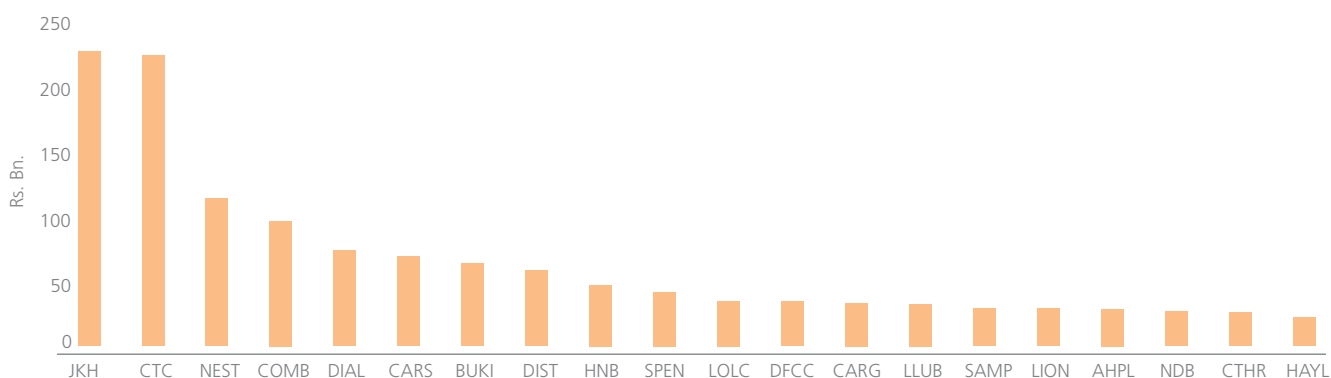
Net Foreign Flow–Equity

2012 → ASPI
5,643.00
(7.1%)

S&P SL20
3,085.33
8.4%*

2013 → ASPI
5,912.78
4.8%

S&P SL20
3,263.87
5.8%



Market Capitalisation of S&P SL 20 Index Constituents

The Colombo Stock Exchange:

A quick overview 2013

Rs. 2,459.9 Bn

Market Capitalisation

289

Listed Companies

→ **461**

Listed Securities

29

No. of Broker Firms

→ **730,046**

No. of CDs Accounts

Customer Profile

In the course of its operations, the CSE interacts with many customers and stakeholders which include issuers (such as companies, corporations and unit trusts), Commercial Banks, Investment Banks, Fund Managers, Stockbrokers, Financial Advisers, Market Data Vendors, Investors, Government Regulators and the Media.

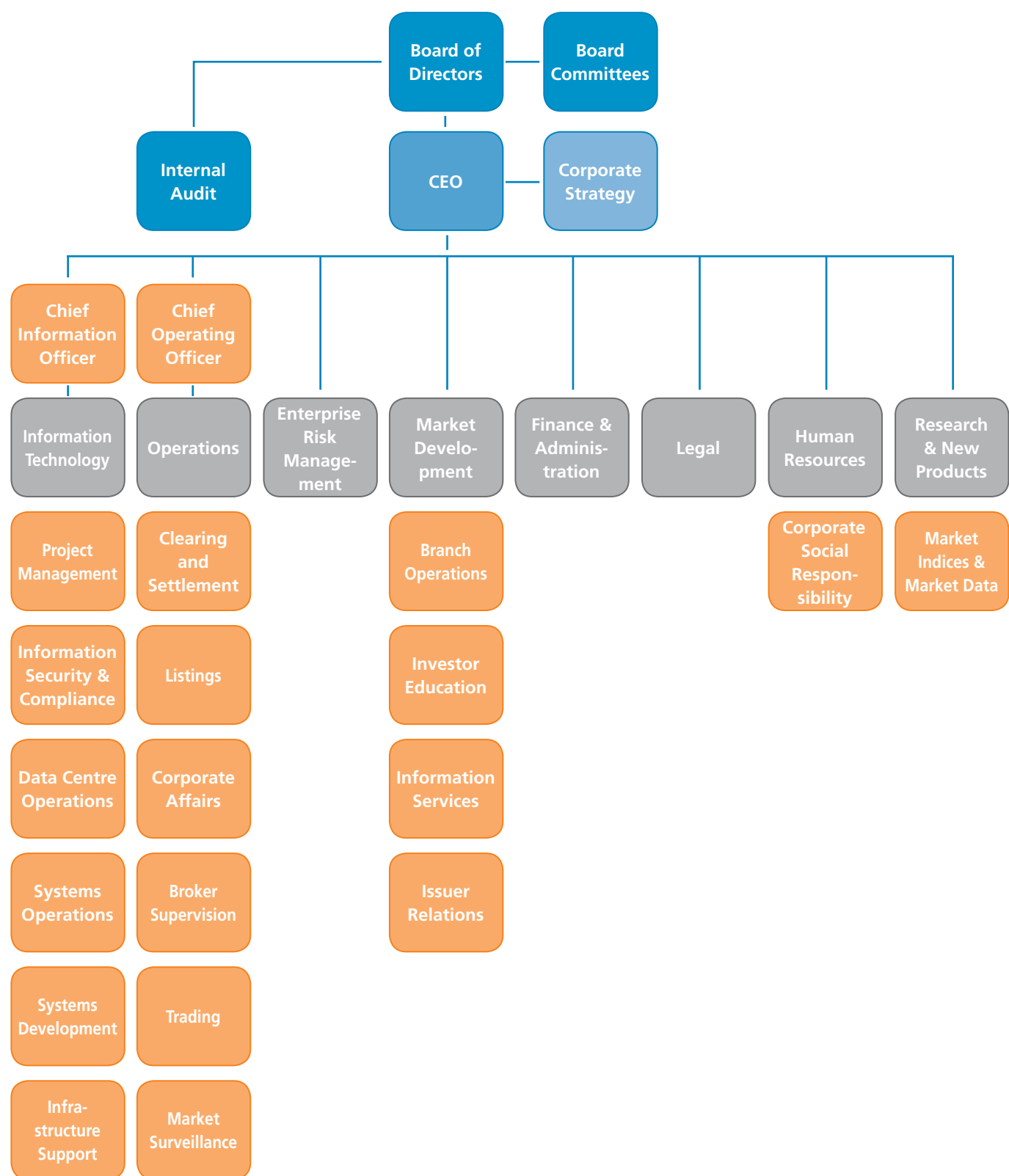
Affiliations

The CSE is a member of both the World Federation of Exchanges (WFE) and the South Asian Federation of Exchanges (SAFE).

While the CDS is a member of Asia Pacific Central Securities Depository Group (ACG).

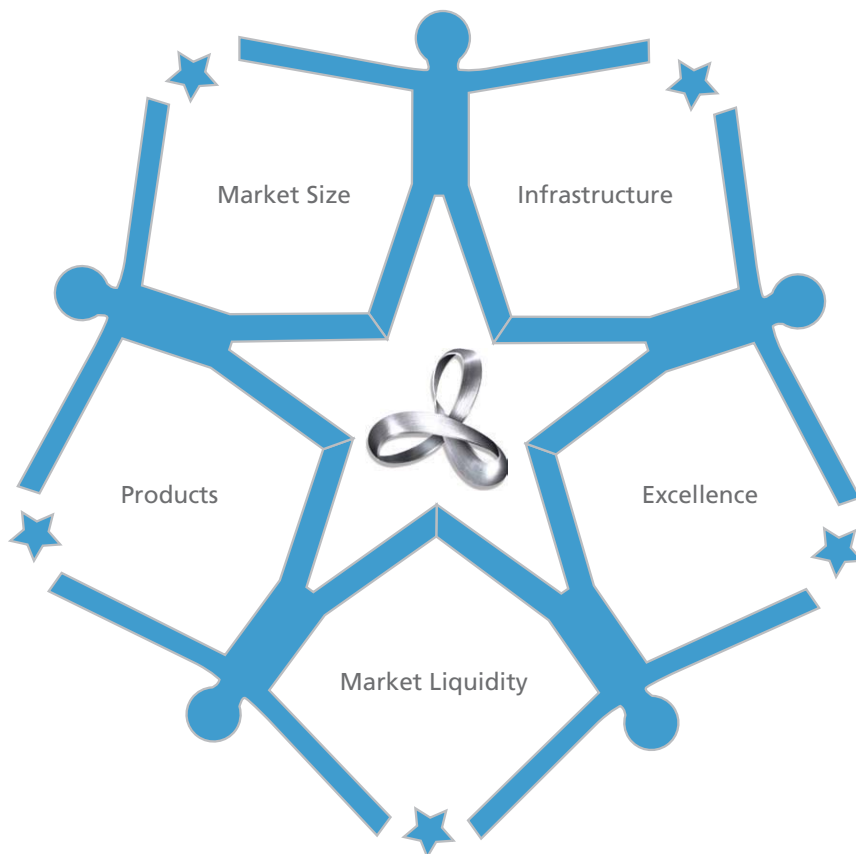
CSE is the National Numbering Agency for Sri Lanka and operates as the competent authority for issuing ISIN numbers.

Organisational Structure



Our Strategic Plan

The CSE has developed a strategic plan to define its direction for the next three years with the objective of **being the preferred choice for creation of wealth and value**. The Strategic Focus places emphasis on 5 key areas.



Introducing
New Products

Capital Markets
as an Attractive
Source of Fund
Raising

Building a
World Class
Organisation

Facilitate
the Increase
of Market
Liquidity

Strengthening
the Broker
& CSE
Infrastructure
& Capabilities

The CSE Strategic Plan 2014-2016 is an overall plan to transform the exchange into a world class organisation. The Strategic Plan aims to achieve organisational excellence through a specific set of goals that will strengthen the capital market and ensure long-term benefits for all stakeholders. It plans to achieve the organisational objectives by maximising the use of available resources and maximising organisational efficiency and productivity.

Events 2013

January

Installation and implementation of the new data wall.



March

Opening of the sixth Regional Branch Office in Anuradhapura to service investors from the North Central Province.



February

The inaugural “Invest Sri Lanka” Investor Forum was hosted at the Four Seasons Hotel in Mumbai, India. The forum was a collaborative effort between the Colombo Stock Exchange (CSE) and Bloomberg Data Services, to showcase the country’s commercial and investment potential. Featuring eight leading Sri Lankan Corporates from diverse sectors, the event attracted over 150 fund managers, analysts and businesspersons with commercial and economic interests in Sri Lanka.

The Automated Trading System (ATS) was upgraded to version 7.14, facilitating a uniform trading platform for trading of fixed income instruments, equity and other types of assets.



May

Investor Forum and Sri Lankan Exposition, a follow up opportunity for potential investors identified from attendees at the Investor Forum held in Mumbai. The selected participants were afforded networking opportunities with CEO’s of leading Sri Lankan Corporates, in addition to discussions with CEO’s of local brokerage houses and meetings with officials at the CBSL. The agenda also included a two day tour to Jaffna and Trincomalee.

June

Attracting over one hundred institutional, high net-worth investors and fund managers, the second “Invest Sri Lanka” Investor Forum was held at the Ritz Carlton, Dubai International Financial Centre displaying the potential of Sri Lanka’s capital market.

July

A partnership agreement was signed between the CSE and Copal Amba, a subsidiary of Moody’s Corporation, the internationally acclaimed rating and research unit, to improve the visibility of the companies currently included in the S&P SL20 Index. The agreement entails equity research on the S&P SL20 stocks to be conducted by Copal Amba, with the ensuing reports being hosted on the CSE’s website.

August

To increase awareness and promote investment opportunities in the Sabaragamuwa Province, CSE opened its seventh Regional Branch Office in Ratnapura.



Launch of 'A guide to listing on the Colombo Stock Exchange'. Jointly compiled by the SEC/CSE Committee on new listings, the publication aims to increase awareness among potential issuers and encourage them to pursue either a private or public CSE listing for equity and corporate debt securities.

September

Demonstrating the economic growth prospects and investment opportunities in Sri Lanka's capital market, the third "Invest Sri Lanka" Investor Forum, a collaborative effort between the CSE and the SEC, was held at the Shangri-La Hotel in Hong Kong. The event proved to be a tremendous success, attracting over one hundred participants from Hong Kong and mainland China.

October

"Listing on the Colombo Stock Exchange – A Mark of Distinction" forum was held to create awareness among potential issuers. The event was structured to encourage unlisted companies to obtain a CSE listing for equity and corporate debt. Held, at Oak Room, Cinnamon Grand Colombo, this forum was attended by a large number of CEO's and CFO's of unlisted companies and senior representatives of Investments Banks.

Obtaining Certifications for ISO 27001 (Information Security Management System), ISO 22301 (Business Continuity Management System) and ISO 20000 (Information Technology Service Management).



December

The launch of the CSE Android Mobile Application offering live stock market information among many other interactive features.

Highest Ever Capital Raised – through Debt IPO.

Rs.68,262.3 Mn

Foreign Inflow (2nd Highest) – Net Foreign Flow Secondary Market.

Rs.22,733.7 Mn



Chairman's Statement



The Colombo Stock Exchange is an enduring Financial Institution with an illustrious history interlinked with the Sri Lankan economy. Building on a wealth of experience, we are preparing for a future of opportunities by constructing and executing a robust growth framework.

Krishan Balendra

Krishan Balendra
Chairman

Chairman's Statement

“The Colombo Stock Exchange is well aware of its pivotal position in contributing to economic growth. We have over the past year continued to implement a number of strategic initiatives to develop the capital market.”

Macro Landscape and Prospects

During the year 2013, the global economy continued its recovery albeit in a low-growth gear. Some developed economies were seen advancing, while emerging market economies faced both growth and financial stability concerns. Reflecting these mixed fortunes, capital market performance in advanced economies rebounded whilst emerging markets registered varied returns. Overall, economies with strong fundamentals and apt macro management fared comparatively well.

Although impacted by unfavourable weather conditions and weak global demand, the Sri Lankan economy grew by 7.3% in 2013, with growth of 8.2% in the last quarter. The Central Bank of Sri Lanka (CBSL) took into consideration the moderation in inflation, inflation expectations as well as the need to drive growth and therefore eased its monetary policy stance. Due to the effectiveness of these policy measures, the economy showed signs of further improvement with interest rates adjusting downwards albeit with a delay and private sector credit advancing during 4Q 2013.

Inflation continued to remain at single digit levels for the 59th consecutive month at year end 2013. Fiscal management, although challenging, remains an area that the Government of Sri Lanka is committed to.

Strategic Pursuits

The CSE's aim last year was to continue to implement our strategic initiatives to strengthen and develop the Exchange's central role in contributing to the future development of the Sri Lankan economy. The Exchange's new corporate plan completed during the year helped us review our market's capabilities, progress achieved hitherto and targets to be attained in relation to the growth path prescribed in 2012 under the broader strategic plan.

This strategic plan maps initiatives to reinforce our position both as an attractive investment hub and listing venue, improve our internal resources and infrastructure, and to transform key market intermediaries collaboratively with the Securities and Exchange Commission of Sri Lanka (SEC).

Ideas into Action

We are happy with the progress made in the second year of our strategic plan but are also mindful of the challenges that we may face in the transformational process.

We have made significant headway in gaining increased international visibility to attract more investment. During the year, the CSE together with the SEC and Bloomberg Data Services successfully



Our perspective is rapidly changing, supported by proactive action to capitalise on the visibility, Sri Lanka has already gained as a country with a unique growth capability. We want our capital markets to not only attract international consideration but also transform into a world-class organisation.

conducted investor forums for institutional and high net-worth investors in Mumbai, Dubai and Hong Kong. We showcased the compelling growth and investment prospects of Sri Lanka and are pleased to note that foreign investors found selective value in our market. The market saw Rs. 22.7 Bn in net foreign inflows in equity during the year. To further advance global interest in our market, more such events will be held in 2014. We hosted an investor forum in Singapore during February 2014. New York and London will also be targeted later in the year.

The CSE's equity market reflected comparatively satisfactory growth in the context of regional performance with the broad market index ASPI recording a 4.8% return YoY. The S&PSL20 launched in June 2012 as a priority initiative completed its first full year of performance tracking and reflected a return of 5.8%. The index consists of the 20 most liquid counters on the CSE.

Approximately Rs.68.3Bn was raised in the debt primary market following the tax incentives secured under the Budget 2013. The debt market intermediary reform and infrastructure to support secondary market trading were put in place. The SEC and CSE encouraged primary dealers to obtain permission to trade corporate debt on the Exchange. The ATS, which was upgraded to version 7.14 earlier in the year, enables trading of fixed income instruments via a uniform trading platform. In addition, the Listing Rules were amended to provide a more facilitative framework which would drive growth in the corporate debt market.

Primary equity market activity during the year was disappointing. Nonetheless, we remain committed to attracting more listings. A forum themed "Listing on the Colombo Stock Exchange - A Mark of Distinction" was held in October with the objective of increasing awareness amongst potential issuers. The event also served as a platform for potential issuers to meet Investment Banks and other industry professionals.

During the year, we achieved triple certifications for conformance with ISO Standards in relation to Information Security Management System (ISO 27001), Business Continuity Management System (ISO 22301) and IT Service Management (ISO 20000). We will continue to be mindful of the further improvement of information security management and other internal processes throughout our transformation to provide superior value to our stakeholders.

We have successfully developed a comprehensive Enterprise Risk Management framework. Core risks and corresponding action plans for risk management were formulated and necessary staff training provided during the year. In view of post-trade risk management, an identified core risk, we had previously interacted with key stakeholders and formalised model specifications both for real time equity margining and Delivery Vs. Payment (DVP). We have since joined forces with the CBSL, the SEC and the national payment infrastructure provider, Lanka Clear, to look at developing a 'national' CCP and avoid duplicating the infrastructure. Having taken into consideration the broader financial market infrastructure, operations and interdependencies, a common central counterparty or clearing house (CCP) was determined as apt for our market. Work continues in this respect at the CSE on technological and other areas of internal readiness, independent of the procurement processes led by the CBSL. In order to complement the setting up of a CCP, the Exchange commenced the implementation of a new multi-asset Central Securities Depository system. The solution supports the transition to a CCP landscape. The new system is expected to go live in 2014.

Acknowledgements

I wish to thank my fellow Board members for their constructive contribution and support. During the year, Mr. Rajendra

Theagarajah and Dr. Saman Kelegama retired from the Board. I wish to register my appreciation for their wise counsel and the conscientious manner in which they fulfilled Board duties. I formally welcome two new members to the Board, Mr. Ray Abeywardena and Mr. Asanga Seneviratne both of whom bring considerable industry experience to the Board.

Ms. Surekha Sellaheewa stepped down as Chief Executive on 31st October 2013 after seven years in the role and a 23 year service period at the Exchange. I would like to offer the Board's gratitude for her hard work, commitment and leadership.

I welcome Mr. Rajeeva Bandaranaike who assumed the role of Chief Executive on 14th November 2013. He brings 25 years of experience, 18 of which were at the CSE. He has also served as CEO of two listed companies. His professional experience will be beneficial through the next stages of the CSE's strategic pursuits.

On behalf of the Board I wish to recognise the management team and staff members of the Exchange. They have performed admirably over the year.

I wish to express my gratitude to Mr. Ajith Nivard Cabraal, the Governor, CBSL and Dr. Nalaka Godahewa, Chairman, SEC for their continued support.

We look forward to further strengthening interactions with all our stakeholders in year 2014.



Krishan Balendra
Chairman

23rd April 2014

Chief Executive Officer's Review



This is a time of transition in our capital markets. We are strengthened by the pragmatic course of our economy and will continue to advocate growth, efficiency and transparency. Our action in this new phase is leveraged on strategy, operational excellence, innovation, a redefined business model and providing solutions to our stakeholders.

A handwritten signature in white ink on a red circular background. The signature is stylized, with a vertical line and a large 'U' shape.

Rajeeva Bandaranaike
Chief Executive Officer

Chief Executive Officer's Review

“In the last year we made further progress in the transformation process through proactive efforts extended towards implementation of our medium term strategies. The CSE's internal resources and capabilities are well aligned with growth intentions. We are evolving as intended, turning ideas into action.”

