



Platform of **Growth**

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Platform of **Growth**

As the country moves ahead to recover and rebuild amid challenging business externalities, we are working positively to restore investor confidence and promote investments. Recognising this integral role played by the Colombo Stock Exchange we envision to take an active lead in the business landscape at this crucial phase in our nation's course of history. We are focussed on implementing strategies to transform our business model to realise our aspirations to move forward to ascend from a frontier market to emerging market status.

Navigating Our Report

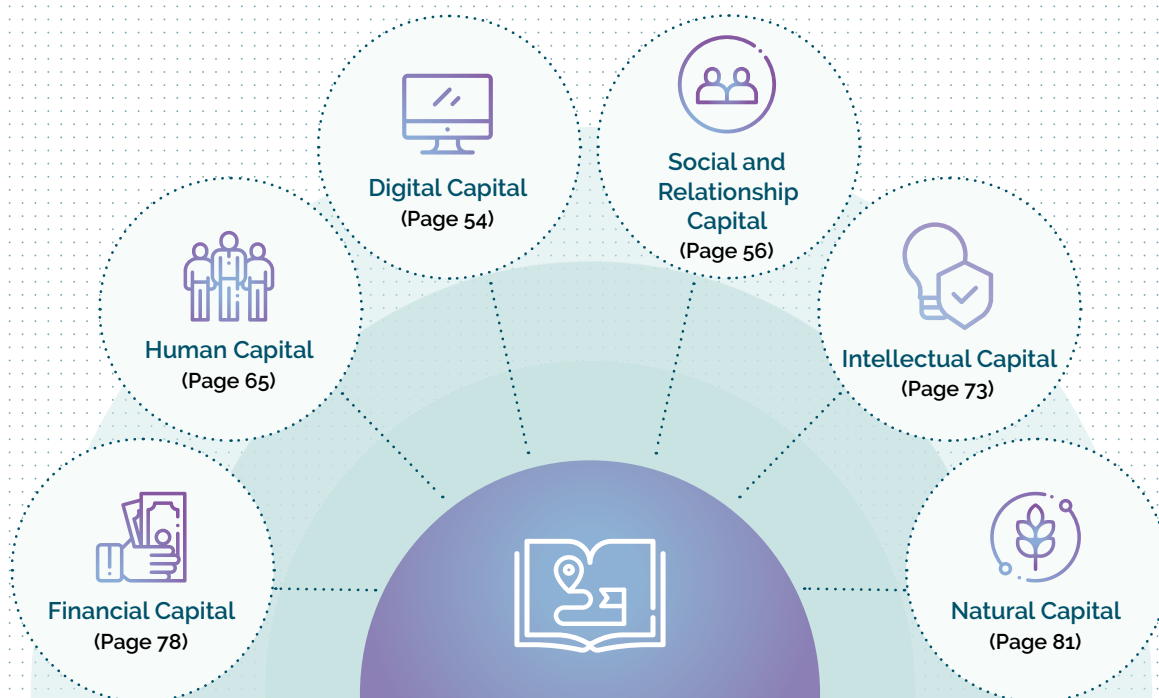
The main objective of this report is to provide a comprehensive assessment of the activities of the Colombo Stock Exchange and highlight the strategies implemented to create value in the long run. The Report is centred around the six capitals and our activities, which are focussed on engaging with our stakeholders at every level.

Strategic Report

Key messages from leadership and the Colombo Stock Exchange team

Creating Value

The Capital Reports from page 54 to 82 detail the Capital inputs we focus on to create value for stakeholders.

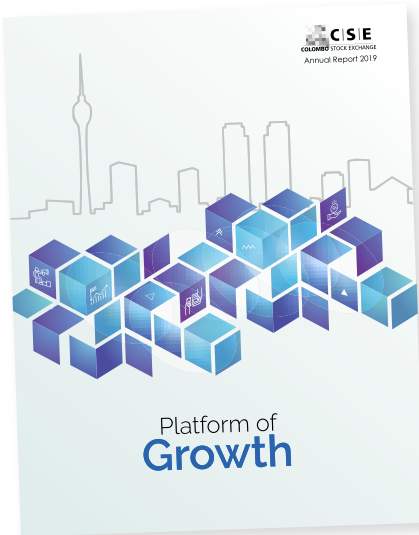


Financial Statements

Pages 99 to 161

About the Report

GRI 102 - 12, 45, 46, 48, 49, 50, 51, 52, 53, 54, 56



Welcome to our 2nd integrated report, presenting the performance of the CSE for the year ending 31st December 2019. There were no re-statement of information nor changes to our reporting period during the year. The date of the most recent report was 31st December 2018.

Scope and Boundary

This report covers the activities of the Colombo Stock Exchange (CSE) and its fully owned Subsidiary, Central Depository Systems (Pvt) Ltd (CDS) for the financial period from 1st January 2019 to 31st December 2019.

Reporting enhancements

- Improved disclosure on material topics.
- Performance highlights cover Economic, Social and Environmental Performance.
- Enhanced connectivity within the report by using icons referring to the corporate strategy throughout the report.

Reporting principles and frameworks

Source of information	Voluntarily adopted reporting guidelines	Statutory Standards and Acts
<ul style="list-style-type: none"> ■ Audited financial statements. ■ Management discussions. ■ Management information systems. ■ Publicly available industry information. 	<ul style="list-style-type: none"> ■ Integrated Reporting Framework of the International Reporting Council (IIRC). ■ Global Reporting Initiative – GRI standards (Core option). ■ International Organization of Securities Commissions (IOSCO) Principles for Financial Benchmarks. ■ Sustainable Development Goals (SDGs)- The UN initiative with 17 aspirational "Global Goals" ■ Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka 	<ul style="list-style-type: none"> ■ Sri Lanka Financial Reporting Standards. ■ Sri Lanka Auditing Standards. ■ Companies Act No 7 of 2007. ■ SEC Act: No. 36 of 1987 as amended by Act No. 26 of 1991, Act No. 18 of 2003 and Act no. 47 of 2009.


Assurance: The financial statements contained in the report have been audited by external auditors, Messrs KPMG.


Statement by the Board

The Management of the Colombo Stock Exchange has prepared and reviewed the contents of all reports and recommended the report to the Group's Board Risk and Audit Committee and the Board for their approval.

The Board acknowledges its responsibility to ensure that the Annual Integrated Report provides a balanced view of its performance in 2019.

The report was unanimously approved by the Board on 28th May 2020 and is signed on its behalf by


Mr. Ray Abeywardena
Chairman


Mr. Arjuna Herath
Risk and Audit Committee
Chairman


Mr. Rajeeva Bandaranaike
Chief Executive Officer

For any queries on the report, please contact

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Tel: +94 11 2356456.
E-mail: finance@cse.lk

About us

GRI 102 - 1, 2, 16

Our Business

The Colombo Stock Exchange (CSE) was formed in 1985 following the amalgamation of two stock brokerage associations; the Share Brokers Association (SBA) and the Colombo Brokers Association. Although share trading dates to 1896, the establishment of the first and only licensed stock market transformed the capital market of Sri Lanka by facilitating capital raising, price discovery and extending the investment opportunities to foreign investors. Today, CSE mobilises capital flows of Rs 171 Bn of which Rs 62 Bn accounts for foreign capital flows contributing extensively to create a vibrant stock market for our stakeholders.

Limited by guarantee, we are a mutual exchange with fourteen members and fourteen trading members. The activities of the exchange are primarily driven by the 25 members who are licensed as stockbrokers for equity and debt and 3 members who exclusively work in the debt market. The policy making body of the CSE is the Board of Directors comprising nine members of whom five are elected by the members and four are appointed by the Government on the recommendation of the Securities Exchange Commission (SEC).

Vision

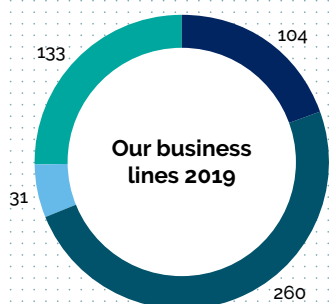
To be preferred choice for creation of wealth and value

Values

- Integrity
- Care
- Professionalism
- Passion
- Teamwork.

Mission

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



Primary Markets/Listing

We create the venue for corporates to raise capital by operating listing boards and innovating debt and equity products.

Secondary/ Trading

The automated trading platforms facilitate share trading.

Market data

We provide real time an

Post Trade Services

Responsible for depository services and corporate actions & services

Organization structure

Colombo Stock
Exchange (CSE)

Central Depository
Systems (Pvt) Ltd
(CDS) 100%

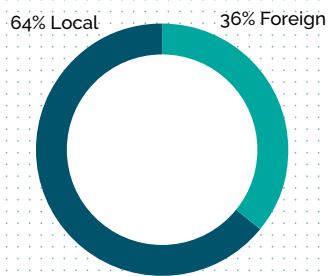
Central Securities Depository
based clearing (CSD),
settlement, custody services
and corporate actions and
services.

What we do

The CSE plays several roles to enable fund raising and enhance wealth creation thereby strengthening the capacity of local institutions, improving economic stability and supporting job creation. This section describes the various roles of the CSE together with our contribution to the global sustainability development goals.

Market Liquidity Rs. 171 Bn

Market Turnover



Fund Generation Rs. 2,851 Bn

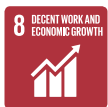
Market capitalization

Number of Equity Introduction: 2
Number of Debt IPOs to date: 15
Number of listed issuers: 289

Four listing Boards

- Main Board
- Diri Savi Board
- Multi -currency Board
- Empower Board.

A sustainable stock exchange improving livelihoods and revitalizing economies.



- Net foreign inflows/(outflows) of Rs (12) Bn.
- 154 direct employment.
- Capital generation of Rs 89 Bn.
- Tax payments both direct and indirect of Rs 1 Bn.



Ring the bell for gender equality.



MoUs with regional exchanges.



Conducted 02 workshops with GRI on corporate transparency and sustainability practices.

Initiatives to reduce the paper and electricity consumption of the exchange led to 12% reduction in paper usage.



We are the sole stock exchange in the country offering the entire range of exchange related services to facilitate capital generation and share trading.



Enhanced credibility of institutions and awarded best corporate reporting practices.

Reviewed 138 annual reports of corporates.

About us

Building Capital Market Infrastructure



Creating an Orderly Market

The divisions that carry out the examination and supervision processes to ensure market quality.

- Market Surveillance
- Corporate Affairs
- Broker Supervision.
- Compliance
- Legal
- Enterprise Risk Management

We Ensure a Financially Stable Capital Market.

The Business Divisions involved in formulating our business plan, addressing stakeholder concerns and managing the financial capital of the Exchange.

Strategy
(Page 36)

Finance and Administration.
(Page 78)

Governance

Key Business Divisions.

Corporate Governance

We Operate a Reliable, Creative and Robust Capital Market.

Key Business Divisions

Information Technology

Market Development

Research and New Products

Globally connected

We play an active role in attracting foreign investors and promoting regional cohesion. We signed three MoUs with the Dhaka Stock Exchange, the London Stock Exchange Group and South Pacific Stock Exchange.

Our Memberships

By joining hands with a global network of stock exchanges we share know-how, extend our footprint in regional markets and collaboratively promote sustainability practices.

The CSE joined the Sustainable Stock Exchanges (SSE) initiatives in 2015 and works with GRI, to increase awareness on sustainable investments among corporates.



Our Global Presence

We connect domestic businesses with a global network of investors, issuers and regional capital markets.

36%
Foreign Investor
participation

Three MoUs
with regional
exchanges.

**Initiatives
in 2019**

Road-show in
Singapore.

Participated in four
global capital market
events.

Signed MoUs with three
exchanges.

Our History

Our journey. In realizing our aspirations to build a regionally competitive capital market, we are planning to achieve the Morgan Stanley Capital Index (MSCI) Emerging Markets status.

1896

- Formalized share trading commenced in Colombo.

1904

- Colombo Share Brokers Association changed its name to Colombo Brokers Association (CBA).

1984

- Establishment of a Public Trading Floor.

1985

- The Colombo Securities Exchange (Guarantee) Ltd is incorporated as a Guarantee Company by seven (7) subscribing Stock Broker Companies and takes over the operations of the Stock Market in Sri Lanka from the Colombo Broker Association (CBA).

1987

- The Securities Council Act No. 36 of 1987 passed providing for the establishment of a regulator for the capital market.

1990

- Name changed to the Colombo Stock Exchange (CSE).

- Liberalization of investment in the stock market with the abolition of the 100% transfer of Property Tax on Share Purchase by non-nationals.

1991

- The clearing house of the CSE was automated with the establishment of a Central Depository Systems (CDS).

1995

- Upgrade of the CDS
- Relocation of the Exchange to the World Trade Centre (WTC).

- Company Takeovers and Mergers Code introduced.

1996

- Marked 10 years of Share Trading in Sri Lanka.

- The introduction of a Two Tier Board. The Main Board and the Second Board.

- The CSE is appointed as the National Numbering Agency for Sri Lanka.

1997

- Automation of Trading with a screen based trading system.

- Establishment of a Settlement Guarantee Fund and a Compensation Fund.

1998

- The CSE becomes the 52nd Member of the FIBV [now known as the World Federation of Exchanges (WFE)].

- The CDS gained membership in the Asia Pacific Central Securities Group (ACG).

1999

- Introducing of the Milanka Price Index (MPI) which replaced the Sensitive Price Index (SPI).

- Rule for Debt Securities introduced. CSE establishes its first Regional Office in Matara.

2000

- Formation of the South Asian Federation of Exchanges (SAFE) of which Sri Lanka becomes a Founder Member.

- New Listing Rules introduced.

- Second Regional Office opened in Kandy.

2001

- CSE Website re-launched with online market information.

- Public gallery re-opened at the CSE after a lapse of 10 years.

2005

- The 3rd Regional Office opened in Kurunegala.

- CSE introduces a new Triaxial Ribbon on its new logo.

- Settlement cycle shortened to T+3 for buyers and T+4 for sellers.

- Government imposed Share Transaction Levy of 0.20%.

2006

- Five Trading Members admitted increasing the number of Stock Broker Firms to 20.

2007

- Introduction of Single Tiered settlement of T+3.

- CSE opens a Regional Office in Negombo.

- Corporate Governance Rules for Listed Companies introduced.

2008

- CSE introduces an Automated Market Surveillance System.

- Cash margin for trades over Rs. 20 Million introduced by the CDS.

2009

- 3 new Settlement Banks appointed.

2010

- New CDS Rules introduced.

- New Regional Office in Jaffna opened.

- Revision of Transaction Costs.

- Tick size reduced to Rs. 0.10.

- Crossing threshold increased to Rs. 20 Mn.

- Seven (7) new Trading Members admitted.

2012

- S&P 20 Index launched.

2013

- 3 new Regional offices in Anuradhapura, Ratnapura and Hambantota opened.

2014

- Launch of the new CDS system
- Upgrade of Automated Trading System (ATS).
- The S&P SL 20 Index surpasses 4000 mark for the first time since its launch.
- CSE wins award for 'Most Sustainable Growth Exchange' in Asia awarded by Capital Finance International (CFI).
- CSE hosts an International Fund Managers Forum in Colombo.

2015

- Holds Chairmanship of the South Asian Federation of Exchanges.
- Joins United Nations Sustainable Stock Exchanges (SSE) Initiative.
- Adopts Global Industry Classification Standard (GICS) for classification of Listed Companies.
- Signs MOU with the Maldivian Stock Exchange.
- The CDS launches Custody Services for listed companies.
- CDS hosts ACG Cross Training Seminar in Colombo.
- New HRIS system introduced.
- Intranet Portal for CSE Staff introduced.

- Introduction of Market Open Ceremonies.

- CDS signs MOU with NSDL India

2016

- CDS celebrates 25 years in the Sri Lankan capital market
- The S&P/CSE Sector and Industry Group Indices jointly launched
- CSE implements new Broker Back-Office and Order Management Systems
- Opens branch office in Ambalantota
- Conducts first forum to encourage foreign company listings
- CSE wins Global HR Excellence Award for Innovation in Training and Development
- Wins IPM's – National HR

- Excellence Gold Award for Best HR Practices

- CDS launches e-Connect online account management portal

- The launch of the CSE Education Portal

- CDS signs MOU with Central Depository Company Pakistan Ltd

- New Surveillance System introduced.

2017

- Implementation of Risk Based Capital Adequacy Requirement (CAR) for Member Firms
- CSE hosts South Asian Federation of Exchanges Workshop and Panel Discussion in Colombo
- Three MoUs signed with Korea Exchange, Sydney Exchange and Central Depository (India).

- CSE introduces a step-up fee structure for Share Transaction Fees.

- Value of non-voting shares was included in market cap and index calculations.

2018

- APAC delegates gather in Colombo for largest gathering of Depositories and Clearing organizations in SL history
- CSE launches the Empower Board and Multi Currency Board
- CSE Wins Global HR Excellence Award for Best Workplace Practices
- CSE launches an Advanced Diploma in Financial Markets

- CSE hosts Invest Sri Lanka Forums London, Singapore and a first ever event in Edinburgh, Scotland

- CDS diversifies to launch Corporate Action Services and Registrar Services

- CSE and the National Stock Exchange of India sign MoU to advance collaboration

- CSE launches its first sustainability guide: 'Communicating Sustainability: Six recommendations for Listed Companies'

- CSE awarded ISO 9001:2015 Certification for Quality Management in HR.

Delivering Value





Market Performance




* - Data as at 31 Dec 2019	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Equity											
Turnover (Rs. Mn)	171,099.96	200,068.80	220,591.20	176,935.40	253,251.00	340,917.10	200,467.80	213,827.20	546,255.80	570,326.80	142,462.60
Domestic (Rs. Mn)	108,815.89	111,378.00	117,135.20	102,544.20	166,151.50	246,796.80	128,227.60	160,543.30	486,959.40	464,733.60	99,010.80
Foreign (Rs. Mn)	62,284.07	88,690.80	103,456.00	74,391.30	87,099.50	94,120.30	72,240.20	53,283.90	59,296.40	105,593.20	43,451.80
Shares Traded (No. Mn)	9,837.37	6,000.70	8,468.30	7,195.80	9,414.70	16,721.50	9,054.20	9,691.20	24,543.70	18,489.20	4,762.70
Domestic (No. Mn)	7,081.27	4,820.80	6,528.80	5,776.20	7,693.20	14,726.20	7,861.60	8,289.60	23,151.60	16,684.50	3,784.20
Foreign (No. Mn)	2,756.10	1,179.90	1,939.50	1,419.60	1,721.50	1,995.40	1,192.60	1,401.70	1,392.10	1,804.70	978.4
Trades (No.)	1,195,193	885,657	981,977	1,056,849	1,506,790	1,982,709	1,421,303	1,857,384	4,579,352	3,355,126	1,266,299
Domestic (No.)	1,148,555	838,784	928,276	1,002,476	1,431,750	1,899,569	1,355,380	1,796,868	4,463,404	3,225,041	1,190,822
Foreign (No.)	46,638	46,873	53,701	54,373	75,040	83,140	65,923	60,516	115,948	130,085	75,477
Daily Average Turnover (Rs. Mn)	710.0	833.6	915.3	737.2	1,059.60	1,414.60	828.4	883.6	2,285.60	2,396.30	593.6
Market Capitalisation (Rs. Bn)	2,851.30	2,839.50	2,899.30	2,745.40	2,938.00	3,104.90	2,459.90	2,167.60	2,213.90	2,210.50	1,092.10
Turnover to Market Capitalisation (%)	6.00%	7.00%	7.80%	6.20%	8.40%	12.30%	8.70%	9.80%	24.70%	34.50%	18.00%
Market Capitalisation as a % of GDP*	21.50%	21.40%	24.50%	23.20%	26.80%	30.00%	25.60%	24.80%	30.70%	34.50%	22.60%
* based on latest available revised GDP, at current market prices for each year											
Contribution to Total Market Turnover											
Foreign Companies	35.39%	42.30%	45.10%	41.00%	32.80%	26.00%	34.30%	23.50%	8.30%	15.30%	26.80%
Foreign Individuals	1.01%	2.00%	1.80%	1.00%	1.60%	1.60%	1.80%	1.40%	2.60%	3.20%	3.70%
Total Foreign Investor Contribution	36.40%	44.30%	46.90%	42.00%	34.40%	27.60%	36.10%	24.90%	10.90%	18.50%	30.50%
Local Companies	33.66%	34.00%	28.20%	30.90%	30.40%	34.70%	30.40%	41.00%	34.50%	37.50%	33.90%
Local Individuals	29.93%	21.70%	24.90%	27.10%	35.20%	37.70%	33.50%	34.10%	54.60%	44.00%	35.60%
Total Local Investor Contribution	63.60%	55.70%	53.10%	58.00%	65.60%	72.40%	63.90%	75.10%	89.10%	81.50%	69.50%
Foreign Trading Activities											
Secondary Market - Equity											
Purchases (Rs. Mn)	56,395.14	77,067.10	112,284.80	74,583.00	84,414.60	104,689.80	83,607.00	72,614.20	49,776.80	92,425.50	43,057.30
Sales (Rs. Mn)	68,173.00	100,314.50	94,627.30	74,199.50	89,784.40	83,550.80	60,873.30	33,953.60	68,816.00	118,760.90	43,846.30
Net Foreign Flow (Rs. Mn)	(11,777.87)	(23,247.40)	17,657.50	383.50	(5,369.80)	21,139.00	22,733.70	38,660.60	(19,039.20)	(26,335.40)	(789.00)
New Listings/Issues											
Equity IPOs (No.)	0	2	2	3	2	5	1	6	13	8	2
Equity Introductions (No.)	2	1	1	1	-	1	1	11	16	2	0
Debt IPOs (No.)	15	11	5	17	25	20	28	3	1	2	1

* - Data as at 31 Dec 2019	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Capital Raised											
Equity IPOs (Rs. Mn)	-	1,953.30	960	1,822.50	329.6	2,693.80	494.4	1,739.40	19,155.70	4,347.50	681.8
Debt IPOs (Rs. Mn)	57,914.17	55,917.60	20,000.00	77,994.90	83,414.40	54,234.90	68,262.30	12,500.00	1,000.00	15,000.00	630.6
Rights Issues (Rs. Mn)	31,017.16	42,216.80	50,604	2,531.10	16,105.30	8,099.00	25,539.00	11,128.00	28,019.70	24,321.70	5,235.40
Conversion of Warrants (Rs. Mn)	-	0	-	3,193.80	7,972.80	0	0.5	1,954.80	2,675.00	Not Available	
Private Placement (Rs. Mn)	560.10	4,624.20	2,012.70	-	1,517.70	12,755.20	-	2,266.20	4,500.00	433	1,100.00
Returns, Yields and Valuation Multiples											
All Share Price Index	6,129.21	6,052.37	6,369.26	6,228.26	6,894.50	7,298.95	5,912.78	5,643.00	6,074.42	6,635.87	3,385.55
Change%	127%	-4.98%	2.30%	-9.70%	-5.50%	23.40%	4.80%	-7.10%	-8.50%	96.00%	125.30%
S&P SL20	2,936.96	3,135.18	3,671.72	3,496.44	3,625.69	4,089.14	3,263.87	3,085.33	-	-	-
Change%	-6.32%	-14.61%	5.00%	-3.60%	-11.30%	25.30%	5.80%	8.4%*	-	-	-
Market PER (Times)	10.83	9.65	10.6	12.4	18	19.7	15.9	15.9	15.8	25.2	16.6
Price to Book Value (Times)	1.14	1.18	1.3	1.4	2	2.2	2	2.1	2	3	1.7
Dividend Yield	3.17%	3.10%	3.20%	2.80%	2.20%	2.10%	2.90%	2.40%	1.80%	1.20%	3.00%
* Launched on 27th June 2012											
Debt Trading Statistics											
Corporate Debt											
Turnover (Rs.000)	5,677,756.4	4,405,617	3,592,905	2,932,154	4,714,012	7,139,730	2,229,221	75,717	2,690,664	72,288	136,765
Trades (No.)	236	293	529	290	220	401	173	39	62	92	42
Debentures Traded (No.000)	55,650	44,024	35,696	28,317	42,201	56,909	19,999	740	25,861	693	1,020
Closed End Fund											
Turnover (Rs.000)	5,640.58	23,650.50	28,887.90	113,300.30	55,316.50	131,872.50	44,160.00	21,865.50	137,848.10	621,264.60	4,615.60
Trades (No.)	284	327	552	925	765	940	883	767	2,898	8,302	228
Units Traded (No.000)	292	350	4,123	1,976	818	1,680	640	339	1,642	8,222	87
Funds Listed (as at 31st December)	1	2	2	2	2	1	1	1	1	1	1
Additional Data											
Companies Listed (No.)	289	297	296	295	294	294	289	287	272	241	231
Companies Traded (No.)	265	279	279	278	278	284	278	280	264	238	231
Delistings (No.)	10	2	2	2	3	3	1	2	0	1	6
Market Days (No.)	241	240	241	240	239	241	242	242	239	238	240

Delivering value

Performance of our Exchange

		2018	2019	Variance
 Economic Value Added	Value-added (Rs. Mn)			
	Members	26	23	(3)
	Employees	327	337	10
	Government	46	46	0
	Communities	0.5	0.07	(0.43)
	Re-invested in CSE	136	167	31
 Financial Capital	Financial Performance (Rs. Mn)			
	Revenue			
	Listing fee	106	104	(2)
	Trading fee	292	260	(32)
	Market data	24	26	2
	Depository	120	115	(5)
	Profit before tax	(9)	(39)	(30)
	Profit after tax	(9)	(43)	(34)
	Financial Position			
	Assets			
	Property, plant and equipment	382	500	118
	Investments	2,523	2,491	(32)
	Other assets	397	396	(1)
	Liabilities			
 Human Capital	Long- term	55	159	104
	Short- term	238	273	35
	Accumulated fund	3,009	2,956	(53)
	Number of employees (Nos)	149	154	5
	Gender diversity			
	Male (%)	57	58	1
	Female (%)	43	42	(1)
 Digital Capital	Training and development (Rs. Mn)	6	6	0
	Number of promotions (Nos)	11	10	(1)
	Employee turnover rate (%)	12	11	(1)
	Net book value of IT assets (Rs. Mn)	232	200	(32)
	Capital expenditure (Rs. Mn)	41	23	(18)
	Depreciation (Rs. Mn)	55	55	0
	System up-time (%)	100	100	0
	System reliability – cyber attacks (Nos)	0	0	0

		2018	2019	Variance
 Intellectual Capital	Diverse product portfolio (Nos)			
	Number of listing boards	4	4	0
	Number of indices	2	2	0
	Number of rule amendments/policy changes	7	9	2
	Number of companies on the watchlist	61	22	(39)
	Innovation			
	Launch of new Boards	2	0	(2)
 Social and Relationship Capital	Number of Investors			
	Local (Nos)	617,307	624,226	2919
	Foreign (Nos)	10,149	10,351	202
	New CDS accounts (Nos)	841	1268	427
	Issuers			
	Number of public listed companies (Nos)	297	289	(8)
	Number of Industry Groups - GICS (Nos)	20	20	0
	Trading Members			
	Investments (Rs. Mn)	26	23	(3)
	Regional Exchanges - MoUs (Nos)	1	3	2
	Cross border trainings (Nos)	1	-	(1)
	Communities			
 Natural Capital	Investments (Rs. Mn)	6	4	(2)
	Awareness programs (Nos)	473	345	(28)
	Paper consumption (Paper)	110,500	98,400	(12,100)



Strategic Report

Charting the way ahead with robust and progressive strategies.



Chairman's Message

“CSE will continue its market development activities to drive investor confidence and promote investment in listed companies. Focus areas include improving the size and liquidity of the market and the regulatory framework to instill greater investor confidence”

Dear Stakeholders,

The Colombo Stock Exchange's All Share Price Index (ASPI) recorded a modest gain of 1.27% in 2019 in a considerably challenging year with a market capitalization of Rs.2.8 Bn reflecting the resilience of the market. As the economy moves towards recovery in 2020, relatively low valuations in the market present diversification opportunities for both foreign and local investors with Price Earnings of 10.68 and price to book value of 1.14 times at the close of the year. ASPI moved from 6052.37 at the beginning of the year to 6129.21 while the S&P20 moved down from 3135.18 to 2936.96 during the year due to the ebb of foreign fund flows. Foreign investors were net sellers in 2019 with Rs. 11.8 Bn. in net outflows following up on a net outflow of Rs. 23.2 BN. in 2018. Such foreign selling stemming

Chairman's Message

from the prevailing political uncertainty and increasing interest rates in the US resulted in another challenging year for Sri Lanka. Consequently, issuers opted not to reach out to the primary market for funding in 2019 with valuations not being appealing enough to do so. A total of Rs. 89 Bn was raised through debt and secondary equity issuances in 2019 while 2 companies listed shares on the stock market through an equity introduction.

Vision for CSE

CSE will continue its market development activities to drive investor confidence and promote investment in listed companies. Focus areas include improving the size and liquidity of the market and the regulatory framework to instill greater investor confidence. We will also diversify the product range beyond shares while also working on broad-basing the stock market among local investors. Digitisation is also a clear priority to improve market infrastructure and enhance the services to stakeholders and has now become even more relevant as consumer behavior continues to embrace online and electronic contactless services.

A strong retail investor base is a prerequisite for a vibrant stock market and we are working with market intermediaries to strengthen digital channels for retail investors as the brick and mortar model adopted previously is an expensive option in the current context. Technology will be key to transformation of the stock exchange with robust value propositions for investors, stock brokers and issuers alike. This will pave the way for broad basing our active investor base through cost effective models and improved information flows, particularly in overseas markets addressing foreign

fund managers' concerns. A digitalised access strategy would also attract a younger, tech savvy investor profile who are demanding and impatient for information which can be catered to only by a future fit technology platform with a strong retail investor value proposition.

We continue to engage policy makers to convey the need for large state-owned enterprises to use the capital market for their debt and equity capital requirements. This will also undoubtedly boost interest in the market and result in greater liquidity and size. Similarly, we are also engaging prospective issuers to list in the market which would also support market growth and offer further opportunities for diversification for investors. Our engagement with institutional investors continue as we look to increase their asset allocations to equity and debt to restore the vibrancy of the market. Strong value propositions are required for all these stakeholders and we are committed to delivering these in 2020.

Governance

The Board Charter of the CSE is a key governance document setting out the role, responsibilities and other expectations of the Board of Directors. The Board carried out a comprehensive review of the Board Charter, adding two new topics on Standards of Conduct and Enforcement of the Charter and strengthening the Code with further amendments on a range of other topics.

While demutualising of the CSE is very much on the Board's agenda and the changes on the political front has seen a prolonged pause as enactment of the new SEC Act is a prerequisite for further progress. However we are confident that the necessary legislation

will be passed once a new parliament is in place. We have also drawn attention to the wider scope and discretionary powers of the SEC under the proposed Act considering the current stage of development of the capital market in Sri Lanka and urge policymakers to review our concerns in this regard. We are hopeful that progress on this matter will resume soon after general elections scheduled for 2020.

A market development perspective

The CSE works together with the market regulator SEC to build a vibrant capital market in the country and several proposals have been formulated to drive confidence of investors and issuers and other stakeholders in the efficiency and effectiveness of market mechanisms. Our proposals include forming joint industry committees on Market Development, Market Regulations and Risk Management. We also plan to propose to request the SEC to introduce a Panel of Ombudsmen to hear and determine investor complaints relating to Capital Market activities to eliminate perceived bias. We are also committed to working with SEC to streamline the process for listings without compromising interests of other stakeholders.

Sri Lanka has a strong framework for financial reporting in line with the International Financial Reporting Standards with all annual reports of public listed companies being reviewed by the Sri Lanka Accounting & Auditing Standards Board. The CSE has also strengthened its compliance function to ensure that continued listing requirements are adhered to on an ongoing basis. In addition, a number of listed companies have voluntarily adopted holistic reporting standards

such as the GRI Standards and the Integrated Reporting Framework, enhancing the standard of corporate reporting. Additionally, many comply with the Code of Best Practice on Corporate Governance to establish sound governance structures for management of corporates.

Outlook

Global growth for 2019 is estimated at 2.9% in January 2020 by the IMF, reflecting a downward revision from initial forecasts of 3.5% in January 2019 as downside risks increased with declining potential for gains.

Against this backdrop, the World's domestic Stock market capitalization increased by 22.85% year-on-year to USD 94 Tn. in 2019. The North and South American stock grew by 21.1% and accounted for USD 41.1 Tn. or 43.9% of total domestic market capitalization in 2019. Asia Pacific accounted for 32.9% of the same and grew by 19.69% to USD 31.06 Tn. Similarly, Europe, Middle East and Africa (EMEA) accounted for the balance 23.1% of domestic market capitalization and grew by 31.48% to USD 21.76 Tn.

At the time of writing, the global outlook for 2020 is overshadowed by the impacts of COVID 19 and related uncertainties which will stall economic growth. Some countries have already announced fiscal policy measures to stimulate growth which are expected to provide some relief to affected sectors although there is likely to be a lag.

Sri Lankan economic outlook

Sri Lanka's economy remained resilient throughout 2019, responding positively to fiscal and monetary policy measures implemented during the year to manage inflation, high interest

rates, curtail the trade deficit and drive consumer confidence. Terror attacks on Easter Sunday had a significant impact on the Tourism sector which accounts for around 10% of the country's GDP. Multipronged efforts to restore normalcy and support recovery of the tourism sector have been effective to a large extent. Tourist arrivals recovered to prior year levels by November 2019. Political uncertainty also impacted economic growth as Presidential elections were held in November. GDP growth is forecast at 2.7% for 2019 by World Bank in line with the 3Q estimate by the Central Bank of Sri Lanka (CBSL) reflecting the above factors with a recovery forecast in 2020 to 3.3% moving up to 3.7% in 2021.

Appreciations

I thank my Board Members for their valued advice and support at all times.

I wish to thank Mr. Anton Godfrey who resigned as an appointed director with effect from 6 December 2019 for his services to the CSE. I also wish to thank Prof. Jeeva Niriella and Mr. Shanil Fernando who ceased to be appointed directors with effect from 21 February 2020. for serving on the CSE Board .

I also wish to warmly welcome Mr. Arjuna Herath, Mr. Jayantha Fernando, Mr. CPJ Siriwardena and Mr. Suren De Silva as Appointed directors to the CSE Board and look forward to working with such an experienced and knowledgeable team.

I also extend my appreciation to the Chairman, Commission members and officials of the SEC who work closely with the CSE to safeguard the interests of market participants.

I commend the dedication and hard work of the Chief Executive Officer Rajeeva Bandaranaike and his team for their undeterred innovation and judicious optimization of resources in a lean year.

I conclude by thanking investors, listed companies and all market intermediaries who placed confidence in the Colombo bourse for their engagement as they support our growth. Their continued participation in the future is key to building sustainable value for all stakeholders as we strive to enhance the vibrancy of Sri Lanka's capital markets.