Shifting Economic Landscape

In 2013 the global macro-environment remained challenging and as per IMF projections recorded a growth in the region of 3.0%. The world economy is projected to grow at a higher level of around 3.7% in 2014. The more complex environment that is evident globally has necessitated apt policy responses. Growth in the United States is expected to be 2.8% in 2014 up from 1.9% in 2013, while the Euro Zone is expected to record imminent growth of 1.0%. Output in emerging and developing economies as a whole is projected to improve slightly by 0.4 % to 5.1 % in 2014 dampened primarily by China. Developing Asia and India are expected to witness a positive turn in growth. Sri Lanka on the other hand registered an impressive GDP growth of 7.3% in 2013 within an easing monetary policy regime. The Central Bank of Sri Lanka (CBSL) has been effecting appropriate policy responses and we are optimistic regarding the growth pace of the country further accelerating during the ensuing year. Medium term projections by the CBSL signify the certain reentry of the economy to the high-growth trajectory with projected real sector growth at 7.8% in 2014.

Comparative Returns

As the year progressed, signs of recovery in select economies gave way to positive sentiment and many markets gathered momentum. When comparing leading advanced economies as against emerging economies, disparity was evident not only with respect to economic recovery and growth but also when considering

relative market performance. At the end of year 2013, the United States showed marked appreciation with the S&P500 up 29.6% YoY and UK's FTSE 100 registered an increase of 14.4%. In Asia, Japan's Nikkei 1000 registered a 52.2% hike.

Nonetheless, emerging market economies reflected mixed performance. The MSCI Emerging Markets Index which covers over 800 securities across 21 markets fell by 5.0% in 2013. The CSE's All Share Price Index (ASPI) however recorded a 4.8% increase while the S&PSL20 Index recorded a return of 5.8%. Broad market returns as reflected by the ASPI compares favourably with the decline of 7.1 % and 8.5 % recorded in 2012 and 2011 respectively.

The varying returns across regional markets, both frontier and emerging,

in comparison to that of the CSE are tabulated below.

Equity Market

In line with overall performance, the Market Capitalisation of the cash equity market showed recovery recording a value of Rs. 2,459.9 Bn, reflecting an increase of 13.5% YoY in market size. Activity levels remained subdued during 2013 but can be expected to recover in the coming year as gilt markets reprice within an easing monetary policy. Turnover decreased by 6.2% to Rs.200.5.Bn in 2013 from Rs. 213.8 Bn in 2012.

The highlight of last year was the fact that foreign investors found value in the market as reflected by foreign purchases which were up by 15.1% YoY at Rs. 83.6 Bn. Foreign participation contributed to

Indices of Regional Exchanges				
Exchange	Index	2013	2012	
Karachi Stock Exchange	KSE All Share Index	56.0%	52.3%	
Ho Chi Minh Stock Exchange	VN Index	22.0%	17.7%	
Bursa Malaysia Berhad	FTSE Bursa Malaysia EMAS Index	12.4%	9.0%	
Taiwan Stock Exchange	TAIEX Index	11.8%	8.9%	
Colombo Stock Exchange	All Share Price Index	4.8%	(7.1%)	
National Stock Exchange of India	CNX500	3.6%	31.8%	
Bombay Stock Exchange	S&P BSE 500 Index	3.3%	31.2%	
Hong Kong Stock Exchange	Hang Seng Index	2.9%	22.9%	
Korea Exchange	KOSPI Index	0.7%	9.4%	
Singapore Exchange	Straits Times Index	0.01%	19.7%	
Indonesia Stock Exchange	Jakarta Composite Index	(1.0%)	12.9%	
Shanghai Stock Exchange	Shanghai Composite	(6.7%)	3.2%	
Stock Exchange of Thailand	SET Index	(6.7%)	35.8%	

36.0% of Turnover relative to 24.9% in 2012. Foreign investors were net buyers over the year recording inflows of Rs. 22.7Bn. Overall, institutional investors contributed 64.7% of Turnover with negligible change in the mix relative to 2012, while retail investors accounted for 35.3%.

CBSL took an accommodative stance in monetary policy from December 2012 by removing the credit ceiling on licensed banks and effecting the reduction of policy interest rates by 25 basis points. This easing off was continued during year 2013 with policy interest rates being reduced by 50 basis points each in May and October and the Statutory Reserve Requirement by 2.0% in July. It is noted however that despite the shift from restrictive policy to an accommodative one being effected in this manner, interest rate adjustment was subject to a lag and as such the recuperation of the economy and repricing of asset markets too were subject to delay. As interest rates continue to adjust downwards, particularly domestic participation in the equity market, can be anticipated to improve.

Primary Markets

The year 2013 proved to be a record year for the primary market which saw a total of Rs.68.8 Bn being raised through both debt and equity. Interest income from debt securities issued and listed from 1st January 2013 were exempted from income tax and withholding tax as evinced by the National budget of 2013. As a result initial debt capital raised by 24 companies via 28 issues amounted to

Rs.68.3 Bn comparing favourably to just 2 companies raising a total value of Rs. 12.5 Bn during 2012. Foreign Inflows to the equity market totaled Rs.11. 2Bn

One company raised equity capital through IPO to the value of Rs. 494.4 Mn. Globally 2013 was termed a year of inflection for IPO's. Although strong impetus was visible in many advanced markets, IPO activity in emerging markets remained relatively subdued. However, given improving economic fundamentals globally, the foreground has been set for an increasingly more active 2014 bolstered by country specific factors. The CSE's equity primary market activity through Rights Issues remained receptive faring well in terms of deal value with 9 companies raising Rs. 25.5 Bn in 2013 recording a percentage increase of 129.1%.

We are bullish regarding the impetus to be gained by the equity primary market in 2014. Strong economic fundamentals combined with encouraging policy and the CSE's own promotional drive are collaboratively aiding the firming-up of primary equity market activity. We are also committed to meaningful dialogue with our policy making bodies and regulators to elicit proposals such as those evinced by the Budget 2013 which bolster primary market activity.

Strategic Thrust

The CSE's strategic direction - the roadmap for transformation, constitutes a four-pronged thrust for growth. It encompasses capturing further investment flow, enhancing the CSE's attractiveness as a fund-raising venue, transforming intermediaries and internal competencies to elicit growth



We have developed a strategy, to transform the CSE into a world class organization. Our sources of growth and the drivers of value and sustainability are manifold. As our economy achieves next generation growth, we aim to fortify our role through distinctive 'tools of trade and strength of purpose.

Chief Executive Officer's Review

and developing into a world class organisation. I take this opportunity to acknowledge the collaborative synthesis of the 10 Key Projects of the Securities and Exchange Commission of Sri Lanka (SEC) in defining our growth trajectory and the support received by our regulator in this context.

In gaining strategic headway we achieved several targeted reforms during 2013 both as an individual organisation and collaboratively.

Capturing Increased Investment Flows

We executed several tasks to maximise the attractiveness of the CSE in order to attract investment from both domestic and international investor through:

→ Taking Sri Lankan Capital Markets Global

In 2013, we stepped up the effort to promote our markets overseas. Together with the SEC and Bloomberg Data Services, the CSE successfully held three "Invest Sri Lanka" Investor Forums in Mumbai, Dubai and Hong Kong in order to take Sri Lanka's value proposition global. The forums attracted a large number of participants including institutional and high net-worth investors and fund managers.

→ Domestic Investors

Education is a key element of creating interest in our market and promoting investment, especially amongst nascent domestic investors. Over the year significant effort was put into understanding, educating and inspiring retail investors. Investor days, educational workshops and seminars were held islandwide with the intent of raising awareness regarding stock market dynamics and equity investment theory. In order to create a mindset change and increase interest in the debt market we also launched educative seminars covering the corporate debt market and related investment. These centred on eliciting value from the market and

the importance of personal financial planning. Our ultimate goal is to build a sustainable and diversified investor base.

→ Improving Domestic Reach

The operation of regional branch offices aids us in capturing visibility whilst providing easy access to a growing number of domestic investors. During 2013, the CSE expanded its local footprint by setting up new branches in Anuradhapura, Ratnapura and Hambantota. Additionally the branches in Jaffna and Negombo were relocated to venues offering greater accessibility. Retail investors are benefited also by educational and promotional activities conducted regionally.

Information Service Outreach

We actively manage the usage and the right to our market information. Aiding the drive to boost investor participation, we used market information creatively together with innovation and

partnerships to introduce new services including the introduction of a Trilingual Android Mobile Application (AMA) which offers live stock market information to all local and foreign investors. The AMA ensures equitable access to all investors and aligns well with the marketing thrust aimed to attract local investors from varying demographic cross-sections.

→ Equity Research Project

The CSE also actively promoted Equity Research by providing information and independent analytical expertise to investors. The availability of equity research mitigates information asymmetry amongst investors regarding the appropriate price to be paid or the fair return to be received on their investment. With the foregoing in mind, we launched the Equity Research Project in partnership with Copal Amba. Our role is in sponsoring the latter in the provision of research reports, initially limited to the companies in the S&PSL20 index.



Continuous assessment of the factors that drive change within the ecosystem that we operate in, timely maneuvering of opportunities including our economic fundamentals and commitment to the delivery of strategy defines our ongoing process of reform.

Featured on the Exchange website, these reports cover fundamental analysis, key risks and the potential valuation range applicable of the securities under consideration. These reports do not contain an investment recommendation and are primarily for providing investor education and creating awareness on the covered counters.

We stand to benefit from our partner's extensive experience in emerging markets equity research, ultimately supporting our need to facilitate informed investment via quality research coverage. We are confident that the project will accelerate pace in generating investor interest by the provision of regular research reports on the counters covered.

➔ Technical Publications for Promotional Drive

Our promotional efforts both here and abroad provided a platform for distributing comprehensive educational material. A number of publications covering technical matters regarding investment and others giving a macroeconomic overview of Sri Lanka and in-depth details of listed companies in English, Sinhala and Tamil is disseminated both locally and internationally.

Increasing our Source of Listings

During 2013 we observed that companies preferred the alternative of debt financing over equity mainly driven by the tax advantages procured by listing debt. We currently have 289 companies listed on the CSE.

Although it is indeed a constructive change that tax advantages elicited through the National Budget 2013 would result in improved utilisation of debt primary market as a source of financing, this highlights another continuous call of duty – one owed to the equity market. IPO activity in the equity market is set to gather momentum further emphasising the importance of enhancing the

attractiveness of the CSE as a source of equity finance.


It signals the need to constantly address the requirements of the issuers and to entice potential issuers to view the market as a source of funding. Recognising this, we revamped the Issuer Relations unit to focus more on issuer development through a process of direct and dynamic engagement.

Improvements to Core Infrastructure

We accelerated our efforts in enhancing core infrastructure during the year. The main target was superior technology in conjunction with the rapidly evolving requirements of our core business. With a view to creating a robust technology infrastructure, we undertook a number of projects during the course of the year involving upgrading and enhancing critical facilities.

The Trading Platform Infrastructure of the Exchange was upgraded over the year enabling trading of fixed income instruments on a uniform trading platform. A smooth migration was enabled through extensive testing and creditably effected project coordination. Its significant impact on the debt market would be the provision of transparency and increased efficiency in debt trading leading to improved aftermarket activity.

During the year, Disaster Recovery (DR) capabilities of the trading platform were enhanced with the aim of reducing system recovery time. We successfully conducted a series of DR simulations involving industry participants, to test DR capabilities in an unforeseen event and to complement our business continuity plan. Further developments to DR functionalities of systems and actions to strengthen the Information Security



We consider next generation technology as well as our people as assets that form our institutional strength. Our teams are focusing on maintaining an enterprise that is agile and growth oriented.

posture of the Exchange are in the pipeline with high priority.

Post Trade Infrastructure

As our efforts in integrated trading should also be reinforced at the later stages of the operational chain, we also concentrated on improving our clearing and settlement infrastructure. As such we commenced implementation of a new Central Securities Depository system which is a robust, extensible, multi-asset class clearing, settlement and depository system built around a revolutionary flexible and scalable web-based architecture. The CSD system is expected to go live in 2014 and supports the transition to a CCP post-trade landscape.

The Central Depository Systems (Pvt) Limited (CDS) is a fully owned subsidiary of the Exchange providing post trade services in order to facilitate dealings in securities on the CSE. The CDS is a member of the Asia Pacific Central Securities Depository Group (ACG). Several service enhancements were gleaned by the CDS during the year for Listed companies, Custodian Banks, Stockbrokers and CDS account holders resulting in higher data quality and enhanced accessibility.

Chief Executive Officer's Review

Establishing International Standards

The CSE achieved three ISO certifications, and joined the select band of exchanges globally to be certified in compliance with ISO standards in relation to Information Security Management system (ISO 27001), Business Continuity Management System (ISO 22301) covering the Trading, Clearing, Settlement, Registry and Depository services and IT Service Management (ISO 20000) supporting the provision of IT services in the Exchange. The certifications procured assert that investors and other stakeholders are serviced on par with global standards and that all technological resources are well aligned to deliver our strategic intent.

Embedding Enterprise Risk Management

With the global economy besieged with uncertainty, volatility and a fluid macro-environment, risk management remains an important area for investors and the corporate community.

Formulation of Enterprise Risk Management Framework

We have already expanded our risk management function by looking at business-wide risk. During 2013 we identified our core risks and commenced the formulation of an Enterprise Risk Management (ERM) framework. The Board through the Audit and Risk Committee oversees the ERM framework. The Audit and Risk Committee assessed areas of principal risk faced and the status of the ERM action plans. The ERM action plans incite increasing formality to the reporting process whilst ensuring congruency with strategic initiatives, enhanced business engagement and regulatory requirements. Requisite training on the framework and policies and procedures therein, was conducted for the employees. A dedicated ERM division was set up recently to identify a framework for risk management, which will identify particular events or circumstances relevant to the exchange

operations assessing them in terms of likelihood and magnitude of impact, determining a response strategy, and to put in place a monitoring progress.

Settlement Risk

Amongst the core risks, we had previously stressed on counterparty and asset commitment risk as an area that needed management. We have in recent years reported to you in detail the action plans in this context. Our initial plan was to approach Central Counterparty (CCP) implementation in a phased manner in which the business framework is put in place prior to the establishment of the institutional framework of a clearing house. We had in fact over the last two years completed industry consultations and specified both the real-time equity margining model in addition to the Delivery vs. Payment business model. However, we have identified some legal

and operational concerns inter-alia arising out of the phased implementation plan that was under consideration.

In order to overcome these difficulties we initiated collaborative consultations with the CBSL and the SEC in congruence with the broader financial ecosystem. We assessed the necessity of a CCP and synergies that can be gained through recourse to the CBSL with its deep expertise in payment systems in the context of aligning with the SEC's stance of viewing a clearing house as a utility. A common CCP has been proposed through successive discussions between the CBSL, SEC and Lanka Clear- the national payments system provider.

In this regard the CBSL, SEC, CSE and Lanka Clear published an EOI to appoint a Consultant/Project Manager to advise on a possible common CCP. It



Our strategic initiatives align the Exchange well within the perspective of the macroeconomic value chain. We understand the intricacies of our market well and remain committed to the best interests of our stakeholders as we explore growth.

is expected that the Consultant/Project Manager will be appointed during the 1Q2014. Parallel to the said procurement process we continue to pursue member readiness aspects including the industry-wide enhancement of broker back office system functionality. Further, as mentioned previously we have integrated the existing depository in the internal readiness process by initiating the implementation of a new CSD system.

We are confident that the imminent CCP implementation plan can be streamlined by the groundwork already completed regarding model specification and gaps in legality. We have also gathered an extensive understanding regarding the stakeholder concerns and needs and would be able to support the CCP business model consultations effectively once commenced. We look forward to playing a positive and constructive role in the implementation process during the coming year.

Our Regulatory Role

We are constantly guided by the mission of ensuring a balanced regulation. The regulatory framework in place aims to ensure that our market is conducive for capital raising as well as investment. Our key areas of focus in achieving regulatory goals include market surveillance,

improving business conduct among stockbrokers, improving quality and timeliness of disclosures to the market, elevating the level of compliance of financial statements and a range of investor protection activities.

We are committed to improving regulatory effectiveness and assess the outcomes that we achieve, whilst keeping abreast with best practices. Together with this we are mindful of our efficiency levels and optimum utilisation of resources to enable us to meet the deliverables required by our diverse set of stakeholders.

Developing CSE into a World Class Organisation

In transforming the CSE into a world class organisation, an essential component is the development of its internal competencies in order to achieve organisational excellence. Our strategic plan stresses the refinement of the CSE's corporate culture and places importance on retaining and capturing agile, outcome-centric people who collaborate in achieving common long term value.

To inculcate and sustain a performance culture we have introduced a 3-Tier Performance Management Model integrated at all points of measurement inclusive of Operational Objectives, Dynamic Objectives and Job Specific Competencies.

It is important to create a workplace where our employees feel challenged as well as supported, with emphasis placed on recognising their achievements. Re-defining the Performance Appraisal to a biannual cycle, a Reward and Recognition Scheme differentiated on Performance, recognition programs to ring fence Top Talent (CSE Star Club), team recognition, innovation recognition and the development of CSE Specific

Leadership Competencies to be used for Leadership Development, are some strategies that would be adopted.

In striving to achieve organisational excellence due consideration and emphasis will be given to Employer Branding & Recruitment, Career & Succession, Employee Engagement, Training & Development, Internal Corporate Communication, Knowledge Management and providing competitive Compensation and Benefits.

Financial Review

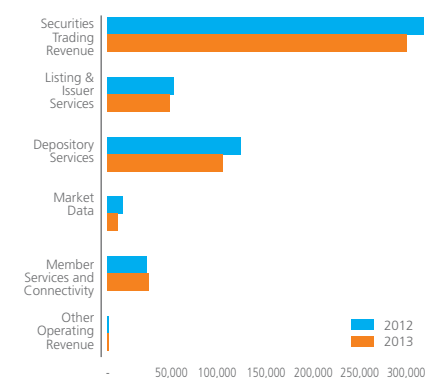
With the advent of a focused strategic drive, the CSE is mindful of its imminent transformation from a member owned to demutualised status, in which a fine balance must be maintained between a profit motive and its core responsibilities. In this context I would like to highlight some areas of the consolidated financial performance of the CSE and its fully owned subsidiary, the CDS. The total revenue of the group has increased by 5.0% to Rs. 771 Mn in 2013 from Rs. 733 Mn in 2012 mainly due to increase in other income namely interest income and unit trust dividend income.

Overall performance continued to be impacted by market activity levels. The Group's revenue fell by 7.0% to Rs. 456 Mn in 2013 reflective of reduced CSE and CDS fee income streams. This was in line with the fall in Average Daily Turnover from Rs.884 Mn in 2012 to Rs.828 Mn in 2013.

Total operating expenses increased by 18.0% from Rs. 625.8 Mn in 2012 to Rs.738.4 Mn in 2013. The increase in operating expenses is reflective of the additional costs incurred in executing strategic initiatives inclusive of platform infrastructure enhancements, promotional drive related activities and regional expansion.

With demutualization in mind we are striving to diversify revenue streams and exercise cost-consciousness. Our strategies encompass the many dynamics that direct the next leap forward.

Chief Executive Officer's Review



Operating Revenue
(Rs. '000)

For the full-year, the CSE's profit after tax was Rs. 10.6 Mn.

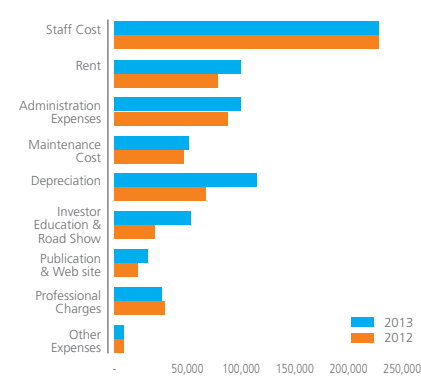
Group Capital Expenditure incurred during 2013 was Rs. 196 Mn mainly signifying investments made during the year in enhancing trading and post trade platform infrastructure. Additional Capital Expenditure relates to varied business initiatives including expansion of regional presence.

As the CSE envisions demutualisation, the strategy is to engage in demarcating a diversified and resilient business model, through the focused delivery of the identified strategic initiatives.

Strategic Outlook

We have further refined the way we articulate our dynamic stakeholder relationships and the execution of the key components of the CSE's strategic plan, going forward. During 2013 the management team of the CSE identified, reviewed and analysed critical issues in our strategies together with the due engagement of varied stakeholders.

The main organisational goals identified, include transforming the market into an attractive source of funding, building a world class organisation, facilitating the improvement of market liquidity, strengthening stockbroker capabilities and enhancing infrastructural and other



Operating Expenses
(Rs. '000)

internal capabilities of the CSE. To efficiently direct execution, these have been translated to 32 goals cascaded down to divisions replete with action plans, correspondent timelines and clearly defined accountability. The goals have been linked to the budget New key performance indicators (KPI) have been formulated and a new organisational structure has been put in to place.

The coming year will be a critical time for us as we embark on this refined set of goals. From the CSE's perspective, these initiatives will position us to capture more opportunities for growth and diversifying our revenue streams. The ultimate goal would be to enhance the business model and hence revenue, incrementally, setting the foundation for enhanced shareholder value with demutualisation in mind. It is apparent that fruition of some strategies would require longer time for completion and payback, I am confident that stringent project management and financial discipline envisioned in the new strategic plan will support the transformation process.

We are very aware of the potential impact of the proposed transformation on the market and will continue to engage our stakeholders in the execution of these initiatives. In the long run, we believe our transformation would benefit the market as a whole.

Appreciation

I would like to gratefully acknowledge the wise counsel and guidance given by the Chairman and Board of Directors of the CSE. The Exchange benefits from your advice and support during this important time of transformation.

I extend my sincere gratitude to the Management and staff of the CSE for their hard work and achievements during the past year. They have risen to the challenges posed by our ambitious initiatives and performed well in managing broad stakeholder relationships. It enables me to view our future progression with confidence.

We are fortunate to have the support of the regulator for all our market development initiatives. I thank Dr. Nalaka Godahewa, Chairman of the SEC, Mr. Dhammika Perera, Officer in Charge and Deputy Director General of the SEC and senior officials of the Commission for their unwavering commitment to the development of the stock market and all the support extended.

We have been working closely with the Central Bank of Sri Lanka in recent times in executing strategy. The support extended by the Governor, Mr. Ajith Nivard Cabraal and officials of the Central Bank of Sri Lanka in many areas in the development of the capital market is indeed noteworthy.

I wish to acknowledge our Stockbroker Firms which not only act as principals to the investor community as their core business but also support our drive towards enhancing long term value. Your renewed commitment inspires and infuses us with rigour in our strategic endeavours.

We take pride in that the CSE represents a financing opportunity for many enterprises in our country. I acknowledge and thank all listed companies whose confidence in the CSE is important to us in growing our market and building

a solid culture of stakeholder service through close collaboration.

I take this opportunity to also thank the diverse investor groups consisting of local retail investors, Local institutions and foreign investors who participate actively in our market. We are committed to facilitating access to our equity and debt market and delivering investor centric services to you.

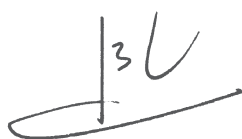
I would also like to thank the Settlement Banks, Custodian Banks, Investment Banks, our IT service providers, other market intermediaries and the media whose continued support is important to us.

Conclusion

We aim for further progression and have set out challenging targets for the year ahead. We are ready to embrace and embed change, nurture organic growth and to reach our optimum.

In the meantime, market activity is expected to continue to recover in line with conducive macroeconomic dynamics. Market activity as a whole is linked to economic drivers locally and abroad and the markets' response to these. As our mission and strategic thrust extend well beyond purely market performance we will remain committed to delivering value to the community that we operate in.

As we continue to extract synergies from integrating with the SEC's strategic initiatives, I am confident that tangible growth will increasingly be apparent to all participants. Indeed, we anticipate an exciting year ahead.



Rajeeva Bandaranaike
Chief Executive Officer

23rd April 2014

Board of Directors

Chairman

Mr. Krishan Balendra

Directors

Mr. Dakshitha Thalgodapitiya - Appointed

Mr. Vajira Kulatilaka - Elected

Mr. Hiran de Alwis - Appointed

Mr. M. R. Prelis - Elected

Mrs. Jeeva Shirajanie Niriella - Appointed

Mr. Ray Abeywardena - Elected

Mr. Asanga Seneviratne - Elected

Resignations during year 2013

Mr. Rajendra Theagarajah - w.e.f. 1st May 2013

Dr. Saman Kelegama - w.e.f. 25th June 2013

Management Team

Chief Executive Officer

Mr. Rajeeva Bandaranaike
Mrs. Surekha Sellaheewa

Appointed w.e.f. 14th November 2013
Resigned w.e.f. 31st October 2013

Management Team

Renuke Wijayawardhane
Chandrakanth Jayasinghe
Lalin Paranavitana
Priyana Gunsekera
Niroshan Wijesundere
Tharaka De Silva
Nalin Fonseka
Renu Ranatunga
Kusal Nissanka
Nishantha Hewavithana
Charita Dumbukola
Wasantha Perera
Janaka Mahagedarawatta

Chief Operating Officer
Chief Information Officer
Assistant General Manager - Enterprise Risk Management
Head of Listing & Corporate Affairs
Head of Market Development
Head of Human Resources
Manager - Central Depository Systems
Senior Manager - Legal
Manager - Finance & Administration
Manager - Research & New Products
Senior Manager - Project Management
Head of Information Security & Compliance
Manager - Data Center Operations

Board of Directors



Seated left to right
Mr. Krishan Balendra - *Chairman*
Mr. M. R. Prelis
Mr. Dakshitha Thalgodapitiya

Standing left to right
Mr. Hiran de Alwis
Mr. Ray Abeywardena
Mr. Vajira Kulatilaka
Mr. Asanga Seneviratne
Mrs. Jeeva Shirajanie Niriella



Profiles of the Board of Directors

Mr. Krishan Balendra - *Chairman*

Mr. Balendra is the Chairman of the Colombo Stock Exchange and has been a Director of the Exchange since March 2008.

He is currently a President and member of the Group Executive Committee of John Keells Holdings PLC and has responsibility for the Retail sector and John Keells Stock Brokers. He also serves as the Chairman of Nations Trust Bank. Mr. Balendra 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. Krishan holds a law degree (LLB) from the University of London and an MBA from INSEAD.

Mr. Dakshitha Thalgodapitiya - *Appointed*

Mr Thalgodapitiya is an accountant by profession and 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, while he served the public sector as Chairman/ CEO of Sri Lanka Land Reclamation and Development Corporation, River Valleys Development Board, and Lanka Machine Leasers Limited. Mr. Thalgodapitiya has also carried out many assignments with international organisations. He holds postgraduate qualifications in Management from the George Washington University, Washington D.C.

Mr. Vajira Kulatilaka - *Elected*

Mr. Kulatilaka, is designated as 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 Limited, NDB Securities Pvt Limited, NDB Wealth Management Limited and NDB Capital Limited, Bangladesh. He carries over 29 years of experience in the Finance Sector and Capital Market of Sri Lanka. Prior to joining NDB Investment Bank Limited, he functioned as the Chief Executive Officer at CKN Fund Management (Pvt) Limited. Mr. Kulatilaka has been instrumental in managing some of the largest IPO's in Sri Lanka.

Mr. Kulatilaka is a Chartered Financial Analyst and has obtained a B.Sc Degree in Civil Engineering with First Class Honours from the University of Moratuwa, and MEng in Industrial Engineering & Management from the Asian Institute of Technology. He also obtained qualifications as a Fellow Member of the Chartered Institute of Management Accountants UK.

Mr. Kulatilaka currently holds Directorships at NDB Capital Holdings PLC, NDB Investment Bank Limited, NDB Securities Pvt Limited, NDB Wealth Management Limited and NDB Capital Limited – Bangladesh.

Mr. Hiran de Alwis - *Appointed*

Mr. de Alwis, Attorney-at-Law is a Legal Counsel practicing in Colombo over the last 20 years, specialising in Civil and Commercial Law, Financial and Securities Litigation and Commercial Arbitrations.

He is a Law Graduate of the University of Colombo holding Postgraduate qualifications (Merit) from the University of London in International Dispute Resolution, a Chartered Arbitrator and a Member of the Chartered Institute of Arbitrators, London.

Mr. de Alwis is a Member of the Board of Governors of the Sri Lanka National Arbitration Centre and also its Honorary Chief Legal Advisor. Furthermore he is a Board Member of Financial Companies and also functions as the Chairman of the Arbitration Committee and the Dispute Resolution Committees of the Colombo Stock Exchange.

Mr. M. R. Prelis - *Elected*

Mr. Prelis counts a 27 year career in banking with 21 years collectively as Chief Executive Officer / Director of DFCC Bank and Nations Trust Bank. He has held the posts of Chairman-Ceylon Electricity Board, National Institute of Business Management, Association of Development Finance Institutions of Asia & Pacific headquartered in Manila, and SME Bank. He is currently the Chairman of the Capital Trust Securities Group and an Independent Director of Dialog Axiata.

An Honors graduate in Mechanical Engineering (University of Ceylon), he also holds a Master's in Industrial Engineering and Management from Purdue University, USA as a Fulbright Scholar. He is a Chartered Engineer of UK, a Fellow of the Institution of Engineers, Sri Lanka, a Member of the Institute of Personnel Management and a Fellow of the Institute of Bankers, Sri Lanka. He also functions currently as a member of the National Research Council of Sri Lanka.

Mrs. Jeeva Shirajanie Niriella - Appointed

Mrs. Niriella received an LLB Honors Degree and M.Phil Degree in Law from the University of Colombo. She joined the faculty of Law at Colombo University in 1992, and is currently the Head of the Department of Public and International Law, Faculty of Law University of Colombo. She serves as a visiting resource person in many Higher Educational Institutions locally and internationally, as well as being part of Editorial and Reviewer Boards for several International Journals.

Mr. Ray Abeywardena - Elected

Mr. Abeywardena is the Managing Director of Acuity Partners (Private) Limited. He has been associated with Sri Lanka's capital markets for over 27 years, initially as a Stockbroker and since 2009 as an Investment Banker. Mr Abeywardena is the Chairman of Acuity Stockbrokers (Private) Limited, Acuity Securities Limited and a Director of Guardian Acuity Asset Management Limited. He also serves as an independent non-Executive Director on the Board of Asian Alliance PLC and as a non-Executive Director of Lanka Ventures PLC. Mr Abeywardena was also a past Chairman of the Colombo Stockbrokers Association.

He is a member of the Chartered Institute of Marketing (UK) and holds a Master's Degree in Business Administration from the University of Wales.

Mr. Asanga Seneviratne - Elected

Mr. Seneviratne was the Director / CEO of Asia Capital PLC the largest Investment Bank which quoted on the Colombo Stock Exchange in 1994. He was the Managing Director, Asia Securities (Pvt) Ltd., the number 1 ranked stock broking Company in Sri Lanka and CEO of Asia Capital Ltd.

He was with Asia Securities and Asia Capital for 19 years and has extensive experience in finance and investments, capital management and the hospitality industry.

Mr. Seneviratne pioneered on-line trading in Sri Lanka through his company Investor Access Asia (Pvt) Ltd with CDAX, the first on-line trading system in Sri Lanka, enabling direct access to the Colombo Stock Exchange from the clients' personal computer. 30% of the total trades on the Colombo Stock Exchange were executed via this system during that period.

Mr. Seneviratne serves as Managing Director of Asia Fort Asset Management (Private) Limited, Anilana Hotels and Properties and Investor Access Equities (Private) Limited.

Presently he is also Chairman of NatWealth Securities, Chairman of Nation Lanka Equities Pvt Ltd, Director of Nation Lanka Finance PLC and also served as the Chairman of the Stock Brokers Association of Sri Lanka.

Mr. Seneviratne is also the President of the Sri Lanka Rugby Foot Ball Union and also the Vice President of Sri Lanka Cricket.

Resignation during 2013

- Mr. R. Theagarajah
with effect from 01 May 2013

- Dr. S. Kelegama
with effect from 25 June 2013

Board Committees

1. Rules Committee

The Rules Committee of the CSE ensures that the Rules of the CSE achieve the purpose of maintaining a market in which securities are issued and traded in an organized and fair manner. The Committee approves or amends proposed amendments to Rules pertaining to listed companies and broker firms. All decisions of the Committee will be submitted to the Board of Directors for approval, modification or rejection as per the Terms of Reference and the Articles of Association of the CSE. No meetings were held during the year, as all matters relating to Rules are now taken up at the Consultative Committee of the Stakeholders.

The members of the Committee are:
Mr. K. Balendra (Chairman)
Mr. M. R. Prelis
Mrs. J. Niriella
Mr. C.V. Kulatilaka
Mr. A. Seneviratne

2. Risk and Audit Committee

The primary function of the Risk and Audit Committee is 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. This Committee is also empowered to review the financial statements of the CDS.

Eleven meetings were held during the year.

The members of the Committee are:
Mr. D.T.W. Thalgodapitiya (Chairman)
Mr. C.V. Kulatilaka
Mr. M.R. Prelis
Mrs. J. Niriella
Mr. R. Abeywardena

3. Arbitration and Disciplinary Committee

The Arbitration and Disciplinary Committee reviews any disputes or disciplinary matters arising between the Members of the CSE as well as disputes arising between investors and Members. Further, matters pertaining to breach of CSE and/or Central Depository Systems (CDS) Rules or provisions of the Securities and Exchange Commission Act by Members will also be referred to the Committee for review. 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. T.W. Thalgodapitiya
Mrs. J. Niriella
Mr. K. Balendra

4. Dispute Resolution Committee

The Dispute Resolution Committee of the CSE adjudicates upon the decisions of the 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.

Eleven meetings were held during the year.

The members of the Committee are:
Mr. H. de Alwis (Chairman)
Mr. D. T.W. Thalgodapitiya
Mrs. J. Niriella
Mr. M.R. Prelis*

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

5. HR Committee

The HR Committee is entrusted with evaluating, assessing, deciding and recommending to the Board of Directors on any matter that may affect the Human Resource Management of the CSE.

The Committee reviews and recommends the compensation and benefits of the CSE staff and lays down policies and parameters for compensation structures, makes recommendations to the Board of Directors of the additional/new expertise required by the CSE and promotions for the Heads of Divisions, approves annual increments and bonuses and establishes a succession plan in respect of the office of the CEO and key management personnel of the CSE. Recommendations of the Committee are submitted to the Board of Directors for approval, modification or rejection.

Two meetings were held during the year.

The members of the Committee are:

Mr. K. Balendra (Chairman)
Mr. M. R. Prelis
Mr. C.V. Kulatilaka
Mr. D.T.W. Thalgodapitiya
Mr. H. de Alwis
Mr. R. Abeywardena

6. Consultative Committee of Market Stakeholders

The Consultative Committee of Market Stakeholders was set up to provide recommendations and responses to the Board of Directors or the Rules Committee of the CSE on market development and rules relating to CSE operations and to the Board of Directors of the CDS on new rules and amendments to rules of the CDS. The Committee comprises of sixteen members representing all stakeholders of the CSE selected by the Board of the CSE. The Committee is chaired by the Chairman of the CSE.

Two meetings were held during the year.

Management Team



Left to right

Rajeeva Bandaranaike – Chief Executive Officer • **Chandranth Jayasinghe** – Chief Information Officer • **Renuke Wijayawardhane** – Chief Operating Officer • **Lalin Paranavitana** – Assistant General Manager - Enterprise Risk Management • **Priyana Gunsekara** – Head of Listing & Corporate Affairs • **Niroshan Wijesundere** – Head of Market Development • **Tharaka De Silva** – Head of Human Resources • **Nalin Fonseka** – Manager - Central Depository Systems • **Renu Ranatunga** – Senior Manager - Legal • **Kusal Nissanka** – Manager - Finance & Administration • **Nishantha Hewavithana** – Manager - Research & New Products • **Charita Dumbukola** – Senior Manager - Project Management • **Wasantha Perera** – Head of Information Security & Compliance • **Janaka Mahagedarawatta** – Manager - Data Center Operations



Management Discussion and Analysis

Market Development Division

With the division being primarily responsible for growing the CSE's Investor base, the focus of the Market Development Division for the year, remained firmly aligned towards achieving this goal. In tandem with this objective, the division launched a series of initiatives to capture both local and foreign investors. Underscoring the robust investment potential of the country, these measures also aimed to emphasise the versatility of the CSE in the capacity of an investment facilitator.

→ Efforts to Promote Local Investors

CSE Regional Branch Expansion

Forming a key part of the strategy to reach out to domestic individual investors, regional branch offices serve to extend the CSE's reach on a nationwide scale. Consequently, in tandem with the CSE's objective to ensure greater visibility, three new branch offices were commissioned in Anuradhapura, Ratnapura and Hambantota. Moreover, CSE's commitment to superior service also led to the relocation of the Jaffna and Negombo branches, which were moved to areas that offer greater accessibility and customer convenience. While complementing the existing branch network, the new branches and relocations are expected to be a boon to investors in these areas. By reaching out to retail provincial investors in this manner, these branches follow an agenda to educate and build awareness on investing in listed shares, while simultaneously promoting the country's corporate debt market among a wider clientele.

Workshops and Programmes conducted during the year

Description	Programme Objective	Duration	No of Programmes	Total No of Participants
Investor Day Programmes	Create awareness regarding the CSE's role as an investment facilitator	Half Day Session	11	2,539
Tri-lingual Education Workshop (Stage 1 & 2)	To encourage knowledge based investment decisions	15 hour standard project	33	1,274
Fixed Income Seminars (Tri-lingual)	Building investor awareness	3 hour project	12	568
CSE –SLFEB Basic Financial Management Programmes	Encourage personal financial planning for skilled migrant workers	3 hour project	02	500

→ Efforts to Attract Foreign Investors

International Investor Forums

A collaborative effort between the CSE, the Securities and Exchange Commission of Sri Lanka (SEC), in association with Bloomberg Data Services, the International Investor Forums, provide an ideal platform for companies listed on the CSE to showcase their capabilities on an international stage. By demonstrating their specific competencies in correlation to the country's potential for economic development, companies are thus able to harness prospective investment opportunities. In 2013, three such Investor Forums entitled "Invest Sri Lanka," were held in Mumbai, India, Dubai, UAE and Hong Kong, to spotlight the investment opportunities in Sri Lanka's capital market.

Consisting of an eminent panel of speakers including Mr. Ajith Nivard

Cabraal, Governor of the Central Bank of Sri Lanka, the keynote address at each of the forums was delivered by Dr. Sarath Amunugama, Senior Minister for International Monetary Co-operation and Deputy Minister of Finance and Planning in Sri Lanka. Attracting a large number of institutional and high net worth investors and fund managers at each destination, these forums are expected to play a pivotal role in conveying Sri Lanka's equity market value proposition and realising future investments.

→ Publications and Other Resources

Website Upgrade

Among the key steps taken in 2013 included the upgrading of www.cse.lk, the tri-lingual information portal of the CSE. As a vital tool of the CSE's marketing resources, the website features a more user-friendly structure, including a range of dynamic options that better

Page Detail	Weblink	No. of views for 2013
Research	http://www.cse.lk/research.do	11,680
Issuer Relations	http://www.cse.lk/issuer.do	2,809
Mobile App	http://www.cse.lk/mobile_app.do	2,412

convey the CSE's offerings. Supporting an online registration process for Foreign Investor Forums, the website now offers a research page that allows investors to access the CSE's recent research papers and publications. Meanwhile, the new issuer relations portal is designed to provide a practical procedural guide for listing and enlightens investors on the benefits of listing, listing criteria, listing process, etc.