Ray Abeywardena
Chairman

Colombo
28 May 2020

CEO's Message

“Technology will play a key role in the growth of stock exchanges as it will impact all aspects of market operations ranging from users demanding higher value at lower costs to analytical and predictive capabilities using AI and machine learning”

Dear Stakeholders,

The movement of the benchmark ASPI in 2019 broadly reflected the political and policy uncertainty that prevailed during the year but it rapidly changed course post Presidential elections in November 2019 to close the year on a positive note , 1.3% above last year (YOY) at 6,129.

The S&P 20 Index moved within a narrower band to a high of 3,111.07 before the closing the year 6.3% below last year at 2,396.96. Local investors accounted for 62% of market turnover with institutional investors accounting for 33% of the turnover and individual investors accounting for the balance 29% of the turnover . Foreign investors were net sellers in 2019 and accounted for 38% of market turnover with Foreign institutional investors accounting for almost all of it.

Issuers raised Rs.89 Bn during 2019 with rights issues accounting for Rs.31 Bn in capital during the year which were fully subscribed. Debt Issuances grew by 25% in 2019 driven by 11 issues of debentures by Banks, Financial Institutions and Diversified Holding Companies. As in previous years, there is a clear preference for holding debentures until maturity by investors which dulls the potential for secondary trading of debt. Investors also benefitted from cash and scrip dividends. The Dividend Yield of 3.11% compares well with regional peer exchanges.

Financial Performance

The CSE's financial performance reflects the challenging operating environment that prevailed during the year. Revenue of Rs.492 Mn was 8% less than 2018 due to subdued activity which impacted CSE and CDS fees. Revenues from new initiatives launched in 2018 gained wider acceptance, contributing 3% of revenue and cushioning the adverse impact from reduced market activity. This included Registrar services and dividend payment solutions which received a positive response from Issuers. Other

income of Rs.356 Mn was marginally below the previous year, mainly due to lower interest income in keeping with decreasing interest rates.

We maintained a tight control over costs as demonstrated by the 2% decline in the cost base when compared with 2018. Implementation of SLFRS 16 resulted in re-classification of rent from Other Operating expenses in 2018 to Depreciation & Amortisation in 2019 which did not impact the overall costs.

The loss before taxation amounted to Rs.88 Mn in comparison to Rs. 9 Mn in 2018 due to the decrease in income over the previous year. The CSE incurred a taxation charge for the year of Rs.3 Mn as tax losses were insufficient to offset statutory income. Accordingly, the loss for the year after tax is Rs.43 Mn.

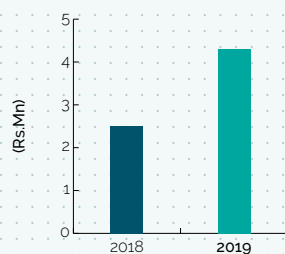
Total Assets increased by 3% and we optimised the investment portfolios by converting some of the Fixed Deposits which matured to money market funds to enhance returns. Property Plant & Equipment increased due to capitalisation of lease rentals as per SLFRS 16 which had no impact on equity vis-à-vis the previous year.

Additionally, there was a transfer from current assets to Non Current Assets as Financial Assets Amortised at Cost comprising investments in debentures were of a long term nature than in 2018. Although equity declined marginally by 2% to Rs.2.95 Bn during the year, our balance sheet remains strong supported by liquid assets and strong cashflows.

Strategic Outlook

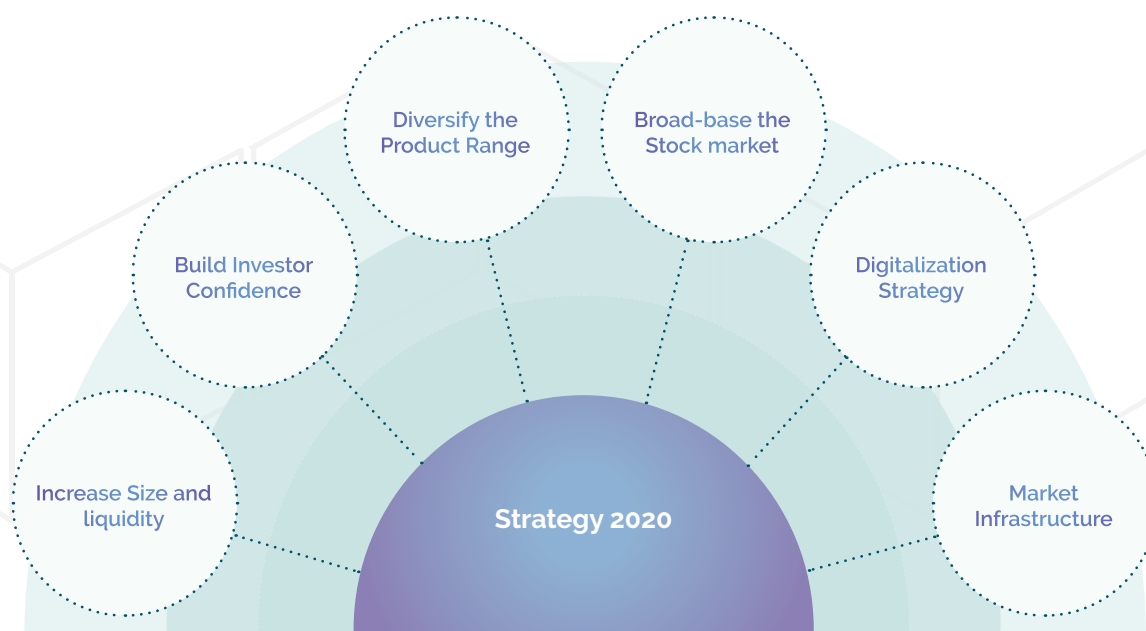
Reviewing the external environment and the planned trajectory of stock exchanges around the world, it is clear that our business model will be prone to disruption. Regulated exchanges will continue to thrive as listed securities and venues are expected to remain popular despite increasing private equity activity. Technology will play a key role in the growth of stock exchanges as it will impact all aspects of market operations ranging from users demanding higher value at lower costs to analytical and predictive capabilities using Artificial Intelligence (AI) and machine learning. Exchanges will also have competition from Fintechs offering services ranging from platforms for price discovery and direct access for primary markets. Exchanges may need to transform rapidly, leveraging technology platforms to deliver positive

New Product Revenue



“Revenues from new initiatives launched in 2018 gained wider acceptance, contributing 3% of revenue and cushioning the adverse impact from reduced market activity”

CEO's Message



experiences to key stakeholders across touchpoints within the eco system. The business model must also must be transformed to facilitate strong value propositions for stakeholders while broad-basing revenue streams and optimising cost structures to strengthen the sustainable growth of the exchange.

As a frontier market, in the recent past we have focused on the criteria to achieving emerging market status for which there are significant market based, regulatory and infrastructure changes required. Given the current operating landscape, it is proposed that we prioritize resource allocation to the transformation of the business model while maintaining a programme of driving the necessary changes to realise our aspirations of meeting the criteria for classification as an emerging market. These are complimentary agendas and realising the goals of one supports the other. Accordingly, our strategy for 2020 is based on six pillars designed to deliver these dual outcomes.

Broad Basing the Market

As a market, clearly there is a need to increase the retail investor base and foreign investment fund flows rapidly to create a vibrant securities market. The proposed digitisation strategy will be pivotal to developing a retail investor base as this will enable the CSE to reach a wide base of investors by enhancing user experiences. What is envisaged is an end-to-end offering from digital account opening to trade settlement, eliminating the need for physical access to stock brokers. Action plans to widen the retail investor base include developing a scheme of appointing agents of brokers throughout Sri Lanka who will have to be trained, certified and licensed, paving the way for a cost effective model. This will have to be supported by a joint marketing communications and investor education program, with the SEC and stock brokers, targeted at the retail investor community using online educational tools, mainstream and social media. Certain post trade

developments will also address the key concerns of foreign fund managers . We will also strengthen engagement with local institutional fund managers and high net worth individuals to expand their investment portfolios.

Diversify the Product Range

The CSE will continue to focus on new product development to provide a wider range of opportunities for wealth creation and access to capital. New product development will focus on Real Estate Development Trusts (RIETS), developing a secondary (OTC) market for corporate debt, facilitate Stock Borrowing and Lending (SBL) and the establishment of an Exchange Traded Fund (ETF).

The REIT will open up opportunities for investments in the large-scale commercial real estate to a wide range of investors including retail investors removing affordability barriers and facilitating participation of investors within their risk appetites.

The OTC platform for corporate debt include plans to extend the platform for unlisted securities as well with Primary Dealers and commercial banks becoming trading members of the CSE. These plans will increase the liquidity and facilitate repo transactions of both listed and unlisted securities and provide more opportunities for investors.

SBL will help to sort out potential delivery failures due to securities short positions in a Delivery Versus Payment (DvP) environment, enabling investors who invest for long term to get an incremental return and an additional income without idling their shares and is also a liquidity enhancing measure.

ETFs which are linked to a collection of securities offer investors instant diversification, liquidity, affordability, tax efficiency, sector investing, the ability to purchase in small amounts and the availability of a wide variety of alternative investments. The CSE will work with large institutional investors in this regard as they are well positioned to drive this.

All these initiatives require drawing up of regulatory frameworks, assessing taxation impacts and engagement with key stakeholders and as an industry we would have to put together detailed plans to facilitate progress.

Increase size and liquidity - New Listings

Low levels of market liquidity and low market valuations have deterred issuers who have also had access to alternative sources of sufficient funds for investment due to low economic growth and relatively low levels of investment. Strategies such as broad-basing the market and digitisation

are expected to address the liquidity aspects while new developments such as the Multi Currency Board and the Empower Board are expected to attract issuers. We are also expanding the listing criteria to facilitate tech based companies to list which will add a vibrant segment to the market. Our Issuer Relations Unit continues to work with investment banks and issuers to encourage new listings.

Market Infrastructure

The CSE has been working to improve the market infrastructure by laying the ground work for implementation of a Delivery versus Payment (DvP) system and hope to commence a process with the Regulator on establishing a Central Counterparty Guarantee (CCP).

DvP addresses an anomaly in market settlement and fulfils a long felt concern among investors. The switch over to a DvP system is a major industry wide change and is expected to go live during the 4th quarter of 2020. Already the Broker Back Office (BBO) and Order Management Systems (OMS) were replaced through a funding arrangement given by the CSE and the SEC in preparation for this initiative.

The CSE is making a substantial investment in upgrading both its CDS and the ATS and connected systems and hardware to facilitate DvP. The upgrading of the legacy data centre and replacement of storage would also happen under this initiative. A joint working committee comprising the SEC, CSE, Stockbrokers and Custodian Banks has already been established to ensure that all policy and operational issues are addressed to facilitate a smooth transition.

As proposals for a joint CCP together with the Central Bank for all securities has been unsuccessful, the option would be to establish a separate CCP for equities and corporate debt and for any subsequent financial derivative market that is to be developed. A joint working committee between the CSE and SEC to work on a CCP initiative to ensure that the CSE market infrastructure is future-ready is recommended.

Market Digitisation

The CSE's digital strategy will cover digitisation of customer touchpoints to enhance user experiences and interaction and focus on reduced turnaround times, scalability and cost efficiencies. Areas identified for digitization include Online Account Access for CDS accountholders, Online Account Openings, e-Statements, e-Dividends, e-IPO, e-Listing Applications and e-Annual Reports.

Regulatory approvals and Know Your Customer (KYC) policies will need to be assessed and amended where necessary to support this agenda and we will be working with relevant regulators on these aspects. We will also have to support market adoption of digital customer touchpoints which has proved a challenge notably in the banking sector with many players still operating brick and mortar models alongside robust digital platforms. Upside potential includes the ability attract a tech savvy generation of investors which will serve to broaden-based the market.

Market Regulation

A vibrant market relies on equitable, fair and balanced market regulation. Regulation must also evolve to support the development strategy

CEO's Message

and we look forward to working with the SEC in this connection. The proposed new SEC Act is an important development covering changes required for de-mutualization of CSE, facilitating new product development and strengthening the effectiveness of the SEC. Concerns raised during deliberations regarding the significant discretionary powers given to the SEC and the widened regulatory scope of the SEC remain as these may prove counterproductive. We also advocate the establishment of a committee comprising of SEC Commissioners, CSE Directors and other relevant Officials of the SEC and CSE to be set up to review all regulatory issues, with specific focus on development of the capital market. The Committee could also review all amendments to rules as well as revisions of the Stockbroker Rules and Listing Rules.

We recommend that the SEC establishes a Panel of Ombudsmen to hear and determine investor complaints relating to Capital Market activities as empowered in terms of the Securities and Exchange Commission Act of Sri Lanka. This would be a pragmatic solution considering the size of the Sri Lankan Capital Market and the quantum of investor complaints received annually. The administration of the grievance handling process by an independent authority will enhance its credibility and relieve the CSE of the administrative burden of the current process.

We are also proposing to review the listing framework to expedite the processing of new listings as the current framework needs to be reviewed to minimize requests for additional information necessary and to perform a sufficiently robust review of the listing.

Governance

We have had innumerable delays in implementing the de-mutualization of the stock exchange which has been beyond the control of the CSE. We strongly believe that this is the way forward and are eager to work with the SEC to make it a reality. As the de-mutualization of the exchange will result in changing the governance structure and separating ownership from Management rights, there should be a positive impact on the perception among stakeholders. This will also facilitate the CSE to admit another stock exchange as a strategic equity partner. As such expediting the process will auger well for the development of the exchange.

Appreciations

I thank the Chairman and the Board Members for their valued guidance, wise counsel and unwavering support in a challenging year.

I commend the CSE team for their commitment and professionalism which steered the exchange through one of the toughest years we have faced.

We work closely with officials of the SEC and thank them for their cooperation as our journey is intertwined with that of the SEC in many areas.

I extend my appreciation to all Stock Broker Firms, Investors, Issuers and other market Intermediaries for their continued support during the year and look forward to working with them to realise our mutual aspirations.

Looking Ahead

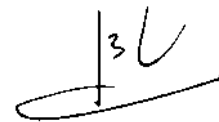
While reflecting that 2020 has had a tumultuous beginning as COVID-19 sweeps through countries relentlessly, it is also necessary to look forward

to recovery and make plans to boost economic activity. Sri Lanka has stepped in early and taken suitable measures to successfully control the spread of the virus and we are confident that the measures that are being taken by the Government will be sufficient to flatten the curve, paving the way for a return to normalcy.

The CSE has a robust business continuity management system in place to ensure the safe and orderly conduct of its businesses and has implemented a number of preventive measures for the protection of employees and stakeholders from the COVID-19 outbreak.

Every country will be impacted by the disruption of global supply chains and there is no doubt that it will be a year that will need courage, foresight, innovation and community thinking to overcome the challenges.

We know that a major crises will have an inevitable impact on economic growth and our wellbeing. This is a time to work together and we are confident that we will rise up to the challenge and rebuild, to make ourselves, our institutions and our communities to be stronger and more resilient with due care for the people and the planet.



Rajeeva Bandaranaike
Chief Executive Officer

Colombo
28 May 2020

Board of Directors

Ray Abeywardena
<p><i>Chairman</i></p> <p><i>Elected Non-Executive Director</i></p> <p>Appointed : 13th June 2013</p> <p>Skills & Experience:</p> <p>Associated with Sri Lanka's capital markets for over 33 years, primarily as a Stockbroker and since 2009 as an Investment Banker.</p> <p>Member of the Chartered Institute of Marketing (UK) and holds a Masters Degree in Business Administration from the University of Wales.</p>
<p>Other Current Appointments:</p> <p>Managing Director of Acuity Partners (Pvt) Ltd.</p> <p>Chairman of Acuity Stockbrokers (Pvt) Ltd and Acuity Securities Ltd</p> <p>Independent Non- Executive Director of Softlogic Insurance PLC.</p> <p>Director of Lanka Ventures PLC, Lanka Energy Fund PLC and Guardian Acuity Asset Management Ltd (GAAM)</p>
<p>Previous Appointments:</p> <p>Served as the Managing Director/CEO of Acuity Stockbrokers (Pvt) Ltd from 2001 to end 2008.</p> <p>Past Chairman of the Colombo Stockbrokers Association.</p>

Dumith Fernando
<p><i>Director</i></p> <p><i>Elected Non-Executive Director</i></p> <p>Appointed : 26th May 2017</p> <p>Skills & Experience:</p> <p>Twenty five years of experience in international Investment Banking and Equities, based in New York and Hong Kong with leading global investment banks JP Morgan Chase & Co. and Credit Suisse AG.</p> <p>He holds a BA in Physics & Economics from Middlebury College in the U.S. and an MBA from Harvard Business School.</p>
<p>Other Current Appointments:</p> <p>Chairman of Asia Securities Holdings (Pvt) Ltd.</p> <p>Non-Executive Director of the listed firms Union Assurance PLC and Singer (Sri Lanka) PLC</p> <p>Member of the Economic Policy Steering Committee of the Ceylon Chamber of Commerce.</p>
<p>Previous Appointments:</p> <p>Managing Director and Group Chief Operating Officer for Credit Suisse Asia Pacific. Worked at Credit Suisse from 2007 until 2013 and at JP Morgan from 1995 until 2007 in roles across Investment Banking, Equities, Private Equity and Corporate Strategy.</p>

Board of Directors

Dilshan Wirasekara
<p><i>Director</i></p> <p><i>Elected Non-Executive Director</i></p> <p>Appointed : 21st November 2017</p>
<p>Skills & Experience:</p> <p>Investment banker by profession with a career spanning over 23 years, comprising diversified expertise in financial services including, treasury and investment management, capital market strategy and corporate finance advisory.</p> <p>An alumnus of INSEAD having completed his Executive Professional Education at INSEAD Business School in Fontainebleau, France.</p> <p>Specializes in Asset and Liability Risk Management having secured the accolade of leading and representing two Sri Lankan companies in winning the International Bank Asset and Liability competition organized annually by the Netherlands Development Finance Company (FMO), German Investment Corporation (DEG) and Proparco – a subsidiary of the Agence Française de Développement (AFD).</p>
<p>Other Current Appointments:</p> <p>Director / Chief Executive Officer of First Capital Holdings PLC.</p>
<p>Previous Appointments:</p> <p>General Manager of Softlogic Capital PLC guiding investment and trading portfolio management across subsidiaries inclusive of the Group's Licensed Finance Company, Composite Insurer and Equity Brokerage.</p> <p>Head of Treasury at Nations Trust Bank PLC.</p>

Dimuthu Abeysekera
<p><i>Director</i></p> <p><i>Elected Non-Executive Director</i></p> <p>Appointed : 1st February 2019</p>
<p>Skills & Experience:</p> <p>An experienced capital market professional counting over 31 years in the industry.</p> <p>A veteran capital market professional.</p> <p>Serves as an important resource person at CSBA.</p>
<p>Other Current Appointments:</p> <p>Director/CEO of Asha Securities Ltd, which is affiliated to Phillip Capital Singapore, a specialized financial services organization managing assets worth over US\$ 35 Billion with a network of offices around the world.</p> <p>Director at Asha Financial Services Ltd, a Specialized Margin Trading Company in Colombo</p>
<p>Previous Appointments:</p> <p>Chairman of the Colombo Stockbrokers Association (CSBA).</p> <p>Chairman at Kalamazoo Systems PLC.</p>

Murtaza Jafferjee
<p>Director</p> <p><i>Elected Non-Executive Director</i></p> <p>Appointed : 1st February 2019</p>
<p>Skills & Experience:</p> <p>Over 26 years of experience in the capital markets across multiple asset classes.</p> <p>Holds a Bachelors' Degree in Mechanical Engineering and Computer Science from the University of New South Wales, Australia</p> <p>Masters' Degree in Financial Economics from the University of Colombo.</p> <p>CFA charter holder</p>
<p>Other Current Appointments:</p> <p>Chairman of JB Securities (pvt) Ltd</p> <p>Independent Director Serendib Hotels PLC</p> <p>Chairman, Advocata Institute</p>
<p>Previous Appointments:</p> <p>Senior Independent Director, Nations Trust Bank PLC</p> <p>Director of CSE from August 2007 to July 2009.</p>

C J P Siriwardana
<p>Director</p> <p><i>Appointed Non-Executive Director</i></p> <p>Appointed : 21st February 2020</p>
<p>Skills & Experience:</p> <p>Former Deputy Governor of the Central Bank of Sri Lanka and Deputy Secretary General of the National Economic Council (NEC) of Sri Lanka.</p> <p>Over 33 years of experience in Central Banking especially in the areas of Economic and Price Stability, Financial System Stability, Fiscal Policy and Agency Functions including Public Debt Management, Financial Intelligence Operations, Risk Management and Fund Management and Capital Market Operations. In addition, at NEC, experience in National Policy formulation and coordination.</p> <p>Holds a Masters' Degree in Quantitative Development Economics (QDE) and Postgraduate Diploma in QDE from the University of Warwick, United Kingdom.</p> <p>Bachelors' Degree (B.SC.) in Agriculture from the University of Ruhuna, Sri Lanka.</p> <p>Authored many articles in reputed international and local journals in the fields of Debt Management, Public Finance, Capital Market etc.</p> <p>Served as a resource person at various local and international forums in different capacities and was a faculty member of the South East Asian Central Bank (SEACEN) Research and Training Centre in Malaysia.</p>
<p>Previous Appointments:</p> <p>Secretary to the Monetary Board of the Central Bank of Sri Lanka</p> <p>Chairman, Credit Information Bureau of Sri Lanka (CRIB)</p> <p>Chairman, Financial System Stability Committee (FSSC) of the Central Bank of Sri Lanka</p> <p>Chairman, National Payments Council (NPC) of Sri Lanka</p> <p>Chairman, Foreign Reserve Management Committee (FRMC) of the Central Bank of Sri Lanka</p> <p>Chairman, Market Operation Committee (MOC) of the Central Bank of Sri Lanka</p> <p>Chairman, Domestic Debt Management Committee (DDMC)</p> <p>Director, Ceylon Electricity Board</p>

Board of Directors

C J P Siriwardana (Contd.)

Director, Colombo Dockyard PLC

Director, LankaClear Pvt. Ltd.

Director, Kandurata Development Bank

Central Bank Observer at the Board of Directors of the Board of Investment (BOI)

Director, Insurance Regulatory Commission of Sri Lanka

Commissioner, Securities and Exchange Commission of Sri Lanka

Member, Monetary Policy Committee (MPC) of the Central Bank of Sri Lanka

Head, Financial Sector Consolidation Unit of the Central Bank of Sri Lanka

Member, Employees Provident Fund Investment Committee

Chairman, Steering Committee on International Sovereign Bond Issues of Sri Lanka

Chairman, Internal Investment Oversight Committee of the Central Bank of Sri Lanka

Arjuna Herath

Director

Appointed Non-Executive Director

Appointed : 21st February 2020

Skills & Experience:

A Senior Fellow Member of the Institute of Chartered Accountant of Sri Lanka and a Chartered Global Management Accountant with a Bachelor of Science degree from the University of Colombo, a MBA from the University of Strathclyde in the United Kingdom and a Master of Arts in Financial Economics from the University of Colombo.

Extensive industry experience of over two decades in serving numerous clients in the Public Sector and in the Private Sector and actively involved in areas of Economy, Capital Markets, Investments, Corporate Transformation & Restructuring, Corporate Planning, Performance Improvement, Corporate Governance, Technology, Accounting, Auditing, Professional Accountancy Organizations.

Other Current Appointments:

Senior Partner and Head of Advisory Ernst & Young, Sri Lanka and Maldives.

Chairman of the Professional Accountancy Organisation Development Committee of the IFAC.

Previous Appointments:

A Board Member of the Sri Lanka Accounting and Auditing Standards Monitoring Board.

A Commissioner of the Securities and Exchange Commission of Sri Lanka.

Marketing Development Manager at Ceylon Tobacco Company

Director Corporate Finance at Merchant Bank of Sri Lanka Ltd.

Past President of The Institute of Chartered Accountants of Sri Lanka.

Past President of the South Asian Federation of Accountants.

Board Member of the Confederation of Asia Pacific Accountants.

Jayantha Fernando
<p>Director</p> <p><i>Appointed Non-Executive Director</i></p> <p>Appointed : 21st February 2020</p>
<p>Skills & Experience:</p> <p>An Attorney with over 20 years international experience in Cyber Law, with expertise in Digital Payments & e-Commerce, International trade, Cyber Security/ Cyber Crime, Intellectual Property Rights & Software licensing, E-banking & Mobile Banking, Digitization of capital markets, Dispute resolution in ICT Projects and negotiating contracts for large digital solutions. Pioneered drafting of Sri Lanka's digital laws, including Electronic transactions, Digital Payments, Cybercrime as well as Data Protection and Cyber Security Legislation. Drafted the Legal blueprint for the establishment of ICT Agency, Sri Lanka CERT and the use of authentication technologies at national and sectoral level at Lanka Clear, through Central Bank. Led Sri Lanka's entry to the Budapest Cybercrime Convention and Sri Lanka's ratification of the UN Electronic Communications Convention (UN eCC) in 2015, both firsts for South Asia. Expert for UNCITRAL, Council of Europe and World Bank advising countries formulate Digital Laws. Holds a specialized Masters in Law (LLM) in IT & Telecommunications Law from the University London, read on a Chevening Scholarship awarded by UK Government.</p>
<p>Other Current Appointments:</p> <p>Chairman, LK Internet Domain Name Registry</p> <p>Co-Chair, National Certificate Authority Task Force for Digital Authentication Services</p> <p>Director, Sri Lanka CERT & Director/ Legal Advisor, ICTA</p> <p>Elected Bureau Member, Council of Europe Cybercrime Convention Committee (T-CY), Strasbourg, France</p>
<p>Previous Appointments:</p> <p>Chairman, Sri Lanka CERT (Computer Emergency Readiness Team)</p> <p>Commissioner, Securities and Exchange Commission of Sri Lanka</p> <p>Board Director, Sri Lanka Standards Institution</p> <p>Consultant on Digital Laws, Attorney General's Chamber, Republic of Fiji</p> <p>Vice Chair, Government Advisory Committee, Internet Corporation for Assigned Names and Numbers (ICANN), California, USA</p> <p>Associate Chairman, ICANN Nominations Committee</p>

Suren De Silva
<p>Director</p> <p><i>Appointed Non-Executive Director</i></p> <p>Appointed : 21st February 2020</p>
<p>Skills & Experience:</p> <p>21 Years as an Attorney at law and as a legal practitioner mainly focused on commercial and admiralty work and Project finance transactions</p> <p>Masters in Law (LLM) (University College London) (University of London) (1997-1998). (Emphasis on regulation of financial markets, law and practice of foreign investment in emerging economies, privatization).</p> <p>LLB (Hons.) (University of Wales College of Cardiff) (1993-1995)</p> <p>Attorney-At-Law, Supreme Court of the Democratic Socialist Republic of Sri Lanka (June 1997)</p> <p>Of Gray's Inn, Barrister-At-Law (England and Wales) (July 1996)</p>
<p>Other Current Appointments:</p> <p>Counsel / Consultant Special Projects D.L & F De Saram , Attorneys at Law</p>
<p>Previous Appointments:</p> <p>Former State Counsel – Attorney Generals Department 1999 – 2003</p> <p>Advisory capacity for projects undertaken by State Institutions, Statutory Boards, Ministries, Government agencies, International Organizations and overseas companies.</p> <p>Advising and representing Parties in large infrastructure Arbitrations;</p> <p>Member of the National Intellectual Property Commission in the year 2002 to 2004.</p>

Management Team

Chief Executive Officer

Mr. Rajeeva Bandaranaike

Chief Regulatory Officer

Mr. Renuke Wijayawardhane

Chief Information Officer

Mr. Chandrakanth Jayasinghe

Head of Enterprise Risk Management / Human Resources

Mr. Charita Dumbukola

Head of Legal

Ms. Renu Ranatunge

Head of Finance and Administration

Mr. Kusal Nissanka

Head of Marketing

Mr. Niroshan Wijesundere

Head of Research and Strategy

Mr. Nishantha Hewavithana

Head of Central Depository Systems

Mr. Nalin Fonseka

Head of Trading Operations, Market Surveillance & Corporate Affairs

Ms. Nilupa Perera

Head of Strategy

Ms. Nilma Samarasinghe (Resigned w.e.f. 07th July 2020)

Head of Internal Audit

Ms. Kushlani Coswatte

Head of Regulatory Policy and Compliance

Ms. Lankesha Molligoda

Head of Listing

Ms. Vinduni Dullewe

Head of Broker Supervision

Ms. Kanishka Munasinghe

Manager Systems Operations

Mr. Kaushal Siriwardena

Manager Data Center Operations

Mr. Janaka Mahagedarawatta



Creating Value

Creating sustainable value by building and nurturing strong stakeholder relationships.

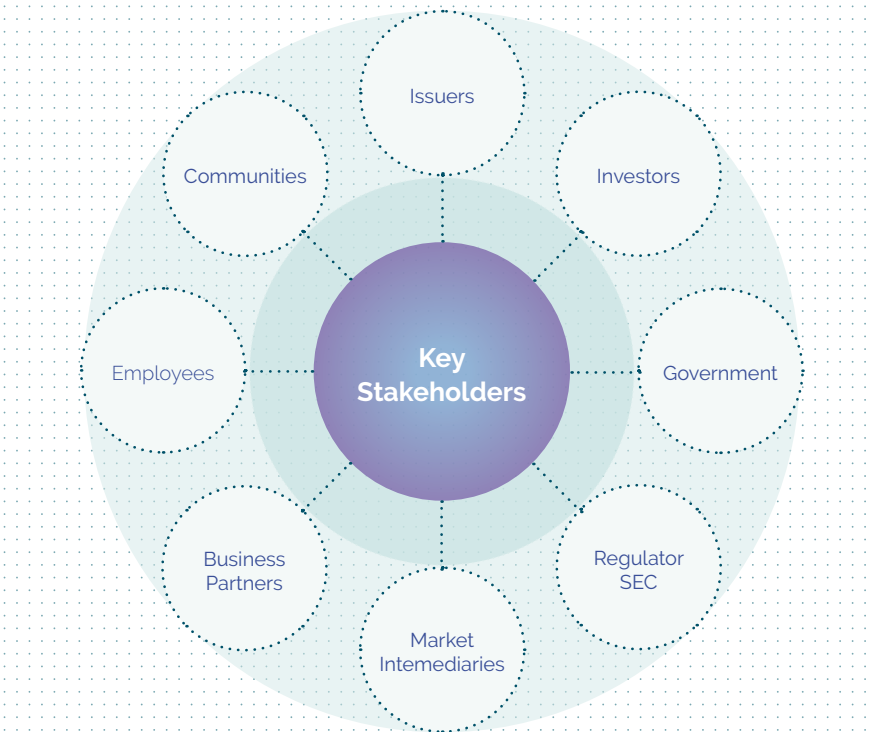


Creating Value

GRI 102 - 41, 42, 43, 44

Collaborating with stakeholders

The value creation of the CSE, originates through myriad stakeholder interactions. Creating value depends on our ability to nurture strong and healthy stakeholder relationships by understanding their priorities through continuous dialogue and carefully balancing diverse interests. We follow a 360 -degree stakeholder engagement process; consulting internal and external stakeholders and capturing their insights, feedback and capability requirements throughout the year. These viewpoints were a core part of our stakeholder focused corporate strategy as depicted below.



Key stakeholders	Areas discussed in 2019	Frequency	Ways we engage
Listed companies and potential issuers	<ul style="list-style-type: none"> ■ Launch of new listing Boards ■ Any non-compliance with CSE listing rules. ■ Enhancing corporate reporting ■ Value added services such as registrar services. 	<ul style="list-style-type: none"> ■ On need basis 	<ul style="list-style-type: none"> ■ Meetings & discussions ■ Market opening ceremonies ■ Road shows ■ Capital Market quiz ■ Social media ■ Annual reports awards competition.
Investors	<ul style="list-style-type: none"> ■ Market growth ■ Investment opportunities ■ Market developments ■ Launch of upgraded mobile app. ■ Digitalization 	<ul style="list-style-type: none"> ■ On need basis 	<ul style="list-style-type: none"> ■ Investor forums ■ Awareness sessions ■ Social media ■ Digital channels such as mobile phone app.
Market intermediaries	<ul style="list-style-type: none"> ■ Monitoring of Risk based capital adequacy. ■ Changes to CSE listing framework and listing rules. ■ Rule amendments 	<ul style="list-style-type: none"> ■ Annually ■ On need basis 	<ul style="list-style-type: none"> ■ AGM ■ Annual Report ■ Invest Sri Lanka Forum ■ Regional Investor Forum Series ■ CSBA Presentation Event ■ CSBA Meetings ■ Marketing Sub-Committee Meeting ■ Systems Reviews - On site inspections
Regulator	<ul style="list-style-type: none"> ■ Rule amendments ■ De-mutualization of the CSE ■ Ethical market practices 	<ul style="list-style-type: none"> ■ On need basis 	<ul style="list-style-type: none"> ■ Road shows ■ License renewals ■ Reporting of any non-compliance ■ Regulatory approvals
Employees	<ul style="list-style-type: none"> ■ Compensation package ■ Training and development ■ Internal process developments ■ Career progression 	<ul style="list-style-type: none"> ■ Annually ■ On need basis 	<ul style="list-style-type: none"> ■ Knowledge sharing sessions. ■ Performance appraisals ■ Welfare events / staff meetings and communication ■ Feedbacks
Business partners (Regional exchanges, Media representatives, data vendors and banks).	<ul style="list-style-type: none"> ■ Featuring CSE events ■ Signing MoUs 	<ul style="list-style-type: none"> ■ On need basis 	<ul style="list-style-type: none"> ■ Media Meet ■ Media releases ■ Interviews ■ Foreign road shows.
Communities	<ul style="list-style-type: none"> ■ Improving financial literacy through educational qualifications. ■ Enhancing awareness on the CSE 	<ul style="list-style-type: none"> ■ On need basis 	<ul style="list-style-type: none"> ■ Awareness sessions ■ Stock market sessions with schools & universities. ■ CSR programs

Creating value

Understanding our Priorities

A priority or material matter is defined as a factor that could support or deter the CSE from achieving its strategic goals. A set of filters are applied to determine the factors that have a significant impact on the CSE or its stakeholders to identify the factors that are material to achieving our strategy. Eight priority areas were identified from the findings of the materiality tests performed in 2019. These topics are continuously monitored and managed effectively to optimise the value creation of the CSE. In addition, the materiality tests identified 12 medium and 4 low priority topics as well.