Tri Lingual CSE Mobile Application

The CSE launched a dynamic Mobile application, compatible with all Android-based smart devices. Available for download from the Google Play store, the App enables users to receive real-time Stock Market Feeds, Market Summaries, ASPI and S&P SL20 graphs, Listing Announcements, Price Lists, Latest Trades, Daily Gainers and Losers, Listed Securities and Company Information among others.

Launched in a tri-lingual format, the Mobile App corresponds to the CSE's intentions to facilitate a diverse investor demographic.

Publications attracting Local and Foreign Investors

The year 2013, saw the accomplishment of the long felt need for an investor publication manual that would espouse Sri Lanka as a potential investment destination. Entitled "Insight for Investing", the publication was compiled and published in English, Sinhala and

Tamil. Portraying a macroeconomic overview of the country, the book compiled by Amba Research, also spotlights selected listed entities featured at the International Investor Forums.

As a follow up to this publication, the "Investor Guide: A Professional Approach" was subsequently launched during the year. Initially printed only in English, the guide offers an in-depth study into investing and is mainly distributed amongst participants at the Stage 2 Educational Workshops.

Listings Division

The Listings Division is tasked with granting CSE approval to issuers, as a precondition for the official CSE listing process. As such, the scope of the listing division entails the review of Initial Listing Applications for Equity listings, Debt Securities and Units of Closed Funds, while the review of additional listing applications pertaining to the listing of further issues of shares also comes under the purview of the division. In its role as an impartial facilitator, the Listings division endeavours to strike a balance between adequate disclosures in support of investor protection while also ensuring issuers of securities are not being compromised at any given time.

Performance of Primary Markets

Year 2013 saw 3 new entrants to the capital market, of which one company listed equity securities, while the third company's listing was for a debt IPO offering. A pending introducer-based

equity listing application was also completed in the second half of the year. However, on 11/10/2013 by way of an SEC Directive introductory listings for equity was re-introduced. Meanwhile, leveraging on their listed status, 9 companies secured LKR 25,539,088,225 by way of rights issues, during the year, an increase of 129% over the total value of LKR 11,128,021,755 raised by way of rights issues in the previous year. Moreover, a sum of Rs. 464,472 was raised upon the conversion of warrants into shares. Meanwhile 2 companies converted debt into equity during the year, through Private Placements amounting to LKR Rs. 24,827,794,610.

Debt Market listings were highly sought after during the year, with 28 debt issues issuing and listing debt instruments, a stark contrast to the 3 companies that secured debt listing in 2012. Raising a total value of LKR 68,262,250,487, the listings for the current year translated into a 446% increase over the total value of LKR. 12.5 billion, recorded in 2012. The National Budget of 2013 conveyed further concessions for interest income on listed debt securities that led to spurt of debt security listings. Under the new regime, interest income from listed debt securities issued and listed with effect from 1st January 2013 would be exempted from income tax and withholding tax. The timely move is only expected to further stimulate the appetite for listed Debt Securities in the years ahead.

Further, the year 2013 also witnessed one company carrying out an amalgamation, with five companies issuing scrip dividends and three companies proceeding to Capitalise Reserves. A total of two companies sub-divided their shares.

Management Discussion and Analysis

Set out below are details pertaining to securities listed in the year 2013

Capital Flows	Initial capital raised from Equity and Debt (LKR)	68,756,660,087.60
	Capital raised from further issues (LKR)	25,539,552,697
Equity Market Activity	Initial Capital Raised (LKR)	494,409,600.00
	New Entrants	2
Debt Market Activity	Initial Capital Raised (LKR)	68,262,250,487.00
	New Entrants	1
Warrants	Listings	Types 2
Close-End Funds	Listings	0
Summary	Listed Entities as at 31st December 2013	289
	De-listings	1

Furthermore, the Listings Division continued to provide a range of ancillary services including, advising stakeholders on matters relating to listing of securities on the CSE and liaising with SEC on issues that may arise with specific listings.

A revision in the eligibility criteria was introduced to promote the Listing of Debt Securities on the CSE by simplifying the disclosure requirements of the Debt Prospectus. The new rules which came into effect on 6th December 2013 encourage existing listed companies to opt for listed debt securities as a prudent financing alternative.

→ Corporate Affairs Division

Emphasising responsible stewardship, The Corporate Affairs division focuses on enhancing the fairness, transparency and accountability of the financial reporting framework and promoting good corporate governance practices among listed companies in Sri Lanka. Moreover, supported by effective use of internal and external communication channels, the Corporate Affairs Division leverages on the CSE's Custodial capacity to build and retain strong relationships with listed companies and investors.

Compliance Review

The review of Annual Reports and Interim financial statements of listed Companies forms an integral part of the stewardship role of the CSE's Corporate Affairs division. Having embarked on this endeavour in 2012, the CSE in collaboration with SEC evaluated the Annual Reports of all listed entities in an attempt to establish the level of compliance vis-à-vis Sri Lanka Accounting Standards, CSE Listing Rules and the Companies Act requirements. As at the close of the year, published interim

financial statements and Annual Reports of listed companies were reviewed on a sample basis and non-compliant areas were reported and rectified accordingly.

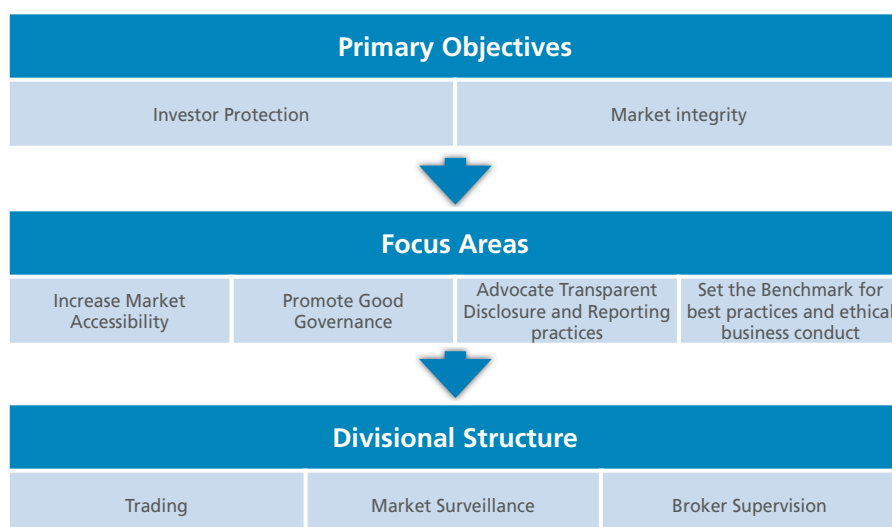
Investor Complaints

Handling investor complaints / grievances is yet another area that comes under the purview of the division. A specially assigned grievance mechanism allows investors to lodge their complaints against listed companies. All such grievances are promptly verified for accuracy by the Corporate Affairs Division and swiftly dealt with as per the guidelines set out by the CSE.

Special Assignments and Amendments to Rules

The Corporate Affairs Division also conducts periodic reviews of Listing Rules and market practices of other regional jurisdictions in a bid to promote best business practices in line with accepted international norms. A benchmarking exercise, these efforts aim to formulate a suitable regulatory framework as the cornerstone for a sustainable business blueprint for the future.

Regulatory Affairs



→ Trading

The scope of the Trading Division is primarily to ensure the maintenance of a fair and orderly market. In doing so, the Division is committed to disseminate appropriate and meaningful disclosures of Listed Companies in compliance with the CSE's Listing Rules. Given the disclosure based market environment, the predominant focus of the Trading Department remains the adequacy and timeliness of disclosures.

Default Board Activity for the year

Transfers in to the Default Board due to non-submission of interim financial statements and/or annual reports on the stipulated due dates	38
Transfers out of the Default Board due to compliance with the relevant Listing Rules	31
Companies on the Default Board as at 31st December 2013	9

While the timely disclosure of price sensitive information is a critical obligation for Listed Companies, the release of such information has a tendency to disrupt the normal course of trading business. As such, continuous monitoring remains the only credible course of action that helps minimise market interruptions during trading hours. As a key proponent of market efficiency, the CSE seeks to facilitate uninterrupted trading, while supporting a level playing field in the market, at all times. Accordingly, the Trading Division makes every effort to ensure the dissemination of corporate announcements in an efficient and timely manner. In pursuance of these objectives, the CSE launched a series of workshops during the year. While highlighting the importance of efficient corporate disclosures, the workshops which specifically targeted companies listed post 2010, were also aimed at inculcating responsible stewardship among these newly listed entities.

Moreover, in a bid to enhance the efficiency of the information dissemination process within the CSE, the internal procedure regarding dissemination of corporate information to the market was reviewed during Q4.

→ Market Surveillance

Working in cognisance with the overall regulatory objectives of the CSE, the Market Surveillance division closely monitors the market, in an attempt to detect any market abuse or possible infringements. Efforts during the year resulted in detection of 17 cases of suspected market malpractices, of which 4 cases of alleged insider dealing, 1 for front running and 12 cases of market manipulation were all referred to the SEC for investigation and necessary action.

→ Broker Supervision

Summary of movements in the Broker Firms

- **Shareholding changes of Broker Firms:**
During the year 2013, the shareholding of ten (10) Stockbroker Firms changed, including six (6) firms who increased their stated capital.

- **Appointment of Agents:**
From 01st January 2013 - 31st December 2013 - Six (6) Agents were appointed by Broker Firms.
- **Branch offices:**
From 01st January 2013 to 31st December 2013 - Five (5) branch offices were opened by Broker Firms and fifteen (15) branch offices were closed.

Stringent Systems Reviews were carried out during the year 2013, covering 28 Broker Firms in operation. Conducted as on-site inspections, these extensive Broker audits scrutinised the basic risk analysis, control environment and governance framework prevalent within each respective Broker Firm. In response to the findings from this exercise, soft enforcement actions were carried out by the division to arrest any key violations of CSE Stockbroker Rules. Details of some key enforcement action taken during the period under review are as follows:

Nature of the Violation	No of Broker Firms	Soft Enforcement Action	Outcome
Credit extending limit	2	Letters highlighting the violation and follow up	All Brokers complied by 30th November 2013
Net capital requirement	3	Letters highlighting the violation and follow up	All Brokers complied with the deadline set out in the Rules
Adequacy of client funds	3	Letters highlighting the violation and follow up	<ul style="list-style-type: none"> • 2 Brokers complied • 1 Broker notified the action to be taken for compliance

Management Discussion and Analysis

Being the front-line body overseeing the functions of all brokers, the CSE also acts as a facilitator of the client-broker dispute resolution mechanism. Conducting an impartial investigation of all complaints against brokers referred to by clients, the CSE takes proactive steps to ensure a fair and equitable resolution of issues for the betterment of the market environment.

debt securities.

Issuer Relations Division

A catalyst in encouraging new listings, the Issuer Relations Division plays a pivotal role in inspiring companies to explore the potential for listing. Consisting of a highly specialized, dedicated team, the Issuer Relations

issuer companies to understand the listing process and liaise with representatives from the investment banking community, the press and leading industry professionals. Attracting a number of high-profile participants including Brandix, Amana Bank, SAGT, Abans Holdings, Sanken Constructions, among others, the forum held on 11th October 2013, included a series of presentations followed by a highly effective panel discussion. The highlight of the discussion was the session spotlighting the learning experiences of recently listed entities. Sharing their experiences at the forum were a number of charismatic personalities from among Sri Lanka's corporate elite including Mr. W. K. H. Wegapitiya Chairman of Laugfs Gas PLC, Mr. D. P. Kumarage CEO of Peoples Leasing and Finance Company and Ms. Otara Gunewardene CEO of ODEL.

One-too-one Visits

Adopting a more personalised approach, the Issuer Relations division also pursued greater individual interactions and one-to-one contact with top management of potential companies, to gain an insight into their views on obtaining a listing with the CSE. These efforts were also supported by meetings with key trade chambers including the Ceylon Chamber of Commerce and SLASSCOM. Gaining access to the membership of these esteemed business chambers would not only support the CSE's efforts to cultivate relationships but could likely be translated into future listing prospects.

Publications

Mid 2013 saw the launch of the 'Issuer Relations Guide' followed by an Issuer Relations Brochure, both of which advocate listing as a long term strategic aspiration for large corporates. Initially launched in English, both publications were swiftly translated into Sinhalese and Tamil in keeping with the CSE's tri-lingual communication policy. For ease of reference a dedicated page was also

Complaints referred to the CSE by Investors against Broker Firms – 2013

Nature of the Complaint	No. of Complaints	Outcome		
		Decisive Action by the CSE Secretariat	Settlements	Pending
Unauthorised Transactions	17	9*	5	3
Extension of credit/force selling of shares	26	24	-	2
Disputes relating to Margin Trading Agreements	9	9**	-	-
Miscellaneous	2	2	-	-

- * 4 Appeals were made to the Dispute Resolution Committee (DRC). The DRC has affirmed 2 decisions of the CSE Secretariat.
The DRC has reverted back to the CSE Secretariat relating to one decision and has directed the CSE to convene a meeting between the relevant parties for further clarifications of certain issues. A meeting has been held in this regard as directed by the DRC and the decision of the CSE Secretariat has been communicated to the parties.
One decision of the CSE Secretariat is pending before the DRC.
- ** 2 Appeals were made to the DRC. The DRC has affirmed 1 decision of the CSE Secretariat and partly affirmed the other decision of the CSE Secretariat.

Admission of Trading Members for Debt Securities

To attract specialist intermediaries to engage in the dealing of corporate debt securities on the CSE, in 2013, the CSE decided to admit Primary Dealers and other debt market specialists as 'Trading Members' for debt securities. Following this decision by the CSE, one Primary Dealer was appointed as a Trading Member during the year and became operational during 1Q2014. It is anticipated that the other Primary Dealers too would make use of this opportunity and seek appointments as direct intermediaries of the CSE. Assuredly, this move would enhance the CSE's secondary trading platform for corporate

Division adopts a broad perspective in promoting the listing process. Ranging from individually customised interactions to more public forums and awareness programs, the Issuer Relations division uses multiple mediums to promote the concept among prospective companies.

Issuer Relations Forum

In a bid to raise the awareness among potential issuer companies, the CSE's Issuer Relations division hosted the Unlisted Issuer Relations Forum entitled "Listing on the Colombo Stock Exchange-A Mark of Distinction". A highly focused programme, the forum provided an ideal platform for potential

created on the CSE's website to capture the salient features of these publications.

Television Programme

The CSE's Issuer Relations Division in collaboration with the SEC initiated a TV Programme to highlight success stories and experiences from recently listed companies. Aimed at top management from potential companies, the content of the programme was structured as an awareness building exercise to prompt the migration towards listing.

Information Technology Division

Robust Information Technology (IT) remains the crux of any vibrant Stock Exchange. Understanding this truism has prompted the CSE to embrace a versatile IT platform that would reinforce the technology landscape and underpin the future growth of the CSE. Led by a sound investment strategy the CSE remains committed to nurture a stable and secure technological environment that would result in a high level of system availability for all core business functions.

As part of the ongoing initiatives to augment IT resources, the key focus for the year 2013 was to enhance the technological capabilities and delivery mechanisms to keep pace with the rapidly expanding business parameters. Accordingly, the CSE embarked on a series of technology migration projects to upgrade and enhance critical facilities, while pursuing international accreditations to validate the quality of systems and processes.

→ Automated Trading platform

Although a major portion of the strategic IT commitments have already been completed, the CSE remains proactive in ensuring that technology is up-to-date. Notable efforts for the year saw the upgrade of the CSE's Automated Trading platform to version 7.14. Not only creating a uniform trading platform for both equity and fixed income securities,

the enriched functionality of version 7.14 is a considerable upgrade from the previous 7.10 version. Extensive testing and meticulous project coordination between CSE and key stakeholders led to a smooth migration process with live activation done in February 2013.

→ Certification of Systems and Processes

Spurred by the need to develop clear policy guidelines and to promote best practices at all times, the CSE has always sought continuous improvement with particular reference to Information Security and IT Service Management. While ensuring a sustainable structure for the CSE, these efforts would undoubtedly sharpen the profile of the exchange and drive future business continuity.

In 2013, The CSE achieved three ISO certifications to become one of the few exchanges in the world to be ISO compliant for the following;

- Information Security Management System (ISO 27001)
- Business Continuity Management System (ISO 22301)
- IT Service Management (ISO 20000).

Benchmarked on international best practices, the above accreditations are a testament to the integrity and credibility of the CSE's information security, business continuity and operational capabilities.

→ Disaster Recovery Mechanism

Efforts during the year also saw the revamp of the disaster recovery capabilities of the CSE's trading platform. Initiated following a series of disaster recovery simulations involving key industry participants, the new upgrade aims to reduce the overall system recovery time. While demonstrating the Disaster Recovery (DR) capabilities of the CSE, the exercise was also used to forecast how the DR mechanism complements the business continuity plan, in an unforeseen eventuality.

Moreover, during the year, the groundwork was also laid to support further developments towards improving the functionality of the DR systems. Considered a key priority, these changes would definitively strengthen the Business Continuity framework and enrich the versatility of the CSE's business model.

→ Central Securities Depository System

During the year, CSE commenced implementation of a new Central Securities Depository system, to augment the infrastructure of the Central Depository System. A robust, extensible, multi-asset class clearing, settlement and depository system, the new technology is built around a revolutionary flexible and scalable web based architecture, the system is geared to support the transitional nature of the current post trade settlement landscape. With much of the preliminaries already completed and the transition well underway, the Central Securities Depository system is expected to go live in mid-2014.

Central Depository Systems (Pvt) Limited

Central Depository Systems (Pvt) Limited (CDS) is a fully owned subsidiary of the Colombo Stock Exchange. A channel that bridges the trading and post trading gap, the primary task of the CDS is to facilitate dealings in securities on the CSE. Licensed by the SEC, the operational framework of the CDS is governed by the CDS Rules and Regulations. A catalyst in defining Sri Lanka's capital market operations, the CDS performs a multi-faceted role, including depository, clearing and settlement services. As an active member of the Asia Pacific Central Securities Depository Group (ACG), the dynamic operational model of the CDS corresponds to internationally accepted practices.

Management Discussion and Analysis

Snapshot of CDS Operations - 2011 – 2013

	2013	2012	2011
New Accounts	27,608	35,321	112,473
Deposits	98,342	126,728	519,063
Withdrawals	12	52	168
Transfers	22,005	27,966	53,926
Trades-Equity	1,196,765	1,857,384	4,579,352
Trades-Closed End Funds	648	759	2,898
Listed Companies inclusive of closed end funds, as at 31st December	289	287	272
Participants	45	46	46
Securities Accounts as at 31st December (No.)			
Local Individuals	540,709	519,263	492,734
Foreign Individuals	4,287	4,134	3,847
Local Companies	8,133	7,884	7,321
Foreign Companies	4,491	4,295	4,112
(The above break-up excludes the number of multiple registrations sought by the same client through different participants)			
Total Number of Registrations	557,620	535,576	508,014
Value of Securities held by the CDS as at 31st December (Rs.Mn)			
Domestic Clients	1,590,676	1,365,510	1,245,226
Foreign Clients	678,741	593,691	438,032
Market Value of Securities	2,269,417	1,959,201	1,683,258
Quantity of Shares held by the CDS as at 31st December (No.Mn)			
Domestic Clients	53,094	49,911	34,929
Foreign Clients	18,236	17,464	15,241
Total	71,330	67,375	50,170
Shares De-Mat %	94%	93%	-
Debt Securities De-Mat %	93%	71%	-

Other Operations Handled by CDS

Scrip Dividends	05
Sub Divisions	02
Rights Issues	09
Equity IPOs	01
Introductions	01
Debenture IPOs	20

→ Operational Highlights

Depository

The CDS experienced an overall 22% YoY decrease in the volumes, with all major operations recording a decline comparative to the previous year. However, the degree of the drop is far less pronounced when compared with the preceding year, an indication of the emerging growth propensity in the market.

A total of 27,608 accounts were opened during the year, of which over 35% (9,675 accounts) were opened in the last quarter of the year, further substantiating the pick-up in the market trend.