Our materiality map for 2019



Material topics	Management approach	What we monitor and report
1. Government Policy	We continuously monitor the macro-economic trends which severely affect investor confidence and market performance.	<ul style="list-style-type: none"> Key economic indicators such as economic growth, interest rates, inflation and exchange rate are discussed in page 39.
2. Economic Performance		
3. Customer Privacy	The CSE works extensively in deploying a trusted platform to connect stakeholders. We ensure our systems and data are well protected. In 2019, we also worked towards complying with the Global Data Protection Regulations. (GDPR)	<ul style="list-style-type: none"> Instances of cyber attacks Initiatives to ensure system reliability are discussed in page 54.
4. Market Integrity and Stability	We act as the frontline regulator and supervise all our market players to ensure an orderly market.	<ul style="list-style-type: none"> Sustainable business model Instances of non-compliance to regulatory standards.

Material topics	Management approach	What we monitor and report
5. Operational Excellence	As a market infrastructure provider,	<ul style="list-style-type: none"> ■ Technological readiness ■ Specialization ■ Diversity in workforce ■ GRI 401: Employment
6. Corporate Governance	Adopting sound corporate governance practices is important to ensure a sustainable business model.	<ul style="list-style-type: none"> ■ Compliance with regulation and best practices in corporate governance.
7. Internal Control and Risk Management	The risk management team evaluates the key risk indicators and implements appropriate measures.	<ul style="list-style-type: none"> ■ The risk indicators are discussed in page 95.
8. Training and Education	We promote a learning culture within the CSE and recognize and retain our key talents.	<ul style="list-style-type: none"> ■ GRI 404: Training and education

Medium Priority Topics

- Cyber security
- Compliance
- Employee engagement
- Brand and reputation
- Customer satisfaction
- Innovation
- Technology excellence
- Occupational health and safety
- Non- discrimination
- Labor/ Management relations
- Diversity and equal opportunity
- Environmentally friendly business practices

Low Priority Topics

- ESG reporting
- Anti-corruption
- Local communities
- Best practices along supply chain.

Creating value

We Create Value



Capitals used

Our vision: 'To create wealth and value'



Financial Capital
Accumulated fund of
Rs. 3 Bn
(Page 78)



Human Capital
154 Employees
(Page 65)



Digital Capital
Robust systems.
(Page 54)



Social and Relationship capital
634,577 Investors
28g Issuers
28 Trading members
(Page 56)



Intellectual Capital
Trademarks
(Page 73)



Natural Capital
98,400 paper
(Page 81)

We create value by connecting various stakeholders supporting their growth by mobilising funds and presenting investment opportunities. Being the only stock exchange in the country, we also play prominent roles as a frontline regulator, an advocator of sustainability practices and a key influencer in driving foreign investments.

Connecting with Stakeholders





Outputs

Value delivered to stakeholders

Protecting
Stakeholder
InterestsStrong
Corporate
GovernanceRisk
ManagementSelf -
RegulationStakeholder
Centric
Corporate
StrategyMarket Turnover
Rs 171 BnInvestor Participation
Local : 63.6%
Foreign : 36.4%Number of IPOs
15Market Capitalization
Rs 2,851 Bn

Income to the CSE

Revenue
Rs 492 MnLoss After Tax
Rs (43) Mn

Investors

Dividend Yield of
3.17%

Issuers

Funds raised of Rs. 89 Mn

Employees

Salaries of Rs. 287 Mn
Training spend of Rs. 3 Mn

Brokerages

Trading commissions
Rs. 2 Bn

Regulator

Fees
Rs. 222 Mn

Government

Foreign Investments
Rs. 56 Bn
Share transaction levies
Rs. 1 Bn

Public

345 educational
programs in 8 regions.

Corporate Strategy

The CSE corporate strategy in 2019 focused on six areas which are important to create a vibrant and regionally competitive stock market, attracting the participation of various market users from across the world.

Strategy

Strategy	Initiatives	How we performed in 2019	Our priorities for 2020						
Grow market liquidity	Broaden investor base	<div><ul style="list-style-type: none">■ Market turnover decreased by 14%.■ Foreign participation rate was 36.4% compared to 44.3% last year.■ Local investor participation increased to 63.6%.</div>	<ul style="list-style-type: none">■ Increase participation of all investor categories; retail, institutional, local and foreign.■ PR and media communication■ Information dissemination■ Promoting the concept of agents.■ Market digitalisation						
	<ul style="list-style-type: none">■ 04 Regional investor days.■ Foreign road-show■ Investor profiling■ Canvassing local institutional investors to enter the capital market.								
	Enhance financial literacy.								
	<ul style="list-style-type: none">■ 345 awareness programs.								
	Improve customer accessibility								
	<ul style="list-style-type: none">■ Extend digital access points.■ Launch an updated mobile app.								
Enhance market size	Improve international recognition by partnering with regional exchanges.	<ul style="list-style-type: none">■ Signed 03 new MoUs	<ul style="list-style-type: none">■ Issuer relations.■ Multi -currency Board listing.■ SME listings■ Further amendments to the listing rules to list BASEL III Debt.■ Revision of IPO process.						
	<ul style="list-style-type: none">■ Signing new MoUs■ Technical support								
	Product diversification	<ul style="list-style-type: none">■ Four listing Boards■ 3 product variants■ 11 financing options.							
	Canvassing for new listings	<ul style="list-style-type: none">■ Debt IPOs of Rs. 58 Bn■ Funds raised of Rs. 89 Mn■ 15 new issues.							
	<ul style="list-style-type: none">■ Engaging with existing and potential issuers.■ Implement a listing framework.■ Expansion of the listing criteria								
	<div><p>Market Capitalization</p><table><tr><th>Year</th><th>Market Capitalization (Rs. Bn)</th></tr><tr><td>2018</td><td>2,840</td></tr><tr><td>2019</td><td>2,860</td></tr></table></div>			Year	Market Capitalization (Rs. Bn)	2018	2,840	2019	2,860
	Year	Market Capitalization (Rs. Bn)							
2018	2,840								
2019	2,860								

Strategy	Initiatives	How we performed in 2019	Our priorities for 2020						
Market regulation and risk management	Supportive regulation <ul style="list-style-type: none">■ Rule amendments/ revisions.■ Introduce new rules.	<ul style="list-style-type: none">■ 9 rule amendments.	<ul style="list-style-type: none">■ Implementing a listing framework.■ Implementation of DvP.■ Revision of listing rules and stockbroker rules.■ Risk matrix for stockbrokers.						
	Implementation of DvP <ul style="list-style-type: none">■ Surveillance referrals to the regulator■ Monitoring of CAR and stockbroker activities								
Governance and organizational development	Sound Governance <ul style="list-style-type: none">■ De-mutualization■ Compliance■ Up to date Board Charter	<div><p>Accumulated fund of Rs 3 Bn.</p><p>Revenue from value added services increased by 23%.</p></div>	<ul style="list-style-type: none">■ Decentralization of CDS.■ Streamline post trade process (STP).■ Implement an internally developed registrar system.■ Implement a digital business plan.■ Upgrade data center.■ Link with an international CSD.■ Seamless connectivity for post trade.						
	Profitable business model <ul style="list-style-type: none">■ Revenue diversification by providing value added services.■ Effective risk management.								
	An expert team <ul style="list-style-type: none">■ Training and development■ Employee engagement■ Up to date policies	<ul style="list-style-type: none">■ Training spend of Rs 3 Mn.■ Employee retention rate of 89%.							
Develop market infrastructure	Streamline processes	<div><p>Digital capital NBV</p><table><caption>Digital capital NBV (Rs.Mn)</caption><thead><tr><th>Year</th><th>Value (Rs.Mn)</th></tr></thead><tbody><tr><td>2018</td><td>~175</td></tr><tr><td>2019</td><td>~145</td></tr></tbody></table></div>	Year	Value (Rs.Mn)	2018	~175	2019	~145	
	Year		Value (Rs.Mn)						
2018	~175								
2019	~145								
	Invest on digital capital <ul style="list-style-type: none">■ CAPEX of Rs 23 Bn■ Technological upgrades■ Migrate to cloud platforms■ Software development by internal IT team.■ Upgrade of Automated Trading System and Central Depository System.■ Replacement of data center.■ New IT storage.								
Product development	Innovation <ul style="list-style-type: none">■ Stock borrowing and lending■ OTC trading for Corporate Debt■ Exchange Traded Fund (ETF)■ Real Estate Investment Trust (REIT)	<ul style="list-style-type: none">■ Internal capacity building							

Accountability

Operating Context

Equity markets and economic environment

With a deteriorating economic landscape, investors became more risk averse in 2019 as uncertainties continued to escalate with US trade wars, Gulf crisis and Brexit in addition to increasing terror attacks and natural disasters. Despite pressures easing towards the end of the year, global growth was lower than last year at 2.9% (3.6% in 2018). Several economies including US and China experienced a dip in the growth momentum. As a result, advanced economies grew by 1.7% compared to 2.2% last year and emerging and developing economies grew by 3.7% compared to 4.5% last year.

Global equity markets

Impacted by subdued investor confidence, the capital markets experienced a 11% year-on-year decline in value of share trading over the 1st half of 2019. Both EMEA and America regions witnessed a decline in share trading activities although the Asia Pacific region reported a 5.5% increase during the same period. However, the volume of shares traded increased by 11.4% globally.

Global market capitalization grew by 1.6% during 1H 2019, reversing the sharp decline recorded at the end of 2018. The increase was driven by all three regions although the largest share of global IPOs was from the Asia Pacific region. The number of listed companies was slightly down in 1H 2019 due to the decrease in listed companies in the EMEA region. New listings and investment flows dropped over the 1st six months of 2019 by (35%) and (19.3%).

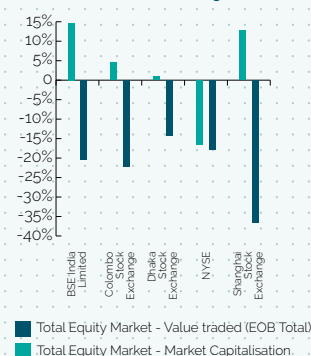
Sri Lanka stock market

The CSE value of share trading declined by 14% to Rs 171 Bn while the volume of shares traded increased by 63% in 2019. The downturn in the market performance was due to subdued investor confidence with a challenging global landscape and increasing political uncertainties and Easter Sunday attacks on the domestic front.

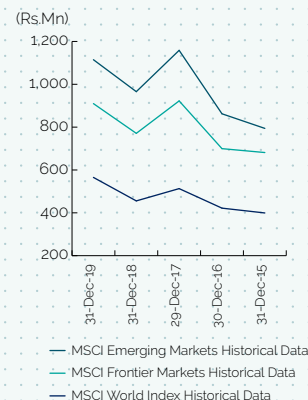
Market capitalization increased by 0.4% to Rs 2,851 Bn. New listings and other capital raising arrangements such as rights issues, declined during the year.

% change	1H 2019	Q4 2019
Global Market capitalization		
Global	1.6%	22.8%
EMEA	13.6%	31%
America	17.6%	21%
APAC	21.3%	19.6%
Value of equity trades		
Global	(11)%	
EMEA	(25.8%)	
America	(17.4)%	
APAC	5.5%	

Performance of CSE compared to peers in December 2019.



Benchmark indices

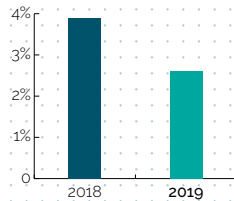


Domestic economic environment

The economic landscape has a significant impact on the performance of the capital market as it affects the confidence of both investors and issuers.

Economic Growth

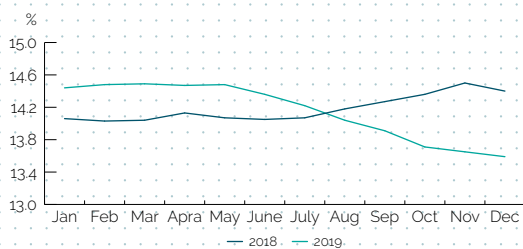
Economic Growth - 1st Half of 2019



Unexpected events such as the Easter Sunday attacks, and the ongoing political crisis affected the performance of the domestic economy. The three primary economic segments namely Agriculture, Industries and Services grew at a slower pace of 3.2%, 2.3% and 2.8%.

Interest Rates

Interest rates (AWLR)



Both the standing lending rate and standing deposit rate was reduced in May and August 2019. As a result, commercial bank lending rates signaled a downward movement.

External Sector

- The performance of the external sector improved during the year compared to last year with a notable contraction in the trade account during the 1st eight months of the year. This was also supported by the stability of the exchange rate particularly the 4.6% appreciation of LKR against the USD, prior to the Easter Sunday attacks.

Fiscal Sector

- The performance of the fiscal sector deteriorated during the year due to the slowdown in imports and deceleration in economic activities. With declining government revenue, the overall budget deficit was primarily funded through domestic financing which considerably increased during the first seven months of 2019 to Rs 571 Bn from Rs 187 Bn last year.

Inflation

Despite the monthly variations in inflation, the annual average headline inflation of 3.5% and core inflation of 5.7% were within the desired range of the Central Bank.

Labour force participation and employment

- The Labor Force Participation Rate (LFPR), which is the ratio of the labor force to the working age population, marginally increased to 52.6% during the first half of 2019 from 51.5% recorded in the first half of 2018.
- Unemployment increased by 8.8% in 2019.

Accountability

Business Line Reviews

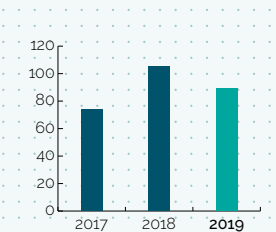
We connect our stakeholders through four business lines and the performance of each business line is detailed in this section.



Listing

We help 289 corporates to raise capital through our listing platforms

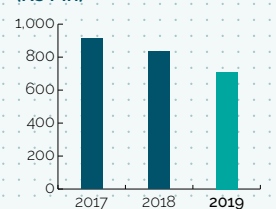
Funds Raised (Rs Bn)



Trading

We provide a secure channel for investors from across the globe to leverage on our investment opportunities.

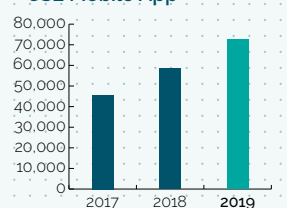
Daily Market Turnover (Rs Mn)



Market Data

High quality information plays a key role in supporting market users to make agile decisions. The CSE focuses on both enhancing the quality of market data and building robust channels to provide convenient and real time access to market data.

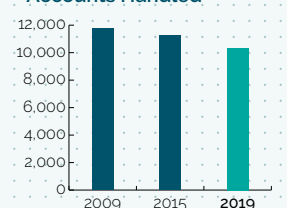
Number of Subscribers CSE Mobile App



Depository Services

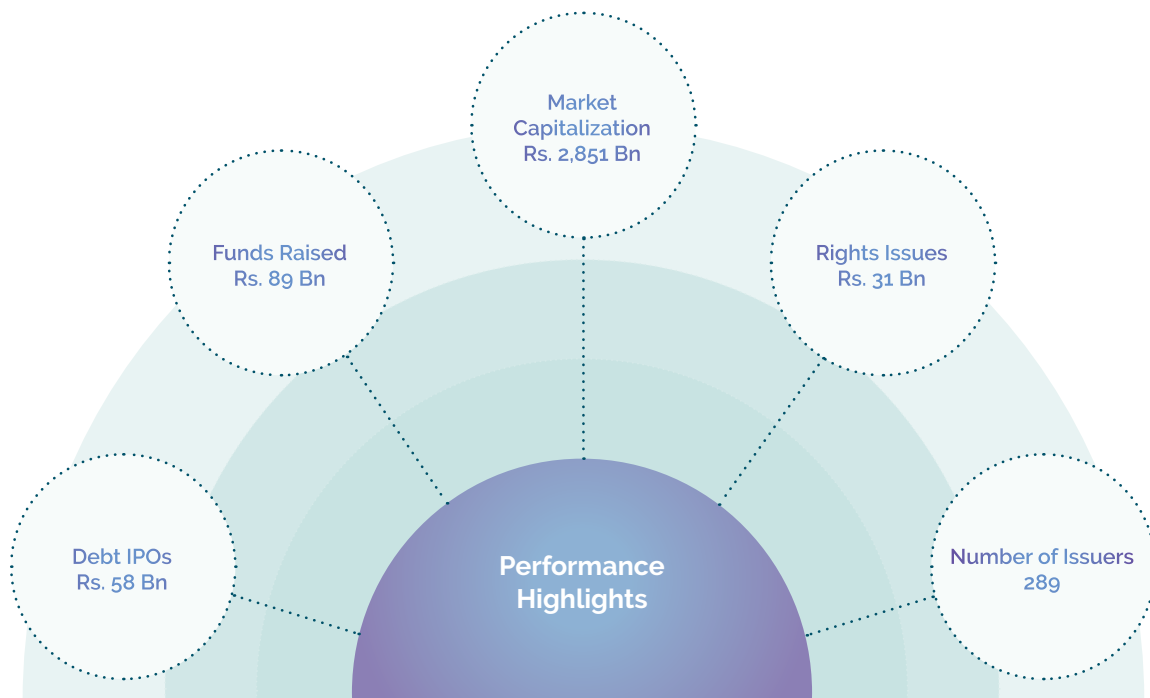
We have in place a fully- fledged post trade function which today holds custody of 97% of securities traded at the CSE.

Number of Investor Accounts Handled

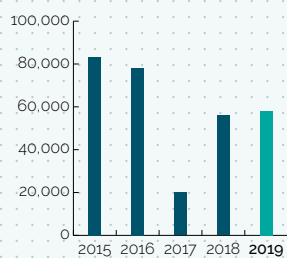


Listing

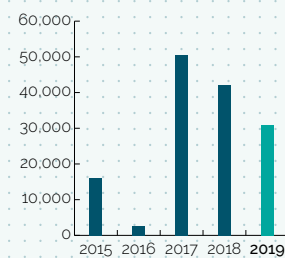
The listing division supports issuers to list securities by reviewing listing applications to ensure compliance with CSE listing rules to facilitate listing of securities on the relevant CSE Board. Our listing framework is on par with international best practices to attract local and international investors making listing a competitive financing option for corporates of any size and scale. The review process ensures market integrity and safeguards the interests of stakeholders through disclosure of relevant information to support decision making by prospective investors. The CSE facilitates four listing platforms including two new boards which were launched recently, namely the Empower Board and the Multi-currency Board which were implemented in 2018.



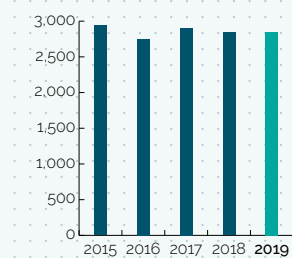
**Debt IPOs
(Rs Bn)**



**Rights Issues
(Rs Bn)**



**Market Capitalisation
(Rs Bn)**



Accountability

Subdued global growth, political and policy uncertainty, Easter Sunday terror attacks and high interest rates that prevailed during the year resulted in a wait and see attitude by equity issuers for expansion and new investment activities with a negative impact on listing activities. But there were considering debt IPOs were seen in 2019. Despite these market conditions, CSE continues to pursue avenues of growth taking a long-term view of the market in readiness to support a return to a vibrant market for raising capital.

Our Role	What we Delivered in 2019	Value Created to Stakeholders
Create innovative listing Boards. Main Board Diri Savi Board Empower Board Multi-Currency Board	<ul style="list-style-type: none"> ■ We have commenced work to broaden the Regulatory Framework governing Initial Listings at the CSE. The objective of this initiative is to attract companies with different types of business models/ structures, thereby making CSE the preferred choice for raising capital in Sri Lanka ■ Subsequent to the launch of the multi-currency Board we are also in the process of extending this Board to locally incorporated entities to facilitate listing in foreign currency debt. ■ We have also commenced work to extend the scope of our Empower Board; to enable SME's to list debt securities at the CSE 	Investors Ensure a transparent listing process. Issuers Funds raised of Rs 89 Bn. Brokerages Rs. 2 Bn. Regulator Listing fees Rs 90 Mn.
Maintain a transparent and fair listing process. Review listing applications. Providing support and guidance to listed issuers.	<ul style="list-style-type: none"> ■ Ensure the compliance of applicants to all applicable Listing Rules. ■ Review listing applications. ■ The Listing Review Committee provides oversight to the Listing Review Process. 	Public Enhance economic growth and support employment creation.
Ensuring an effective and up to date listing framework. The CSE promotes an effective and dynamic listing framework by proposing timely changes to the listing framework keeping pace with changing issuer needs and business landscapes.	Complete revision of the listing rules Reviewing listing rules is an ongoing process to ensure the quality and effectiveness of our listing framework.	

Performance of the market

The market capitalization remained in line with last year at Rs 2,851 Bn. Geopolitical uncertainties, several unexpected events such as Easter Sunday attacks and escalating political uncertainties, resulted in a gloomy economic landscape affecting the confidence of both investors and issuers alike. Attracting issuers was a challenge as offer prices were seemingly uncompetitive given the subdued market performance. However, the implementation of the Basel III framework and requirement for banks to meet stipulated capital requirements, continued to drive demand for Debt IPOs. There were 15 Debt IPOs in 2019 in line with last year.

The CSE raised capital of Rs 89 Bn in 2019, (14%) lower than last year. Debt IPOs amounted to Rs 57 Bn compared to Rs 55 Bn last year and continued to form a predominant 65% of CSE capital raising arrangements. A notable setback was seen in right issues which declined by (27%) to Rs 31 Bn.

Two new listings were approved during the year through an introduction while 10 companies delisted.

Going forward

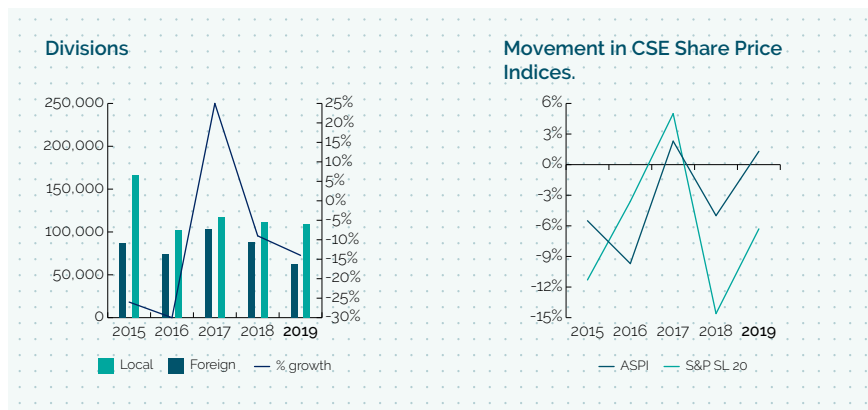
Working towards launching a new regulatory framework for IPO's, permitting SME Debt listings and extending the Multi Currency Board to cater to debt securities issued by local companies remain priority goals. Further, to facilitate the smooth processing of Listing Applications, we hope to formulate a 'Listing Framework' in consultation with the SEC. The objective of the 'Listing Framework' is to specify the regulatory requirements (i.e in addition to the requirements set out in the Listing Rules), to the Issuers in a transparent manner at the outset, which would minimise the time period involved in processing Listing Applications.

In addition, we are also on a continuous journey of identifying 'best practices' to adopt, which in turn will assist our growth momentum.

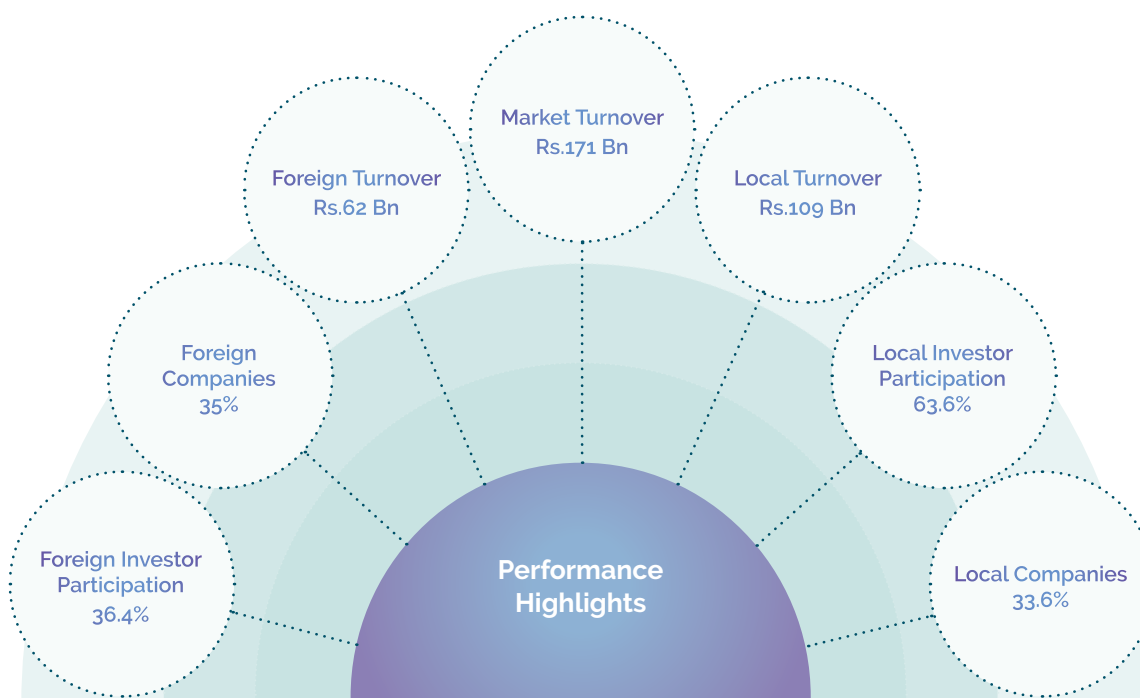
Accountability

Trading

The secondary market is a price driven auction market, creating investment opportunities for a wide array of investors both locally and globally. Creating a liquid market is a core part of the CSE value chain as the market performance is driven through investor participation. The CSE plays several roles to attract investors by ensuring an orderly and fair market, transparent processes, robust systems and a sustainable eco-system. Despite the market downturns, the CSE continued its efforts in building a stronger capital market to support investors realise the optimum benefits of a secondary market.



	2017	2018	2019
Daily Average Turnover (Rs Mn)	915	833	710
Foreign Investor participation (%)			
Companies	45	42	35
Individuals	1.8	2	1
Local Investor participation			
Companies	28	34	33
Individual	24	21	29



Our Role	What we Delivered in 2019	Value Created to Stakeholders
Create Liquid Markets	Market turnover <ul style="list-style-type: none"> ■ Average daily turnover declined by 15%. ■ Local investor participation increased to 63% from 55% last year. ■ Foreign investor participation declined during the year. However, foreign investment outflows improved to Rs 11.7 Bn compared to Rs 23 Bn last year. ■ A dedicated marketing division to ensure continuous investor engagement and enhance their confidence <p>Global equity share trading declined by 11% in 1H 2019. Both America and EMEA regions showed a declining trend in share trading activities. However, in the Asia Pacific region value of share trading increased by 5.5% and the region attracted the largest number of IPOs globally.</p>	Investors Dividend yield of 3.17% Change in ASPI of 1% Employees Training spend of Rs. 3 Mn Brokerages Rs. 2 Bn SEC Fees Rs. 222 Mn Government Foreign investments Rs. 3 Bn
Trade Execution	<ul style="list-style-type: none"> ■ Worked actively with the stockbroker firms who are at the frontline of trade execution and monitored their financial stability. ■ Maintained secure and robust trading platforms with 100% system uptime. 	Regulator Share transaction levies Rs. 1 Bn
Trading products and services	<ul style="list-style-type: none"> ■ Products include equity, debt and closed end funds. ■ The CSE has two price indices namely the All share price index (ASPI) and S&P SL 20 index which is a basket of highly liquid stocks. 	Public Enhance financial literacy through awareness programs.
Improve the fairness and reliability of the market	<ul style="list-style-type: none"> ■ The Corporate Affairs division monitors the compliance of listed issuers and the Trading & Market Surveillance Division monitors any market offences. ■ Regulatory framework with timely changes to rules of the CSE. ■ A dedicated compliance division to ensure the regulatory compliance of the CSE and the timely renewal of the license given by the SEC. 	

Accountability

Performance of the market

Daily Average turnover dipped by 15% to Rs 710 Mn and Market turnover declined by 14% to Rs 171 Mn in 2019. Investor confidence was impacted by several emerging uncertainties both in the domestic and global front including terrorism attacks such as the Easter Sunday attacks, BREXIT and US trade wars with China and Iran.

The CSE worked extensively in regaining the confidence of both local and foreign investors through marketing campaigns which promote the CSE brand to a wider array of investors and ensuring a secure and reliable eco-system backed by robust IT systems, a specialized talent pool and trading members who ensure effective trade execution

Movement in share indices

Despite the declining market turnover, both share price indices showed some recovery. The ASPI index was up by 1.27% compared to the dip of 4.9% last year. The S&P SL 20 was down by 6.3% compared to 14% last year.

Investor participation

Domestic market turnover was down by 2% in 2019, slightly recovering from the 5% dip in 2018 with an increasing number of retail investors entering the capital market. Local investor participation increased to 63% in 2019 (55% in 2018) and the retail investor participation improved to 29% in 2019 compared to 21% in 2018.

However, foreign market turnover declined by 30% to Rs 62 Bn as investor confidence on Sri Lanka remained subdued due to several uncertain events in 2019 including the Easter Sunday attacks and political tensions.

Foreign investment outflows showed some recovery with outflows amounting to Rs 11.7 Bn compared to Rs 23.2 Bn last year.

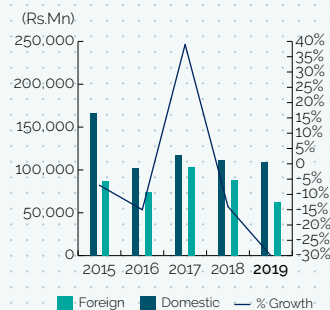
Corporate valuations

Market PER increased to 10.83 times compared to 9.65 times in 2018. Price to book value (times) decreased to 1.14 times compared to 1.18 last year. Dividend yields improved to 3.17% compared to 3.10% in 2018.

Outlook

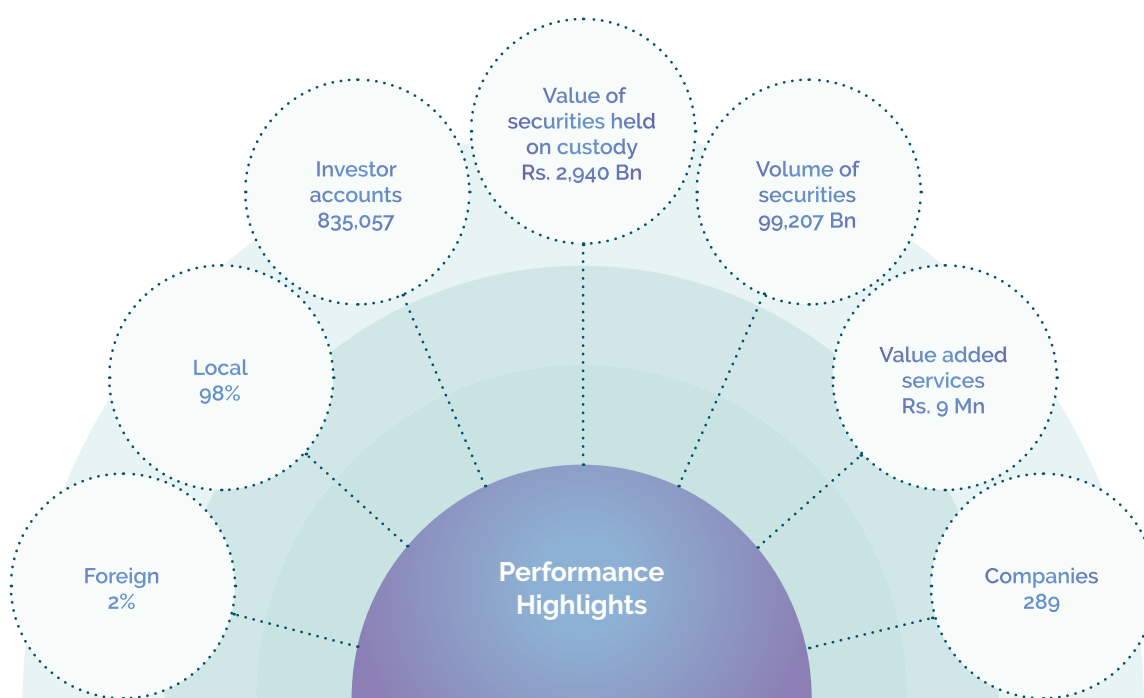
Plans are in place to develop a strong retail strategy enabling brokers to appoint certified agents while developing sound digital platforms to support their effectiveness. This is also expected to attract the millennials and digital natives to the market. We will continue to nurture the traditional capital markets in UK, US & Europe while making inroads in to new markets such as Canada, Australia and the Middle East to attract the diaspora.

Foreign Trading

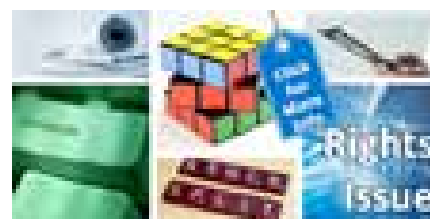


Depository services

The Central Depository Services (CDS) is a core part of the Sri Lanka stock market fulfilling its traditional role as a custodian of investor accounts and pushing beyond conventional boundaries to be more customer centric by offering value-added services to listed issuers. The CDS currently maintains 835,057 De-Mat accounts for both local and foreign investors to facilitate online share trading. In addition, the CDS provides high quality and efficient registrar and corporate action services to a diverse clientele from eight industries via its 'corporate solutions arm'.