Moreover, the volume of securities held in the custody of the CDS increased from 67.3 billion to 71.3, billion securities a YoY increase of 5.9%. De-Mat percentage of equity securities reached 94%, with De-Mat percentage of debt securities reaching a record high of 93% in 2013 a significant YoY increase of 22% from 2012.

→ Service Enhancements to Stakeholders

Listed Companies

The electronic download facility accessible to listed companies, company secretaries and registrars, was improved during the course of the year. Efforts in this regard led to the enhanced functionality of the reporting mechanism, where a range of new report formats were introduced to enrich data quality and support greater accessibility for all stakeholders. The new changes proved to be a boon for users as indicated by the growing number of companies using the facility.

Brokers

During the year, the CDS 13 forms were made available for electronic download, thereby heightening the efficiency and reducing the turn-around-times pertaining to the account opening process.

Account Holders

By effectively integrating equity and debt systems, the efficiency of the CDS account opening process was considerably enhanced. Contrary to the conventional manual activation mechanism, the process which is now fully automated simultaneously enables debt and equity trading facilities for all account holders at the point of opening a CDS account.

Rules

In keeping with current market requirements, the CDS rules published in December 2010 were revised and rules pertaining to debt securities were added in January 2013.

Issuance of International Security Identification Numbers (ISIN's)

As per the guidelines issued by ANNA (Association of National Numbering Agency), in 2013, the CDS commenced issuing ISINs for unlisted securities on behalf of the CSE. A pioneering effort initiated to facilitate the 2013 budget proposal allowing foreigners to invest in unit trusts, this is an ambitious move on the part of the CDS which would undoubtedly encourage large scale investments in Sri Lanka's capital markets in the years ahead.

Research Division

With the rapid evolution of capital markets, the fundamental importance of research has been thrown into sharp

focus, where institutional and retail investors now seek comprehensive research resources as a prerequisite to achieving strategic goals. In response to the demand for research, the CSE's research cell has continued to deliver reliable information that offers proactive support for the strategic decision making process. A dynamic resource that complements the multi-faceted role of the CSE, the research division also helps determine the benchmark for new strategic initiatives in the market.

Accordingly, a number of initiatives were spearheaded by the division in 2013, key among them being The Equity Research Project, a joint initiative taken between the CSE and Amba Research Lanka to improve the visibility of companies listed on the CSE. The project is a supportive endeavour that combines the resources of the CSE and Amba's global experience in conducting emerging markets equity research. The initial phase of the project which came into effect during the year focused on evaluating the stock trading performance of companies included in the S&P SL20 index at the time. The research reports which are made available on the CSE's website include a fundamental analysis of each stock, including the growth outlook, key risks, and the potential valuation range applicable to each company. However, the report does not contain an investment recommendation as they are primarily for the purpose of investor education and creating awareness.

Enterprise Risk Management

The CSE continued to pursue key risk management initiatives, in particular, the implementation of a Central Counter Party (CCP) and Delivery vs Payment (DvP) mechanism to address the asset-commitment risk and counter party risk elements that persist in the current market. SEC initiated a project to

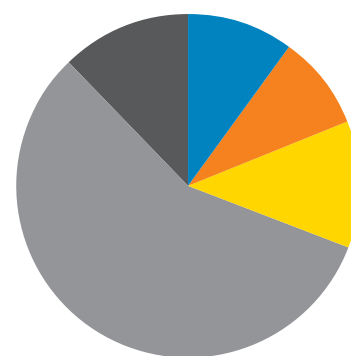
establish a common CCP to clear and settle all financial instruments traded in the secondary market in Sri Lanka. CSE had several discussions with CBSL, CSE and Lanka Clear with regard to the same. As an initial step of the project, an Expression of Interest (EOI) was published by the CBSL to appoint a Consultant/ Project Manager to set up a CCP in Sri Lanka.

CSE HR –A catalyst of Change and Transformation

We are a knowledge organisation by constitution having a knowledge workforce coming from diverse backgrounds of specialisation such as Finance, Economics, Statistics, Management, Legal and Information Technology.

Eighty one percent of the work force holds a Degree or a post qualification in the fields of their specialisation, out of which 57% of the work force holds a Bachelors degree or an equivalent qualification, while 12% have a Master Degree.

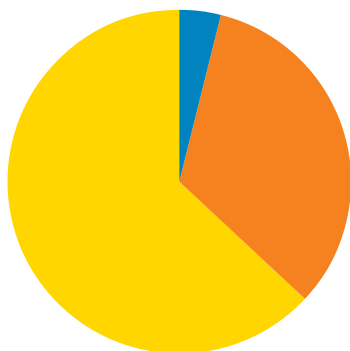
Secondary Education



- Primary
- Secondary Education
- Diploma
- Bachelors or Equivalent
- Master

Management Discussion and Analysis

CSE Generation Mix



- BB
- Gen X
- Gen Y

As in many organisations in the current business space, CSE holds a Generation Y dominated talent pool. 63% of CSE talent pool is from Generation Y employees with a considerable representation of GenY's at the Management Team and middle management levels.

With the changing dynamics of the CSE talent pool, the HR Philosophy is focused in transforming the organisation in to a "Learning Organisation" where all employees discover and work towards their optimum potential doing what they like to do.

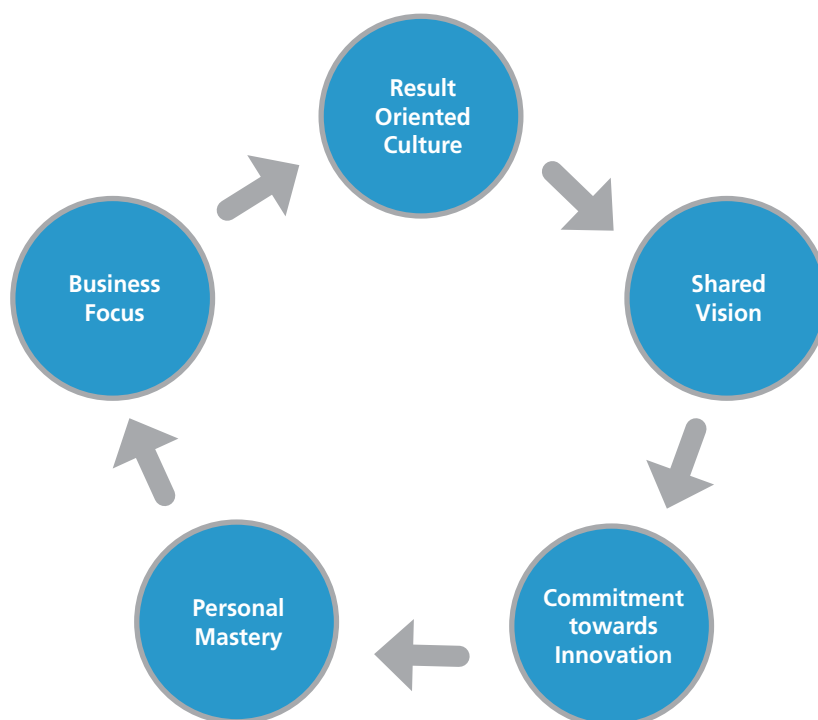
The HR Philosophy of CSE is committed in creating an organisational culture predicated on a Business focus at all levels, Result oriented culture, Shared Vision across all levels, Commitment towards Innovation and Personal Mastery.

HR Philosophy of CSE

CSE HR Functions and practices are integrated towards creating an environment within which employees will have a clear understanding of the business focus of the organisation, a direction of the functional and individual objectives they are expected to achieve in overarching Organisational strategy, creating growth opportunities to be accessible through personal knowledge

and competency development creating autonomy at all levels and providing opportunity for decision making and creating a mindset for making continuous improvements focused on achieving business results.

Recruitment; CSE Recruitment policy focuses on attracting the best talent in the market with the commitment of providing the new recruits with a challenging career with domain specialisation. We portray ourselves to be an equal opportunity employer. All our recruitment opportunities are shared company wide through Internal Job Posting (IJP) in welcoming willing employees to apply for such opportunities before they are publicised externally. CSE has pursued innovating sourcing strategies such as Internal Job Posting, Employee Referrals and Campus reach programs.



Performance Management; We see Performance Management to be one of the key strategic tools in creating transformation. From 2014 onwards CSE would migrate to a Balance Scorecard based performance Management System which would integrate functional strategies aligning to corporate strategy which transcends to all levels of the organisation. The CSE Performance Management philosophy is predicated on centralising all rewards, employee developmental and progression decisions based on performance. Also the process is geared to ring-fence, develop and retain employees based on recognition of their performance.

Talent Development; The CSE Human Resource Development philosophy is predicated on a four pillar development focus of all employees. It plans development interventions focused on development of Domain Knowledge, development of Technical Competency, development of Behavioural competency and the development of Leadership competency.

Employee Engagement; Owing to the fact CSE has a Gen Y dominated knowledge base talent pool, we see and use Employee Engagement as a key component in creating a more empowered workforce. Efforts such as Employee One on Ones at all levels

from CEO downwards, open forum communication sessions, brain storming sessions, knowledge forums and knowledge sharing sessions are practiced in creating a highly engaged workforce.

Compensation; We strive to attract and retain the best talent and in doing so harness both internal parity and competitiveness of our rewards structure as well as external parity and competitiveness of our rewards. As per our Rewards philosophy, all rewards have been differentiated based on performance. The CSE Reward strategy is tightly integrated to the Performance Management Strategy in anchoring employee performance in the right direction.

Four pillars of Human Resource Development interventions



CSE Organisational Culture

We see Human Resources function to be an anchor of the Organisational culture. All HR Practices and Strategies are focused in creating an organisational culture where all employees are empowered and encouraged to voice their views their thoughts and ideas creating an open communication culture, all management decisions are based on values where employees are treated with respect regardless of the work they do and the roles they play, shaping and grooming of leadership based on Level 5 Leadership principles. Also we inculcate a culture where both individual and team efforts are celebrated in giving employees due recognition for their suggestions, innovative assertiveness and their efforts encouraging them to walk the extra mile in achieving both organisational and functional excellence.

Through the synchronisation of such principles on which the organisational culture would be based on and transformed, we are committed to creating an environment where all employees could realise their potential and take charge of both business and internal opportunities.

Regional Branch Network

The opening of branch offices is a strategy of the CSE to expand its services throughout the country to service the growing base of domestic investors.

Branches provide on-line access to the stock market and 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., research and other related services.

Branch offices provide an excellent opportunity for residents of those provinces to invest and profit through

the stock market. The CSE conducts educational and awareness programme 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 region, where members of the public can participate.

Services available for Investors at branch offices:

- CDS facilities such as account openings, depositing of share certificates, withdrawal and transfer of securities
- Online stock market information
- Online trading and order execution via Automated Trading System (ATS)

- Awareness programmes and seminars for prospective investors, students, teachers and institutions
- Stockbroker services through member firms housed at the branch
- Market information such as daily price lists, dividends, rights and capitalisation of reserves, notifications and latest developments of the exchange
- Colombo Stock Exchange publications
- Historical market information including interim/annual financial reports of listed companies

Matara Branch

1st Floor, E.H. Cooray Tower,
No.24, Anagarika Dharmapala Mawatha,
Matara
Tel : 041-2220094/95
Fax : 041-4390546
Email : nirodha@cse.lk
Nirodha Abeygunewardena / Branch
Manager



Kandy Branch

"Ceybank House",
No.88, Dalada Veediya, Kandy
Tel : 081-4474407/09
Fax : 081-4474475
Email : dhananjaya@cse.lk
Dhananjaya Abeysirwardana / Branch
Manager



Kurunegala Branch

1st Floor, 'Union Assurance Centre',
No. 6, Rajapihilla Mawatha, Kurunegala
Tel : 037-4691802/04
Fax : 037-4691803
Email : thusitha@cse.lk
Thusitha Meegahakumbura / Branch
Manager



Negombo Branch

No. 72A, 2/1, Old Chilaw Road, Negombo
Tel : 031-2227859/61
Fax : 031-2227860
Email : nuwanc@cse.lk
Nuwan Chathuranga / Branch Manager



Jaffna Branch

No. 147-2/3, KKS Road, Jaffna
Tel : 021-2221455, 021-5672444
Fax : 021-2221466
Email : thileepan@cse.lk
Muthucumaraswamy Thileepan / Branch Manager



Anuradhapura Branch

2nd Floor, No. 488/8/2, Town Hall Place,
Maithripala Senanayake Mw,
Anuradhapura
Tel : 025-2235244
Fax : 025 2235233
Email : nimal@cse.lk
Nimal Jayaratne / Branch Manager



Hambantota Branch

No. 59A, Main Street, Hambantota
Tel : 047-2222010 / 11
Fax : 047-2220375
Email : kamal@cse.lk
Kamal Jayaweera / Branch Manager



Ratnapura Branch

Level 01, No 131, Colombo Road,
Ratnapura
Tel : 045-2232388 / 99
Fax : 045-2232388
Email : hemal@cse.lk
Hemal Weerasinghe / Branch Manager



Sustainability Report

Community Base Knowledge Development

The Colombo Stock Exchange (CSE) has over the last 15 years or more engaged itself in the task of imparting knowledge to educate the youth of the country on the importance of saving and investment. Strong links have been forged with schools, teachers, universities and other technical and vocational institutions in this national endeavour.

The CSE has developed an education and awareness program targeted at students and undergraduates, which includes study materials, lectures and educational tours to the CSE trading floor.

The knowledge imparted through formal lectures conducted in all 3 languages on the capital market directly benefit students sitting for their GCE advanced level as it is part of the Commerce stream curriculum. In addition this is supplemented through an educational tour of the trading floor where students are given a firsthand experience of seeing how the stock markets work and the an opportunity to observe brokers and Investors trading.

The student education and awareness program is executed through the Colombo Unit and 8 regional CSE offices thereby giving an equal opportunity to students of all the provinces.

The programme also covers separate programmes for teachers also executed on an islandwide basis. This programme further augmented with the support of the Securities and Exchange Commission of Sri Lanka, has proved to be a popular method of assisting the schools in a meaningful manner. Additional support by way of involvement of various events such as Commerce days and educational exhibitions are also provided by the CSE.

In 2013 the CSE engaged over 7,390 students from 133 schools from across Sri Lanka by conducting lectures, facilitating conducted tours to the CSE trading floor and its regional offices and distributed

over 15,000 informative booklets on the capital market in their respective medium of instruction.

Similarly the CSE conducted programmes for 24 universities, technical and vocational colleges addressing over 2,680 undergraduates. Such programmes also take a career guidance approach in order to attract the younger generation to view the Capital Market as a viable career path.

Community Outreach

In order to give back to the community, the CSE embarked on a project to empower disadvantaged communities and sought a group deserving of such assistance.

After careful consideration of a number of potential and worthy proposals, a project to partner with So Others May See Inc (SOMS) was initiated. SOMS is a locally managed Non-Governmental Organisation with an overarching international body Headquartered in the United States. The local arm of SOMS was approved for operation within Sri Lanka by the Ministry of Health and bears NGO Registration Number FL- 146205.

According to research by SOMS nearly 800,000 people urgently require corrective eyeglasses including 160,000 schoolchildren. After liaising with SOMS officers the CSR team was informed that many rural children who suffered from vision impairments were often not





diagnosed, and thereby did not receive the corrective eyewear they required.

Therefore it was decided that the CSE partner with SOMS to provide children within the Anuradhapura District with the corrective eyewear necessary following a series of instigation programmes to assess their need for such prescription glasses.

The first stage of the programme was initiated in Anuradhapura in August 2013 at the Regional Director of Health Services (RDHS) Office chaired by Dr. Asela Abeydeera from Vision 2020, Dr. Managala Gamage from Pediatric Vision Care and Dr. Priyanga Iddawala a local Eye Surgeon, in the presence of officials from Vision2020, Ministry of Health, local officials from the Anuradhapura District RDHS office, Zonal education office, Eye Care Institute optometrists and the SOMS team.

Following this initial meeting, training was conducted for school teachers within the Anuradhapura, Kekirawa, Thabutthegamma, Kebithigollewa and Galenbidunuwewa Educational Zones, six locations were chosen within each zone to conduct this training. The training

exercise was carried out by three Doctors, Dr. A. Abeydeera, Dr. P. Iddawala and Dr. Ahamed Jeza, aimed at helping teachers identify students with the early signs of vision impairment.

After the training session the teachers returned to their respective schools and screened students for refractive error, the lists compiled by these teachers were then submitted to the SOMS programme officer. Based on these lists, the 540 schools in the respective Educational Zones were clustered in order to host free eye clinics in order to cover all students who were identified as having vision impairments.

The screening through these eye clinics began in the Thabutthegamma Zone on the 22nd of October 2013 with six Optometrists from the Eye Care Institute Colombo and continued for 22 days at a number of locations.

At the conclusion of the screening process 2165 children from the Anuradhapura district were tested by the optometrists and 895 glasses were prescribed, these eyeglasses were distributed within January 2014.

In order to address the needs of students who were not covered by the initial screening process, a second phase of clinics were also hosted in five zones. During this phase of the project 1002 students were tested and 306 of them were prescribed with corrective eyeglasses. These eyeglasses were distributed by the CSE management to students in March 2014.

Financial Reports

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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 Annual Report to the Members, together with the audited consolidated Financial Statements and the Auditor's Report on those Financial Statements for the financial year ended 31st December 2013.

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

The Financial Statements were reviewed and approved by the Board of Directors on 23rd April 2014.

General

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

The CSE is a mutual exchange and has fifteen Members & fifteen Trading Members, of which 28 Members operate as Stockbrokers for both Equity & Debt and two members are appointed by the CSE as Trading Members only for Debt. 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 12 to 15 and the Chief Executive Officer's Review on pages 16 to 25 and the Management Discussion and Analysis on pages 36 to 45 of the Annual Report 2013. These reports form an integral part of the Annual Report.

Financial Statements

The financial statement of the Company and its subsidiary have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS) laid down by the Institute of Chartered Accountants of Sri Lanka and complying with the requirements of the Companies Act No 7 of 2007.

The financial statement of the company and its subsidiary for the year ended 31st December 2013, duly signed by the Manager Finance & Administration and two of the Directors of the Company, are given on pages 56 to 79 and form an integral part of the annual report of the Board of Directors.

Auditors' Report

Messrs KPMG the Auditors of the Company carried out the audit on the consolidated financial statements for the year ended 31st December 2013 and their

report on those financial statements which forms an integral part of the Report of the Board of Directors, is given on page 55 of this Annual Report.

Board Sub Committees

The composition of the Board sub committees, comprising of Non-Executive Directors is provided on pages 32 to 33.

The report of the Board Risk and Audit Committee is given on page 54.

Significant Accounting Policies

The significant accounting policies adopted in preparation of the financial statements are given on pages 62 to 65. There have been no changes in the accounting policies adopted by the company and its subsidiary, during the year under review.

Going Concern

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

Donations

During the year the Company made donations amounting to Rs.4,717,854 (Rs.9,469,500 in 2012).

Taxation

The income tax rate applicable on the Company and the subsidiary company is 28% (2012 -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 and Equipment

Details of property and equipment are given in Note 09 to the Financial Statements.

Annual Report of the Board of Directors on the Affairs of The Company

Reserves

The Group Accumulated fund and other reserves as at 31st December 2013 amounted to Rs.3,095,517,231 (Rs.3,093,729,874 in 2012). The break up and movement are shown in the Statement of Changes in Equity in the Financial Statements.

Outstanding Litigation

In the opinion of the Directors and the Company's Lawyers, pending litigation against the Company disclosed in Note 24 of the financial statements will not have a material impact on the financial position of the Company or its future operations.

Events after the Reporting Date

No circumstances have arisen since the Statement of Financial Position date which would 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 (Chairman)	14/14
Mr. Vajira Kulatilaka	11/14
Mr. M.R. Prelis	13/14
Mr. Ray Abeywardena	07/14 (Appointed to the Board on 13th June 2013)
Mr. A.C. Seneviratne	05/14 (Appointed to the Board on 25th July 2013)
Mr. Dakshitha T.W Thalagodapitiya	13/14
Mr. Hiran M.C. de Alwis	13/14
Ms. M.A.D.S Jeeva Shirajanie Niriella	13/14

Mr. R. Theagarajah and Dr. Saman Kelegama resigned from Board of Directors on 01st May 2013 & 25th June 2013 respectively.

Mr. Vajira Kulatilaka and Mr. Ray Abeywardena retire by rotation at the conclusion of the Annual General Meeting

in terms of Article 50 of the Articles of Association, and being eligible and offering themselves for re-election.

In terms of Section 211 (2) of the Companies Act, the Board of Directors have given notice to the Company that Mr. M. R. Prelis, aged 77 years be elected as a Director and that the age limit of 70 years referred to in Section 210 of the Companies Act shall not apply to Mr. M. R. Prelis.

Directors' Interest Register

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

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

Directors' Responsibility for Financial Reporting

The statement of Directors' Responsibility for the Financial Reporting is given on page 53 form an integral part of the Annual Report of the Board of Directors.

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 27.1 to the Financial Statements.

Auditors

The Company's Auditor's during the period under review were Messrs KPMG, Chartered Accountants. Audit fees and reimbursement of expenses paid to KPMG during the year under review by the Company and its subsidiary amounted to Rs. 1,020,446 (Rs.883,497 in 2012). Further Rs.462,829 (Rs.350,406 in 2012) was paid on account of tax related services. The detail of their remuneration is given in Note 7 to the Financial Statements.

As far as the Directors are aware the Auditors do not have any interest with the CSE or its subsidiary other than those disclosed above.

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.

Notice of Meeting

The Annual General Meeting will be held at the Cinnamon Lakeside Hotel on 05th of June 2014.

Acknowledgement of the Contents of The Report

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

For and on behalf of the Board of Directors.


Krishan Balendra
 Chairman


Vajira Kulatilaka
 Director


Corporate Services (Private) Limited
 Secretaries

23rd April 2014
Colombo

Directors' Responsibility for Financial Reporting

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

As per the provisions of the Companies Act No. 7 of 2007 the Directors are required to prepare Financial Statements for each financial year and place them before a General Meeting. The Financial Statements comprise the Statement of Financial Position as at 31st December 2013, 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 Consolidated Financial Statements of the CSE and its Subsidiary CDS for the year ended 31st December 2013 presented in this report have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRS), Companies Act No: 7 of 2007 and Sri Lanka Accounting and Auditing Standards Act No: 15 of 1995.

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

The Directors have taken reasonable steps to safeguard the assets of the CSE and its subsidiary CDS and in this regard to give proper consideration to the establishment of appropriate internal control systems with a view of preventing and detecting fraud and other irregularities. Further, the Directors have a responsibility to ensure that the Company maintains sufficient accounting records to disclose with reasonable accuracy.

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

The 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



Corporate Services (Private) Limited
Secretaries

23rd April 2014
Colombo

Risk and Audit Committee Report

Composition of the Committee

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
Ms. M.A.D.S. Jeeva Shirajanie Niriella
Mr. Ray Abeywardena

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

External & Internal auditors, Chief Executive Officer, Chief Information Officer, AGM Regulatory Affairs, Manager Finance & Administration & other relevant senior management members attended the meetings of the Risk and Audit Committee on invitation.

The Company Secretary functions as the Secretary to the Risk and Audit Committee.

Responsibilities and Duties of the Committee

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 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.

Meetings of the Committee

During the year, Eleven Audit Committee meetings were held to discuss the reports on Risk Management, Budgets, Investments, the reports of the Internal and External Auditors and Annual/Quarterly accounts. The minutes of the

meetings were tabled at the meeting of the Board of Directors for information and necessary action.

Risk Management

The Committee has reviewed and recommended to the approval of the Board, the Enterprise Risk Management (ERM) policy together with action plans to mitigate 7 risks identified. Creation of a new management post responsible for risk management was also recommended by the Committee to the Board. The Committee also reviewed the status of the action plans developed to mitigate 7 risks identified. Further, in order to mitigate risk associated with system downtime, the Committee has recommended to the Board to conduct bi-annual IT systems audit.

Integrity of financial statements

The Committee reviewed the appropriateness of the accounting policies used and financial statement of the group to assess on their integrity and compliance with Accounting Standards.

Internal Controls

The Committee reviewed the effectiveness of the Group's internal control systems and suggests where necessary, appropriate remedial measures.

External Audit


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 Statement audited by KPMG for the financial year ended 31st December 2013 and approved the Financial Statement for submission to the Board. The Committee reviewed and approved the Letter of Representation to be given to the External Auditors for the year 2013.

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

Internal Audit

The internal audit function is outsourced to Ernst & Young Advisory Services (pvt) Ltd. The Committee approved the internal audit plan for 2013 at the beginning of the year and monitored the implementation of the plan. The findings of the internal audit reports together with management comments were reviewed by the Committee during the year.

On behalf of the Risk and Audit Committee;



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

Colombo
23rd April 2014

Independent Auditor's Report



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

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

TO THE MEMBERS OF COLOMBO STOCK EXCHANGE

Report on the Financial Statements

We have audited the accompanying financial statements of Colombo Stock Exchange ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statements of financial position as at 31 December 2013, the 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.

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 2013 and the financial statements give a true and

fair view of the financial position of the Company as at 31 December 2013, 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 subsidiaries dealt with thereby as at 31 December 2013, 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 Section 153(2) to 153(7) of the Companies Act No. 07 of 2007.

Chartered Accountants

Colombo
23rd April 2014

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. Abeyrathne 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

Statement of Comprehensive Income

For the Year ended 31st December	Note	Group		Company	
		2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
Revenue	4	456,190,018	490,943,615	353,360,615	369,922,020
Other Income	5	314,799,228	241,931,595	274,120,143	239,841,434
		770,989,246	732,875,210	627,480,758	609,763,454
Staff Cost	6	(213,367,128)	(205,431,191)	(198,705,877)	(187,800,342)
Depreciation & Amortization		(116,385,978)	(75,319,220)	(116,385,978)	(75,319,220)
Other Operating Expenses	7	(408,608,259)	(345,014,126)	(325,113,330)	(274,690,341)
Profit / (Loss) Before taxation		32,627,881	107,110,673	(12,724,427)	71,953,551
Income Tax Expense	8	(22,072,561)	(17,751,956)	(18,769,070)	(5,969,809)
Profit / (Loss) for the year		10,555,320	89,358,717	(31,493,497)	65,983,742
Other Comprehensive Income					
Net Change in Fair Value of Available-for-Sale Financial Assets		70,005	41,171,924	2,487,477	30,274,649
Net Change in Fair Value of Available-for-Sale Financial Assets reclassified to profit or loss		(8,837,968)	-	(8,837,968)	-
Other Comprehensive Income / (Expense) net of Tax		(8,767,963)	41,171,924	(6,350,491)	30,274,649
Total Comprehensive Income / (Expense) for the Year		1,787,357	130,530,641	(37,843,988)	96,258,391

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

Figures in brackets indicate deductions.

Statement of Financial Position

As at 31st December	Note	Group		Company	
		2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
ASSETS					
Non Current Assets					
Property and Equipment	09	297,210,299	211,474,152	297,210,255	211,474,109
Intangible Assets	10	149,407,808	161,110,143	149,407,808	161,110,143
Capital Work in Progress	11	111,704,679	60,701,465	111,704,679	60,701,465
Investments in Subsidiary	12	-	-	25,000	25,000
Financial Investments - Available-For-Sale	13	835,043,617	839,931,677	422,058,843	424,529,431
Investments in LFSB	14	1,000,000	1,000,000	-	-
Settlement Guarantee Fund	15	100,000,000	100,000,000	100,000,000	100,000,000
Deferred Tax Assets	16	-	3,103,674	-	3,103,674
Total Non Current Assets		1,494,366,403	1,377,321,111	1,080,406,585	960,943,822
Current Assets					
Inventories		4,058,720	4,425,860	3,927,896	4,278,540
Trade and Other Receivables	17	204,162,618	197,067,746	181,559,772	168,524,776
Income Tax Receivable		8,886,697	12,227,747	6,169,068	16,374,967
Financial Assets -Available-for-Sale	13	1,448,428,799	813,251,375	1,448,428,799	813,251,375
Investments in Fixed Deposits		-	750,000,000	-	750,000,000
Cash and Cash Equivalents	18	120,937,242	143,550,186	120,556,020	143,079,307
Total Current Assets		1,786,474,076	1,920,522,914	1,760,641,555	1,895,508,965
Total Assets		3,280,840,479	3,297,844,025	2,841,048,140	2,856,452,787
EQUITY AND LIABILITIES					
Accumulated Fund		2,955,575,665	2,945,020,345	2,570,482,949	2,601,976,446
Other Reserves	19	139,941,566	148,709,529	33,922,886	40,273,377
Total Equity		3,095,517,231	3,093,729,874	2,604,405,835	2,642,249,823
Non Current Liabilities					
Brokers' Deposits in lieu of Bank Guarantee	20	84,439,970	84,439,970	84,439,970	84,439,970
Retirement Benefit Obligation	21	31,732,649	39,684,711	31,732,649	39,684,711
Total Non Current Liabilities		116,172,619	124,124,681	116,172,619	124,124,681

Statement of Financial Position

As at 31st December	Note	Group		Company	
		2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
Current Liabilities					
Brokers' Deposits in lieu of Bank Guarantee		11,330,000	11,790,000	-	-
Other Payables	22	52,046,403	57,805,024	50,172,397	56,046,159
Amounts due to Related Company	23	-	-	64,523,063	23,637,678
Bank Overdraft	18	5,774,226	10,394,446	5,774,226	10,394,446
Total Current Liabilities		69,150,629	79,989,470	120,469,686	90,078,283
Total Equity and Liabilities		3,280,840,479	3,297,844,025	2,841,048,140	2,856,452,787

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;


Chairman


Director

Colombo
23rd April 2014

Statement of Changes in Equity

GROUP

	Accumulated Fund Rs.	Available-for-Sale Reserve Rs.	Capital Reserve Rs.	Total Equity Rs.
Balance as at 01st January 2012	2,884,447,297	(21,223,064)	99,975,000	2,963,199,233
Comprehensive Income				
Profit for the year	89,358,717	-	-	89,358,717
Other Comprehensive Income for the year (Net of Tax)	-	41,171,924	-	41,171,924
Total Comprehensive Income for the year	89,358,717	41,171,924	-	130,530,641
Transfer to Available-for-Sale Reserve	(28,785,669)	28,785,669	-	-
Balance as at 31st December 2012	2,945,020,345	48,734,529	99,975,000	3,093,729,874
Balance as at 01st January 2013	2,945,020,345	48,734,529	99,975,000	3,093,729,874
Comprehensive Income				
Profit for the year	10,555,320	-	-	10,555,320
Net amount reclassified to profit or loss	-	(8,837,968)	-	(8,837,968)
Net change in fair value	-	70,005	-	70,005
Total Comprehensive Income / (Expense) for the year	10,555,320	(8,767,963)	-	1,787,357
Balance as at 31st December 2013	2,955,575,665	39,966,566	99,975,000	3,095,517,231

COMPANY

	Accumulated Fund Rs.	Available-for-Sale Reserve Rs.	Total Equity Rs.
Balance as at 01st January 2012	2,565,719,464	(19,728,032)	2,545,991,432
Comprehensive Income			
Profit for the year	65,983,742	-	65,983,742
Other Comprehensive Income for the year (Net of Tax)	-	30,274,649	30,274,649
Total Comprehensive Income for the year	65,983,742	30,274,649	96,258,391
Transfer to Available-for-Sale Reserve	(29,726,760)	29,726,760	-
Balance as at 31st December 2012	2,601,976,446	40,273,377	2,642,249,823
Balance as at 01st January 2013	2,601,976,446	40,273,377	2,642,249,823
Comprehensive Income			
Loss for the year	(31,493,497)	-	(31,493,497)
Net amount reclassified to profit or loss	-	(8,837,968)	(8,837,968)
Net change in fair value	-	2,487,477	2,487,477
Total Comprehensive Income / (Expense) for the year	(31,493,497)	(6,350,491)	(37,843,988)
Balance as at 31st December 2013	2,570,482,949	33,922,886	2,604,405,835

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

Figures in brackets indicate deductions.

Statement of Cash Flow

For the Year Ended 31st December		Group		Company	
	Note	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
Cash Flows from Operating Activities					
Net Profit before Taxation		32,627,881	107,110,673	(12,724,427)	71,953,551
Adjustments For :					
Depreciation / Amortization	9/10	116,385,978	75,319,220	116,385,978	75,319,220
Interest Income	5	(104,224,067)	(91,245,487)	(103,263,939)	(90,281,213)
Profit on Sale of Property & Equipment	5	2,142,377	(5,860,265)	2,142,377	(5,860,265)
Dividend Income	5	(173,689,954)	(114,839,375)	(136,355,077)	(114,151,503)
Gratuity Provision	21	2,136,002	4,269,941	2,444,626	4,040,716
Gratuity Provision - Transfer to / (Reversal from) Subsidiary	21	-	-	(275,558)	229,225
Provision / (Reversal) for Impairment of Trade receivables		202,652	565,753	172,040	173,325
Operating (Loss) / Profit before Working Capital Changes		(124,419,131)	(24,679,540)	(131,473,980)	(58,576,944)
(Increase) / Decrease in Inventories		367,140	344,550	350,644	329,934
(Increase) / Decrease in Other Receivables		(7,297,524)	(70,942,022)	(13,207,036)	(93,732,823)
Increase / (Decrease) in Other Payables		(5,725,556)	(84,509,832)	(5,873,762)	(84,301,498)
Increase / (Decrease) in Amounts due to Related Company		-	-	40,885,385	9,366,561
(Decrease) / Increase in Brokers' Deposit		(460,000)	(32,446,633)	-	(14,250,000)
Cash (used in) / generated from Operations		(137,535,071)	(212,233,477)	(109,318,749)	(241,164,770)
Income Tax Paid		(15,280,189)	(24,705,257)	(5,111,849)	(6,385,640)
Gratuity Paid	21	(10,121,130)	(757,500)	(10,121,130)	(757,500)
Net Cash (used in) / generated form Operating Activities		(162,936,390)	(237,696,234)	(124,551,728)	(248,307,910)
Cash Flow from Investing Activities					
Interest Income	5	103,876,421	91,245,487	102,916,293	90,281,213
Purchase of Property & Equipment and Intangible Assets	9	(87,039,360)	(133,747,065)	(87,039,360)	(133,747,065)
Proceeds from Sale of Property & Equipment		3,439,123	5,889,539	3,439,123	5,889,538
Decrease in Deposits & Treasury Bills & Bonds		-	97,750,000	-	97,750,000
Increase / (Decrease) in Fixed Deposit Investments		750,000,000	(750,000,000)	750,000,000	(750,000,000)
Dividend Income	5	173,689,954	114,839,375	136,355,077	114,151,503
Decrease / (Increase) in Investments in Unit Trusts		(639,057,327)	1,036,131,914	(639,057,327)	1,066,131,915
Capital Work in Progress	11	(159,965,145)	(165,652,677)	(159,965,145)	(165,652,677)
Net Cash Flow generated from / (used in) Investing Activities		144,943,666	296,456,573	106,648,661	324,804,428

For the Year Ended 31st December	Note	Group		Company	
		2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
Cash Flow from Financing Activities		-	-	-	-
Net (Decrease) / Increase in Cash and Cash Equivalents		(17,992,724)	58,760,339	(17,903,067)	76,496,517
Cash and Cash Equivalents at beginning of the Year		133,155,740	74,395,401	132,684,861	56,188,344
Net Cash and Cash Equivalents at end of the Year	18	115,163,016	133,155,740	114,781,794	132,684,861
Cash in Hand		230,050	175,000	225,050	170,000
Cash at Bank		7,676,166	11,538,851	7,364,630	11,122,146
RTGS Account		19,400	6,670	-	-
Short term investment - Overnight Repo		113,011,626	131,829,665	112,966,340	131,787,161
Cash & Cash Equivalents		120,937,242	143,550,186	120,556,020	143,079,307
Balance as at 31st December 2012					
Bank Overdraft		(5,774,226)	(10,394,446)	(5,774,226)	(10,394,446)
Net Cash & Cash Equivalents		115,163,016	133,155,740	114,781,794	132,684,861

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

Figures in brackets indicate deductions.

Notes to the Financial Statements

1. REPORTING ENTITY

1.1 Domicile and Legal Form

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

The Consolidated Financial Statements of the Company as at and for the year ended 31 December 2013 comprise the Company and Central Depository Systems (Private) Limited 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 140 (131 in 2012).

2. BASIS OF PREPARATION

2.1 Statement of Compliance

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.

The Financial Statements were authorized for issue by the Board of Directors on 23rd April 2014.

2.2 Basis of Measurement

The Consolidated Financial Statements have been prepared on the historical cost basis except for the following material item in the statement of financial position:

- Available-for-sale 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 27 (LKAS 27) – “Consolidated and Separate Financial Statements”.

Acquisitions on or after 1st January 2012

For acquisitions on or after 1st January 2012, the Group measures goodwill as the fair value of consideration transferred including the recognized amount of Non-Controlling Interest in the acquiree, less the net recognized 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 Standard - SLFRS 3 on “Business Combinations”.

Acquisitions prior to 1st January 2012

As part of its transition to SLFRSs, the Group elected not to restate those business combinations that occurred prior to 1st January 2012. In respect of acquisitions prior to 1st January 2012, goodwill represents the amount recognized 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.

2.5 Transactions Eliminated on Consolidation

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

2.6 Functional and Presentation Currency

The Financial Statements are presented in Sri Lanka Rupees, which is the Company’s functional currency. Financial information presented in Sri Lanka Rupees has been rounded to the nearest rupee.

2.7 Materiality & Aggregation

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

2.8 Significant Accounting Judgements, Estimates and Assumptions

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

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

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

Deferred Tax Assets

Deferred Tax Assets are recognized 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 utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

Going Concern

The Board of Directors certifies that the Company has adequate resources to continue its operations in the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, going concern basis has been adopted in preparing the Financial Statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set below have been applied consistently to all the period presented in these consolidated financial Statements and have been applied consistently.

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 Reporting Date are translated to Sri Lankan Rupees at the foreign exchange rates ruling at that date.

Foreign exchange differences arising on translation are recognized in the Statement of Comprehensive Income.

3.3 Financial Instruments – Classification and Subsequent Measurement

3.3.1 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 recognized 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 recognized 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.

When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

ASSETS AND THE BASES OF THEIR VALUATION

3.4. Property and Equipment

3.4.1 Recognition and Measurement

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

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

Notes to the Financial Statements

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

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

3.4.2 Subsequent Costs

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

3.4.3 Depreciation

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

The estimated useful lives are as follows:

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

Improvements on leasehold premises are depreciated over the estimated useful lives of such improvements in the event of lessee has an option to renew the lease for a future period.

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 recognized if it is probable that future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably in accordance with the LKAS 38, Intangible Assets. Accordingly, these assets are stated in the Statement of Financial Position at cost less accumulated amortization.

3.6.1 Amortization

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

The estimated useful life of Computer Software is 5 years.

3.6.2 Subsequent Expenditure

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

3.6.3 Development Costs

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

3.7 Inventories

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

3.8 Trade and Other Receivables

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

3.9 Cash and Cash Equivalents

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

3.10 Impairment of Assets

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

An impairment loss is recognized if the carrying amount of an asset or its cash – generating unit exceeds its recoverable amount. Impairment losses are recognized in the income statement.

3.11 Employee Benefits

3.11.1 Defined Benefits Plan – Gratuity

As required by 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 recognized as an expense in the Financial Statements when incurred.

(a) Employees' Provident Fund

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

(b) Employees' Trust Fund

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

3.12 Provisions

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

3.13 Trade and Other Payables

Trade and other payables are stated at their cost.