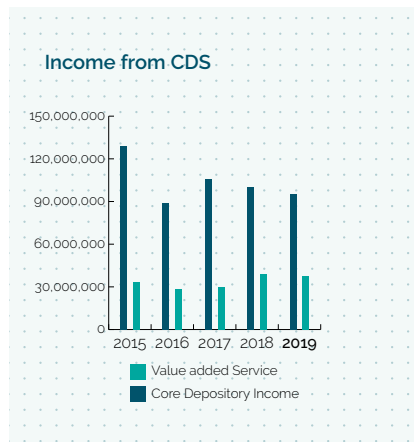
Performance	2019	2018	change
Value of securities held on custody (Rs Bn)	2,940	2,828	112
Volume of securities (Bn)	99,207	97,794	1,413
New accounts	10,340	10,426	(86)
Number of deposits	129,830	119,189	10,641
DE-Mat - equity	97.10%	97.48%	(0.38%)
DE-Mat - debt	99.80%	99.83%	(0.03%)



Accountability

Our Role	What we Delivered in 2019	Value Created to Stakeholders
Efficient depository services.	<ul style="list-style-type: none"> ■ Maintain robust central depository system. ■ Handled 10,340 investor accounts. ■ Total value of marketable securities held by the CDS amounted to Rs 2.9 Trillion. 	<p>Investors Custody of investor accounts.</p> <p>Issuers High quality and efficient value added services. Signed an agreement with HNB Assurance PLC for the continuous provision of registra and corporate action services.</p> <p>Employees Salaries of Rs. 37 Mn.</p> <p>Brokerages Access to reliable post trade services.</p> <p>Regional exchanges Participation at the ACG annual conferences and cross border training sessions.</p>
Value added services	<ul style="list-style-type: none"> ■ Handled 45 projects on corporate actions including 19 dividend payments and other support services. ■ Improved the industry service standards by introducing a new system to provide support services at the Annual General Meetings. 	
Expanding the range of service offerings.	CDS is in the process of exploring cost-effective post trade solutions to best serve the diverse needs of both investors and issuers. The plethora of services presently offered by CDS is well accepted by the different market segments we cater to.	
Building a reliable depository system.	Minimize post trade risks such as settlement failures through secure post trade systems.	
Strengthen global cohesion	<p>Being a member of the Asia-Pacific Central Securities Depository Group (ACG), the CSE actively engaged in the Technical Task Force and Risk and Recovery Management Task Force sessions at the 21st ACG Cross Training Seminar held in Indonesia. The CDS was also part of the panel discussion on the topic "Where we stand as Industry Community" during the 23rd ACG Annual General Meeting which was held in Nepal in 2019.</p> <p>ISIN issuances</p> <p>CSE is the National Numbering Agency (NNA) for Association of National Numbering Agencies (ANNA) and updates the ANNA database complying with the three ISO standards; ISO 6166 (International Securities Identification Number), ISO 10962 (Classification of Financial Instruments) and ISO 18774 (Financial Instrument Short Name).</p>	

Performance



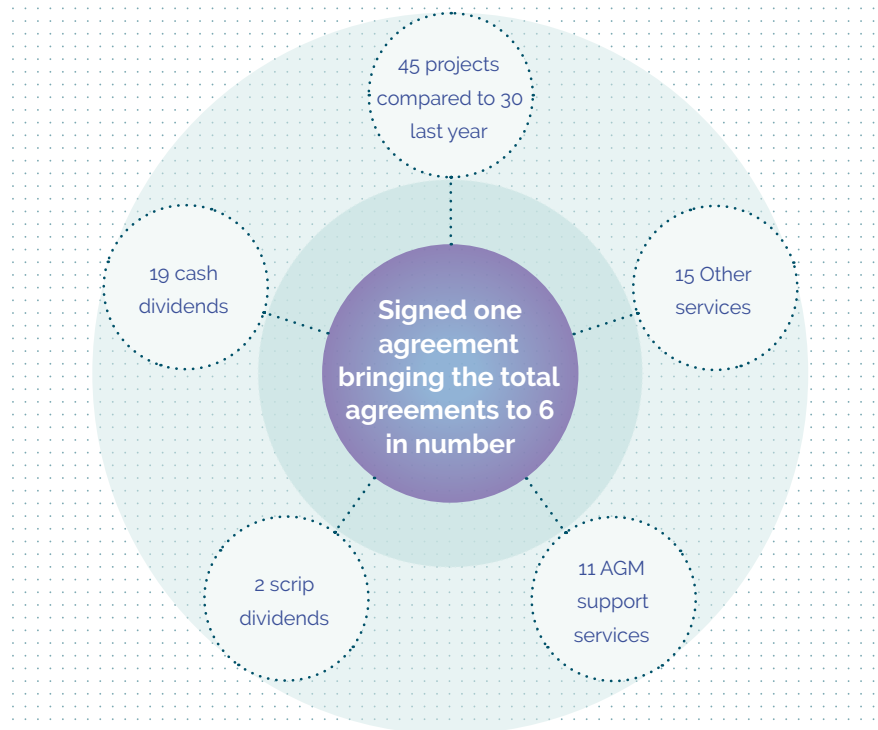
Depository income

The CDS fully fledged post trade systems continued to play an integral role in driving investor confidence by facilitating reliable online share trading. Given a trail of successful depository operations for over 28 years, the CDS has been able to expand its customer network despite the market turbulences.

The market value of securities held in custody by the CDS increased by 4% in 2019 with an increase in the volume of shares held. Despite the subdued market activity, investors continued to open new investor accounts with the CDS. Number of new accounts opened remained almost in line with last year at 10,340 and the number of deposits increased by 9% to 129,830.

CDS corporate solutions

Being introduced last year, the CDS corporate solutions quickly gained popularity among corporates and revenue from these value-added services increased by 63% in 2019. The CDS is at present offering these services to 18 clients across 8 industries. In 2019,



the CDS entered into an agreement with HNB Assurance PLC for the provision of Registrar Services, payments of cash/scrip dividend and support Annual General Meetings bureau services.

Going Forward

Effective and reliable post trade systems is integral to build investor confidence. Depository services will continue to play a prominent role in the CSE value chain in addition to ensuring



Signing of an agreement with HNB Assurance PLC for the continuous provision of registra and corporate action services.

Accountability

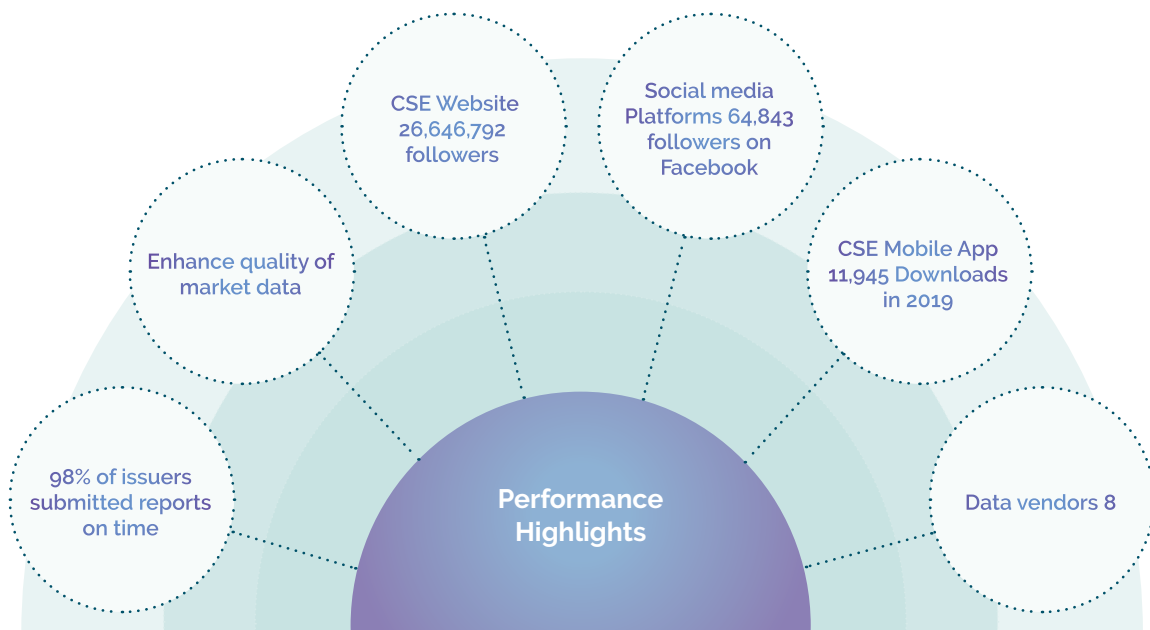
a sustainable stream of income to the CSE through CDS corporate solutions. In 2020, the decentralization of the CDS will be a priority, enabling CDS participants/trading members to open client accounts instantly. This is an international best practice which will streamline the Know Your Client (KYC) process, enhance the role of depository participants and bring CDS on par with regional counterparts while also improving the autonomy of CDS participants to develop their own business models. With the successful implementation of the decentralization initiative, our next focus areas would be on digitalization of the account opening process and post trade enhancements to improve the efficiency of post trade.









The CDS was also part of the panel discussion on the topic “Where we stand as Industry Community” during the 23rd ACG Annual General Meeting which was held in Nepal in 2019.

Market Data

Real time market information is key to the efficient functioning of markets. The CSE internal and external digital platforms facilitate investors to access market information and price sensitive information disclosed by issuers to the CSE in accordance with the CSE Continued listing rules. CSE has also built up networks with print and electronic media and data vendors to further strengthen dissemination of market information to both local and foreign investors. Our own platforms include the CSE website and the mobile app and other social media platforms include Facebook, linkedin and Instagram also support this key activity. We also maintain ties with 8 reputed data vendors such as Bloomberg and Reuters. The CSE not only focuses on ensuring the availability of real time market data, we also invest on improving the quality and reliability of market data. In 2019, the CSE launched an updated mobile app with customized notifications, analytical data and educational content in all three languages.



Accountability

Our Role	What we Delivered in 2019	Value Created to Stakeholders
Availability of Real-Time Market Data.	<ul style="list-style-type: none"> ■ Provide access to real-time market data through robust digital channels. ■ Connected with seven data vendors. 	Investors Provide convenient access to real time market data to support investors to make agile decisions.
Expand Reach	<p><i>Increase in followers</i></p> <div>  CSE Website 13% </div> <div>  CSE Mobile App 5% </div> <div>  Facebook 119% </div> <div>  Twitter 26% </div> <div>  Youtube 49% </div> <div>  LinkedIn 138% </div>	Issuers A convenient platform to publish corporate announcements.
Enhance Quality of Market Data	<p>Launched an updated mobile app with customized features and analytical content in all three languages.</p> <p>Improved quality, timeliness and reliability of corporate reporting.</p> <ul style="list-style-type: none"> ■ Reviewed 100% annual reports ■ Improved the consistency and accuracy of corporate announcements and corporate actions by ensuring information is published in the CSE web portal according to a given format or template. ■ Monitored the timely submission of financial statements. In 2019, 98% of listed issuers submitted annual reports by the due date compared to 85% last year. 	Public Receipt of timely information

Key Highlights

The official CSE website, Social Media Channels, Mobile Application and other platforms continued to play a key role in disseminating constant and interactive stream of real-time data, news, and social commentary on the capital market. In 2019, the CSE launched an updated version of the CSE mobile application featuring a modern interface with customized notifications to further improve access to market information.

Current Followership on Social Media Platforms

	2018	2019
Facebook	29,503	64,843
LinkedIn	10,101	24,071
Youtube	1,934	2,900
Twitter	3,114	3,923

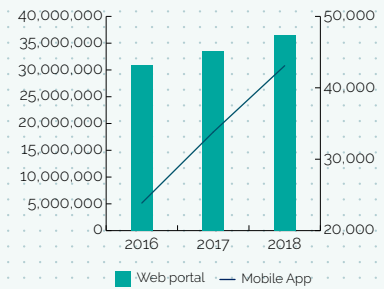
These information dissemination channels also served as a lucrative medium to promote the CSE brand, improve awareness and enhance investor confidence. Interviews with key CSE personnel were featured in global media channels in addition to road-shows and the various awareness programs hosted during the year.

Going forward

Ensuring the availability of high -quality market data is important to build a vibrant capital market as it enables investors make agile decisions. In addition to facilitating price discovery, access to real time market data also enhances investor confidence on the capital market.

The CSE will continue to enhance its market data platforms, expand followership network and improve the quality of market data on par with regional exchanges. In the meantime, the CSE will also focus in enhancing the reliability of market information by reviewing annual reports of listed issuers and ensuring the timely dissemination of corporate information.

Followership Base (No)



We also connected with seven data vendors who play an active role in disseminating market information to diverse clientele including investors and analysts.

Our Data Vendors

1. Mobitel (Pvt) LTD
2. Dialog Axiata PLC
3. DirectFN Ltd
4. Factset Research Systems INC.
5. SIX Financial Information LTD
6. Interactive Data (Europe) Limited
7. Bloomberg Finance LP
8. Reuters Limited
9. FTSE International Limited

Accountability

Capitals Reports

Digital Capital

Our digital capital serves as a platform for stakeholder interactions the core purpose of the CSE. It comprises an Automated Trading Platform (ATS) and a Central Depository System (CDS) to support trading activities of the exchange.

The CSE continues to deploy various software and mobile applications to digitize processes, client interactions and the various functions of the exchange. Today, our IT systems and infrastructure, support a sustainable business model by securely processing transactions, generating high quality analytical market data and offering convenient and reliable access points to market users from across the world.

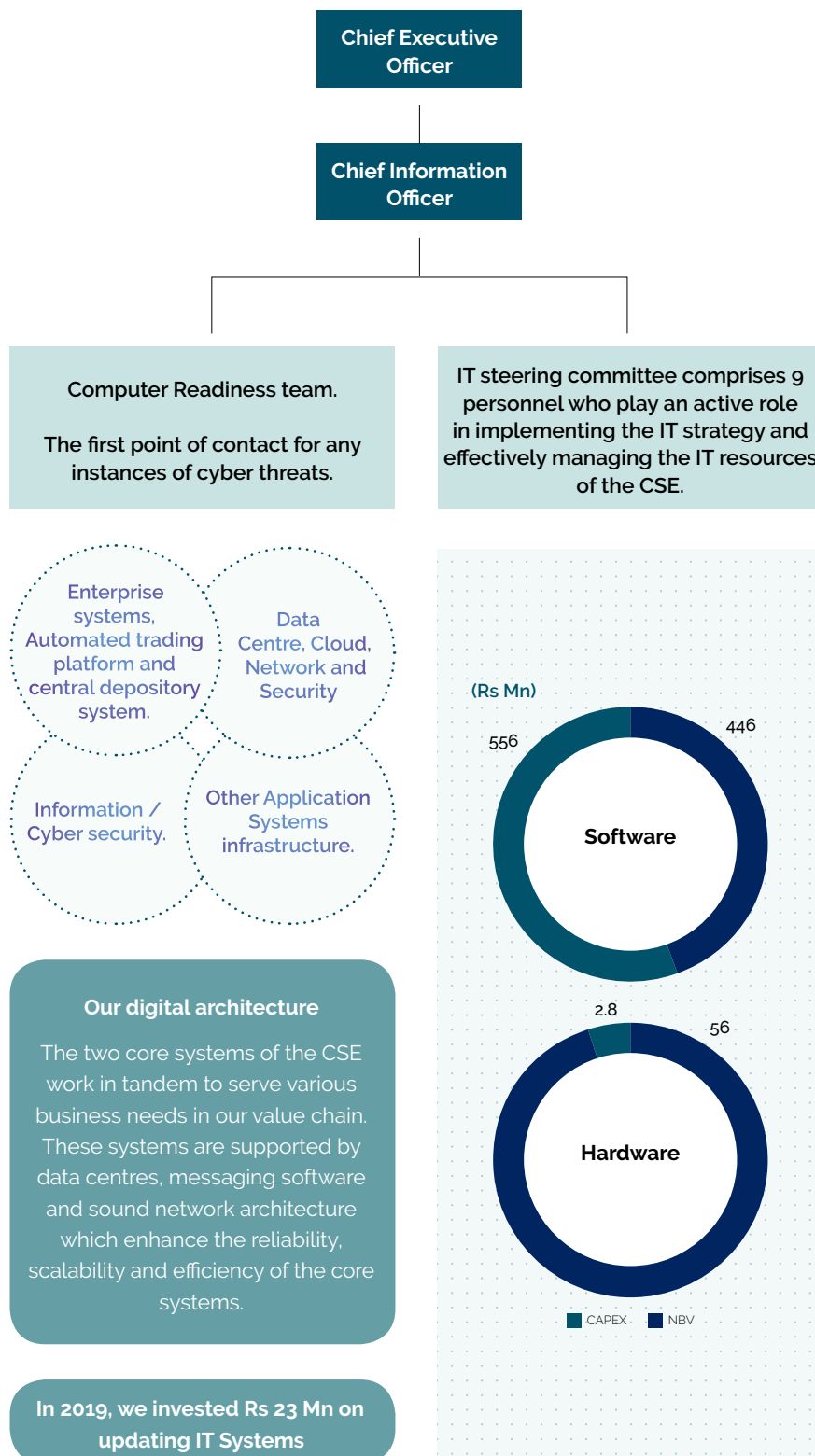
IT Governance

The IT division is headed by the Chief Information Officer (CIO) who reports to the Two committees. There are two main IT teams, the computer emergency readiness team and the IT steering committee, ensuring optimum functionality of our IT systems and infrastructure.

We also have in place a sound and up to date IT policy framework. In the past year, the CSE updated its internal policies and procedures to ensure compliance with the General Data Protection Regulations (GDPR) and facilitate the transition of the exchange to the DvP model by 2020.

The key IT policies of the CSE cover Information Security, IT Service Management and Data Protection areas.




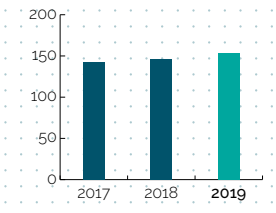


Governance Structure



Refreshing our Digital Capital

In 2019, the IT department worked on several projects including a major enhancement of the two core systems of the exchange to facilitate the transition to the Delivery versus Payment (DvP) model in 2020. In addition, we worked on many projects to enhance data protection, risk management, broker supervision and reporting of performance indicators. In 2019, an external consultant performed an assessment of the CSE compliance to the General Data Protection Regulations (GDPR) and in 2019 we started the process of fine-tuning IT policies and procedures to bridge any identified gaps.

In 2019, the CSE invested Rs 23 Mn on digital capital compared to Rs 41 Mn in 2018.

Corporate strategy	Initiatives	Outcomes								
	<ul style="list-style-type: none">■ Invested Rs 23 Mn on updating IT systems.■ Launched an updated mobile app with customized notifications, analytical data and educational content in all three languages.	<div>Increased followers by 114%.</div>								
	<p>Digitized processes and stakeholder interactions such as corporate announcements, broker compliance reporting and documentation. We also completed the first two phases of implementing an internally developed registrar system for the corporates.</p>	<p>Improved service efficiency and convenience for stakeholders. New CSE Mobile App was completed and launched</p>								
	<ul style="list-style-type: none">■ Upgraded trading systems and data center infrastructure to be in line with international benchmarks.■ Migration to cloud platforms.■ Worked on Post-trade enhancements by connecting trading members with the SWIFT network; the society for worldwide interbank financial telecommunication.	<div><p>Technology Cost Savings</p><table><caption>Technology Cost Savings</caption><thead><tr><th>Year</th><th>Cost Savings (Approx.)</th></tr></thead><tbody><tr><td>2017</td><td>140</td></tr><tr><td>2018</td><td>145</td></tr><tr><td>2019</td><td>155</td></tr></tbody></table></div>	Year	Cost Savings (Approx.)	2017	140	2018	145	2019	155
Year	Cost Savings (Approx.)									
2017	140									
2018	145									
2019	155									
	<ul style="list-style-type: none">■ Fine-tuned IT policies and procedures to comply with general data protection regulations (GDPR).■ Upgraded security infrastructure■ Conducted several rounds of vulnerability threat assessments for internal assets and web front-end assets.	<div>System uptime maintained at 100%.</div>								
	<p>Preserving high IT standards by complying with three ISO standards related to information security (ISO 27001), Business continuity (ISO 22301) and IT service management (ISO 20000).</p>	<p>Driving value creation and enhancing stakeholder confidence by benchmarking quality of IT assets to global standards.</p>								








Priorities in 2020

Transforming to a digital enterprise is our aspiration and the CSE continuously explores opportunities to optimize the use of our digital capital. In 2020, we plan to launch an investor portal; CSE-e connect and other initiatives in our journey to transform CSE to a digital enterprise. These initiatives would further enhance customer experience, minimize post trade risks and improve cost efficiency.

Accountability

Building relationships

As a connector between market participants, building strong and trusted relationships is key to our growth. Wide ranging stakeholders including investors, issuers and trading members engage with the CSE on a day to day basis and nurturing their trust and confidence is important to drive our value creation. We work on several initiatives to understand stakeholder priorities and carefully maintain a balance in integrating these diverse interests to our corporate strategy.

	How the CSE supports stakeholders	Value delivered
 Investors	<ul style="list-style-type: none"> ■ Orderly market. ■ Robust market infrastructure. ■ High quality services. ■ Fostering investor confidence and awareness. ■ Enabling informed decision making. 	<p>Attractive returns</p> <ul style="list-style-type: none"> ■ Rs 171 Bn Market turnover ■ 1.27% Movement in ASPI and 6.3% in S&P index. <p>Convenient Access</p> <ul style="list-style-type: none"> ■ All time access to real time data through digital channels.
 Issuers	<ul style="list-style-type: none"> ■ Innovative financing options. ■ Provision of value-added services. ■ Ensure the credibility of issuers ■ Improve corporate reporting ■ Channeling savings to investment. 	<ul style="list-style-type: none"> ■ Engaging potential issuers through one-on-one meetings and dedicated fora ■ Hosted workshops on sustainability reporting such as GRI workshops. ■ Launched two listing Boards. ■ Raised funds of Rs 89 Bn.
 Market Intermediaries	<ul style="list-style-type: none"> ■ Access to latest market technology. ■ Ensure the financial stability of all stockbroker firms. 	<ul style="list-style-type: none"> ■ Commissions of Rs 335 Mn. ■ All trading members met the risk-based CAR requirements.
 Regulator	<ul style="list-style-type: none"> ■ Balanced regulation ■ Monitor compliance to regulations and listing rules 	<ul style="list-style-type: none"> ■ Proposed 9 rule amendments.
 Government	<ul style="list-style-type: none"> ■ Increase government tax revenue 	<ul style="list-style-type: none"> ■ Direct Tax payments of Rs 3.8 Mn. ■ Indirect tax payments of Rs 1 Bn. ■ Foreign investments of Rs 62 Bn.
 Business Partner	<ul style="list-style-type: none"> ■ Fair compensation. ■ Enhance regional cohesion. 	<ul style="list-style-type: none"> ■ Payments of Rs 22 Mn to business partners. ■ Signed three MoUs.
 Communities	<ul style="list-style-type: none"> ■ Capital market awareness ■ Improve financial literacy 	<ul style="list-style-type: none"> ■ 345 awareness sessions

Value delivered to Investors;

Drawing diverse market participants from various geographical areas and regions is important to create a vibrant, competitive and sustainable stock market which in turn yields attractive returns to our investors. The CSE has a dedicated market development team of 11 personnel to connect, expand and diversify our investor network. In the past year, the CSE worked on several initiatives to improve investor participation by enhancing financial literacy, building confidence and awareness through various interactive events.

Interacting with investors is key to increase investor participation, which is key to sustain a vibrant and competitive capital market.

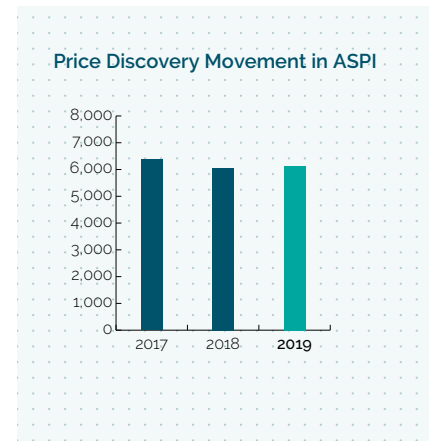
Invest Sri Lanka Road shows: In May 2019, the CSE conducted a road show in Singapore presenting the investment opportunities in the capital market to a wide range of leading Asia based institutional investors and other foreign investors from various industries. This was a much-needed event to enhance investor confidence following tragic events in April 2019. The event was followed by several one-on-one discussions/ group discussions between participating listed issuers and investors.

Regional Investor forum series: The "Kotas welendapola Nagarayen Nagarayata" is a Regional Investor Forum series conducted to attract retail investors from various regions. This year, the programs were held in four regions; Matara, Jaffna, Tissamaharama and Polonnaruwa with the participation of 618 retail investors.

Awareness programs: The CSE educational and awareness programs in Colombo and other regions enhanced financial literacy of budding investors from various parts of the society including representatives of commercial & public sector organizations, business associations, industry trade groups, schools, universities and the public.

In 2019, we also held the third event of the 'Listed Company Feature Series' organized by the Colombo Stock Exchange (CSE) and the Colombo Stock Brokers Association (CSBA) to connect issuers with investors by bringing together S&P SL 20 companies and Local Institutional and high-net-worth-investors. In 2019 we also hosted the Investor week, a two-day promotional campaign at the World Trade Center to showcase prevalent investment opportunities.

We also engage real time through social media, CSE website, mobile applications and other platforms. Our followers increased by 114% to 95,737 in 2019.



Engaging Potential issuers through one-on-one meetings and dedicated forums:

Complementing our primary market development activities, we offer a dynamic platform for issuers by facilitating listing and engaging potential issuers through direct and indirect initiatives. The potential issuers were engaged through one-on-one meetings during the year.

As a part of an awareness drive on the Empower Board the CSE together with the Securities and Exchange



Accountability

Commission of Sri Lanka organized a number of fora tailored to capture the interest of entrepreneurs around the country who seek versatile methods of raising capital to pursue growth.

During the first quarter of this year the CSE in collaboration with SEC and Hatch conducted a special forum to empower start-ups on listing opportunities prevalent for them here at the Exchange.

In August the CSE and SEC also engaged with tech companies in Sri Lanka to present to them listing opportunities. This event was held as a collaborated forum with the Federation of Information Technology Industry Sri Lanka (FITIS)



Forum of Hatch



FITIS Forum

Four Regional Investor series



Meetings



In 2019, the CSE conducted one road show in Singapore

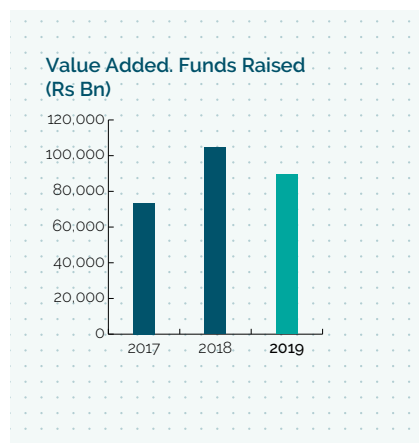


96 High net worth investors participated in CSE forum to bring together investors and S&P SL 20 companies.



345 Investor education programs attended by 13,779.

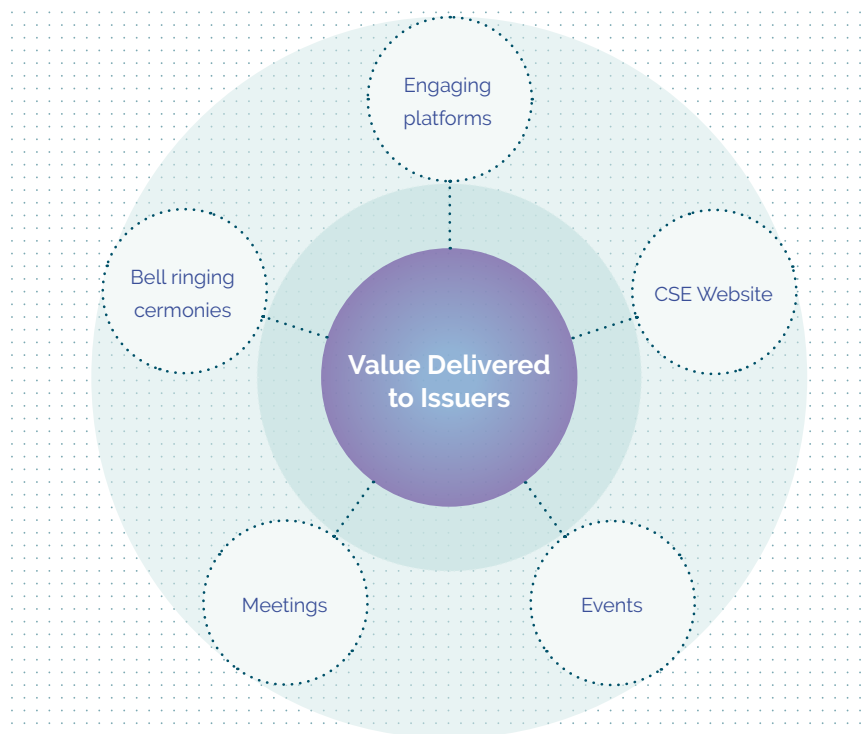
Accountability



Sponsorship of Annual Report Awards:

We also encouraged dissemination of relevant information by issuers through sponsorship of Annual Report Awards with the Institute of Chartered Accountants of Sri Lanka and the Institute of Chartered Management Accountants of Sri Lanka which demonstrated high levels of compliance with international reporting frameworks including the Sri Lanka Financial Reporting Standards which are modelled on the International Financial Reporting Standards. Additionally, nearly all competitors voluntarily adopt global frameworks for ESG reporting such as GRI Standards published by the Global Reporting Initiative and the IR Framework published by the International Integrated Reporting Council. Most competitors also reported on compliance with the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka in addition to the mandatory CSE Continuing Listing Rules.

CSE and GRI hosted Forums on Sustainability Reporting for Sustainable Development:



The Technical Series aimed to gather listed companies that do not engage in sustainability reporting at present, was an ideal platform to embark on a sustainability reporting journey. Holistic reporting by issuers was encouraged by several workshops conducted for issuers on GRI Standards in partnership with GRI who provided resource persons for same.



The 55th Annual Reports Award competition organized by the Institute of Chartered Accountants of Sri Lanka.

This event held every year, focuses on improving corporate reporting and promoting the concept of sustainability among corporates.



CSE & GRI host a forum on Sustainability Reporting

Improve corporate reporting practices

Session on Effective Corporate Governance Practices in a Listed Environment

This event was organized by the International Finance Corporation (IFC) and CSE to educate listed issuers on effective corporate governance practices and the need to drive transparency, trust and governance.



Bell ringing ceremonies

A total of 14 bell ringing ceremonies was hosted at the Colombo Stock Exchange. These Market Opening Ceremonies is a platform for listed companies to celebrate important corporate and capital market milestones.

These ceremonies increase awareness and call to action on several sustainability issue that are significant to our business community, economy and society at large.

Accountability



Diverse fund- raising options

The CSE aims to provide a range of fund- raising options to companies of any size, scale and region. We operate four listing boards namely the Main Board, Diri Savi Board and the newly launched Empower Board and Multi-currency Board. In 2019, we raised Rs 89 Bn through debt IPOs, rights issues and private placements.

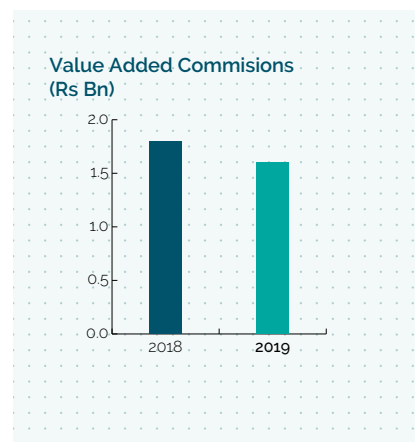
Innovation.

In 2018, we introduced the Multi- currency platform which enables companies listed in a foreign exchange to obtain a dual listing and raise additional capital through the CSE. This platform was launched at the 3rd Edition of the Maldivian 'GOLD 100' Business Awards ceremony. In 2018, we launched the Empower Board for corporates in the SME scale. The launch of the new platforms was accompanied by several awareness fora organized by the CSE and SEC to attract entrepreneurs from various regions. We also collaborated with the Federation of Information Technology Industry Sri Lanka (FITIS) to conduct a special forum on the listing opportunities for start-ups in the technology industry.

Convenient Access/ disseminating market data

As a market infrastructure provider, we ensure convenient access and disseminate an interactive stream of real-time data, news and commentary on the capital market to support informed decision making. Robust and up to date technological platforms, the CSE website, mobile applications and various social media channels provide an exclusive digital experience to market users while other platforms such as media representatives feature events, publish educational articles and interviews. In 2019, the CSE launched an updated mobile application with modern and personalized interface to improve access to high quality market data.

Value delivered to trading members



The stockbroker firms play an important role in the CSE, enabling the connectivity between investors. During the year, they earned a commission of Rs 1.6 Bn compared to Rs 1.8 Bn last year, primarily driven by the market activity. The CSE engages in several activities to support stockbroker firms including –

1. Driving market performance to increase the commissions earned.
2. Monitoring the financial adequacy of trading members through the risk-based capital adequacy ratios. In 2019, all trading members were compliant with the capital adequacy ratio.
3. Creating a robust market infrastructure platform which is readily available for use by trading members.

Value delivered to business partners

We network with other exchanges, cross market events and various other local professional bodies to host events, promote best practices in corporate reporting and propagate sustainability initiatives.

Other exchanges and cross market events in 2019

- MoUs with London Stock Exchange (LSE), South Pacific Stock Exchange and Dhaka Stock Exchange (DSE)
- Attended AGMS of World Federation of Exchanges (WFE), Association of National Numbering Agencies (ANNA) and Asia-Pacific Central Securities Depository Group (ACG)

A MoU enables the two exchanges to work together and learn from each other's experiences. Given that most stock exchanges are unique in their countries, such cross-border collaboration and exchange of information and knowledge can enhance market development. These benefits can be particularly important for activities that often fall exclusively to securities exchanges in any given country, such as investor awareness initiatives, advancing trading and settlement and integrating market data with website development.



Signing of MoU with London Stock Exchange



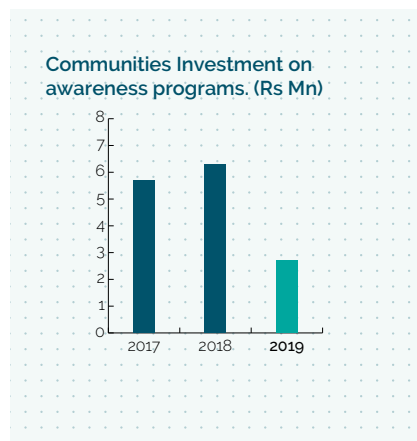
Signing of MoU with Dhaka Stock Exchange

The sponsorships and strategic partnerships in 2019

- CSE extended the Annual Platinum Sponsorship of the CFA Society to 2021, where the CSE brand will be covered in all CFA events conducted in Sri Lanka.
- The 2nd Edition of the Fireside Chat and the "We Care Concert", organized by the International Chamber of Commerce (Corporate Partner)
- Entrepreneur of the Year organized by the Anuradhapura District Chamber of Commerce Industry and Agriculture (Silver Partner).
- CMA Excellence in Integrated Reporting Awards 2019 (Supporting Partner),
- ICC most Admired companies (Partner)
- Annual Report Awards conducted by the Institute of Chartered Accountants of Sri Lanka

Accountability

Value delivered to communities



As the stock market operator in Sri Lanka, we strive to play an active role in enhancing the livelihoods of all members of the society. Our awareness programs help enhance financial literacy and encourage budding investors to exploit diverse investment opportunities. These awareness programs cover school students, university students, entrepreneurs and industrial associations through educational workshops and seminars. In 2019, we hosted 345 awareness programs which was attended by 13,779 participants.