3.14 Grants

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

3.15 Taxation

3.15.1 Current Taxation

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

Provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provision of the Inland Revenue Act No. 10 of 2006 and subsequent amendments thereto.

The Company is Liable for income tax at the rate of 28% on the taxable profit.

3.15.2 Deferred Taxation

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

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

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

3.15.3 Withholding Tax on Dividends Distributed by Subsidiary

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

3.16 Revenue

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

3.17 Expenses

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

3.18 Related Party Disclosures

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 Statement of Cash Flows

The Statement of Cash Flow has been prepared using the "Indirect Method" of preparing cash flows in accordance with the Sri Lanka Accounting Standard-LKAS 07, "Statement of Cash Flows".

Notes to the Financial Statements

For the Year Ended 31st December	Group		Company	
	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
4 Revenue				
CSE & CDS Fees	350,896,279	371,110,445	272,562,133	287,360,261
Listing Fees	50,844,273	54,105,524	50,844,273	54,105,524
Quotation Fees	5,550,000	4,300,000	5,550,000	4,300,000
Brokers' Fees	22,106,919	21,658,780	22,106,919	21,658,780
Charges for Remote Data Link	1,044,000	1,008,000	1,044,000	1,008,000
Charges for Computer Information	1,253,290	1,489,455	1,253,290	1,489,455
Listed Company Fees	20,788,840	25,669,255	-	-
Custodian Bank Fees	-	3,073,224	-	-
CDS Statement Fees	3,706,417	8,528,932	-	-
	456,190,018	490,943,615	353,360,615	369,922,020
5 Other Income				
Interest Income	104,224,067	91,245,487	103,263,939	90,281,213
Dividend Income - Unit Trusts	173,689,954	114,839,375	127,355,077	96,151,503
Dividend Income - CDS	-	-	9,000,000	18,000,000
Profit/(Loss) on Disposal of Property & Equipment	(2,142,377)	5,860,265	(2,142,377)	5,860,265
Miscellaneous Income	30,189,616	29,986,468	27,805,536	29,548,453
Net Gain on Disposal of Available-For-Sale Financial Assets	8,837,968	-	8,837,968	-
	314,799,228	241,931,595	274,120,143	239,841,434
6 Staff Cost				
Salaries	186,733,698	158,983,491	174,118,296	145,957,855
Staff Bonus	12,553,302	27,013,859	11,772,718	24,792,859
Terminal Benefits (Gratuity)	2,136,002	4,295,981	2,444,626	4,040,715
Staff Welfare	5,173,770	8,717,829	4,361,800	7,306,142
Medical Expenses	2,852,134	2,305,290	2,542,491	2,043,027
Transport & Traveling	3,918,222	4,114,741	3,465,946	3,659,744
	213,367,128	205,431,191	198,705,877	187,800,342

For the Year Ended 31st December	Group		Company	
	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
7 Other Operating Expenses				
Rent	103,147,158	85,520,088	87,087,730	71,827,088
Administration Expenses	51,006,409	38,152,413	33,549,904	24,706,419
Data Communication Charges	30,305,993	26,691,989	30,221,502	26,621,580
CDS Statement Expenses	12,650,067	12,900,136	-	-
Stationery Expenses	4,589,086	5,040,513	1,464,689	1,721,099
Maintenance Expenses	61,077,042	57,585,840	47,021,099	42,000,115
Donation	4,717,854	9,469,500	4,717,854	9,469,500
Training Expenses	2,842,162	6,537,724	2,373,236	5,464,899
Nation Building Tax	7,088,401	7,909,085	5,510,177	6,176,267
Investor Education & Foreign Road Show Expenses	63,235,952	33,143,885	48,578,941	26,163,051
Publication & Website Expenses	27,798,891	19,692,112	27,539,293	19,497,852
Incentive Scheme for Brokers to open Branch Offices	899,000	-	899,000	-
Directors' Expenses	3,886,000	1,393,000	3,886,000	1,393,000
Auditors' Remuneration	1,020,446	883,497	653,569	553,711
Fees Paid to Auditors for Non-Audit Services	462,829	350,406	412,825	206,968
Legal Fees	5,230,362	1,469,585	5,230,362	1,469,585
Professional Charges & Subscription	28,447,955	37,708,598	25,795,109	37,245,882
Provision for Bad Debts	202,652	565,755	172,040	173,326
	408,608,259	345,014,126	325,113,330	274,690,341

08 Taxation

The company and its subsidiary are liable for income tax at the rate of 28% (28% in 2012) on its taxable profits.

For the Year Ended 31st December	Group		Company	
	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
8.1 Income tax Expense				
Current tax expense	17,882,011	23,264,188	15,665,396	13,482,041
Under / (Over) Provision for taxes	86,876	(7,512,232)	-	(7,512,232)
	17,968,887	15,751,956	15,665,396	5,969,809
Deferred tax expense (Note 16)	3,103,674	-	3,103,674	-
Taxes on dividends	1,000,000	2,000,000	-	-
	22,072,561	17,751,956	18,769,070	5,969,809

Notes to the Financial Statements

08 Taxation (contd.)

For the Year Ended 31st December	Group		Company	
	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
8.2 Reconciliation on Accounting Profit to Income Tax				
Profit / (loss) before taxation	32,627,881	107,110,673	(12,724,427)	71,953,551
Income tax using the corporate tax rate	9,135,807	29,990,989	(3,562,840)	20,146,995
Tax effect of expenses disallowed for tax	119,663,788	105,196,393	119,605,639	105,258,240
Tax effect on Capital Allowances	(38,357,110)	(47,394,919)	(38,357,110)	(47,394,919)
Tax effect of deductible expenses for tax	(72,560,473)	(64,528,275)	(62,020,293)	(64,528,275)
Tax on taxable profits	17,882,011	23,264,188	15,665,396	13,482,041
Under / (Over) provision for taxes	86,876	(7,512,232)	-	(7,512,232)
Withholding tax on inter company dividend	1,000,000	2,000,000	-	-
Deferred tax expense (Note 16)	3,103,674	-	3,103,674	-
Tax on Profit for the period	22,072,561	17,751,956	18,769,070	5,969,809

8.3 Tax has been provided at the rate of 28% in respect of CSE & CDS for the Financial Year 2013 (28% in 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 1st April 2002 would be entitled to a notional credit in relation to tax payable by such person. Accordingly, the net interest earned by the CSE for the year, has been grossed up in the Financial Statements and the resulting notional credit is Rs.347,646/- (Rs. 2,837,322/- in 2012).

9 Property & Equipment

Group	Furniture & Fittings Rs.	Computers & Office Equipment Rs.	Motor Vehicles Rs.	Telephones Rs.	Total Rs.
Cost					
As at 01st January 2013	101,107,932	366,559,738	24,734,487	9,181,423	501,583,580
Additions	19,111,244	32,840,567	-	3,721,364	55,673,175
Transfers	61,918,056	43,006,705	-	2,812,935	107,737,696
Disposals	(24,699,603)	(5,782,486)	(2,600,000)	(223,787)	(33,305,876)
As at 31st December 2013	157,437,629	436,624,524	22,134,487	15,491,935	631,688,575
Accumulated Depreciation					
As at 01 January 2012	63,659,888	209,425,622	8,706,640	8,317,278	290,109,428
Charge for the year	15,871,491	50,839,422	3,688,307	1,694,005	72,093,225
Disposals / Transfers	(19,923,784)	(4,976,817)	(2,600,000)	(223,776)	(27,724,377)
As at 31st December 2013	59,607,595	255,288,227	9,794,947	9,787,507	334,478,276
Net Book Value					
As at 31st December 2013	97,830,034	181,336,297	12,339,540	5,704,428	297,210,299
As at 31st December 2012	37,448,044	157,134,118	16,027,847	864,145	211,474,151

9 Property & Equipment (contd.)

Company	Furniture & Fittings	Computers & Office Equipment	Motor Vehicles	Telephones	Total
Cost	Rs.	Rs.	Rs.	Rs.	Rs.
As at 01st January 2013	100,716,615	363,562,582	24,734,487	9,120,573	498,134,257
Additions	19,111,244	32,840,567	-	3,721,364	55,673,175
Transfers	61,918,056	43,006,705	-	2,812,935	107,737,696
Disposals	(24,699,603)	(5,782,487)	(2,600,000)	(223,787)	(33,305,877)
As at 31st December 2013	157,046,312	433,627,367	22,134,487	15,431,085	628,239,251
Accumulated Depreciation					
As at 01st January 2013	63,268,595	206,428,484	8,706,640	8,256,431	286,660,150
Charge for the year	15,871,491	50,839,421	3,688,307	1,694,004	72,093,223
Disposals	(19,923,784)	(4,976,817)	(2,600,000)	(223,776)	(27,724,377)
As at 31st December 2013	59,216,302	252,291,088	9,794,947	9,726,659	331,028,996
Net Book Value					
As at 31st December 2013	97,830,010	181,336,279	12,339,540	5,704,426	297,210,255
As at 31st December 2012	37,448,020	157,134,098	16,027,847	864,142	211,474,109

As at 31st December	Group		Company	
	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.

10 Intangible Assets

Cost				
Balance as at 01st January	307,619,810	127,385,709	307,619,810	127,385,709
Acquired during the year	32,590,420	180,234,101	32,590,420	180,234,101
Balance as at 31st December	340,210,230	307,619,810	340,210,230	307,619,810
Amortization				
Balance as at 01st January	146,509,667	112,377,487	146,509,667	112,377,487
Charge for the year	44,292,755	34,132,180	44,292,755	34,132,180
Balance as at 31st December	190,802,422	146,509,667	190,802,422	146,509,667
Net Book Value	149,407,808	161,110,143	149,407,808	161,110,143

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

Notes to the Financial Statements

As at 31st December	Group		Company	
	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
11 Capital Work in Progress				
Cost as at 01st January	60,701,465	118,820,507	60,701,465	118,820,507
Incurred during the year	159,965,145	165,652,677	159,965,145	165,652,677
Transfers	(108,961,931)	(223,771,719)	(108,961,931)	(223,771,719)
Cost as at 31st December	111,704,679	60,701,465	111,704,679	60,701,465
12 Investment in Subsidiary				
Central Depository Systems (Pvt) Ltd. (10,000,000 Ordinary Shares)	-	-	25,000	25,000
	-	-	25,000	25,000
13 Financial Investments - Available-for-Sale				
Long Term Investments				
NDB Aviva - Eagle Gilt Edged Fund	835,043,617	839,931,677	422,058,843	424,529,431
	835,043,617	839,931,677	422,058,843	424,529,431
Current Investments				
NAMAL - Money Market Fund	-	59,336,814	-	59,336,814
CEYBANK - Savings Plus Money Market Fund	485,260,054	238,328,841	485,260,054	238,328,841
CEYBANK - Surakum Gilt Edged Fund	504,296,583	515,585,720	504,296,583	515,585,720
NDB Aviva - Eagle Gilt Edged Fund	458,872,162	-	458,872,162	-
	1,448,428,799	813,251,375	1,448,428,799	813,251,375
13.1 As at 31st December				
Group	No. of Units	2013 Rs.	No. of Units	2012 Rs.
CSE				
CEYBANK - Surakum Gilt Edged Fund	47,688,522	504,296,583	48,732,110	515,585,720
CEYBANK - Savings Plus Money Market Fund	45,578,019	485,260,054	21,885,109	238,328,841
NAMAL - Money Market Fund	-	-	5,683,603	59,336,814
NDB Aviva - Eagle Gilt Edged Fund	85,944,488	880,931,005	41,176,472	424,529,431
	-	1,870,487,642	-	1,237,780,806
CDS				
NDB Aviva - Eagle Gilt Edged Fund	40,291,197	412,984,774	40,291,197	415,402,246
	-	412,984,774	-	415,402,246

As at 31st December	Group		Company	
	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
14 Investment in LFSB				
Ordinary Shares	1,000,000	1,000,000	-	-
	1,000,000	1,000,000	-	-

This represents the 100,000 Ordinary Shares purchase from Lanka Financial Services Bureau Ltd (LFSB) by the Central Depository Systems (Private) Ltd. LFSB is the SWIFT Service Bureau for Sri Lanka which facilitates inter-bank transactions.

15 Settlement Guarantee Fund

As at 31st December	Group		Company	
	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
Settlement Guarantee Fund	100,000,000	100,000,000	100,000,000	100,000,000
	100,000,000	100,000,000	100,000,000	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 Million to strengthen the Settlement Guarantee Fund subsequent to the fund meeting held on 20th December 2011 and transferred the funds on 18th January 2012.

As at 31st December	Group		Company	
	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
Deferred Tax Liabilities	(48,943,112)	(42,223,623)	(48,943,112)	(42,223,623)
Deferred Tax Assets	48,943,112	45,327,297	48,943,112	45,327,297
	-	3,103,674	-	3,103,674
Balance as at 01st January	(3,103,674)	3,103,674	(3,103,674)	3,103,674
Recognized in the Income Statement	3,103,674	-	3,103,674	-
Balance as at 31st December	-	3,103,674	-	3,103,674

Deferred tax assets and liabilities are attributable to the following originations of temporary differences;

Property, equipment & intangible assets	174,796,829	147,442,909	174,796,829	147,442,909
Retirement Benefit Obligation	(31,732,649)	(39,684,711)	(31,732,649)	(39,684,711)
Brought Forward Tax Loss	(143,064,180)	(118,842,747)	(143,064,180)	(118,842,747)
Total Taxable Temporary Difference	-	(11,084,549)	-	(11,084,549)
Applicable Tax Rate	28%	28%	28%	28%
Deferred Tax Assets	-	3,103,674	-	3,103,674

Notes to the Financial Statements

16 Deferred Tax Assets (contd)

Deferred Tax Assets arising from the unused tax losses has been recognized only to the extent of entity's taxable temporary differences. Hence, the full amount of differed tax asset arising from the unused tax loss has not been recognized 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 utilized by the entity.

As at 31st December	Group		Company	
	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.

17 Trade & Other Receivables

Trade Receivables	26,583,864	36,299,540	4,650,656	9,296,684
Provision for Impairment	(1,741,439)	(1,538,786)	(1,207,347)	(1,035,306)
	24,842,425	34,760,754	3,443,309	8,261,378
CSE & CDS Fees Receivable	4,108,412	2,355,192	3,195,430	1,831,814
Prepayments	60,618,207	50,389,484	60,327,773	50,001,286
Advance Payments	7,581,223	2,508,590	7,581,223	2,508,590
Refundable Deposits	44,898,572	45,214,640	44,898,572	45,214,640
Sundry Debtors	3,312,715	4,301,740	3,312,715	3,257,999
Other Receivable	16,131,322	6,675,900	16,131,016	6,587,624
Interest Receivable	21,365	16,152,629	21,357	16,152,629
Staff Loans	27,238,340	20,969,877	27,238,340	20,969,877
Prepaid Staff Cost	15,410,037	13,738,939	15,410,037	13,738,939
	204,162,618	197,067,746	181,559,772	168,524,776

18 Cash & Cash Equivalents

Treasury Bill Overnight Repos	113,011,626	131,829,665	112,966,340	131,787,161
Cash at Bank	7,676,166	11,538,851	7,364,630	11,122,146
RTGS Account	19,400	6,670	-	-
Cash in Hand	230,050	175,000	225,050	170,000
Cash & Cash Equivalents	120,937,242	143,550,186	120,556,020	143,079,307
Bank Overdraft	(5,774,226)	(10,394,446)	(5,774,226)	(10,394,446)
Cash & Cash Equivalents	115,163,016	133,155,740	114,781,794	132,684,861

19 Other Reserves

Capital Reserve (Note 19.1)	99,975,000	99,975,000	-	-
Available-for-Sale Reserve	39,966,566	48,734,529	33,922,886	10,546,617
	139,941,566	148,709,529	33,922,886	10,546,617

19.1 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.

20 Broker Deposits In Lieu Of Bank Guarantee

As at 31st December	Group		Company	
	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
Broker Deposits (Note 20.1)	83,500,000	83,500,000	83,500,000	83,500,000
Deposits for Computer Facility	111,670	111,670	111,670	111,670
Entrance Deposits	640,000	640,000	640,000	640,000
Deposits for Telephones	188,300	188,300	188,300	188,300
	84,439,970	84,439,970	84,439,970	84,439,970

20.1 This is the cash deposit maintained by broker firms as part of their Liquidity Requirement in terms of Section 03 of Member Regulations of the Colombo Stock Exchange.

21 Retirement Benefit Obligations

As at 31st December	Group		Company	
	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
Balance as at 01st January	39,684,711	36,172,270	39,684,711	36,172,270
Provision made during the year	2,169,068	4,269,941	2,444,626	4,040,716
Provision made for Subsidiary	-	-	(275,558)	229,225
Payments made during the year	(10,121,130)	(757,500)	(10,121,130)	(757,500)
Balance as at 31st December	31,732,649	39,684,711	31,732,649	39,684,711

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

The principal assumptions used to arrive above gratuity liability are as follows;

Expected Annual Average Salary Increment	8%
Discounting Rate / Interest Rate	10%
Staff Turnover Factor	8%

22 Other Payables

As at 31st December	Group		Company	
	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
Interest Payable to Brokers	1,512,708	1,886,638	1,512,708	1,884,913
Payments Received in Advance	542,266	506,578	542,266	506,578
Sundry Creditors & Accrued Expenses	49,991,429	55,411,808	48,117,423	53,654,668
	52,046,403	57,805,024	50,172,397	56,046,159

Notes to the Financial Statements

23 Amounts due to Related Company

As at 31st December	Relationship	Group		Company	
		2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
Central Depository Systems (Pvt) Ltd.	Subsidiary	-	-	64,523,063	23,637,678
		-	-	64,523,063	23,637,678

24 Contingencies & Commitments

24.1 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). This case is an appeal filed against the decision made by the High Court of Colombo on 30th September 2010 in case bearing No. HCALT 40/2008. Ms. Witharanage claims re-instatement of her services. The matter has been fixed for Hearing for 02nd September 2014.
 - 2) The case bearing No. 58365/MR was filed in the District Court of Colombo against the CSE by an investor, namely, Mr. Iqbal Bin Issac, regarding his shareholding in Touchwood Investment Ltd. and claiming a sum of Rs.10 Million as damages. The Trial commenced on the 17th February 2009. Further, Trial in the said matter has been fixed for 01st July 2014.
- Based on the opinion received Board of Directors of the company is in the view that, no liability would arise to the Company in this regard.

24.2 Tax Assessments against the CSE

The Department of Inland Revenue has issued assessment notices for income tax amounting to Rs. 16.1 million for the Year of Assessment 2005/2006, Rs.17.6 million for the Year of Assessment 2006/2007, Rs. 0.3 million for the Year of Assessment 2007/2008 and Rs.0.4 million for the Year of Assessment 2009/2010. In addition to the above the Department of Inland Revenue has issued taxes in default notice for income tax amounting to Rs. 2.84 million, Rs.0.04 million, Rs. 0.027 million & Rs. 4.5 million for the Year of Assessment 1997/1998, 1999/2000, 2003/2004, 2008/2009 respectively. The CSE has appealed to quash the income tax assessments issued by the Department of Inland Revenue. Based on the consultant opinion, Board of Directors of the company is of the view that, no liability would arise to the company since the said assessments are outside the scope of chargeability of taxation.

24.3 Tax Assessments against the CDS

The Department of Inland Revenue has issued assessment notices for income tax amounting to Rs. 3.94 million for the Year of Assessment 2008/2009 and Rs.3.03 million for the Year of Assessment 2009/2010 respectively. The CDS has appealed to quash the income tax assessment issued by the Department of Inland Revenue. Based on the consultant opinion, Board of Directors of the company is of the view that, no liability would arise to the company since the said assessments are outside the scope of chargeability of taxation.

25 Capital Commitments

The Group and the Company had purchased commitments in the ordinary course of business as at 31st December 2013 as follows.

As at 31st December	Group		Company	
	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
Property and Equipment - approved & contracted	86,433,553	124,633,633	86,433,553	124,633,633
	86,433,553	124,633,633	86,433,553	124,633,633

26 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.