Last year, the CSE for the first time, introduced an educational qualification with a special focus on capital markets; the Advanced Diploma in Financial Markets (ADFM). In August 2019, we recognized the first batch of students for completing the diploma and offered the top three rankers internship opportunities at the CSE. The program is also recognized by the Chartered Institute of Management Accountants (CIMA) and the Institute of Certified Management Accountants of Sri Lanka (CMA) and qualified students are exempt from the first level of the respective professional qualifications.

CSE Masterminds Quiz competition

In 2019, we organized the third edition of the Capital Market Quiz Competition with the participation of 58 teams representing companies from various parts of the country. The 1st, 2nd and 3rd winners received cash prizes of Rs.200,000, Rs. 100,000 and Rs. 75,000 respectively.



Mastermind quiz winner



First batch of students awarded the Advanced Diploma in Financial Markets by CSE

GRI 102 - 8, 401 - 1, 2, 3, 404 - 1, 2, 3, 405 - 1, 413 - 1

Meet our Team

Being in an intensely competitive financial market, enhancing our expertise and building our experience is important to maintain our competitive edge. A specialised team consisting of diverse professionals drives the long-standing expertise of the CSE. Nurturing and retaining this deep pool of expertise is a priority and the CSE works extensively in creating a conducive workplace fostering learning, productivity and employee satisfaction.

Our HR goals in 2019

Value-added

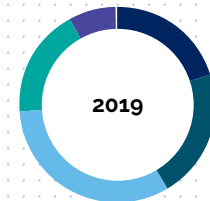
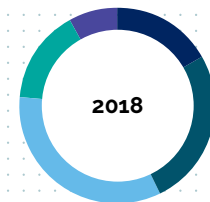
Outcomes

- Competitive compensation package.
- Career progression and recognition of key talents.
- Hosting welfare events



Employee Retention

Service Duration



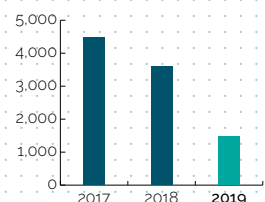
■ Above 20 years ■ 11 - 20 years
■ 6 - 10 years ■ 2 - 5 years
■ Less than 2 years



Training and Development

1,475 Hours
Rs 2.5 Mn Investment

Employee Hours



Employee Engagement

- Hosted 07 engagement events throughout the year including the staff quiz competition "Battle of the Brains" and other welfare events.



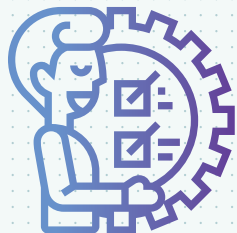
Best Practices in HR

- Streamlined HR policies and procedures in key areas such as recruitment, training and development and remuneration aspects of human resource management.
- Maintained a balanced team.

We maintain a higher than industry average female participation rate of 42%.



Accountability



A highly specialized team is important to enhance productivity and the operational efficiency of the exchange. At the CSE, people care has always been a prominent part of our corporate strategy and we have consistently proven to maintain a good employee retention record.

HR Governance

Striking a balance between employee interests and corporate requirements is integral to ensure a smooth business model. Our HR team works with the management committee to understand employee interests, evaluate their performance and build a strong talent pipeline.

We evolve our HR practices and policies to create a workplace that promotes equal opportunities, values diversity and encourages learning and development. The Human Resources division obtained the ISO 9001-2015 certification in 2017 and have conducted constant surveillance audits to ensure compliance and maintenance of streamlined processes and policies covering key areas of HR including recruitment, training and development and remuneration while also ensuring our practices are in compliance with labour laws specified in the Shop and Office Employees Act.

About our policies-

- **Child labour:** As a responsible employer, we abide by the labour rights principles in Sri Lanka, including the right to freedom of association, the eradication of child and forced labour, and non-discrimination. This may give the impression that there were incidents prior to that.



- **Equal Opportunity:** The CSE is committed to the principle of equal opportunity and has set in place sound HR procedures to ensure talent attraction, development and retention is free from any form of discrimination. An inclusive and balanced team is reflected by our diverse employee mix and a good female participation rate of 42%; higher than the industry average.

- **Diversity and Inclusion Policy** Applies to all terms, conditions and privileges of employment, including recruitment, hiring, placement, compensation, promotion, discipline and termination.

■ Training and development -

Training is extended to all staff to maximize their skills and competencies in order to meet organizational needs as well as facilitate personal growth, thereby providing challenging careers to employees. The CSE views training as a joint responsibility between the employee and the Management. We use tools such as training needs surveys, annual appraisals and management discussions to identify the training needs of employees. Once the training needs are identified, a training plan is developed to bridge training gaps and followed up through a training calendar. Training programs include in-house training, local external training, foreign training, and through knowledge sharing sessions.

- **Recruitment -** Our recruitment policy focuses on providing equal opportunity to potential recruits. The CSE follows a comprehensive recruitment process including one-on-one interviews and practical tests to identify the best fit for the given positions. We recruit both externally and internally in order to provide equal opportunity and grow our existing talents.

- **Grievance handling -** We have a grievance handling policy in place. No major grievances were highlighted in 2019

Team Profile

As defined by our diversity and inclusion policy, the CSE is committed to build a diverse, inclusive and balanced team to drive our value creation and specialization. Several factors including a higher than industry female participation rate of 42%, fair gender balance within all employee categories and an assortment of skills and age groups, exhibit the diversity of our team.

Led by an expert team, the CSE offers specialized services to a wide array of clients both local and abroad. Within our team, 154 personnel belonging to the executive and non-executive category, play an active role in the day to day operations of the exchange. Given the specialized nature of our work, we continued to maintain a minimum education level with all personnel within executive cadre having a degree qualification.

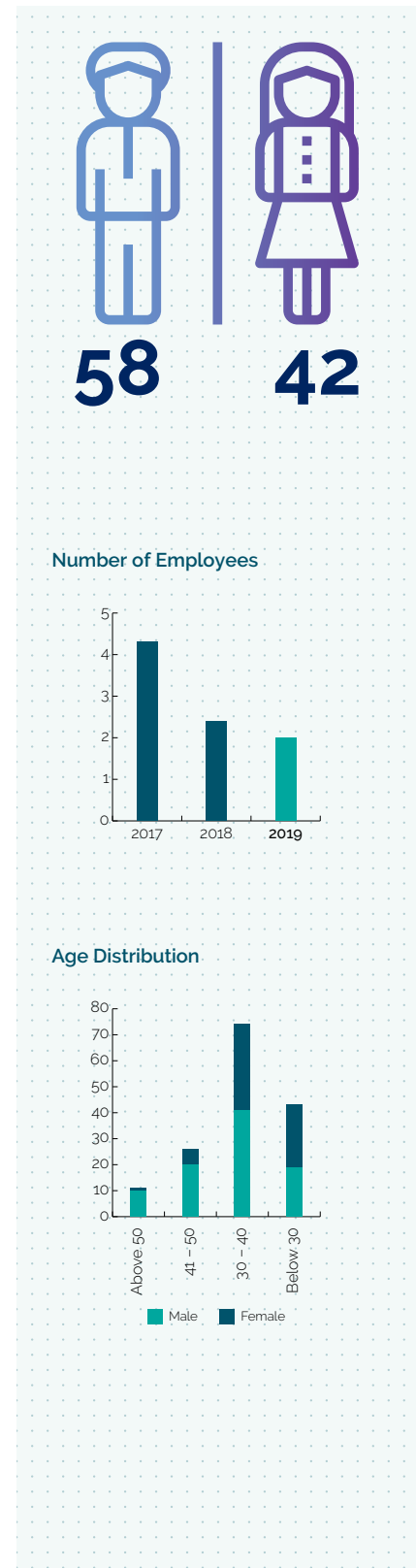
Building our talent pool

Attracting talent

Providing opportunities to external candidates help us freshen our talent pool as they bring in different experiences and expertise to the CSE. We also offer opportunities to our existing employees to support their progression and skill enhancement.

The CSE recruitment and selection process include a series of interviews, tests and presentations to identify and acquire the most suitable candidates with the right skills, competencies and attitudes. During 2019, the CSE recruited 20 new members as replacements to the Cadre of whom 55% was of the female gender.

The new recruits participated in the annual corporate induction program of the CSE; a comprehensive and engaging session to familiarise inductees on the company culture, values, practices, the operational framework and technical knowledge.



Accountability

Talents development

We require a highly skilled workforce to perform the specialized operations required by the exchange. The CSE fosters a learning culture helping employees evolve and grow their skills through various skill enhancement initiatives. Employees are exposed to multiple areas of knowledge to make them specialists in their specific job roles. Training sessions include technical topics related to the activities of the exchange and capital markets and behavioral and personal skill building programs. These programs are conducted both internally and externally.

The CSE knowledge sharing sessions covered various technical areas related to the operations of the stock market to ensure our specialist skills are up to date. We also hosted a unique series of knowledge sharing sessions referred to as 'Insider Edge' led by experts from various industrial backgrounds to share their personal learnings, experiences, knowledge and expertise with employees. These sessions give employees a new learning experience not necessarily linked to the Capital Market, thereby enhancing their skills and knowledge.

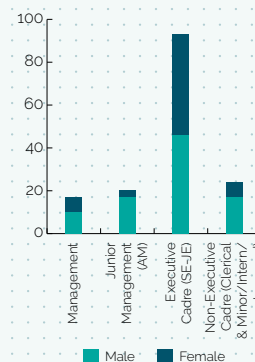
Despite 2019 being a challenging year, the CSE invested Rs 2.3 Mn on training and development keeping up with our commitment towards learning and development. The number of training hours amounted to 1,475. Average training hours per employee was 9.9 hours.

Performance management

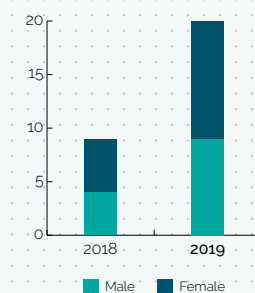
Our performance-based culture ensures that the CSE recognises and retains the key talents driving our performance. We use a goal-based approach to align employee performance with the corporate strategy of the CSE. Individual goals are derived from our 5-year corporate strategy and the simplified annual departmental targets. These goals are monitored frequently and evaluated at annual performance reviews.

All our employees, both executives and non-executives are part of the annual performance appraisal process of the CSE. The KPIs form the basis of our performance management process which has three stages namely, annual goal setting, mid-year revisions and annual reviews.

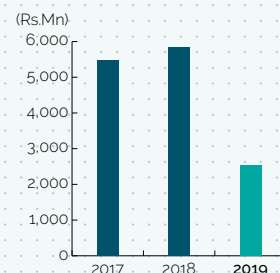
Employee Categories



Recruits



Annual Training Cost



Employee recognition

Despite a challenging year for the Exchange we did not forego the opportunity to recognize our employees. Our annual staff recognition initiative recognizes an array of deserving employees for their hard work, dedication and commitment to the CSE.

CSE annually recognizes employees who complete career milestones, special achievements, Toastmaster achievements and achievements in corporate competitions such as quiz competitions and mercantile sports competitions. The 'CSE Value Champions' which is awarded every other year, is a special award meant to recognize employees who champion our corporate values. In 2019, CSE hosted the third 'CSE Star Performers' recognition event to highlight the Value Champions for the years 2018 and 2019. A total of 54 awards were presented for various achievements throughout the year.

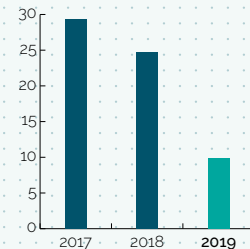


Employee Recognition



1st working day Ceremonies

Average Training Hours Per Employee



Annual Reviews

Annual Goal Setting

Mid-Year Revisions

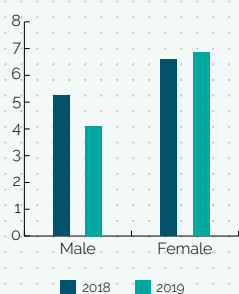
Accountability

Talents retention

We ensure our key talents are retained for many years as shown by a consistently healthy retention ratio of 11% over the last five years. In 2019 too, we maintained a retention rate of 11% with 33% of personnel working with the CSE for over 10 years.

Several initiatives supported retention including right recruitment decisions, a learning culture, an inclusive workplace and attractive compensation package as discussed below.

Employee Turnover Rate



Remuneration and benefits

We maintain fair remuneration policies and practices on par with industry standards. By aligning performance to remuneration, we ensure all our employees are compensated fairly and the high performers are nurtured and recognised. During the year, employee related costs amounted to Rs.333 Mn compared to Rs. 335 Mn (2018) and Rs. 297 Mn (2017). We also maintain a gender unbiased minimum pay bracket above the standard regulated minimum. We maintained a fair average male to female wage ratio of 1.00: 1.14.

Financial benefits Paid Rs 326 Mn in 2019

- Competitive basic pay
- Reimbursements for Memberships of Professional Institutions.
- Mobile phone allowances.
- Reimbursement of medical and spectacle expenses for staff and immediate family members.
- Vehicle and staff loan facilities at concessionary interest rates
- Educational loans
- Contributions to employee provident fund and employee trust fund.
- Payment of gratuity for employees who have completed five years of service.
- Life Insurance, Hospitalization Insurance scheme, Critical Illness and Personal Accident cover.
- Memberships at gymnasiums for certain employee categories.
- The CSE is also one of the few employers in the industry to provide 100 days of maternity leave. Mothers who return to work are also provided 2 hours of nursing time daily until the child turns 1 year.

	2018	2019
No of employees entitled for maternity leave.	43	37
No of employees who took maternity leave	7	4
No of employees returned to work after maternity leave	4	3
Number of employees due to return to work	3	1

Other benefits

- Conducive work environments
- A non- discriminative workplace
- Employees are not tied down to contracts when provided with training opportunities.

Health and safety

The nature of our business does not expose employees to severe health and safety risks. In 2019, there were no instances of occupational injuries/diseases reported. The CSE is not a unionized organization and does not have a formal committee to monitor health and safety. However, our comprehensive health and safety policy explains our commitment to provide a safe environment for our employees. We have appointed divisional Disaster Recovery Management Coordinators and Fire wardens to handle any emergency situations. In addition, the following activities are performed every year including:

- Bi-annual fire drills
- Designated fire warden training
- Awareness on emergency situations and cyber attacks
- Routine pest control measures
- Enhancing staff awareness on safety measures and action plans

Networking

Employee Engagement

We strive to build a culture that is open and engaging and 2019 was yet another eventful year for our employees with several networking events and activities held throughout the year.

Staff trip: In June, our employees enjoyed a two- day fun filled staff trip to hotel Citrus Waskaduwa, along with their spouses and kids.

Annual Staff Quiz: The annual staff quiz, 'Battle of the Brains' is yet another initiative for staff to gather, mingle and exploit their competitive spirits. The quiz is a knowledge gathering fun activity, where employees participate in teams. The winners are awarded a cash prize.

Birthday Celebrations: We present the employee a gift voucher on their birthday. An individual birthday shout-out is set to all staff.

Sing-along Evening: A novel event initiated by the staff themselves proved to be yet another relaxing and engaging event for the year.

Star Performers Night: Employees recognized for any special achievements throughout the year are given the opportunity to be personally congratulated and appreciated by the Chairman and the CEO. The annual awards ceremony is followed by an afterparty giving employees the opportunity to look forward to unwinding from a usual busy day at work.

Toastmasters club: CSE also encourages our staff to enhance and showcase their talents in communication and leadership through the globally recognized Toastmasters initiative. The club since its inception in 2015, has continued to groom our employees and provide the club members with a platform to learn and grow within the unique fraternity of Toastmastering. As a result the CSE Toastmasters Club has played a supportive role in grooming leadership skills in employees and also building their confidence in public speaking and communication. Several staff members belonging to the CSE Toastmasters Club have won at contests over the past years, and we congratulate TM Imesha Fernando who represented the club and won at the Area Level International Speech Contest and TM Nilanka De Silva who became the 1st runner up at the Area Level and the 2nd Runner Up in the divisional level Table Topics Contest held in April 2019. TM Imesha Fernando was also placed as the 1st Runner Up in the Area Level Evaluation Contest whilst TM Umilinda Pereira was placed as the 1st Runner up in the Area Level Humorous Speech Contest held in October 2019. TM Tharaka Amarasena was also recognized as the Outstanding Toastmaster of the Year at the Toastmaster District Annual Conference held in Chennai in May 2019. CSE Toastmasters club also achieved a milestone for being selected as a 'Select Distinguished Club' for the year. The Club also held its 5th Club



Toastmaster Tharaka Amarasara recognized by Toastmaster International

Accountability

Installation on 26th August 2019 marking its commitment towards empowering and recognizing talented individuals to excel in their corporate and Toastmasters career. CSE will continue to support and encourage staff to join our club and build their skills by indulging the benefits Toastmasters International has to offer.

Blood Donation Campaign: The CSE blood donation campaign organized by the Sport and Recreation club is another opportunity for all our staff to take part in a worthy cause.

Secret Santa was initiated this Christmas with employees exchanging secret Santa gifts.

Apart from the usual engagement activities at CSE, we also strive to create an all-inclusive culture, where employees are treated without discrimination, and respected equally. We practice an open- door culture.

Employee surveys are performed regularly to understand employee opinions, enhance their confidence and hear their concerns. In addition, all employees are well- informed of any activity through official staff communication channels such as the all staff email, intranet and staff meetings.



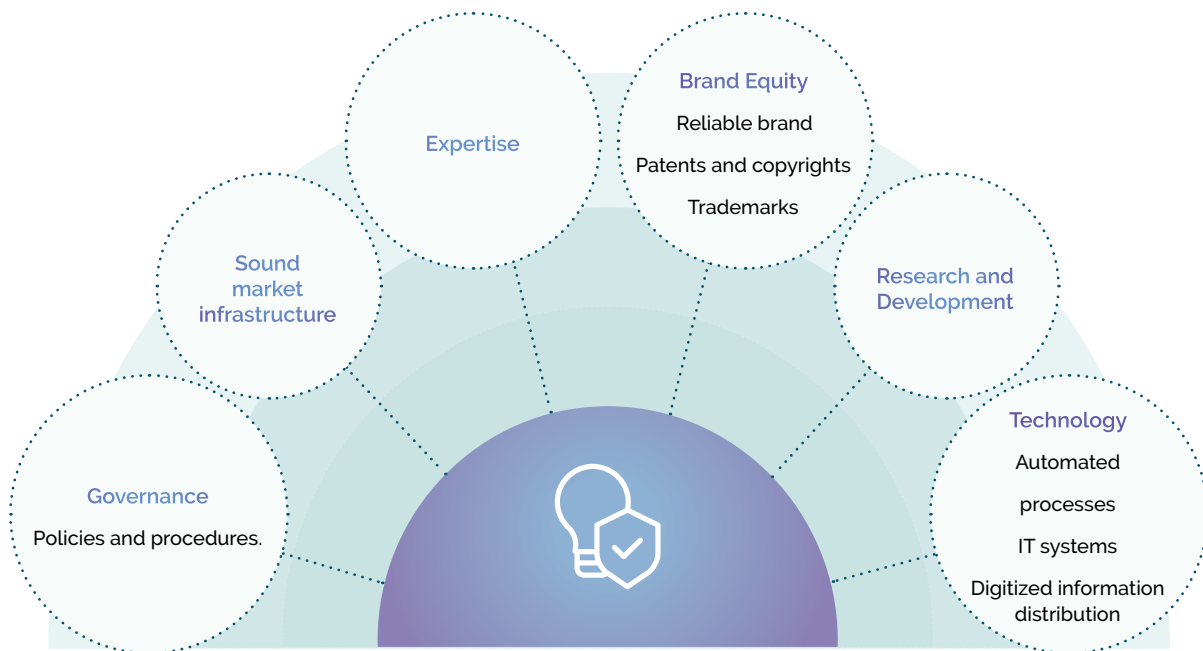
Toastmasters award winners



Blood Donation Campaign

Intellectual capital

Commencing operations as a collaboration of two stock brokerage firms, CSE has evolved rapidly over the last three decades to compete with international stock markets, attracting capital flows from 66 countries. Our intellectual capital was key to our growth as we are primarily a service organisation and the elements are discussed below.



Brand equity

Creating and promoting a reliable brand is a core part of the CSE activities as it drives the trust and confidence of our stakeholders. In the 1st quarter of 2019, the CSE rolled out a project, launching the official CSE tagline, "Creating Wealth and Value" which clearly explains the mission of the CSE. During the year, we worked on

several initiatives to increase brand awareness and strengthen the CSE brand image. The market development division hosted several regional investor series, awareness sessions and one road show in Singapore, spreading our brand to investors from various income bands, geographical areas and regions. We also familiarised our brand and official tagline to various issuers through dedicated forums, bell ringing

ceremonies and other events such as Annual Report awards. The licenses and proprietary rights belonging to the CSE is also a core part of our brand equity, fencing our operations as the sole stock exchange of Sri Lanka.



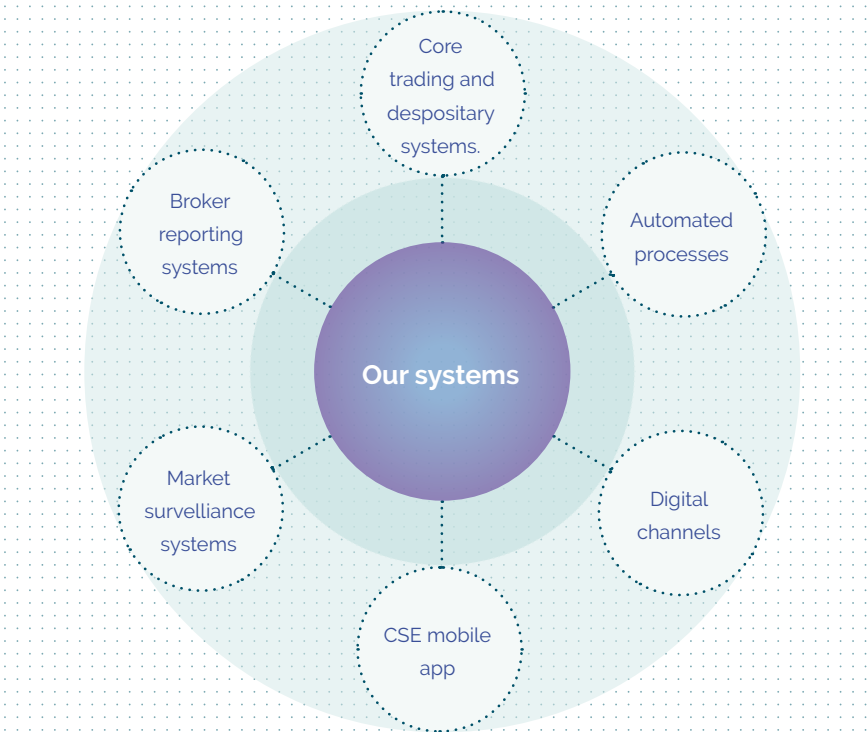
Accountability

Innovation

Developing products, indices and value-added services is a key focus area for the CSE as we aspire to evolve and be on par with international practices. In the recent past, we have introduced the Empower Board for SMEs and the multi-currency Board which are being promoted to potential issuers at present. We also drive innovation in our systems and processes to enhance their efficiencies, driving operational excellence. A learning culture nurtures innovation capabilities within our team while our expansion provides opportunities to hone their skills. We also connected with several global exchanges facilitating sharing best practice as we evolve to meet ever increasing stakeholder expectations.

Expert team

The skills, experience and tacit knowledge of our team is an important part of the CSE intellectual capital. By growing and retaining our specialist skills, the CSE has built a pool of experienced and expert team to drive the performance and operational efficiency of the exchange. Training and development, work-life balance initiatives and sound HR management facilitate skill retention and developing greater insights into this highly specialised sector. This is key to productivity and driving innovation.



Technology

A robust technological platform is the core driver of our business model which sits on two core systems of the CSE namely the Automated Trading System and the Central Depository System. During the year, the CSE invested Rs 23 Mn on upgrading our systems and worked extensively led by an experienced IT team, to ensure a secure and efficient technological platform for various market users. During the year, a Web Portal system for Company Secretaries to submit

corporate announcements was developed and implemented. Further many internally developed systems projects such as Forms and Reports Modules for additional reporting on Decentralization and Risk & Collateral Management System for DvP.

Organizational capital

The orderly and ethical practices of the exchange is primarily driven by the sound policies and governance framework of the CSE which carefully balances the interest of multiple

Compliance since	
Information security (ISO 27001)	2013
Business continuity (ISO 22310)	2013
IT service management system (ISO 20000)	2013
All rule amendments, corporate compliance program and corporate compliance reporting system complies with the IOSCO standards.	

stakeholders. In addition to ensuring self-compliance, the CSE also acts as a frontline regulator by ensuring compliance of the listed issuers to the listing framework. The market surveillance division actively involves in identifying any cases of non-compliance and taking necessary enforcement action. In addition, the CSE complies with the above standards:

Market infrastructure

A robust market infrastructure is key to our value creation process. While the performance of the market is primarily driven by the four revenue generating business divisions of the CSE, the sustainability of our operations depends on our ability to protect and carefully balance the interests of

multiple stakeholders. The CSE plays several roles to ensure an orderly and vibrant capital market which is a core part of our intellectual capital backing our success and stability for over three decades.



Market development

The market development division plays an integral role in promoting the CSE brand and building stronger ties with market users.

Key initiatives in 2019 include;

- Launched the CSE official tagline
- Drive stakeholder engagement through road shows, awareness sessions, forums, direct meetings and events.
- Improve the financial literacy of prospective investors by promoting the CSE academic qualifications.
- Engaged with Media both local and international channels and participated in events such as the media meet.

Broker supervision

Monitoring the activities of the Stockbroker Firms is an important part to ensure the stability of the Stockbroker Firms and overall positively impact the performance of the exchange. The broker supervision process of the CSE has been shifted to a risk-based supervision approach where the Stockbrokers Firms are now assessed on several key parameters based on the risks associated with their financial and non-financial activities. This risk assessment process was carried out while the Broker Supervision Division continued to carry out the conventional operations on assessing the compliance with the CSE Stockbroker Rules and other requirements applicable to Stockbroker Firms. The broker supervision processes are subdivided between strategic activities and operational activities.



Accountability

	How we supervise Stockbroker Firms	Activities in 2019
Operational Activities	Assessing compliance with minimum capital requirements.	■ Implemented an online reporting system to facilitate the submission of financial reports online and moved to an automated assessment of financial statements.
	Evaluation of the financial standing of Stockbroker Firms.	■ Performed 12 risk -based audits on 12 Stockbroker Firms to assess and address their risk exposures.
	Assessing the risk exposure levels of Stockbroker Firms.	■ Performed 12 annual on-site inspection visits, 5 special on -site inspections and 7 branches on- site inspections of Stockbroker Firms.
	Ensuring the protection of client funds.	■ 10 Periodic referrals related to brokers were presented to the Board sub committees and 12 referrals were made to the Board of Directors.
	Overall compliance with CSE Stockbroker rules and other applicable regulations.	
	Assessment of Liquidity Requirement to mitigate the settlement Risk.	
Strategic Activities	Enhancing reporting mechanisms of Stockbroker Firms.	■ Facilitated the inactivation of business operations of one Stockbroker Firm.
	Risk matrix for Stockbroker Firms developed after a thorough risk profiling of stockbroker firms.	■ Amended the Stockbroker Rules based on the IOSCO recommendations and international best practices.
	Development of risk -based audit procedures.	■ Detected 04 significant rule violations of the CSE Stockbroker Rules by 06 Stockbroker Firms and disciplinary proceedings were initiated on separate 03 Stockbroker Firms in relation to non-compliance with several other CSE Stockbroker Rules.
	Implement new regulations based on new policy developments, IOSCO recommendations and internal audit recommendations	

Fair and orderly market.

Regulatory

Compliance

Trading operations and Market Surveillance

Regulatory policy and Compliance

The Regulatory Policy and Compliance team plays an important role in ensuring the regulatory compliance and the timely licensing process of the CSE Group. Further, we enhance the regulatory framework, policies and rules of the CSE Group while ensuring balanced regulation.

Ensuring an up to date regulatory framework

In 2019, multiple rule amendments were proposed to facilitate new/ enhanced business operations. In addition, we performed a periodic review of the CSE rules, to ensure the regulatory framework is adequate, balanced and up to date.

Ensuring regulatory compliance

The primary role of the compliance division is to ensure that the CSE Group is compliant with all regulatory, statutory and applicable international regulations and standards thereby preventing any sanctions, fines or investigations being imposed on the CSE Group. This is an important function of the CSE as it enhances investor confidence and trust.

Activities in 2019 include:

1. Timely renewal of CSE license and CDS registration to operate as a licensed stock exchange and a registered clearing house.
2. The data protection and privacy framework of the CSE Group was improved to comply with the EU General Data Protection Regulation.

3. Carried out compliance monitoring and reporting on a monthly basis to the Board of Directors of the CSE to ensure that the CSE Group conducts its business operations and related functions in full compliance with the applicable laws, rules and regulations.
4. Introduced new rules and amended existing Rules of the CSE and CDS, as and when necessary to facilitate new/enhanced business operations and to satisfy the applicable legal/regulatory requirements and market dynamics.

Market Surveillance

The CSE uses an inhouse surveillance system to identify and promptly act on any suspected market malpractices. There were 6 suspected market malpractices referred to the SEC during 2019.

Corporate Affairs

Ensure the timely submission of corporate disclosures through the CSE website.	Enforcement action for non-submission of financial statements. ■ 98% of listed companies submitted their financial reports on time.	Checking print media/ websites to detect any price sensitive information.	Identify any instances of non-compliance with listing rules.
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Legal

- Reviewed the CSE Board charter.
 - Handled all litigation matters.
 - Execution of the over 88 deeds/ agreements.
 - The Arbitration and Disciplinary committee (ADC) handled disciplinary actions, dispute resolutions and complaints against stockbroker firms.
- The members of the CSE Board entered into Non-Disclosure Agreements in terms of which the Board Members are formally bound to ensure the privacy of any information they receive in their capacity. This has been implemented in line with the good governance practices adopted by corporate leaders of similar stature.
 - The formal written Terms of Reference were introduced in respect of the following Board Committees:
 - Member Evaluation Committee
 - Marketing Committee
 - Arbitration and Disciplinary Committee
 - Dispute Resolution Committee.

Other

Research and
New Products

HR
(Page 65)

Risk
Management
(Page 95)

Information
Technology
(Page 54)

Accountability

Financial capital

Financial Performance: Highlights

Rs Mn	2018	2019	% change
Group Revenue	536	492	(8)
Other income including net finance income	358	357	(0.3)
Total income	894	849	(5)
Operating expenses	903	888	(2%)
Profit/ (loss) before tax	(9.1)	(39)	
Profit/(loss) after Tax	(9.1)	(43)	
Total other comprehensive (Expense)/ Income net of tax.	14	(10)	
Total Comprehensive Income /(Expense) for the Year	5	(53)	

Group Income

The average daily turnover for equity was Rs.710 Mn for the period ended 31st December 2019, reflecting a negative variance of 15% compared to actual daily average turnover of Rs.834 Mn in 2018.

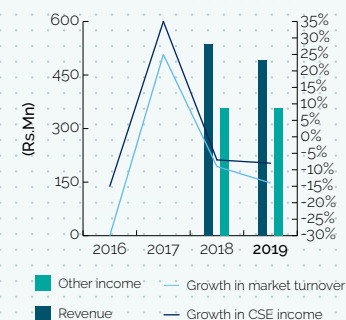
Group income declined by 5% in 2019 to Rs 849 Mn as the CSE revenue such as fees from exchange related activities declined during the year. Weaker economic performance and escalating challenges globally affected the performance of the CSE with market turnover decreasing by 15% compared to 9% in the previous year. As a result, the revenue of the CSE declined by 8% to Rs 492 Mn with the most notable drop seen in CSE and CDS fees which with market performance. CSE & CDS fees accounting to 68% (70% in 2018) in CSE revenue for 2019. Listing and issuer services income has declined by 2% in 2019 due to less debenture issuance & further listing activities. Due to vacation of branch offices by member firms, Brokers' fee has decreased by 22%. The increase in daily trades per day has resulted to increase in listed company fees by 27% compared to the 2018.

Other income declined 0.3% to Rs. 357 Mn due to lower sponsorship income from foreign roadshows, less seminar income and regulatory income. Revenue diversification strategies implemented over the years resulted in helping to maintain non-trading revenue even though there was a decline in trading revenue.

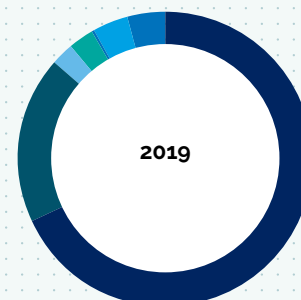
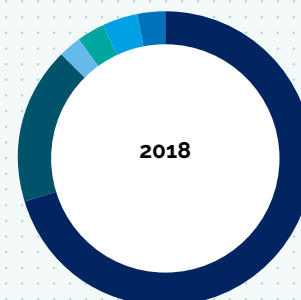
As a result of active treasury management strategies, there was a 1.6% increase in investment income to Rs. 276 Mn over the last year.

Total costs

Total operating expenses declined to Rs 888 Mn compared to Rs 903 Mn last year as the CSE continued to drive cost efficiencies through rationalizing of expenses. Staff costs accounting for 37% of operating costs, amounted to Rs 326 Mn in line with last



CSE Revenue



- CDS Statement Fees
- Listed Company Fees
- Charges for Computer Information
- Charges for Remote Data Link
- Brokers' Fees
- Quotation Fees
- Listing Fees
- CSE & CDS Fees

year. However, depreciation and amortization expenses increased significantly to Rs 163 Mn compared to Rs 72 Mn last year as the adoption of SLFRS 16- leases since January 2019 resulted in an increase in the value of property and equipment (PPE). The impact to the income statement was front-loaded due to the higher finance expense at the inception of the lease. Other operating expenses amounted to Rs 394 Mn, declining by 21% during the year mainly due to decrease in foreign roadshow expenses, Broker back office incentives and professional charges and rent now being under depreciation & amortization as per SLFRS 16- leases.

Despite the external pressures and the continued exchange rate depreciation, the CSE worked on several cost management initiatives which helped maintain operating costs in line with last year. Impairment charges and other credit losses on financial assets amounted to Rs.3.8 Mn (Rs. 5.2 Mn in 2018)

Profitability – The CSE reported a loss before tax of Rs 39 Mn compared to Rs 9 Mn last year witnessing the impact of declining market performance. An income tax charge of Rs 3.8 Mn was recognised during the year. Losses after tax amounted to Rs 43 Mn compared to Rs 9 Mn last year.