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 & Audit Committee is assisted in these functions by Internal Audit and the results are reported to the Risk & Audit Committee. The Risk & Audit Committee provides its assessment on the effectiveness of internal audit and external disclosure of accounting policies and financial reporting to the Board. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group has developed an Enterprise Risk Management framework & policy and currently in the process of reviewing the framework.

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 & other receivables which are financial assets and cash and bank balances with financial institutions. Majority of the investments in unit trust as at the Reporting Date are invested in Gilt Edged unit trusts 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.

Notes to the Financial Statements

26 Financial Risk Management (contd)

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 optimizing the return. The CSE has placed a special emphasis on the effect of market risk on fixed income securities and investments. Further, a board approved investment policy and an investment procedure manual are in place at the company to mitigate the market risk. The Group has set up a risk management division with an AGM -Risk recently.

Currency Risk

The Group is exposed to currency risk on purchasing on assets and obtaining of services that are denominated in a currency other than the respective functional currency of the Group. The currency in which 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. The Group is in the process of developing the procedure manuals in order to strengthen the systems processes and the internal controls.

27 Related Party Disclosures

27.1 Transactions with Key Management Personnel

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

CSE paid Rs.3,886,000 during the year as Directors' Expenses. (Rs. 1,393,000/- in 2012)

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

	Company	
	2013	2012
	Rs.	Rs.
Short Term Employee Benefits	44,001,539	38,251,722
Long Term Employee Benefits	4,779,638	3,945,420

27 Related Party Disclosures (contd)

27.2 Transactions with Group Companies and Director Related Entities

Central Depository Systems (Pvt) Ltd is a fully owned subsidiary of the Colombo Stock Exchange. CSE apportioned Rs. 68,971,476/- to Central Depository Systems (Pvt) Ltd as expenses during the year.

Company	Relationship		Nature of Transaction	Amount Rs.	
a) Mr. Krishan Balendra					
Nations Trust Bank PLC	Director	CSE	Annual Listing fee received for year	442,765	
			Receipt for computer information provided & Subscription fees	10,611	
			Quotation fees received for debt listing	102,041	
			Computer Information Charges Receivable as at year end	629	
			CDS	Receipt for participants Fees	126,122
John Keells Stock Brokers (Pvt) Ltd	Director	CSE	Listed Company fee receivable as at year end	167,755	
			Member fee, data communication charges & other charges received	1,195,380	
		CDS	Interest paid for Member Firms' Liquidity deposit	244,203	
			Member Firms' liquidity deposits and entrance deposit as at year end	3,540,000	
			Interest payable for Member Firms' liquidity deposit as at year end	63,407	
			Data communication charges receivable as at year end	32,558	
			Receipt from Sale of CDS forms and reimbursement for packeting & posting expenses	220,608	
			Interest paid for Member Firms' margin deposit	158,161	
b) Mr. Vajira Kulatilaka					
NDB Securities (Pvt) Ltd.	Director	CSE	Member fees, data communication charges & other charges received	884,487	
			Payment on incentive scheme for brokers to open branch offices	680,000	
			Receipt on representing dispute resolution committee	30,000	
			Interest paid for Member Firms' liquidity deposit	162,406	
			Member Firms' liquidity deposit & entrance deposit as at year end	2,290,000	
			Interest payable for Member Firms' liquidity deposit as at year end	40,763	
			Member fees and data communication charges receivable as at year end	168,234	
			CDS	Sale of CDS Forms & reimbursement for packeting & posting expenses	209,898
			Amount receivable for sale of CDS Forms & reimbursement for packeting & posting expenses as at year end	6,745	
		Interest paid for Member Firms' margin deposit	237,868		
NDB Wealth Management Limited	Director	CSE	Investment made during the year	453,500,000	
			Investment in Unit Trusts as at year end	880,931,004	
NDB Capital Holdings PLC	Director	CDS	Dividends received from Unit Trusts	47,352,943	
			Investment in Unit Trusts as at year end	412,984,774	
		CSE	Dividends received from Unit Trusts	46,334,877	
			Annual Listing fees received for year	655,870	
			Receipt for computer information provided	2,966	
			Computer Information charges receivable as at year end	571	
NDB Capital Holdings PLC	Director	CDS	Listed Company fee receivable as at year end	12,168	

Notes to the Financial Statements

27 Related Party Disclosures (contd)

27.2 Transactions with Group Companies and Director Related Entities (contd)

Company	Relationship		Nature of Transaction	Amount Rs.
c) Mr. M. R. Prelis				
Capital Trust Securities (Pvt) Ltd.	Director	CSE	Member fee, data communication charges & other charges received	2,217,143
			Member fee, data communication & other charges receivable	175,044
			Interest paid for Member Firms' liquidity deposit	263,313
			Member Firms' liquidity deposits & entrance deposit as at year end	3,540,000
			Interest payable for Member Firms' liquidity deposit as at year end	63,407
		CDS	Sale of CDS Forms & reimbursement for packeting & posting expenses	360,137
			Interest paid for Member Firms' margin deposit	133,868
		Dialog Axiata PLC	Director	CSE
	Payment made during the year for E1 link charges, mobile phone charges & broad band charges			597,576
	Payment made for mobile phone purchased			305,964
CDS	Listed Company fee receivable as at year end			115,668
d) Mr. Ray Abeywardena				
(Appointed with effect from 13th June 2013)				
Acuity Stock Brokers (Pvt) Ltd	Director	CSE	Member fee, data communication charges & other charges received	688,375
			Member fee, data communication & other charges receivable	127,961
			Interest paid for Member Firms' liquidity deposit	199,131
			Member Firms' liquidity deposit & entrance deposit as at year end	3,540,000
			Interest payable for Member Firms' liquidity deposit as at year end	63,407
		CDS	Amount receivable on sale of CDS forms as at year end	20,224
		Lanka Ventures PLC	Director	CDS
Asian Alliance Insurance PLC	Director	CSE	Receipts for computer information provided	30,057
			Amount receivable for computer information provided as at year end	14,457
		CDS	Listed Company fee receivable as at year end	35,357
e) Mr. Hiran de Alwis				
Sri Lanka National Arbitration Centre	Member of the Board of Governance & Chief Legal Advisor	CSE	Arbitration Centre Charges paid during the year	190,060
f) Mr. A. C. Seneviratne				
(Appointed with effect from 25th July 2013)				
Nation Lanka Equities (Pvt) Ltd	Director	CSE	Member fee, data communication charges & other charges received	401,474
			Member fees and other charges receivable as at year end	476,690
			Interest paid for Member Firms' liquidity deposit	70,710
			Member Firms' liquidity deposit & entrance deposit as at year end	3,540,000
			Interest payable for Member Firms' liquidity deposit as at year end	63,407
Nation Lanka Finance PLC	Director	CSE	Subscription received for ticker software	114,500
		CDS	Listed Company fee receivable as at year end	510,204
Anilana Hotels & Properties Ltd	Director	CSE	Quotation fees received for initial listing of shares	153,061
		CDS	Listed Company fees receivable as at year end	23,235

27 Related Party Disclosures (contd)

27.2 Transactions with Group Companies and Director Related Entities (contd)

Company	Relationship	Nature of Transaction	Amount Rs.
g) Mr. Dhakshitha Thalgodapitiya			
Sri Lanka National Arbitration Centre	Member of the Board of Governors	CSE Arbitration Centre Charges paid during the year	190,060
h) Central Depository Systems (Pvt) Ltd			
	Fully owned Subsidiary	Fund Transfer	132,215,909
		Expenses transferred	(82,330,524)
		Dividend Received	9,000,000

28 Events after the Reporting Period

There were no material events after the Reporting Date, which require adjustments to or disclosure in the Financial Statements.

29 Directors' Responsibility Statement

The Board of Directors of the Company is responsible for the preparation and presentation of these Financial Statements in accordance with LKASs & SLFRSs

30 Comparative Figures

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

Annexes

Members

Bartleet Religare Securities (Pvt) Limited

Level "G", "Bartleet House",
65, Braybrooke Place, Colombo 2.
Tel : +94 11 5 220 200
Fax : +94 11 2 434 985
E-mail : info@bartleetstock.com
Website : www.bartleetreligare.com
Mr. R. Muralidaran, Managing Director

Acuity Stockbrokers (Pvt) Ltd

Level 6, Acuity House,
No. 53, Dharmapala Mawatha,
Colombo 3.
Tel : +94 11 2 206 206
Fax : +94 11 2 206 298 – 9
E-mail : sales@acuitystockbrokers.com
Website : www.acuity.lk
Mr. P.P.S Fernando, Director / CEO

John Keells Stock Brokers (Pvt) Ltd

186, Vauxhall Street,
Colombo 2.
Tel : +94 11 2 342066
+94 11 2 306250
Fax : +94 11 2 342068
E-mail : jkstock@keells.com
Website : www.jksb.com
Mr. Tivanka Ratnayake / CEO

Asha Phillip Securities Ltd

2nd Floor,
Lakshmans Building,
No. 321, Galle Road,
Colombo 3.
Tele : +94 11 2 429 100
Fax : +94 11 2 429 199
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 4 700 111
Tel : +94 11 2 307 366
Fax : +94 11 4 700 112
+94 11 2 307 365
E-mail : colombo.dpglobal@dpmcfs.com
Website : www.assetline.lk
Mr. Deepta Ekanayake, Managing Director

Somerville Stockbrokers (Pvt) Ltd

137, Vauxhall Street,
Colombo 2.
Tel : +94 11 2 329 201 – 5
+94 11 2 332 827
+94 11 2 338 292
Fax : +94 11 2 338 291
E-Mail : ssb-web@sltnet.lk
Ms. Shalini Dias, Director

J B Securities (Pvt) Ltd

150, St. Joseph Street,
Colombo 14.
Tel : +94 11 2 490 900
+94 77 2 490 900
+94 77 2 490 901
Fax : +94 11 2 430 070
+94 11 2 446 085
E-mail : jbs@jb.lk
Website : www.jbs.lk
Mr. Murtaza Jafferjee / CEO

Lanka Securities (Pvt) Ltd

228/1, Galle Road,
Colombo 4.
Tel : +94 11 4 706 757
+94 11 2 554 942
Fax : +94 11 4 706 767
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 Centre,
Echelon Square, Colombo 1.
Tel : +94 11 2 423 905
+94 11 5 320 000
Fax : +94 11 2 336 018
E-mail : enquiry@asiacapital.lk
Website : www.asiasecurities.net
Mr. Sabri Marikar / CEO

Nation Lanka Equities (Pvt) Ltd

44, Guildford Crescent,
Colombo 7.
Tel : +94 11 4 889 061 – 3,
+94 11 2 684 483
Fax : +94 11 2 688 899
E-mail : info@nlequities.com
Website : www.nlequities.com
Mr. Janaka Palapathwala, Director /
General Manager

Capital Trust Securities (Pvt) Ltd

42, Mohamed Macan Markar Mawatha,
Colombo 3.
Tel : +94 11 2 174 174
+94 11 2 174 175
Fax : +94 11 2 174 173
E-mail : inquiries@capitaltrust.lk
Website : www.capitaltrust.lk
Mr. Tushan Wickramasinghe,
Managing Director

S C Securities (Pvt) Ltd

2nd Floor, 55 D.R. Wijewardena Mawatha,
Colombo 10.
Tel : +94 11 4 711 000
+94 11 47 11 001
Fax : +94 11 2 394 405
E-mail : ceo@sampathsecurities.lk
Website : www.sampathsecurities.lk
Mr. Harsha Fernando, Director / CEO

CT Smith Stockbrokers (Pvt) Ltd

4-14, Majestic City, 10, Station Road,
Colombo 4.
Tel : +94 11 2 552 290
Fax : +94 11 2 552 289
E-mail : ctssales@sltnet.lk
Website : www.ctsmith.lk
Mr. Rohan Fernando, Managing Director

First Capital Equities (Pvt) Limited

No.01, Level 2, Lake Crescent,
Colombo 2.
Tel : +94 11 2 145 000
Fax : +94 11 5 736 264
E-mail : inquiries@firstcapital.lk
Website : www.firstcapital.lk
Mr. Jaliya Wijeratne / CEO

NDB Securities (Private) Limited

5th Floor, NDB Building,
40, Navam Mawatha, Colombo 2.
Tel : +94 11 2 314 170 – 8
Fax : +94 11 2 314 180
E-mail : mail@ndbs.lk
Website : www.ndbs.lk
Mrs. Prasansini Mendis / CEO

Trading Members

Capital Alliance Securities (Pvt) Ltd

Level 5, "Millennium House",
46/58 Navam Mawatha, Colombo 2.
Tel : +94 11 2 317 777
Fax : +94 11 2 3177 88
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 11 4 388 138
Fax : +94 11 2 339 292
E-mail : admin@smbsecurities.lk
Website : www.smbsecurities.lk
Mr. C. N. Priyankara / Acting CEO

First Guardian Equities (Pvt) Ltd

32nd Floor, East Tower, World Trade
Centre, Echelon Square,
Colombo 1.
Tel : +94 11 5 884 400 (Hunting)
Fax : +94 11 5 884 401
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 5 328 200
Fax : +94 11 5 328 277
E-mail : info@taprobane.lk
Website : www.taprobanestocks.com
Mr. Niranjan Niles / Acting CEO

Candor Equities Ltd

Level 8, South Wing, Millennium House,
46/58 Nawam Mawatha,
Colombo 2.
Tel : +94 11 2 359 100
Fax : +94 11 2 305 522
E-mail : info.cel@candorh.com
Website : www.candor-holdings.com
Mr. Ravi Abeysuriya, Director / CEO

Serendib Stock Brokers (Pvt) Ltd

3rd Floor, No. 156, Walukarama Road,
Colombo 3.
Tel : +94 11 2 565 635
Fax : +94 11 2 565 604
E-mail : info@serendibsb.com
Website : www.serendibsb.com
Mr. Naushervan Beg / CEO

IIFL Securities Ceylon (Pvt) Ltd

27th Floor, East Tower,
World Trade Centre, Echelon Square,
Colombo 1.
Tel : +94 11 2 333 000
Fax : +94 11 2 333 383
E-mail : info.ceylon@iiflcap.com
Mr. Dhushyanth Wijayasinghe / CEO

TKS Securities (Pvt) Ltd

19-01, East Tower,
World Trade Centre, Echelon Square
Colombo 1.
Tel : +94 11 7 857 799
Fax : +94 11 7 857 857
E-mail : info@tks.lk
Website : www.tks.lk
Mr. Hussain Gani / CEO

Richard Pieris Securities (Pvt) Ltd

No. 55/20, Vauxhall Lane,
Colombo 2.
Tel : +94 11 7 448 900 ,
+94 11 5 900 800
Fax : +94 11 2 330 711
E-mail : dilruk@rpsecurities.com
Mr. Dilruk Fernando / Acting CEO

Claridge Stockbrokers (Pvt) Ltd

No. 10 Gnanartha Pradeepa Mawatha,
Colombo 8.
Tel : +94 11 2 697 974
Fax : +94 11 2 689 250
E-mail : csb@mackwoods.com
Mr. P. N. A. Epa / CEO

Navara Securities (Pvt) Ltd

2nd Floor, 45/2, Braybrooke Street,
Colombo 2.
Tel : +94 11 2 358 700 / 20
Fax : +94 11 2 358 701
Website : www.nws.lk
Mr. Nadun Jayathilake / CEO

Softlogic Stockbrokers (Pvt) Ltd

No. 06, 37th Lane,
Queens Road, Colombo 3.
Tel : +94 11 7 277 000
Fax : +94 11 7 277 099
Email : info@equity.softlogic.lk
Website : www.softlogiccequity.lk
Mr. Dihan Dedigama / CEO

LOLC Securities Limited

Level 18, West Tower,
World Trade Centre,
Echelon Square, Colombo 1.
Tel : +94 11 7 880 880
Fax : +94 11 2 434 771
Mr. Sriyan Gurusinghe,
CEO / Managing Director

(Trading Member - Debt)

First Capital Markets Limited

No. 75, Arnold Ratnayake Mawatha,
Colombo 10.
Tel : +94 11 2 639 898
+94 11 2 681 888
Fax : +94 11 2 639 899,
+94 11 2 681 460
E-Mail : info@firstcapital.lk
Website : www.firstcapital.lk
Mr. Dilshan Wirasekara / Deputy CEO

Capital Alliance Limited

Level 5, 'Millenium House',
46/58, Nawam Mawatha, Colombo 2.
Tel : +94 11 2 317 777
Fax : +94 11 2 317 788
Mr. Gihan Hemachandra / CEO

Notice of Meeting

The 29th Annual General Meeting of the Colombo Stock Exchange will be held on 5th June 2014 at 5.30 p.m. at 8⁰ on the Lake, Cinnamon Lakeside Hotel for the following purposes: -

AGENDA

1. To receive and consider the Annual Report of the Directors and Financial Statement of the Company for the year ended 31st December 2013 together with the Report of the Auditors thereon.
2. Election / Re-election of Directors
 - a) To re-elect Mr. Vajira Kulatilaka who is retiring in terms of Article 50 of the Articles of Association. (Mr. Kulatilaka being eligible is offering himself for re-election).
 - b) Mohan Ray Abeywardena retires in terms of Article 50 of the Articles of Association. (Mohan Ray Abeywardena being eligible is offering himself for re-election).
 - c) To elect Mr. M R Prelis as a Director in terms of Section 211 of the Companies Act No 7 of 2007 by passing the following resolution.

“Resolved that Mr. M R Prelis of 3/3 Maitland Crescent, Colombo 7, who is 77 years of age is hereby elected a Director in terms of Section 211 of the Companies Act No 7 of 2007 and it is further specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act No 7 of 2007 shall not apply to the said Mr. M R Prelis.”
3. To re-appoint the retiring Auditors Messrs. KPMG, Chartered Accountants, as the Auditors of the Company, to hold office until the conclusion of the next Annual General Meeting of the Company, to audit the Financial Statements of the Company for the ensuing year and authorize the Directors to determine their remuneration.
4. To authorize the Directors to determine donations for the year ending 31st December 2014 and up to the date of the next Annual General Meeting.

By order of the Board



Director

CORPORATE SERVICES (PRIVATE) LIMITED

Secretaries

COLOMBO STOCK EXCHANGE

At Colombo, on this 23rd day of April 2014.

Note:

1. Any member entitled to attend and vote is entitled to appoint a corporate representative instead (please see attached form of resolution).

Corporate Representation

RESOLUTION TO APPOINT REPRESENTATIVE

COLOMBO STOCK EXCHANGE

In terms of Article 46 of the Articles of Association of the Colombo Stock Exchange a body corporate, which is a member of the Exchange, may by resolution of its Board authorize any such person to act as its representative at a general meeting of the Exchange.

Specimen Resolution

A certified true copy of a resolution passed by the Board of Directors of on this day of 2014.

By virtue of the powers vested by article 46 of the Articles of Association of the Colombo Stock Exchange IT IS HEREBY RESOLVED to appoint (holder of National Identity Card No.) of to act as our representative, to vote for us and to speak on our behalf and to exercise the same powers on our behalf which we would exercise if we were individual Members of the Colombo Stock Exchange, at the Annual General Meeting of the Colombo Stock Exchange to be held on 2014, and at any adjournment thereof.

.....
Director

.....
Director/Secretary

Note:

A copy of the Board Resolution as set out above, certified as specified by the Articles of the Member Firm should be deposited at the Office of the Colombo Stock Exchange, 4-1, West Block, World Trade Centre, Echelon Square, Colombo 1, either before or at the time of the meeting.

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 System (Private) Limited.

Registered Office

4-10, West Block, World Trade Center, Echelon Square,
Colombo 1, Sri Lanka.

Secretaries

Corporate Services (Private) Limited

Auditors

KPMG

Lawyers

M/s Julius & Creasy, Attorneys-at-Law
M/s FJ & G de Saram, Attorneys-at-Law
M/s Nithya Partners, Attorneys-at-Law

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

Email : info@cse.lk

Website : www.cse.lk