Financial position: Highlights

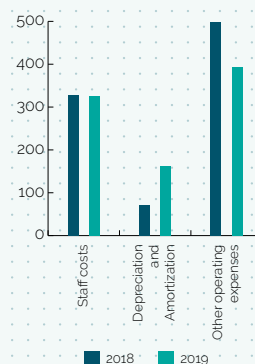
Rs Mn	2018	2019	% change
Assets	3,302	3,387	3
Non - current	832	1,557	87
Current	2,470	1,830	(26)
Liabilities	293	432	47
Non-current	55	159	189
Current	238	273	15
Net Assets	3,009	2,955	(2)

Assets

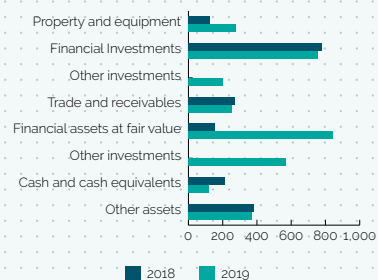
Total assets of the exchange increased by 3% to Rs 3,387 Mn with a two-fold increase in the value of property and equipment (PPE). With the adoption of SLFRS 16 – leases from January 2019, the CSE recognised the right to use assets of Rs 251 Mn. This led to a significant increase in the group PPE to Rs 275 Mn in 2019 compared to Rs 129 Mn last year. The non -current assets of the CSE group increased significantly to Rs 1,557 Mn and represented 46% of total assets compared to 25% last year. Capital expenditure amounted to Rs 29 Mn compared to Rs 55 Mn last year.

Investment in Debentures & Fixed Deposit have been increased by 173% to Rs. 956 Mn due to maturity proceeds of two debentures being invested in Debentures and Long Term Fixed Deposit.

Operating Costs



Assets



Accountability

Current assets

Current assets declined by 26% to Rs 2 Bn and represented 54% of the group assets. The decline was primarily attributable to the classification of current portion of investment under Non-Current Assets subsequent to the re-investment. Investments in Fixed Deposit have been moved towards Unit Trust investments due to decline in Fixed Deposit interest rates.

Equity/Net assets

The net assets of the CSE amounted to Rs 3 Bn compared to Rs 3,009 Mn last year. The Accumulated fund amounted to Rs 3 Bn in line with last year.

Liabilities

Total liabilities increased by 47% to Rs 432 Mn. Current liabilities increased by 15% to Rs 273Mn and Non- current liabilities increased by 189% to Rs 159 Mn on the recognition of lease liability on rent.

Natural capital

As an exchange, our direct impact on the environment is limited to the consumption of paper and energy. While we have implemented several initiatives to manage our consumption of natural resources, we understand our role extends beyond as an advocator of sustainability practices. With a wide base of issuers from various industries, the CSE has played an active role in propagating sustainability practices to a large part of Sri Lanka corporate sector.

The Colombo Stock Exchange (CSE) and the Global Reporting Initiative (GRI) formalized a collaborative arrangement to provide guidance to listed companies on ESG disclosures in Sri Lanka in 2018. Since then the CSE and GRI jointly have been organizing training programmes on Sustainability Reporting to listed companies (02 in 2019- September and December). The CSE and GRI launched the ESG Guidance document titled 'Communicating Sustainability: Six Recommendations for Listed Companies Version 02 in March 2019. There is a remarkable increase in number of listed companies preparing sustainability reports from 114 to 143 during 2017 to 2018 respectively.

This is further strengthened by the sponsorship of Annual Report Awards of the Institute of Chartered Accountants of Sri Lanka and the Institute of Chartered Management Accountants of Sri Lanka. This is a holistic initiative which has also been supported by workshops held with Global Reporting Initiative representatives who conducted workshops in Sri Lanka for the corporates. Corporates were encouraged to attend by making these workshops free. CSE maintains a continuing dialogue with GRI to further the agenda of Sustainability Reporting which in turn will drive sustainable practices among the listed companies.



Increasing awareness on responsible consumption and production by collaborating with global institutions such as the GRI to conduct two workshops for corporates.



Reduced the paper consumption by 12%



The CSE is part of the sustainable stock exchanges initiative (SSE) since 2015.



Accountability

Digitizing processes

Improving awareness among employees on the measures to reduce paper consumption and promote an environmentally conscious culture

Promoting e-services at CDS

	2018	2019
SMS	11,381	11,866
e-Statements	28,327	35,409



Sustaining Our Value Creation

Corporate Governance

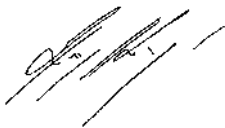
Message from Chairman

Dear Members,

The Board of Directors of CSE continuously strives to formulate and uphold high standards of corporate governance which is a pre-requisite for the fair and effective operation of a stock exchange. We adopted the Code of Best Practice on Corporate Governance issued by the Sri Lanka Institute of Chartered Accountants of Sri Lanka in 2017 and have put in place several mechanisms to facilitate compliance with the same. In the first half of the year we worked together to strengthen our Board Charter and related processes to ensure that we are on par with best practice. We also reviewed and revised the Terms of Reference of the Board Committees to ensure that there is clarity in areas of oversight and responsibilities are aligned with the needs of the current operating environment. The Board is now confident that the policy framework of CSE now articulates expected behaviours in line with best practice and provides guidance for Management in the conduct of its day to day operations. All Board Members, individually sign a Non-Disclosure Agreement (NDA) during the year undertaking to maintain confidentiality of information they acquire as a CSE Director. Additionally, the Board Evaluation criteria was also updated to facilitate identification of areas for improvement.

Our commitment to corporate governance means that we need to evolve in line with stakeholder expectations and market developments, ensuring that our policy frameworks facilitate an equitable balancing of stakeholder interests. We will continue to remain vigilant to identify potential areas for improvement through our regular reviews of frameworks.

Yours sincerely



Ray Abeywardena
Chairman

28 May 2020

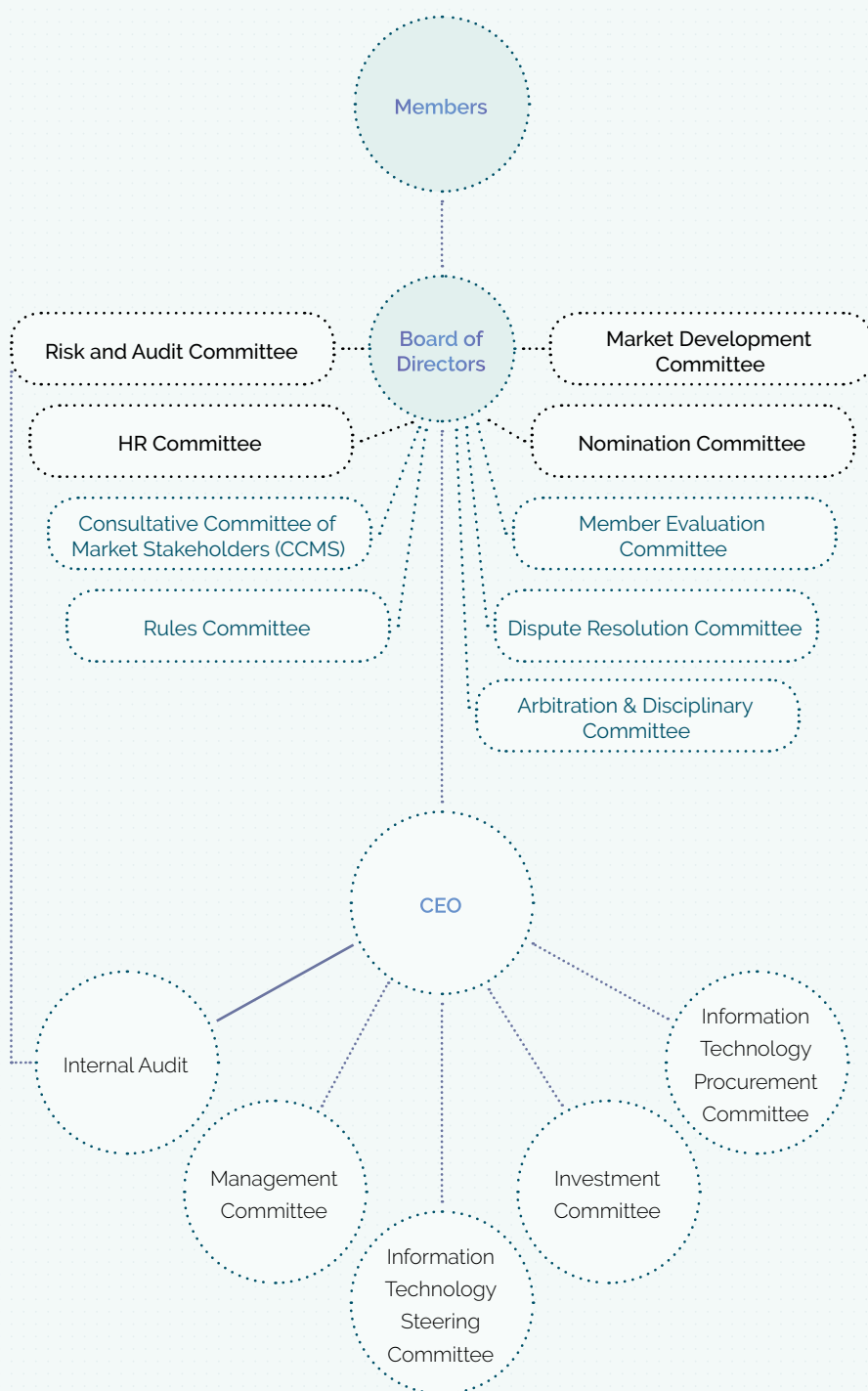
Sustaining Our Value Creation

Sound Corporate Governance is key to effective functioning of our business model and the info-graphics below provides an overview of our governance structures and policy framework.

Legal Form

- The Colombo Stock CSE (CSE) is a company limited by guarantee.
- The CSE is a mutual exchange and has fourteen Members & Fourteen Trading Members, of which Twenty Five Members operate as Stockbrokers for both Equity & Debt and Three members are appointed by the CSE as Trading Members only for Debt.
- All Members are corporate entities.
- Members elect 5 Directors of whom one is elected as the Chairman. Four Directors are appointed by the Government on the recommendation of the Securities and Exchange Commission of Sri Lanka.
- CSE has a wholly owned subsidiary, Central Depository Systems (Pvt) Ltd., whose Board comprises the same Directors as of the CSE.

CSE Governance Structure



Governance Framework

Legal Enactments

- Companies Act No.7 of 2007
- Securities & Exchange Commission of Sri Lanka Act No. 36 OF 1987 and amendments thereto

Voluntary Frameworks & Codes

- Code of Best Practice on Corporate Governance 2017

CSE Documents

- Articles of Association
- Rules
- The Board Charter
- Policies
- Instructions
- Guidelines
- Values

Organisation Culture

CSE's organisation culture plays a key role in the practice of corporate governance. A team of highly committed professionals with a sound knowledge of ethics is our greatest asset and this is supplemented by articulation of expected behaviours through policy frameworks and a learning and mentoring culture, paving the way for a positive organisation culture.

Matters Covered By the Board Charter

- Purpose
- Board Composition and required approvals for appointment of Board of Directors
- Fit and Proper Criteria for the Board
- Conflicts of Interest and Transactions involving Directors
- Roles and Responsibilities of the Board
- Chairman of the Board
- Delegation of Authority
- Board Committees
- Standards of Conduct
- Remuneration
- Meetings
- Appraisal of Board Performance
- Company Secretary
- Enforcement of the Charter

Board Priorities for 2020

- Build investor confidence
- Increase size and liquidity
- Diversify product range
- Improve risk management
- Digitalization
- Market infrastructure development

Sustaining Our Value Creation

Our Corporate Governance Report has been arranged in line with the Code of Best Practice on Corporate Governance which is graphically summarized below.

The Company	A. The Directors	
	B. Director's Remuneration	
	C. Relations with Shareholders	CSE has members
	D. Accountability & Audit	
The Stakeholders	E. Institutional Investors	Not Applicable
	F. Other Investors	
	G. Internet of Things & Cybersecurity	
	H. Environment, Society & Governance	

A. The Directors

The Board

The Board of Directors sets the tone at the top by setting in place formal governance structures and policy frameworks which provide the executive management team guidance in managing their day to day operations. The Board Charter governs the processes of the Board and is a key document to facilitate effective discharge of duties by the Board.

The role and responsibilities of the Board as set out in the revised Board Charter and are summarized below.

Role of the Board

- a. Setting the strategic direction of the CSE and significant corporate strategic initiatives including the establishment of a sound system of internal control for the CSE.
- b. Adopting strategic plans and policies, monitoring the operational performance, establishing policies and processes that ensure integrity of the CSE's effective operation, internal controls and risk management
- c. Ensuring the CSE's compliance with all applicable laws, regulations, governance codes, guidelines and regulations and establish systems to effectively monitor and control compliance across the CSE.
- d. Approving the CSE's annual targets and financial statements and monitoring financial performance against forecast and prior periods.
- e. Identify principal risks and ensure the implementation of appropriate systems to manage these risks.



Directors

- A1. The Board
- A2. Chairman & Chief Executive
- A3. Chairman's Role
- A4. Financial acumen
- A5. Board balance
- A6. Supply of information
- A7. Appointments
- A8. Re-election
- A9. Board Appraisal
- A10. Annual Report Disclosures
- A11 Appraisal of the CEO

- f. Maintaining an ongoing dialogue with the CSE's auditors and where appropriate, principal regulators, to provide reasonable assurance of compliance with all regulatory requirements.
- g. Considering the social, ethical and environmental impact of the CSE's activities, setting standards and monitoring compliance with the CSE's sustainability policies and practices.
- h. Overseeing the Board Risk and Audit Committee's evaluation of auditor's performance and ongoing independence.
- i. Selecting, appointing and determining terms of appointment of the Chief Executive Officer (CEO).
- j. Determining the corporate goals and objectives and evaluating the performance of the CEO in light of these objectives.

Board Sub committees

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

Board Sub Committees	Composition	Objective
Rules Committee	4 members Mr. Ray Abeywardena - Chairman Mr. Dilshan Wirasekara Mr. Murtaza Jafferjee Mr. Jayantha Fernando	■ Ensure that the rules of the CSE achieves the purpose of maintenance of a market in which securities can be issued and traded in an orderly and fair manner.
Arbitration and Disciplinary Committee	4 Members Mr. Jayantha Fernando - Chairman Mr. Suren De Silva Mr. C J P Siriwardena Mr. Ray Abeywardena	■ To hear all doubts and disputes arising between the members of the Exchange in the course of business as well as all matters of a disciplinary nature.
Dispute Resolution Committee	4 Members Mr. Suren De Silva - Chairman Mr. Arjuna Herath Mr. Jayantha Fernando Mr. Ray Abeywardena	■ To adjudicate any decision of the CSE secretariat pertaining to a client complaint against a Stockbroker firm upon an appeal being made by a party to the dispute who is not satisfied with the relevant decision of the CSE secretariat.
Member Evaluation Committee	3 Members Mr. Suren De Silva - Chairman Mr. C J P Siriwardena Mr. Dimuthu Abeyesekera	■ Evaluate the suitability/acceptability of the new shareholders of an existing stockbroker firm in the event of a significant change of shareholding relating to such firm.

Sustaining Our Value Creation

Board Sub Committees	Composition	Objective
Risk and Audit	4 Members Mr. Arjuna Herath - Chairman Mr. C J P Siriwardena Mr. Dumith Fernando Mr. Suren De Silva	<ul style="list-style-type: none"> ■ Ensure the establishment of an appropriate risk management framework within the CSE including its enforcement. ■ Monitor the integrity of financial statement and review internal controls and work of internal/ external audit functions.
HR	3 Members Mr. Ray Abeywardena - Chairman Mr. Dumith Fernando Mr. Jayantha Fernando	<ul style="list-style-type: none"> ■ To evaluate, assess, decide, and recommend to the CSE Board on any matter that may affect the Human Resource Management of the CSE.
Nomination Committee	3 members Mr. C J P Siriwardena - Chairman Mr. Arjuna Herath Mr. Dilshan Wirasekara	<ul style="list-style-type: none"> ■ Review and evaluate any nomination deposited with the CSE by a member for the election as a Director, in terms of the CSE Articles and recommend the approval or disapproval of such nomination to the Board. ■ Review and evaluate any nomination for re-election as a Director, in instances where a Director, being eligible, wishes to offer himself/ herself for re-election and recommend the approval or disapproval of such nomination to the Board
Market Development	6 Members Mr. Dumith Fernando - Chairman Mr. Ray Abeywardena Mr. Dimuthu Abeyesekera Mr. Dilshan Wirasekara Mr. Arjuna Herath Mr. Murtaza Jafferjee	<ul style="list-style-type: none"> ■ To determine the marketing initiatives of the CSE

Board Meetings

Regular Board meetings are held monthly with special Board meetings being convened as the need arises. The required quorum for a meeting is 5 directors with at least two elected and two appointed directors being present. Questions arising shall be resolved with a majority vote and in the event of equality of votes, the Chairman shall have a second or casting vote. A secure electronic Board paper storage and distribution system is used to circulate meeting agendas and Board papers prior to Board and Sub-Committee meetings. Agenda and board papers are uploaded giving directors a week for review of the same. There is provision for approval of board resolutions by circulation for urgent matters for which unanimous approval is required. Minutes are maintained by the Company Secretary and Directors have access to the archives through the secure electronic platform. Minutes of Board Sub-Committee meetings are tabled at the following Board meeting and matters arising from the same are deliberated and actioned as deemed appropriate. Attendance at Board Meetings and Board Committee Meetings are given below.

Director	Board		Governance Committees			Regulatory Committees				Other					
	Board Meetings	Special Board Meetings	Risk & Audit	HR	Nominations Committee	Arbitration & Disciplinary	Dispute Resolution	Member Evaluation	Regulatory	Market Development	AGM/EGM	Consultative Committee	SEC	Rules Committee	Other
Mr. Ray Abeywardene	12/12	5/5	1/4	1/1		8/8	9/9	1/1	3/3	3/3	1/1	1/1	2/3	1/1	2/5
Ms. Jeeva Niriella	11/12	5/5	3/4		2/2	8/8	9/9		3/3	2/3	1/1		3/3	0/1	
Mr. Anton Godfrey	10/12	5/5	3/4	1/1	2/2	6/8	9/9	1/1	3/3	3/3	1/1	1/1	3/3		3/5
Mr. Shanil Fernando	12/12	5/5	4/4			8/8	9/9		3/3	3/3	1/1	1/1	3/3	1/1	2/5
Mr. Dumith Fernando	12/12	5/5	4/4	1/1	2/2			1/1		2/3	1/1		2/3	1/1	2/5
Mr. Dilshan Wirasekera	12/12	4/5								1/3		1/1	1/3		1/5
Mr D.S. Abeyesekera	9/12	5/5								1/2		1/1			1/5
Mr Murtaza Ali Jafferjee	11/12	5/5								1/2					2/5

Sustaining Our Value Creation

Roles & Responsibilities of Directors

The Board Charter sets out the Roles of the Directors and their duties which include exercise of their independent judgement amongst other broader requirements which are also relevant.

Duties of Directors

- a. exercise a reasonable degree of care, skill and diligence;
- b. act in good faith and in the best interests of the CSE and not for any other purpose;
- c. act honestly at all times and must not place themselves in a situation where personal interests conflict with those of the CSE;
- d. exercise independent judgement at all times;
- e. devote sufficient time to carry out their responsibilities and enhance their skills;
- f. promote and protect the image of the CSE;
- g. owe their duty to the CSE and not to the nominating authority; and,
- h. owe the CSE a duty to hold in confidence all information available to them by virtue of their position as a Board Director.

The Company Secretary

All Board members have access to the services and advice of the Company Secretary. Company secretarial services are provided by an Independent Law Firm with a full time representative to assist and advise the Board of Directors. Responsibilities of the Company Secretary as set out in the Board Charter are summarised below. Appointment and removal of the Company Secretary is a matter for the Board as a whole. Jacey & Company was appointed as Company Secretary w.e.f. 01st April 2019.

Role of the Company Secretary

- a. to provide guidance to the Board on its duties and responsibilities and on other matters of governance;
- b. to assist the Chairman of the Board in organizing the activities of the Board, including scheduling Board meetings, Board Committee meetings, Annual General meetings and Extraordinary General meetings and coordinate all Board businesses, including agendas, board papers, minutes and all statutory filings;
- c. to ensure that the Board complies with its obligations under the law and Articles of the CSE;
- d. to assist the Board with evaluation exercise;
- e. to maintain and update a register of conflict of interest; and,
- f. to carry out any other duties as may be assigned by the Board from time to time.

Director Induction & Training

There were no appointments of directors during the year. Typically, if there are new appointments, induction programs are conducted to ensure there is a comprehensive understanding on regulatory requirements and key development in the industry. As directors of the CSE, they participate in numerous forums where they receive presentations on matters related to their roles which support them in discharging their roles.

Role of Chairman

The roles of Chairman and CEO are separated and the Chairman is a non-executive director who presided over all meetings. He leads the Board and is appointed annually by the Board. The same director can be re-elected as the Chairman if the period of service doesn't exceed three years and subject to Article 49 of the CSE Articles. His role is set out in the adjacent column.

Role of Chairman

- Effective participation of both elected and appointed directors.
- Effective contribution of all directors
- Balance of power between elected and appointed directors.
- Views of all directors are considered on issues.
- Promote a constructive relationship with the Board Directors and Management.
- Ensure the Board has complete control on CSE affairs

Financial Acumen

The Board includes 06 accounting and finance professionals ensuring that there is a sufficiency of financial acumen within the Board. Additionally, other members are also veterans in the field of corporate finance and have a sound grasp of financial matters.

Board Balance

All directors are non-executive with 5 being elected by the members and 4 appointed by the government as recommended by the SEC. A key feature of the revised Board Charter is the introduction of Fit & Proper Criteria for Directors which sets out extensive criteria that need to be met by potential directors. Additionally, the directors of CSE are reputed professionals with significant experience in senior roles, ensuring they have a voice at the table. As there are no executive directors, provisions relating to the Senior Independent Director and meetings reserved for only non-executive directors are irrelevant at present.

Appointments & Re-election

The Directors to retire at any Annual General Meeting shall be only from amongst the Elected Directors and at each Annual General Meeting two such Elected Directors, who have been longest in office since their last election, shall come up for retirement by rotation. A retiring Elected Director shall be eligible for re-election at the AGM. New directors need to provide declaration for assuring that he/she is fit and proper to hold office based on factors such as past performance, skills, technical knowledge, instances of past/pending disciplinary or administrative action by regulators or judiciary system. CSE has established a Nomination Committee to evaluate such fit and proper requirements.

Managing Conflicts

It is a requirement for directors to act in the best interest of the exchange that enhance public confidence and impartiality of the board. As per the Board charter, the directors are advised to discuss at the Board Meetings and any other applicable Board Committee Meetings, the hypothetical situations leading to conflicts of interest. In addition, with effect from 2020, a declaration will be obtained from the Directors every year undertaking to disclose instances of conflicts of interest.

In the event of a conflict of interest:

1. The director is required to submit written disclosure with regard to the conflict of interest.
2. Obtain advice and guidance of the Chairman in the event of uncertainty of conflict of interest.

Sustaining Our Value Creation

3. Board director cannot participate in the decision- making process.
4. The disclosure of the decision on whether a conflict exists and how the conflict was managed are documented in meeting minutes.

Board Evaluation

As per the Board charter, the effectiveness of the Board is evaluated in areas of composition, accountability, responsibility and conduct. The Board evaluates its performance at least annually based on a performance evaluation checklist in addition to self- evaluation.

Disclosure of information in Respect of Directors

Profiles of the Directors are given on pages 23 to 27 which provides the information required by the Code.

Performance evaluation of CEO

The Board reviews the performance of the CEO with reference to annual targets agreed and set for CEOs based on the strategic goals and the operating environment. The targets include financial and non-financial goals.

B. Directors' Remuneration

Directors of the Board serve without remuneration and therefore, the provisions of the Code relating to Directors' Remuneration is not applicable. However, CSE repays any reasonable expenses incurred on the business or management of the exchange.

C. Relations with Members

The Board directly engages with the members who are licensed stock brokers with meetings of the Consultative Committee of Industry Participants. The Committee held a meeting with stock brokers during the year with high levels of participation. Minutes are maintained of these meetings and feedback is given on how concerns raised are being addressed.

The Annual Report, Notice of Annual General Meeting, Resolutions and voting procedures are sent to members upon giving notice as required in terms of the Companies Act and the CSE Articles facilitating participation and review of matters presented. Proxy forms are also included on page 171 of this report enabling members to participate via proxy. The CSE has a mechanism to record all proxy votes and proxy votes lodged for each resolution. Separate resolutions are proposed at the AGM for each substantially separate issue facilitating voting on each substantial issue. Accordingly the adoption of the report and accounts is proposed as a separate resolution. The Board, including the Chairmen of all the sub committees, are present at the AGM to answer any questions.

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



Directors' Remuneration

- B1. Remuneration Procedures
- B2. Level & Makeup of Remuneration
- B3. Disclosure of Remuneration



Relations with Members

- C1. Constructive use of AGM
 - C2. Communication with Shareholders
 - C3. Remuneration Procedures Major & Material Transactions
-
- Chairman's Message on page 15.
 - CEO's Message on page 18.
 - Operational Review on pages 40 to 82.

D. Accountability & Audit

The Risk & Audit Committee has oversight responsibility for approval of appropriate accounting policies, CSE's internal control framework, compliance and risk management processes. It comprises of 04 independent non-executive directors as set out in the report of the Risk & Audit Committee on page 105 which also summarises the responsibilities of the Audit Committee and activities undertaken during the year. They are supported by Internal Audit who reports directly to the Risk & Audit Committee reviewing the efficacy of internal controls and regulatory compliance. Additionally, the committee also reviews risk management processes of the CSE which is supported by the ERM Division which ensures that potential risks are identified, measured, monitored and managed or mitigated within the defined risk appetite approved by the Board. The Risk & Audit Committee also meets with external auditors to discuss audit plans, matters arising from the audit, audit reports and management letters including an in-camera meeting.

This Annual Report provides a balanced view of CSE's position, performance for the year ended 31st December 2019 and its prospects. The Directors' Report on page 100 contains the following as specified by the Code:

Requirement	Page Ref.
Statement that all material interests in contracts involving the Company have been declared and that they refrained from voting on matters in which they were materially interested	104
The business is a going concern, with supporting assumptions or qualifications as necessary	101
Statement confirming review of the internal controls and obtaining assurance on its effective operation	102
Statement setting out the responsibilities of the Board for the preparation and presentation of financial statements	100
Statement by the Auditors about their reporting responsibilities	100
Report/Statement on Internal Control	102
Management Discussion & Analysis	100
Statement that the business is a going concern	101
Related party transactions	102



Accountability & Audit

- D1. The Annual Report
- D2. Risk Management & Internal Control
- D3. Audit Committee
- D4. Related Party Transactions Review Committee
- D5. Code of Business Conduct & Ethics
- D6. Corporate Governance Disclosures

Sustaining Our Value Creation

G. Internet of Things & Sustainability

The Board's expertise on IT has been strengthened with the addition of Mr.Jayantha Fernando and Mr.Arjuna Herath. Additionally, there is significant attention to the development of a digital strategy for the CSE. The Board is regularly updated on the Threat Landscape on cyber security risks. The role of the CISO is combined with that of the Chief Information Officer . Please refer Digital Capital on page 54 for further information.

H. Sustainability Reporting

This Annual Report is an Integrated Report prepared according to the IR Framework published by the International Integrated Reporting Council, integrating sustainability information with governance and financial information.

Requirement	Page Ref.
Economic sustainability	5
The environment	81
Labour practice	65
Society	56
Stakeholder identification, engagement and effective communication	30
Formalise sustainability reporting processes	5



Internet of Things & Cybersecurity

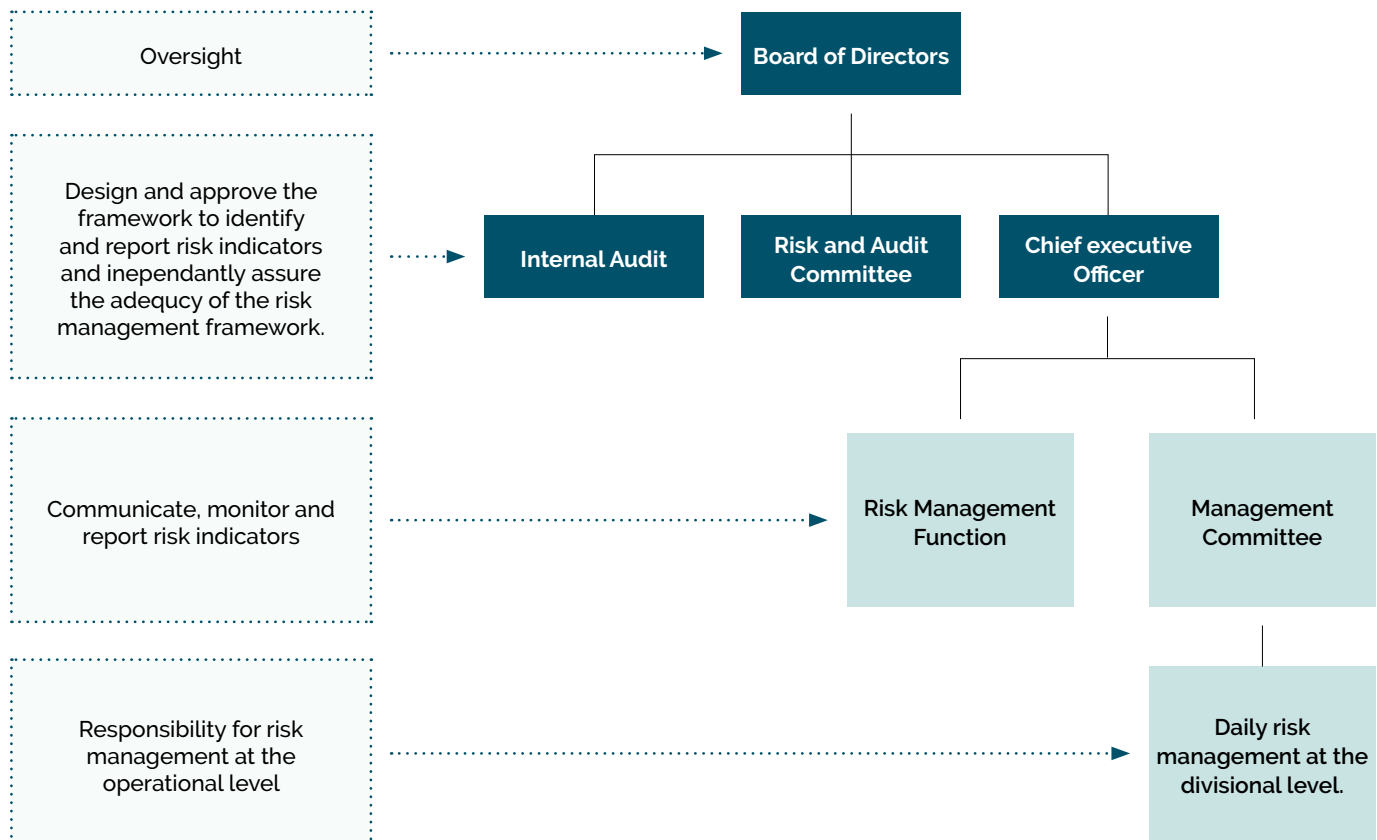
- H1. Understand Connectivity & Cyber risks
- H2. Appoint a CISO
- H3. Cyber risk management to be a regular agenda item for Board
- H4. Disclose process to identify and manage cyber risks in annual report

Managing Risks

The CSE considers risk management as an ongoing process piloting the stability of the exchange. Our ability to mitigate the key risk indicators influencing value creation is driven by our strong risk management capabilities, benchmark risk management framework and well governed risk processes. Every quarter, the CSE prepares an updated risk heat map highlighting the key risk indicators to be monitored and reviewed.

The CSE three- tiered governance structure

The CSE Enterprise Risk Management Framework conforms to best practices of the COSO (The Committee of Sponsoring Organizations of the Treadway Commission).



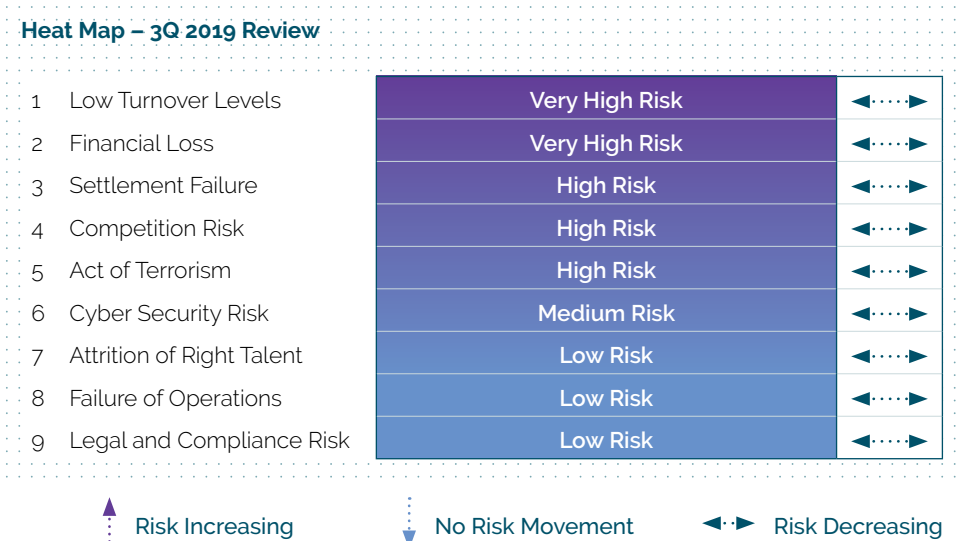
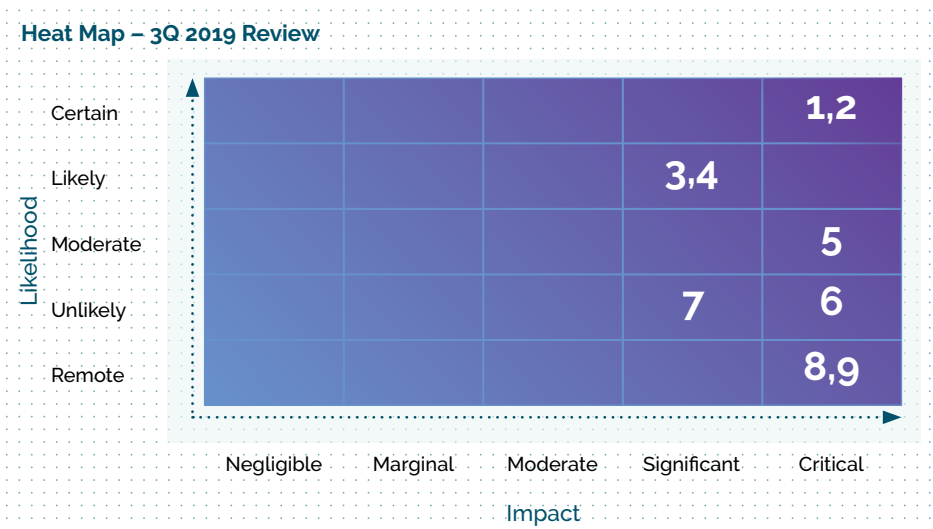
Sustaining Our Value Creation

The Board of Directors is assisted by the Risk and Audit Committee and the Chief Executive Officer to ensure effective risk management of the exchange. Every quarter, risk reports are discussed and risk indicators are reviewed. The CSE also has a separate Compliance Division to ensure the regulatory compliance of the exchange to all applicable laws, rules and regulations. In 2019, the CSE Group achieved 96% compliance compared to 94% last year.

Our key developments during the year include;

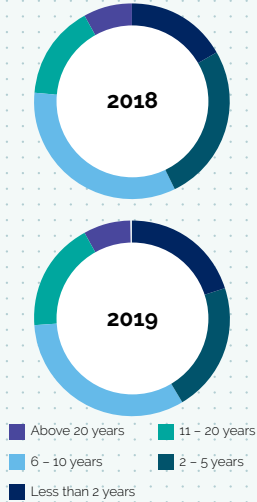
- Organisational Risks were evaluated based on predefined key risk indicators (KRIs).
- Act of Terrorism was included as a new risk in the Organisational risk profile after the Easter Sunday Attacks.

Our risk heat map for 2019



Key Risks	Key Risk Indicators	Managing Risk											
Low Turnover levels: Average daily turnover declined by 14% to Rs 710 Mn.	<ul style="list-style-type: none"> Market performance 	<ul style="list-style-type: none"> Promoted the CSE brand through investor fora and other marketing campaigns to attract local retail investors and foreign investors. 											
	<p>Market Turnover</p> <table border="1"> <caption>Market Turnover Data</caption> <thead> <tr> <th>Year</th> <th>Market Turnover (Rs Bn)</th> <th>% change</th> </tr> </thead> <tbody> <tr> <td>2017</td> <td>240</td> <td>15%</td> </tr> <tr> <td>2018</td> <td>180</td> <td>-10%</td> </tr> <tr> <td>2019</td> <td>170</td> <td>-6%</td> </tr> </tbody> </table> <ul style="list-style-type: none"> Foreign investor participation reduced to 36% from 44% last year. Local investor participation improved to 63% from 55% last year. Returns from other competitive asset classes such as fixed deposits and treasury bills. Weighted Average Deposit Rates (AWDR) reduced to 10% in December 2019 compared to 10.9% in January 2019. 	Year	Market Turnover (Rs Bn)	% change	2017	240	15%	2018	180	-10%	2019	170	-6%
Year	Market Turnover (Rs Bn)	% change											
2017	240	15%											
2018	180	-10%											
2019	170	-6%											
Financial Loss	<ul style="list-style-type: none"> Cost to income ratio was 105% compared to 101% last year. CSE income reduced by (8%) in 2019. The exchange reported losses after tax of Rs (43) Mn compared to Rs (9) Mn last year. 	<ul style="list-style-type: none"> Cost minimization strategies. Revenue diversification. Re-pricing strategies. Active treasury management. 											
Settlement failures	<p>Liquidity shortfalls</p> <p>No instances of non-compliance</p> <p>Compliance to margin obligations</p> <p>No instances of non-compliance</p> <p>Compliance to collateral obligations</p> <p>No instances of non-compliance</p>	<ul style="list-style-type: none"> Performed 9 risk -based audits and inspections on-site and branch visits. Amended stockbroker rules based on the IOSCO recommendations and international best practices. Launched an online reporting system to facilitate the submission of financial reports online and moved to an automated assessment of financial statements. 											
Competition Risk	<p>Impact on trading income</p> <p>Trading income reduced by 14%.</p> <p>Returns from ASPI and S&P</p> <p>ASPI improved by 1.27% compared to 4.9 % last year.</p> <p>Net foreign outflows</p> <p>Net foreign outflows amounted to Rs 12 Bn compared to Rs 23 Bn last year.</p>	<ul style="list-style-type: none"> Building and promoting a trusted brand. Increasing market awareness through investor fora, awareness sessions, etc. 											

Sustaining Our Value Creation

Key Risks	Key Risk Indicators	Managing Risk
Cybersecurity Risk	<ul style="list-style-type: none"> ■ No instances of cyber security attacks. ■ No instances of confidential data leakage. 	<ul style="list-style-type: none"> ■ Established/enhanced IT policies and procedures to comply with EU General Data Protection Regulations (GDPR). ■ Upgraded security infrastructure. ■ Conducted several rounds of threat assessments for internal assets and publicly available assets.
	<p>Attrition of right talents</p> <p>Service Duration</p>  <p>2018</p> <p>2019</p> <p> <ul style="list-style-type: none"> ■ Above 20 years ■ 11 – 20 years ■ 6 – 10 years ■ 2 – 5 years ■ Less than 2 years </p>	<ul style="list-style-type: none"> ■ Spend on training and development. ■ Recognize key performing talents. ■ Foster an inclusive workplace by implementing open door policies and recruiting diverse talents.
Failure of operations	<p>Critical system availability</p> <p>100% system uptime</p>	<ul style="list-style-type: none"> ■ Comprehensive system testing. ■ Redundant System Architectures and Infrastructures. ■ Manned Disaster Recovery Site
	<p>Network infrastructure availability</p> <p>100% network uptime</p>	
Legal and compliance	No instances of non-compliances with regulatory requirements.	<ul style="list-style-type: none"> ■ Continuous monitoring of compliance with all applicable legal and regulatory requirements applicable to the CSE Group through a web-based compliance monitoring and reporting system. ■ Comprehensive compliance reports are submitted to the Board of Directors on a monthly basis.
Act of terrorism	<p>Major incidents of terrorist attacks or security threat incidents.</p> <p>The Easter attacks which took place in April 2019 increased the terrorism related risks.</p>	<ul style="list-style-type: none"> ■ Enhanced security measures .



Financial Statements

Ensuring and upholding financial stability in a complex business environment.



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

The Board of Directors of the Colombo Stock Exchange (CSE) has pleasure in presenting their Annual Report to the Members, together with the audited consolidated Financial Statements and Auditors' Report on those Financial Statements for the financial year ended 31st December 2019.

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 28 May 2020.

General

The Colombo Stock Exchange (CSE) is a company limited by guarantee, incorporated in Sri Lanka on 02 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 13 May 2008 with GL 12 as the new number assigned to the Company.

The CSE is a mutual exchange and has fourteen Members and fourteen Trading Members, of which twenty five Members operate as Stockbrokers for both Equity and Debt and three 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) and Member of Association of National Numbering Agencies (ANNA). The fully-owned subsidiary, Central Depository Systems (Pvt) Ltd is a Member of Asia-Pacific Central Securities Depository Group (ACG).

The policy making body of the CSE is the Board of Directors composed of nine members. Five Directors are elected by the fourteen Members, while the Government on the recommendation of Securities Exchange Commission appoint 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.

Vision, Mission and Corporate Conduct

The Vision and Mission statements are given on Page 4 of the Annual Report. The business activities of the group are conducted in keeping with the highest level of ethical standards in achieving its Vision and Mission.

Principal Activities

The principal activity of the Company is the operation of a Stock Exchange under license from the Securities and Exchange Commission of Sri Lanka . The fully-owned subsidiary, Central Depository Systems (Pvt) Ltd. (CDS) acts as a depository for listed securities and performs the Post Trade functions of Clearing and Settlement in addition to Depository functions ..

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

A review of the activities of the CSE during the year is contained in the Chairman's Statement on pages 15 to 17 and the Chief Executive Officer's Review on pages 18 to 22 and the Operational Review on pages 40 to 82 the Annual Report 2019. These reports form an integral part of the Annual Report.

Future Developments

An overview of the future development of the CSE is given in the Chairman's Statement on pages 15 to 17 and the Chief Executive Officer's Review on pages 18 to 22 and the Operational Review on pages 40 to 82 of the Annual Report 2019. These reports form an integral part of the Annual Report.

Financial Statements

The Financial Statement of the Company and its subsidiary have been prepared based on the new accounting policies and methods which have been revised in line with the requirements of SLFRS 16 -Lease.

The Company applied SLFRS 16 using the modified retrospective approach. Accordingly, the comparative information presented for 2018 is not restated - i.e. it is presented, as previously reported, under LKAS 17 and related interpretations. (see note 3.15 to the financial statements)

The Financial Statement of the Company and its Subsidiary for the year ended 31st December 2019, duly signed by the Head of Finance and Administration and two of the Directors of the Company on pages 109 to 161 form an integral part of the Annual Report of the Board of Directors.

Directors' Responsibility for Financial Reporting

The Statement of Directors' Responsibility for the Financial Reporting given on page 104 forms an integral part of the Annual Report of the Board of Directors.

Auditor's Report

Messrs. KPMG, the Auditors of the Company carried out the audit on the

Consolidated Financial Statements for the year ended 31 December 2019 and their report on those statements which forms an integral part of the Report of the Board of Directors, on page 107 of this Annual Report.

Significant Accounting Policies

The significant accounting policies adopted in preparation of the Financial Statements are given on pages 115 to 128. The significant changes to accounting policies adopted if any, in the preparation of the Financial Statements are given on pages 126 to 128.

Going Concern

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

Income

The income of the Group for 2019 was Rs. 849.05 Mn (2018: Rs 894.11 Mn) while the Company's income was Rs.696.99 Mn (2018: Rs. 735.71 Mn). An analysis of the income is given in Note 04 & 05 to the Financial Statements.

Financial Results and Appropriations

The Group has recorded a Loss before tax of Rs.39.07 Mn (2018: Rs.9.18 Mn) and Loss after tax of Rs. 42.96 Mn (2018: Rs.9.18 Mn) for the year 2019. The Company has recorded a Loss before tax of Rs.57.35 Mn (2018: Rs. 34.89 Mn) and Loss after tax of Rs. 57.35 Mn (2018: Rs. 34.89 Mn) for the year 2019.

The Group's total other comprehensive expense for the year 2019 was Rs.10.57 Mn (total other comprehensive Income of Rs. 14.54 Mn in 2018) while the

Company has recorded a total other comprehensive expense of Rs.9.43 Mn for the year 2019 (total other comprehensive income of Rs. 12.73 Mn in 2018).

Taxation

The income tax rate applicable on the Company and the subsidiary company is 28% (2018 -28%).

Dividend

The Board of Directors of the CSE has not recommended a Dividend in compliance with the Companies Act No. 07 of 2007 and Articles of Association of the CSE.

Reserves

A summary of the consolidated reserves is given below.

As at 31st December	2019 Rs. 000	2018 Rs. 000
Accumulated Fund	2,855,722	2,909,254
Available for Sale Reserve	-	-
Other Reserve	166	166
Capital Reserve	99,975	99,975
Total	2,955,862	3,009,395

Capital Expenditure and Capital Commitments

The total capital expenditure on acquisition of property, plant and equipment and intangible assets of the Group amounted to Rs. 29 Mn (2018: Rs. 55 Mn). Details of property and equipment are given in Note 10 and 11 to the Financial Statements. The capital expenditure approved and contracted for and not contracted for as at 31st December 2019 is given in Note 29 to the Financial Statements.

Property and Equipment

Details of property, plant and equipment are given in Note 10 to the financial statements.

Donations

During the year Company made donations amounting to Rs. 68,880/- (Rs. 482,855/- in 2018).

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.

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

Outstanding Litigation

In the opinion of the Directors and the Company's Lawyers, pending litigation against the Company disclosed in Note 28 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

Events after the Reporting Date has been disclosed in Note 32 of the Financial Statements.

Board of Directors

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

Name of the Directors

Mr. Ray Abeywardena (Chairman)

Prof. M.A.D.S Jeeva Shirajanie Niriella
(Ceased to be a Director w.e f. 21st February 2020)

Mr. Dumith Fernando

Mr. Anton Godfrey (Resigned on 06th December 2019)

Mr. A. Shanil Fernando (Ceased to be a Director w.e f. 21st February 2020)

Mr. Dilshan Wirasekara

Mr. Dimuthu Abeyesekera

Mr. Murtaza Jafferjee

Mr. C.J.P. Siriwardena (Appointed to the Board on 21st February 2020)

Mr. Arjuna Herath (Appointed to the Board on 21st February 2020)

Mr. Jayantha Fernando (Appointed to the Board on 21st February 2020)

Mr. Suren De Silva (Appointed to the Board on 21st February 2020)

Mr. Ray Abeywardena and Mr Murtaza Jafferjee 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 himself for re-election.

The details of the Directors' meetings which comprise Board meetings, Special Board Meetings, Risk & Audit Committee Meetings, HR Committee Meetings, Nominations Committee meetings, Arbitration & Disciplinary Committee Meetings, Dispute Resolution Committee Meetings, Member Evaluation Committee Meetings, Regulatory Affairs Committee Meetings, Market Development Committee Meetings, Consultative Committee Meetings and Rules Committee Meetings and the attendance of Directors at these meetings are given on page 89 of the Annual Report.

Board Sub Committees

The composition of the Board sub committees, comprising of Non-Executive Directors is provided on pages 87 to 88.

The report of the Board Risk and Audit Committee is given on pages 105 to 106.

Directors' Interest Register

The CSE maintains a Directors' Interests Register in compliance with 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 31 to the Financial Statements and form an integral part of the Annual Report of the Board of Directors.

Related Party Transactions

The Directors have also disclosed transactions if any, that could be classified as related party transactions in terms of LKAS 24 "Related Party Disclosures" which is adopted in the preparation of the financial statements. Those transactions disclosed by the Directors are given in Note 31 to the financial statements forming part of the Annual Report of the Board of Directors.

Directors' Remuneration

In compliance with the provisions of the Articles of Association, the 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 31 to the financial statements.

Environmental Protection

To the best of knowledge of the Board, the Company has complied with the relevant environmental laws and regulations. The Company has not engaged in any activity that is harmful or hazardous to the environment.

Risk Management and Internal Control

Risk Management

The Company has an ongoing process in place to identify, evaluate and manage the risks that are faced by the Company. A separate report on risk management is given on pages 95 to 98.

Internal Control

The strong internal controls are integral to the sound management of the Company, hence the Board committed to maintain strict financial, operational and risk management controls over all its activities including safeguard the assets of the Company and prevent and detect frauds.

There is an ongoing process for identifying, recording, evaluating and managing the risks that are faced by the Company, and the Directors have reviewed this process, through the Board Audit and Risk Committee including internal reviews, internal audits and system audits.

Corporate Governance

The Directors and Management of the CSE have placed emphasis on conforming to the best corporate governance practices and procedures. A separate report on Corporate Governance is given on pages 83 to 94 in the Annual Report.

Auditors

The Company's Auditor's during the period under review was 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. 1,010,000 (Rs. 953,000 in 2018). Further Rs. 422,040 (Rs. 634,955 in 2018) 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 authorize the Directors to determine their remuneration will be proposed at the Annual General Meeting.

Notice of Meeting

The 35th Annual General Meeting of the CSE will be held on 16th July 2020 at 4:00 pm. at the Colombo Stock Exchange, Auditorium, 4-1, West Block, World Trade Center, Colombo 01.

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.

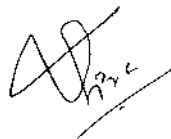
For and on behalf of the Board of Directors.



Ray Abeywardena
Chairman



Arjuna Herath
Director



Jacey and Company
Secretaries

28 May 2020
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 2019, 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 2019 presented in this Annual 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 and CDS have adequate resources to continue in operation.

The Directors have taken reasonable steps to safeguard the assets of the CSE and its subsidiary CDS and in this regard to give proper consideration to the establishment of appropriate internal control systems with a view 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, Messrs KPMG, with every opportunity to carry out any reviews and tests that were considered appropriate and necessary for expressing their independent audit opinion on the Financial Statements.

The Financial Statements of the Company and its Subsidiary have been certified by the Company's Head of Finance and Administration, the officer responsible for their preparation, as required by the Sections 150 (1) (b) and 152 (1) (b) of the Companies Act. Also the Financial Statements of the Company and its Subsidiary have been signed

by two Directors on 04 June 2019 as required by Sections 150 (1) (c) and 152 (1) (c) of the Companies Act No.7 of 2007.

The Directors to the best of their knowledge and belief, are satisfied that all statutory payments in relation to all relevant regulatory and statutory authorities which were due and payable by the 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



Jacey and Company
Secretaries

28 May 2020
Colombo

Risk and Audit Committee Report

Composition of the Committee

The Risk and Audit Committee of the Colombo Stock Exchange (CSE) comprises of 3 appointed Directors and 1 elected Director.

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

Mr. Arjuna Herath-Chairman (Appointed on 21st February 2020)

Mr. C.J.P. Siriwardena (Appointed on 21st February 2020)

Mr. Dumith Fernando

Mr. Suren De Silva (Appointed on 21st February 2020)

Mr. Shanil Fernando (Ceased to be a Director w.e.f. 21st February 2020)

Prof. M.A.D.S. Jeeva Shirajanie Niriella (Ceased to be a Director w.e.f. 21st February 2020)

Mr. Anton Godfrey (Resigned on 06th December 2019)

All 4 members of the Risk and Audit Committee are Non-Executive Directors.

The Chief Executive Officer, , Head of Enterprise Risk Management, , Head of Finance & Administration, Head of Internal Audit, other relevant Senior Management members and External Auditors & Internal Auditors attend the meetings of the Risk and Audit Committee on invitation.

Responsibilities and Duties of the Committee

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

The TOR as approved by the Board of Directors, include the following functions:

- To ensure that adequate and efficient processes are in place to identify, report and monitor risks.
- To benchmark risk management exposure of the CSE against other exchanges
- To advise the Board on the risk profile and appetite of the Company and as part of this process, to oversee the risk assurance within the CSE.
- To act on behalf of the Board of Directors to ensure that appropriate mechanisms are in place with respect to risk identification, risk assessment, risk assurance and overall risk management.
- To review significant accounting and reporting issues, including complex or unusual transactions, recent professional and regulatory pronouncements, and understand their impact on financial statements of the Company.
- To review the effectiveness of the Company's internal control systems.
- To monitor and review the effectiveness of the Company's internal audit function, in the context of the overall financial control and risk management system of the Company.
- To assess independence and objectivity of the external auditor.
- To make recommendations to the Board of Directors on the appointment, reappointment and

removal of the CSE's external auditor.

Meetings of the Committee

During the year, four (4) Risk and Audit Committee meetings were held to discuss relevant matters including, but not limited to, Enterprise Risk Management, Budgets, and Investments, reports of the Internal and External Auditors and Annual/Quarterly accounts. The Company Secretary functions as the Secretary to the Risk and Audit Committee. Minutes of each committee meeting were recorded and submitted for confirmation at the immediate subsequent committee meeting and subsequent presented to the Board for ratification.

Risk Management

The Committee is tasked with the monitoring the effectiveness and implementation of the Enterprise Risk Management (ERM) Policy and Framework in the CSE which ensure potential risks are identified, measured, monitored and managed or mitigated within the defined risk tolerance levels approved by the Board.

The Committee reviewed the Annual update to the ERM Framework and ERM Policy. The Committee recommended that the risks be categorized broadly as Strategic Risk, Operational Risk, Financial Risk and Compliance Risk to be in line with the practices followed by other Regional Exchanges. The Committee recommended to include the "Act of Terrorism" as a new risk to the CSE's Organizational Risk Matrix considering the impacts of the Easter Sunday Attack. The Committee also reviewed the quarterly updates to the ERM Framework and discussed the effectiveness of the risk treatment

Risk and Audit Committee Report

measures and the progress of the action plans which were proposed to mitigate the exposure of the Organizational Risks.

Integrity of financial statements

The Committee reviewed the appropriateness of the accounting policies used and the financial statements of the group to assess their integrity and compliance with Accounting Standards. The Committee reviewed and discussed with the Management, the quarterly financial statements and recommended the same for approval of the Board. In order to ensure effectiveness of the Financial Reporting Systems that are in place and reliability of the information provided, at the request of the Committee, the Internal Auditor performed a review on each quarterly financial statement.

Internal Controls

The Committee reviewed the effectiveness of the Group's internal control systems and suggested, where necessary, appropriate remedial measures. The Committee decided to establish a holistic risk map in order to monitor the same on a regular basis at the Committee's meetings.

External Audit

The independence of the External Auditor was evaluated by the Committee and the Committee also reviewed the non-audit services provided by the Auditors to ensure that the provision of such services does not impair the External Auditors' independence. The Committee met with the External Auditor during the year to discuss their audit approach and procedures, including matters relating to the scope of the audit and Auditor's independence. The Risk and Audit

Committee reviewed the Consolidated Financial Statements audited by Messrs. KPMG for the financial year ended 31st December 2019 and approved the Financial Statements for submission to the Board. The Committee also reviewed and approved the Letter of Representation to be given to the External Auditors for the year 2019.

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

Internal Audit

The Internal Audit Charter governing the Mission, Purpose, Responsibilities, Scope and Accountability of the Internal Audit Division was presented and approved at the Risk and Audit Committee Meeting in January 2019.

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

- Overall Risk Management Process
- Strengthen the Internal Controls in all areas
- Ensure Compliance with Policies, Procedures and Regulations
- Recommend opportunities for Process Improvement and Enhancing Efficiency
- Recommending Opportunities for Cost Minimization
- Recommending Revenue Maximization and Diversification Opportunities

- Enhancing System Controls
- Recommending Controls to Mitigate Fraud Risks, if any

In-line with the above requirements, an internal audit plan was developed and executed with the approval of the Risk and Audit Committee. Improved Policies, Procedures and Controls arising from the audits were recommended for implementation. The findings of the internal auditor together with Management comments and agreed action plans were reviewed by the Committee during the year and approved for implementation.

On behalf of the Risk and Audit Committee;



Arjuna Herath

Chairman – Risk and Audit Committee

Colombo
28 May 2020

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
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TO THE SHAREHOLDERS OF COLOMBO STOCK EXCHANGE

Report on the Audit of the Financial Statements

Opinion

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 statement of financial position as at 31 December 2019, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities

for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. These financial statements do not include the other information.

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

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

In preparing the financial statements, Management is responsible for

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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 FCA
R.H. Rajan FCA
A.M.R.P. Alahakoon ACA

P.Y.S. Perera FCA
W.W.J.C. Perera FCA
W.K.D.C. Abeyratne FCA
R.M.D.B. Rajapakse FCA
M.N.M. Shameel ACA

C.P. Jayatilake FCA
Ms. S. Joseph FCA
S.T.D.L. Perera FCA
Ms. B.K.D.T.N. Rodrigo FCA
Ms. C.T.K.N. Perera ACA

Principals - S.R.J. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. P.M.K. Sumanasekara FCA

Independent Auditor's Report



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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CHARTERED ACCOUNTANTS

Colombo, Sri Lanka

28 May 2020

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 December,	Note	Group		Company	
		2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Revenue	4	492,236,962	535,554,291	377,648,875	415,623,344
Other Income	5	75,871,042	83,326,572	105,492,837	106,721,866
		568,108,004	618,880,863	483,141,712	522,345,210
Staff Cost	6	(326,446,751)	(327,420,063)	(290,830,418)	(295,232,017)
Depreciation & Amortization		(163,534,902)	(72,475,048)	(163,448,358)	(72,388,552)
Other Operating Expenses	7	(365,427,329)	(498,177,827)	(271,784,827)	(398,947,671)
Impairment Charges and Other Credit Losses on Financial Assets		(3,814,323)	(5,218,674)	(2,010,127)	(4,026,300)
Net finance income	8	252,044,563	275,227,851	187,585,164	213,361,381
Loss before Taxation		(39,070,738)	(9,182,898)	(57,346,854)	(34,887,949)
Income Tax Expense	9	(3,892,757)	-	-	-
Loss for the year		(42,963,495)	(9,182,898)	(57,346,854)	(34,887,949)
Other Comprehensive Income					
Items that will never be reclassified to Profit or Loss					
Actuarial Gain/(Loss) on defined benefit plans	24	(10,569,040)	14,375,628	(9,432,786)	12,732,644
Items that are or may be reclassified to Profit or Loss					
Net Change in Fair Value of Financial Assets Measured at Fair Value Through Other Comprehensive Income	16	-	165,965	-	-
Total Other Comprehensive Income/(Expense), Net of Tax		(10,569,040)	14,541,593	(9,432,786)	12,732,644
Total Comprehensive Income/(Expense) for the Year		(53,532,535)	5,358,695	(66,779,640)	(22,155,305)

The accounting policies and notes annexed form an integral part of these Financial Statements.

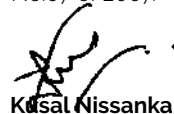
Figures in brackets indicate deductions.

Statement of Financial Position

As at 31 December,	Note	Group		Company	
		2019	2018	2019	2018
		Rs.	Rs.	Rs.	Rs.
ASSETS					
Non Current Assets					
Property and Equipment	10	275,151,175	128,891,666	275,151,130	128,891,622
Intangible Assets	11	144,069,918	174,701,435	143,997,256	174,542,229
Capital Work in Progress	12	81,033,878	78,095,511	81,033,878	78,095,511
Investments in Subsidiary	13	-	-	25,000	25,000
Financial Investments at Amortised Cost	14	755,804,513	349,715,543	755,804,513	349,715,543
Other Investments	15	200,199,921	-	-	-
Investment in LFSB	16	1,165,965	1,165,965	-	-
Settlement Guarantee Fund	17	100,000,000	100,000,000	100,000,000	100,000,000
Total Non Current Assets		1,557,425,370	832,570,120	1,356,011,777	831,269,905
Current Assets					
Inventories		2,846,521	2,324,823	2,684,652	2,171,007
Trade and Other Receivables	19	255,615,685	271,049,400	231,969,939	238,897,949
Tax Assets		37,907,974	23,788,314	34,388,037	21,088,241
Financial Assets at FVTPL	20	842,015,123	154,406,792	330,954,977	-
Financial Investments at Amortised Cost	14	-	429,907,203	-	429,907,203
Other Investments	15	569,206,642	1,376,476,823	769,406,563	959,415,032
Cash and Cash Equivalents	21	122,202,140	211,690,516	96,778,620	177,038,420
Total Current Assets		1,829,794,085	2,469,643,871	1,466,182,788	1,828,517,852
Total Assets		3,387,219,455	3,302,213,991	2,822,194,565	2,659,787,757
EQUITY AND LIABILITIES					
Accumulated Fund		2,855,721,524	2,909,254,059	2,321,233,788	2,388,013,428
Other Reserves	22	100,140,965	100,140,965	-	-
Total Equity		2,955,862,489	3,009,395,024	2,321,233,788	2,388,013,428
Non Current Liabilities					
Brokers' Deposits in lieu of Bank Guarantee	23	939,970	939,970	939,970	939,970
Employee Benefits	24	74,372,166	54,364,386	74,372,166	54,364,386
Lease Liabilities on Right-to-use of Asset	25	83,439,535	-	83,439,535	-
Total Non Current Liabilities		158,751,671	55,304,356	158,751,671	55,304,356
Current Liabilities					
Brokers' Deposits in lieu of Bank Guarantee	23	90,738,120	112,961,827	77,946,728	78,250,000
Other Payables	26	87,752,134	116,741,146	83,965,579	110,639,021
Amounts due to Related Company	27	-	-	86,181,758	19,769,314
Lease Liabilities on Right-to-use of Asset	25	91,570,876	-	91,570,876	-
Bank Overdraft	21	2,544,165	7,811,638	2,544,165	7,811,638
Total Current Liabilities		272,605,295	237,514,611	342,209,106	216,469,973
Total Equity and Liabilities		3,387,219,455	3,302,213,991	2,822,194,565	2,659,787,757

The accounting policies and 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.



Kusal Nissanka

Head of Finance & Administration

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

Approved and signed on behalf of the Board;



Ray Abeywardena

Chairman



Arjuna Herath

Director

28 May 2020

Colombo.

Statement of Changes in Equity

GROUP	Accumulated Fund Rs.	Other Reserves Rs.	Capital Reserve Rs.	Total Equity Rs.
Balance as at 01 January 2018	2,904,061,329	-	99,975,000	3,004,036,329
Total Comprehensive Income				
Profit for the Year	(9,182,898)	-	-	(9,182,898)
Other Comprehensive Income				
Actuarial Loss on Employee Benefits	14,375,628	-	-	14,375,628
Net Change in Fair Value of Financial Assets Measured at Fair value Through Other Comprehensive Income	-	165,965	-	165,965
Total Other Comprehensive Expense for the Year	14,375,628	165,965	-	14,541,593
Total Comprehensive Income/(Expense) for the Year	5,192,730	165,965	-	5,358,695
Balance as at 31 December 2018	2,909,254,059	165,965	99,975,000	3,009,395,024
Restated Balance as at 01 January 2019	2,909,254,059	165,965	99,975,000	3,009,395,024
Total Comprehensive Income				
Loss for the Year	(42,963,495)	-	-	(42,963,495)
Other Comprehensive Income				
Actuarial Loss on Employee Benefits	(10,569,040)	-	-	(10,569,040)
Total Other Comprehensive Income for the Year	(10,569,040)	-	-	(10,569,040)
Total Comprehensive Income for the Year	(53,532,535)	-	-	(53,532,535)
Balance as at 31 December 2019	2,855,721,524	165,965	99,975,000	2,955,862,489

Statement of Changes in Equity

COMPANY	Accumulated Fund Rs.	Total Equity Rs.
Balance as at 01 January 2018	2,410,168,733	2,410,168,733
Total Comprehensive Income		
Loss for the Year	(34,887,949)	(34,887,949)
Other Comprehensive Income		
Actuarial Loss on Employee Benefits	12,732,644	12,732,644
Total Other Comprehensive Income/(Expenses) for the Year	12,732,644	12,732,644
Total Comprehensive Income /(Expenses) for the Year	(22,155,305)	(22,155,305)
Balance as at 31 December 2018	2,388,013,428	2,388,013,428
Re-stated Balance as at 01 January 2019	2,388,013,428	2,388,013,428
Total Comprehensive Income		
Loss for the Year	(57,346,854)	(57,346,854)
Other Comprehensive Income		
Actuarial Loss on Employee Benefits	(9,432,786)	(9,432,786)
Total Other Comprehensive Income for the Year	(9,432,786)	(9,432,786)
Total Comprehensive Expenses for the Year	(66,779,640)	(66,779,640)
Balance as at 31 December 2019	2,321,233,788	2,321,233,788

The accounting policies and notes annexed form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

Statement of Cash Flows

For the Year Ended 31 December,	Note	Group		Company	
		2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Cash Flows from Operating Activities					
Profit/(Loss) before Taxation		(39,070,738)	(9,182,898)	(57,346,854)	(34,887,949)
Adjustments For :					
Depreciation / Amortization	10/11	163,534,902	72,475,048	163,448,358	72,388,552
Interest Income	06	(226,668,271)	(232,315,697)	(192,843,626)	(198,980,816)
Interest Expenses on Lease Liabilities on Right-to-use of Asset	25	28,894,654	-	28,894,654	-
Fair Value Gain on Financial Assets Measured at FVTPL	06	(49,618,038)	(39,501,881)	(16,351,345)	(10,970,292)
Profit/Loss on Sale of Property & Equipment	06	1,455,951	(203,439)	1,455,951	(203,439)
Gratuity Provision	24	11,980,540	11,778,420	10,659,996	10,404,292
Gratuity Provision - Transfer to / (Reversal from) Subsidiary	24	-	-	2,456,798	(268,852)
Provision / (Reversal) for Impairment of Trade receivables		1,652,309	5,310,331	1,652,309	4,182,695
Impairment Charges on Financial Assets		288,489	(91,658)	357,818	(156,396)
Operating Loss before Working Capital Changes		(107,550,202)	(191,731,774)	(57,615,941)	(158,492,205)
Decrease/ (Increase) in Inventories		(521,698)	(202,304)	(513,645)	(144,972)
Decrease/ (Increase) in Trade and Other Receivables		13,741,751	(13,933,278)	5,255,864	(11,762,383)
Increase / (Decrease) in Other Payables		(28,989,017)	12,907,999	(26,673,442)	9,767,522
Increase / (Decrease) in Amounts due to Related Company		-	-	66,412,444	(38,276,472)
Increase / (Decrease) in Brokers' Deposit		(22,223,708)	24,131,828	(303,272)	(5,250,000)
Cash Used in Operating Activities		(145,542,869)	(168,827,529)	(13,437,992)	(204,158,510)
Income Tax, ESC,WHT and Dividend Tax Paid		(18,012,417)	(13,402,417)	(13,299,796)	(10,841,261)
Gratuity Paid	24	(2,541,800)	(1,935,004)	(2,541,800)	(1,935,004)
Net Cash Used in Operating Activities		(166,097,086)	(184,164,950)	(29,279,588)	(216,934,775)

Statement of Cash Flows

For the Year Ended 31 December,	Note	Group		Company	
		2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Cash Flows from Investing Activities					
Interest Income	06	258,807,934	211,897,052	207,832,348	193,441,405
Purchase of Property & Equipment and Intangible Assets	10	(22,819,170)	(55,664,562)	(22,819,169)	(55,664,561)
Proceeds from Sale of Property & Equipment		(579,790)	534,963	(579,789)	534,963
Increase in Fixed Deposit		575,000,000	(325,000,000)	175,000,000	(75,000,000)
Increase in Corporate Debenture Investments		23,500,000	-	23,500,000	-
Decrease in Investments in Unit Trusts		(637,990,294)	425,076,741	(314,603,632)	192,354,769
Capital Work in Progress	12	(2,938,367)	-	(2,938,367)	-
Net Cash Generated from / (Used in) Investing Activities		192,980,313	256,844,194	65,391,391	255,666,576
Cash Flows from Financing Activities					
Lease Payments on on Right-to-use of Asset	25	(111,104,130)	-	(111,104,130)	-
		(111,104,130)	-	(111,104,130)	-
Net Increase /(Decrease) in Cash and Cash Equivalents		(84,220,903)	72,679,244	(74,992,327)	38,731,801
Cash and Cash Equivalents at beginning of the Year		203,878,878	131,199,634	169,226,782	130,494,981
Net Cash and Cash Equivalents at End of the Year	21	119,657,975	203,878,878	94,234,455	169,226,782
Analysis of Cash and Cash Equivalents at End of the year					
Cash in Hand		325,050	275,050	250,050	250,050
Cash at Bank		4,991,098	15,742,039	3,655,570	14,549,370
RTGS Account		17,600	17,600	-	-
Short Term investment in Overnight Repos		116,868,392	195,655,827	92,873,000	162,239,000
Cash & Cash Equivalents		122,202,140	211,690,516	96,778,620	177,038,420
Bank Overdraft		(2,544,165)	(7,811,638)	(2,544,165)	(7,811,638)
Net Cash & Cash Equivalents at End of the Year	21	119,657,975	203,878,878	94,234,455	169,226,782

The accounting policies and 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 2019 comprise the Company and Central Depository Systems (Private) Limited which was incorporated on 02 September 1991 as a wholly owned subsidiary of Colombo Stock Exchange.

1.2. Principal Activities and Nature of Operations

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

2. BASIS OF PREPARATION

2.1. Statement of Compliance

The Consolidated Financial Statements which comprise the Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Financial Statements thereto have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs and LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka, and comply with the requirements of Companies Act No. 07 of 2007.

The Financial Statements of Colombo Stock Exchange for the year ended 31 December 2019 were authorized for issue in accordance with a resolution of the Board of Directors on 28 May 2020.

2.2. Basis of Measurement

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

- Financial assets at Fair Value through Profit or Loss (FVTPL) are measured at fair value;
- Financial assets at Fair Value through Other Comprehensive Income (FVTOCI) are measured at fair value; and
- Liabilities for defined benefit obligations are measured at its present value.
- Right to use of Assets & Lease Liability on Right to use of Assets are measured at present value of future cash flows

2.3. Functional and Presentation Currency

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

2.4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of Financial Statements requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of Assets, Liabilities, Income and

Expenses. Actual results may differ from these estimates.

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities, except for the new standards adopted from this year (see Note 3.15)

3.1. Changes in Significant Accounting Policies

3.1.1 Leases

The Company initially applied SLFRS 16 Leases from 1 January 2019.

The Company applied SLFRS 16 using the modified retrospective approach. Accordingly, the comparative information presented for 2018 is not re-stated - i.e. it is presented, as previously reported, under LKAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in SLFRS 16 have not generally been applied to comparative information.

3.1.1.1. Definition of a lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining whether an Arrangement contains a Lease. The Company now assesses whether a

Notes to the Financial Statements

contract is or contains a lease based on the definition of a lease.

On transition to SLFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied SLFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under LKAS 17 and IFRIC 4 were not reassessed for whether there is a lease under SLFRS 16. Therefore, the definition of a lease under SLFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

3.1.1.2. As a lessee

As a lessee, the Company's leased assets include property and building. The Company previously classified leases as operating leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under SLFRS 16, the Company recognises right-of-use assets and lease liabilities for most of these leases - i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

However, for leases of property the Company has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

3.1.1.3. As a lessor

The Company leases out its right-of-use assets. The Company has classified these leases as operating leases. The Company is not required to make any adjustments on transition to SLFRS 16 for leases in which it acts as a lessor, except for a sub-lease.

The Company sub-leases some of its properties. Under LKAS 17, the head lease and sub-lease contracts were classified as operating leases. The Company assessed the classification of the sub-lease contracts with reference to the right-of-use asset rather than the underlying asset, and concluded that they are operating leases under SLFRS 16. The Company has also entered into a sub-lease during 2019, which has been classified as a finance lease.

The Company has applied SLFRS 15 Revenue from Contracts with Customers to allocate consideration in the contract to each lease and non-lease component.

3.1.1.4. Leases classified as operating leases under LKAS 17

Previously, the Company classified property leases as operating leases under LKAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 January 2019 (see Note 3.15)).

Right-of-use assets are measured at either:

- their carrying amount as if SLFRS 16 had been applied since the commencement date, discounted using the Company's incremental borrowing rate at the date of initial application: the Company applied

this approach to its largest property lease; or

- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: the Company applied this approach to all other leases.

The Company has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

3.1.1.5. Policy applicable from 1 January 2019

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in SLFRS 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

3.1.1.5.1. As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial

direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, and the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant

and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

3.1.1.5.2. As a lessor

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Company applies SLFRS 15 to allocate the consideration in the contract.

Notes to the Financial Statements

The Company applies the derecognition and impairment requirements in SLFRS 9 to the net investment in the lease. The Company further regularly reviews estimated un-guaranteed residual values used in calculating the gross investment in the lease.

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

Generally, the accounting policies applicable to the Company as a lessor in the comparative period were not different from SLFRS 16 except for the classification of the sub-lease entered into during the current reporting period that resulted in a finance lease classification.

3.1.1.6. Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset.

An arrangement conveyed the right to use the asset if one of the following was met:

- the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
- the purchaser had the ability or right to control physical access to the

asset while obtaining or controlling more than an insignificant amount of the output; or

- facts and circumstances indicated that it was a remote possibility that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

3.1.1.6.1. As a lessee

In the comparative period, as a lessee the Company classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Company's statement of financial position.

Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

3.1.1.6.2. As a lessor

When the Company acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

To classify each lease, the Company made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Company considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

3.1.1.7. Comparative information – SLFRS 16

Refer note 3.15 in relation to the changes in accounting policy resulting from adoption of SLFRS 16 and the comparative information.

3.2. Basis of Consolidation

The Financial Statements of the Company and Group comprise the Financial Statements of the Company and its Subsidiary for the year ended 31 December 2019. The Financial Statements of the Company's Subsidiary for the purpose of consolidation is prepared for the same reporting year as that of Colombo Stock Exchange, using consistent accounting policies.

3.2.1. Business Combinations

Business combinations are accounted for using the acquisition method as at the acquisition date – i.e. when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if they are related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured, and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

3.2.2. Non-Controlling Interests

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

3.2.3. Subsidiaries

'Subsidiaries' are investees controlled by the Group. The Group 'controls' an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

3.2.4. Loss of control

When the Group loses control over a subsidiary, it de-recognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

3.2.5. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains and losses resulting from transactions between the Group and its Associates are also eliminated in preparing the consolidated financial statements to the extent of the Group's interests in the Associates.

Unrealized losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.3. 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 profit or loss.

3.4. Financial Instruments

3.4.1. Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant

financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

3.4.2. Classification and subsequent measurement of financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) - debt investment; fair value through other comprehensive income (FVOCI) - equity investment; or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

3.4.2.1. Financial assets - Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to Management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether Management's strategy focuses on earning contractual interest income,

maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Group's Management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for de-recognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

3.4.2.2. Financial assets -Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition.

'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A pre-payment feature is consistent with the solely payments of principal and interest criterion if the pre-payment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires pre-payment at an amount that substantially

represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

3.4.2.3. Financial assets - Subsequent measurement and gains and losses

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

Classification and subsequent measurement of financial liabilities

At the inception the Group determines the classification of its financial liabilities. Accordingly financial liabilities are classified as:

- i) Financial liabilities at fair value through profit or loss (FVTPL)
 - Financial liabilities held for trading
 - Financial liabilities designated at fair value through profit or loss
- ii) Financial liabilities at amortized cost.

The subsequent measurement of financial liabilities depends on their classification

3.4.5. Non Derivative Financial Liabilities

All financial liabilities are recognized initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument. The Group de-recognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs.

Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Other financial liabilities comprise of bank overdrafts, trade and other payables and brokers' liquidity deposits payables.

3.5. Property and Equipment

3.5.1. Recognition and Measurement

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

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

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

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount

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of property and equipment, and are recognized net within the "other income" in profit or loss.

3.5.2. Subsequent Costs

The cost of replacing a 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 profit or loss as incurred.

3.5.3. 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. Items of property, plant and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives of the Property, Plant & Equipment of the Group as at 31st December 2019 are as follows:

	Rate
Furniture & Fittings	10 years
Hardware & Software	5 - 10 years
Office Equipment	5 years
Motor Vehicles	5 years
Telephones	4 years
Right to use of Assets	Agreement period

The depreciation rates are determined separately for each significant part of an item of Property, Plant & Equipment and commence to depreciate when it is available for use, i.e. when it is in

the location and condition necessary for it to be capable of operating in the manner intended by the Management. Depreciation of an assets ceases at the earlier of the date that the assets is classified as held for sale or the date that the asset is derecognized.

3.5.4. Capital Work-in-Progress

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

3.6. Intangible Assets

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

3.6.1. Basis of Recognition

An Intangible Asset is recognized if it is probable that future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably in accordance with the LKAS 38, Intangible Assets.

3.6.2. Subsequent Expenditure

Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure is expensed as incurred.

3.6.3. Amortization

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

3.6.4. Research and Development Costs

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as incurred. Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalized includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalized borrowing costs. Other development expenditure is recognized in profit or loss as incurred.

Capitalized development expenditure is measured at cost less accumulated amortization and any accumulated impairment losses.

3.6.5. De-recognition of Intangible Assets

Intangible assets are De-recognition on disposal or when no future economic benefits are expected from their use. Gain or losses arising from De-recognition of an intangible asset are measured as the difference between the net disposals proceed and the carrying amount of the asset and are recognized in profit or loss.

3.7. Inventories

Inventories include stationery, stamps and data wall spares and measured at the lower of cost and net realizable value.

3.8. Impairment of Assets

3.8.1 Non-derivative Financial Assets

Financial instruments and contract assets

Loss allowances for trade receivables is always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be in default when:

- the Customer is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- the financial asset is more than 90 days past due.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures to recovery of amount due.

3.9. Employee Benefits

3.9.1 Short – Term Employee Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

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

A defined contribution plan is a post employment benefit plan under which an entity pays fixed contribution into separate entity and will have no legal

or constructive obligation to pay further amounts.

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

(a) Employees' Provident Fund

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

(b) Employees' Trust Fund

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

3.9.3. Defined Benefits Plan – Gratuity

As required by LKAS -19 "Employee Benefits", which the Company has provided for gratuity liability based on projected unit credit 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 Group recognizes all Actuarial Gains / (Losses) arising from Defined Benefit plans immediately in Other Comprehensive Income and Expenses related to Defined Benefit in employee benefits in profit or loss.

The liability is not externally funded.

3.10. Provisions

A provision is recognized if the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of

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economic benefits will be required to settle the obligation.

3.11. Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured.

3.11.1. CSE & CDS Fees

CSE & CDS fees on securities traded on the stock exchange are recognized on a trade date basis.

3.11.2. Listing Fees

Annual listing fees are recognized on an accrual basis and charged annually from listed companies a fee of Rs.100,000/- or 0.003% of the market capitalization of the Listed Entity as at 31st December of the year immediately preceding, whichever is higher, subject to a maximum of Rs.2,000,000/-

3.11.3. Quotation Fees

The initial listing fee payable when the ordinary voting shares of an Entity are listed on the Exchange and recognized upon the listing of an applicant.

Additional listing fees are recognized for a further issue of Securities by way of rights issue of shares, issues of shares credited as fully paid-up by way of capitalization of reserves, issues of shares through private placements, scrip dividend, share swaps & ESOP as per listing rules.

3.11.4. Brokers' Fees

Monthly subscription fees from brokers are recognized on an accrual basis.

3.11.5. Charges for Computer Information

The CDS charge a fee on a pre-determined basis from listed companies for the service rendered pertaining to providing information and fees are recognized on an accrual basis.

3.11.6. Listed Company Fees

Listed Company Fee is charged based on the number of trades and Rs.15/- will be charged per trade, subject to a minimum charge of Rs.25,000/- and a maximum charge of Rs.750,000/- per annum.

3.11.7. Other Income

- Dividend from unit trust is recognized in profit or loss on an accrual basis when the Company's right to receive the dividend is established.
- Interest income is recognized in profit or loss as it accrues, using the effective interest method.
- Gain on disposal of property, plant and equipment have been accounted for in profit or loss, after deducting from the net sales proceeds on disposal of the carrying amount of such assets.

3.12. Taxation

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

3.12.1. 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.

3.12.2. Deferred Taxation

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. Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they 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.

3.12.3. Other Tax Exposures

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.12.3.1. 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.

3.12.3.2. Economic Service Charge (ESC)

As per the provisions of Economic Service Charge Act No. 13 of 2006 and subsequent amendments thereto, ESC is payable on the liable turnover at specified rates. ESC is deductible from the income tax liability. Any unclaimed amount can be carried forward.

3.12.3.3. Value Added Tax (VAT)

Value Added Tax is calculated in accordance with Value Added Tax Act No 14 of 2002 and subsequent amendments thereto. Up to 30th November 2019 VAT is payable at 15% and thereafter 8%.

3.12.3.4. Nation Building Tax (NBT)

As per the provisions of the Nation Building Tax Act, No. 9 of 2009 and the subsequent amendments thereto, Nation Building Tax should be payable at the rate of 2% with effect from 1 January 2011 on the liable turnover as per the relevant provisions of the Act. From 01st December 2019, Nation building tax is removed.

3.13. Related party transactions

Disclosure has been made in respect of the transactions in which one party has the ability to control or exercise significant influence over the financial and operating policies/decisions of the other, irrespective of whether a price is being charged

3.14. Statement of cash flows

The Statement of Cash Flows has been prepared by using the 'Indirect Method' of preparing cash flows in accordance with the Sri Lanka Accounting Standard – LKAS 7 on 'Statement of Cash Flow', whereby operating activities, investing activities and financing activities are separately recognised. Cash and cash equivalents comprise of short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

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3.15. TRANSITION TO SLFRS 16 – “LEASING”

The following notes sets out the impact of adopting SLFRS 16 as at the transition date, 1st January 2019, on assets and liabilities of the Company & the Group.

- i) Rs.251,403,674/- (the Company and the Group) is recognised as Right-of-use assets as at 1st January 2019 in the Statement of Financial Position.
- ii) Rs.257,219,887/- (the Company and the Group) is recognised as additional lease liabilities as at 1st January 2019 under “Other liabilities”.
- iii) Rs.2,627,104/- (the Company and the Group) is recognised as Net Investment in the Lease as at 1st January 2019 under “Other receivable” for sub-leases.
- iv) The adoption of SLFRS 16 had no impact on the Company's/Group's retained earnings as at 1st January 2019 as the Company/Group followed the Modified Retrospective approach.

The lease liabilities as at 1st January 2019 can be reconciled to the operating lease commitments as of 31st December 2018 as follows:

Transition note

	Company Rs 000	Group Rs 000
Weighted average incremental borrowing rate as at 1 January 2019	14.00%	14.00%
Discounted operating lease commitments as at 1 January 2019	251,403,674	251,403,674

(2) Other disclosure notes

The value of the Right-of-use assets is presented as a line item of Property, Plant and Equipment in the Statement of Financial Position and the correspondent lease liability will be presented under 'Current Liabilities and Non Current Liabilities' in the Statement of Financial Position as at 31st December 2019.

Further, the amortization charge on Right-of-use asset is presented as a separate line item under 'Depreciation & Amortization' and the interest cost on lease liability is presented as a component of the 'Interest expense' of the Company/Group in the Statement of Profit or Loss for the year ended 31st December 2019.

(a) The carrying amounts of right-of-use assets recognised and its movements during the year:

	Company Rs 000	Group Rs 000
Cost		
Balance as at 1 January 2019	251,403,674	251,403,674
Additions	-	-
Disposals / write-offs during the year	-	-
Cost as at 31 December 2019	251,403,674	251,403,674
Accumulated amortisation		
Balance as at 1 January 2019	-	-
Charge for the year	84,073,347	93,075,691
Provision transferred to Subsidiary	9,002,345	-
Accumulated amortisation as at 31 December 2019	93,075,692	93,075,691
Net book value as at 31 December 2019	158,327,982	158,327,983

(b) The carrying amounts of lease liability (included under current and non current liabilities) and its movements during the year:

	Company Rs 000	Group Rs 000
Balance as at 1 January 2019	257,219,887	257,219,887
Additions	-	-
Accretion of interest	28,894,654	28,894,654
Payments	(111,104,130)	(111,104,130)
Balance as at 31 December 2019	175,010,411	175,010,411

(c) Maturity analysis of the lease liability:

	Company Rs 000	Group Rs 000
Less than one year	91,570,876	91,570,876
One to five years	83,439,535	83,439,535
More than five years	-	-
Total lease liabilities as at 31 December 2019	175,010,411	175,010,411

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(d) The carrying amounts of Net Investment in the Lease (included under other Receivables) and its movements during the year:

	Company Rs 000	Group Rs 000
Balance as at 1 January 2019	2,627,104	2,627,104
Additions	-	-
Finance Income	373,717	373,717
Receipts	(1,596,000)	(1,596,000)
Balance as at 31 December 2019	1,404,821	1,404,821

(e) The amounts recognised in the Statement of Profit or Loss for the year ended 31st December 2019:

Net charge to P&L

	Company Rs 000	Group Rs 000
For the year ended 31 December 2019		
Amortisation expenses on right-of-use assets	93,075,691	93,075,691
Interest expenses on lease liabilities	28,894,654	28,894,654
Finance Income on the net investment in the lease	(373,717)	(373,717)
Net charge to P&L	121,596,628	121,596,628

	Group		Company	
For the Year Ended 31 December,	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
04. Revenue				
CSE & CDS Fees	335,144,567	376,482,983	259,960,515	292,326,950
Listing Fees	90,525,794	92,299,554	90,525,794	92,299,554
Quotation Fees	13,196,066	13,246,716	13,196,066	13,246,716
Brokers' Fees	13,051,500	16,703,504	13,051,500	16,703,504
Charges for Remote Data Link	915,000	1,046,620	915,000	1,046,620
Charges for Computer Information	19,465,100	20,046,494	-	-
Listed Company Fees	19,938,935	15,728,420	-	-
	492,236,962	535,554,291	377,648,875	415,623,344
05. Other Income				
High speed data signal charges	26,091,684	23,819,100	26,091,684	23,819,100
Data communication income	9,305,263	9,877,207	9,305,263	9,877,207
Sponsorship income	6,954,594	13,642,638	6,954,594	13,642,638
CDS Rental Income	-	-	40,523,884	36,162,068
Management Fee	-	-	7,493,485	6,214,655
Profit/(Loss) on Disposal of Property & Equipment	(1,455,951)	203,439	(1,455,951)	203,439
Miscellaneous Income	34,975,452	35,784,188	16,579,878	16,802,759
	75,871,042	83,326,572	105,492,837	106,721,866

For the Year Ended 31 December,	Group		Company	
	2019	2018	2019	2018
	Rs.	Rs.	Rs.	Rs.
o6. Staff Cost				
Salaries	286,694,253	279,924,208	255,357,998	253,044,491
Staff Bonus	6,714,365	17,895,990	6,714,365	16,422,576
Terminal Benefits (Gratuity)	11,980,540	11,778,420	10,659,996	10,404,292
Staff Welfare	10,857,715	9,421,224	9,034,823	8,118,036
Medical Expenses	6,097,710	4,981,306	5,526,975	4,500,435
Transport & Travelling	4,102,168	3,418,915	3,536,261	2,742,187
	326,446,751	327,420,063	290,830,418	295,232,017

The Number of Employees at the end of the Year 2019 were 149 (146 in 2018).

For the Year Ended 31 December,	Group		Company	
	2019	2018	2019	2018
	Rs.	Rs.	Rs.	Rs.
o7. Other Operating Expenses				
Rent	-	111,116,552	-	104,993,750
Administration Expenses	49,421,330	44,673,274	26,095,644	31,586,346
Data Communication Charges	20,104,380	24,482,231	15,603,277	19,041,321
CDS Statement Expenses	9,582,336	7,836,060	-	-
Stationery Expenses	1,841,517	1,700,063	1,528,696	1,369,400
Maintenance Expenses	137,209,291	124,848,259	110,029,367	100,368,021
Issuer Marketing Expenses	2,585,095	1,276,203	2,016,374	995,439
Donations	68,880	482,855	68,880	482,855
Training Expenses	2,547,798	5,830,248	1,806,722	5,305,043
Conference Expenses	3,411,777	3,632,711	3,135,344	3,381,691
Nation Building Tax & Disallowed VAT	45,644,930	45,774,276	30,256,044	30,917,047
Investor Education & Foreign Road-Show Expenses	21,596,676	39,370,988	16,838,411	30,709,371
Publication & Website Expenses	8,540,016	10,112,000	6,640,568	7,854,064
Incentive Scheme for Brokers Back Office Systems	22,583,331	26,083,331	22,583,331	26,083,331
Directors' Expenses	6,630,000	8,373,993	6,630,000	8,373,993
Auditors' Remuneration	1,010,000	953,000	642,000	606,000
Fees Paid to Auditors for Non-Audit Services	422,040	634,955	210,774	483,633
Legal Fees	5,451,403	6,052,218	5,451,403	6,052,218
Professional Charges & Subscription	15,591,483	21,714,535	13,351,715	16,983,971
Risograph Expenses	36,815	41,642	28,714	32,482
Other Project Cost	11,148,230	13,188,433	8,867,563	3,327,695
	365,427,329	498,177,827	271,784,827	398,947,671

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08. Net Finance Income

For the Year Ended 31 December,	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
08.1. Finance Income				
Fair Value Gain on Financial Assets Measured at FVTPL	49,618,038	39,501,881	16,351,345	10,970,292
Interest Income on Investment	226,668,271	232,315,697	192,843,626	198,980,816
Interest Income on Staff Loan	10,883,862	10,102,257	10,883,862	10,102,257
Finance Income on the net investment in the Lease	373,717	-	373,717	-
	287,543,888	281,919,835	220,452,550	220,053,365
08.2. Finance Cost				
Interest Expenses on Lease Liabilities on Right-to-use of Asset	28,894,654	-	26,262,715	-
Interest Expenses on Staff Loan	6,604,671	6,691,984	6,604,671	6,691,984
	35,499,325	6,691,984	32,867,386	6,691,984
Net Finance Income	252,044,563	275,227,851	187,585,164	213,361,381

09. Taxation

For the Year Ended 31 December,	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
09.1. Income tax Expense				
Current tax expense	3,892,757	-	-	-
Deferred Tax	-	-	-	-
	3,892,757	-	-	-

09.2. Reconciliation on Accounting Profit/Loss to Income Tax

For the Year Ended 31 December,	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Accounting Profit/(Loss) before taxation	(39,070,738)	(9,182,898)	(57,346,854)	(34,887,949)
Adjustment on Disallowable Expenses	202,485,706	90,682,527	198,874,039	83,810,657
Adjustment on Allowable Expenses	(150,004,380)	(42,780,534)	(149,993,053)	(42,398,021)
Exempt Income	-	-	-	-
Other Sources of income	(159,018,981)	(232,315,697)	(192,843,626)	(198,980,816)
Losses from Business	(145,608,393)	(193,596,602)	(201,309,494)	(192,456,129)
Total Statutory Income	226,668,271	232,315,697	192,843,626	198,980,816
Tax Loss Utilized	(212,765,568)	(232,315,697)	(192,843,626)	(198,980,816)
Taxable Income	13,902,703	-	-	-
Income Tax at 28% (Note 9.3)	3,892,757	-	-	-
Income Tax on Current year Profit	3,892,757	-	-	-

09.3. Tax has been provided at the rate of 28% in respect of CSE & CDS for the Financial Year 2019 (28% in 2018).

Tax for the year has been calculated in accordance with the provisions of the the Inland Revenue Act No. 24 of 2017.

10. Property & Equipment

10.1. GROUP

	Right-of-use lease assets - Land and Building	Furniture & Fittings	Computers	Office Equipment	Motor Vehicles	Telephones	Total
Cost	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
As at 31 December 2018	-	166,036,510	427,835,909	48,382,422	12,190,987	13,194,026	667,639,854
Adjustment on SLFRS 16	251,403,674	-	-	-	-	-	251,403,674
As at 01 January 2019	251,403,674	166,036,510	427,835,909	48,382,422	12,190,987	13,194,026	919,043,528
Additions	-	4,437,931	17,938,111	1,258,462	-	-	23,634,504
Disposals /Transfers	-	(3,177,832)	-	(790,421)	-	-	(3,968,253)
As at 31 December 2019	251,403,674	167,296,609	445,774,020	48,850,463	12,190,987	13,194,026	938,709,779
Accumulated Depreciation							
As at 01 January 2019	-	101,023,156	370,409,377	44,943,321	9,422,438	12,949,897	538,748,188
Charge for the year	93,075,691	11,429,113	19,576,371	1,289,989	2,383,300	148,042	127,902,506
Disposals	-	(2,301,677)	-	(790,413)	-	-	(3,092,090)
As at 31 December 2019	93,075,691	110,150,592	389,985,748	45,442,897	11,805,738	13,097,939	663,558,604
Net Book Value							
As at 31 December 2019	158,327,983	57,146,017	55,788,272	3,407,566	385,249	96,087	275,151,175
As at 31 December 2018	-	65,013,354	57,426,532	3,439,101	2,768,549	244,129	128,891,666

10.1.1. Based on the assessment carried out internally, by the Board of Directors no provision was required for the potential impairment of fixed assets as at 31 December 2019.

10.1.2. Gross carrying amount of fully depreciated assets as at 31 December 2019 is Rs.548,453,899/-.

10.1.3. There were no restrictions on the title of the Property and Equipment as at 31 December 2019.

10.1.4. There were no items of Property and Equipment pledged as security as at 31 December 2019.

10.1.5. Amount of Rs.251,403,674/- is recognised as Right-of-use assets as at 1st January 2019 in complying with SLFRS 16.

Notes to the Financial Statements

10.2. COMPANY

	Right-of-use lease assets						
	- Land and Building	Furniture & Fittings	Computers	Office Equipment	Motor Vehicles	Telephones	Total
Cost		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
As at 31 December 2018	-	165,645,193	424,964,471	48,256,704	12,190,987	13,133,176	664,190,531
Adjustment on SLFRS 16	251,403,674	-	-	-	-	-	251,403,674
As at 01 January 2019	251,403,674	165,645,193	424,964,471	48,256,704	12,190,987	13,133,176	915,594,205
Additions	-	4,437,931	17,938,111	1,258,462	-	-	23,634,504
Disposals	-	(3,177,832)	-	(790,421)	-	-	(3,968,253)
As at 31 December 2019	251,403,674	166,905,292	442,902,582	48,724,745	12,190,987	13,133,176	935,260,456
Accumulated Depreciation							
As at 01 January 2019	-	100,631,863	367,537,953	44,817,607	9,422,438	12,889,049	535,298,910
Charge for the year	84,073,347	11,429,113	19,576,371	1,289,989	2,383,300	148,042	118,900,161
Provision transferred to Subsidiary	9,002,345	-	-	-	-	-	9,002,345
Disposals	-	(2,301,677)	-	(790,413)	-	-	(3,092,090)
As at 31 December 2019	93,075,692	109,759,299	387,114,324	45,317,183	11,805,738	13,037,091	660,109,326
Net Book Value							
As at 31 December 2019	158,327,982	57,145,993	55,788,258	3,407,562	385,249	96,085	275,151,130
As at 31 December 2018	-	65,013,330	57,426,519	3,439,097	2,768,549	244,127	128,891,622

10.2.1. Based on the assessment carried out internally, by the Board of Directors no provision was required for the potential impairment of fixed assets as at 31 December 2019.

10.2.2. Gross carrying amount of fully depreciated assets as at 31 December 2019 is Rs. 545,004,576/-.

10.2.3. There were no restrictions on the title of the Property, Plant and Equipment as at 31 December 2019.

10.2.4. There were no items of Property and Equipment pledged as security as at 31 December 2019.

10.2.5. Amount of Rs.251,403,674/- is recognised as Right-of-use assets as at 1st January 2019 in complying with SLFRS 16.

As at 31 December,	Group		Company	
	2019	2018	2019	2018
	Rs.	Rs.	Rs.	Rs.
11. Intangible Assets				
Cost				
Balance as at 01 January	551,336,547	527,941,655	550,903,852	527,508,960
Acquisition and Transfers during the year	5,000,879	23,394,892	5,000,879	23,394,892
Balance as at 31 December	556,337,426	551,336,547	555,904,731	550,903,852
Accumulated Amortization				
Balance as at 01 January	376,635,112	341,448,713	376,361,623	341,261,719
Charge for the year	35,632,396	35,186,399	35,545,852	35,099,904
Balance as at 31 December	412,267,508	376,635,112	411,907,475	376,361,623
Net Book Value	144,069,918	174,701,435	143,997,256	174,542,229

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

As at 31 December,	Group		Company	
	2019	2018	2019	2018
	Rs.	Rs.	Rs.	Rs.
12. Capital Work in Progress				
Balance as at 01 January	78,095,511	78,095,511	78,095,511	78,095,511
Incurred during the year	10,019,543	7,119,291	10,019,543	7,119,291
Transfers	(7,081,176)	(7,119,291)	(7,081,176)	(7,119,291)
Balance as at 31 December	81,033,878	78,095,511	81,033,878	78,095,511

The Capital Work in progress include the WIP for Central Counter Party (CCP) project and "Delivery Vs. Payment" (DVP) Project which are in progress.

As at 31 December,	Group		Company	
	2019	2018	2019	2018
	Rs.	Rs.	Rs.	Rs.
13. Investment in Subsidiary				
Central Depository Systems (Pvt) Ltd.				
(10,000,000 Ordinary Shares- 100% Ownership)	-	-	25,000	25,000
	-	-	25,000	25,000

Notes to the Financial Statements

14. Financial Investments at Amortised Cost

As at 31 December,	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Investment in Listed Debenture of People's Leasing and Finance PLC	-	183,500,000	-	183,500,000
Investment in Listed Debenture of DFCC Bank PLC	-	200,000,000	-	200,000,000
Investment in Listed Debenture of HNB PLC	200,000,000	200,000,000	200,000,000	200,000,000
Investment in Listed Debenture of Sampath Bank PLC	350,000,000	150,000,000	350,000,000	150,000,000
Investment in Listed Debenture of Nations Trust Bank PLC	160,000,000	-	160,000,000	-
	710,000,000	733,500,000	710,000,000	733,500,000
Interest Receivable	46,439,309	46,538,887	46,439,309	46,538,887
	756,439,309	780,038,887	756,439,309	780,038,887
Less : Impairment Charges on Financial Assets	(634,796)	(416,141)	(634,796)	(416,141)
	755,804,513	779,622,746	755,804,513	779,622,746
Financial Investments at Amortized Cost - Current	-	429,907,203	-	429,907,203
Financial Investments at Amortized Cost - Non Current	755,804,513	349,715,543	755,804,513	349,715,543
15. Other Investments				
Investments in Fixed Deposits	725,000,000	1,300,000,000	725,000,000	900,000,000
Interest Receivable	44,594,864	76,595,291	44,594,864	59,464,170
	769,594,864	1,376,595,291	769,594,864	959,464,170
Less : Impairment Charges on Financial Assets	(188,301)	(118,468)	(188,301)	(49,138)
	769,406,563	1,376,476,823	769,406,563	959,415,032
Financial Investments at Amortized Cost - Current	569,206,642	1,376,476,823	569,206,642	959,415,032
Financial Investments at Amortized Cost - Non Current	200,199,921	-	200,199,921	-
	769,406,563	1,376,476,823	769,406,563	959,415,032

16. Investment in LFSB

As at 31 December,	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Ordinary Shares	1,000,000	1,000,000	-	-
	1,000,000	1,000,000	-	-
Fair Value Gain on Financial Assets Measured at FVTOCI	165,965	165,965	-	-
	1,165,965	1,165,965	-	-

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

17. Settlement Guarantee Fund

As at 31 December,	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 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 20 December 2011 and transferred the funds on 18 January 2012.

18. Deferred Tax Assets

As at 31 December,	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Deferred Tax Liabilities	96,151,745	61,394,218	96,151,745	61,394,218
Deferred Tax Assets	(96,151,745)	(61,394,218)	(96,151,745)	(61,394,218)
	-	-	-	-

Notes to the Financial Statements

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

As at 31 December,	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Property, equipment & intangible assets	51,819,910	61,394,218	51,819,910	61,394,218
Right to use of assets	44,331,835	-	44,331,835	-
Lease liability on rent	(49,002,915)	-	(49,002,915)	-
Retirement Benefit Obligation	(20,824,206)	(14,844,550)	(20,824,206)	(14,844,550)
Brought Forward Tax Loss	(26,324,624)	(46,549,668)	(26,324,624)	(46,549,668)
Total Taxable Temporary Difference	-	-	-	-
Applicable Tax Rate	28%	28%	28%	28%
Deferred Tax Assets	-	-	-	-

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 deferred tax asset arising from the unused tax loss has not been recognized in the Financial Statements in accordance with the LKAS 12 - "Income taxes" due to the unavailability of convincing other evidence that sufficient taxable profits will be available against which the unused tax loss can be utilized by the entity.

19. Trade & Other Receivables

As at 31 December,	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Trade Receivables	49,214,433	51,537,750	20,451,818	17,045,137
Provision for Impairment	(15,056,768)	(11,530,933)	(8,420,543)	(6,768,234)
	34,157,665	40,006,817	12,031,275	10,276,903
Net Investment in the Lease	1,404,821	-	1,404,821	-
CSE & CDS Fees Receivable	4,846,374	2,112,183	3,769,403	1,642,810
Pre-payments	39,186,461	47,670,946	39,159,643	47,494,356
Advance Payments	181,675	7,637,267	181,675	7,468,157
Refundable Deposits	46,866,025	38,332,874	46,866,025	38,332,874
Sundry Debtors	28,758,191	36,856,558	28,709,186	35,561,572
Other Receivable	272,129	269,628	269,629	269,628
Interest Receivable	23,967	63,624	18,340	38,178
Staff Loans	78,816,984	77,004,721	78,816,984	77,004,721
Prepaid Staff Cost	20,678,958	20,564,696	20,678,958	20,564,696
VAT Receivable	358,435	286,032	-	-
WHT Receivable	64,000	244,054	64,000	244,054
	255,615,685	271,049,400	231,969,939	238,897,949

20. Financial Assets at Fair Value Through Profit or Loss (FVTPL)

As at 31 December,	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
JB Vantage Money Market Fund	330,906,722	80,584,345	27,465,383	-
Guardian Acuity Money Market Fund	56,127,913	73,822,447	-	-
First Capital Money Market Fund	314,033,835	-	162,542,941	-
Capital Alliance Investment Grade Fund	140,946,653	-	140,946,653	-
	842,015,123	154,406,792	330,954,977	

Group**20.1. Financial Assets at Fair Value Through Profit or Loss (FVTPL)**

	2019		2018	
	No. of Units	Rs.	No. of Units	Rs.
CSE				
JB Vantage Money Market Fund	1,115,608	27,465,383	-	-
First Capital Money Market Fund	95,960	162,542,941	-	-
Capital Alliance Investment Grade Fund	7,944,282	140,946,653	-	-
	9,155,850	330,954,977	-	-
CDS				
JB Vantage Money Market Fund	12,325,394	303,441,339	3,705,657	80,584,345
Guardian Acuity Money Market Fund	2,963,866	56,127,913	4,318,340	73,822,446
First Capital Money Market Fund	89,435	151,490,894	-	-
	15,378,695	511,060,146	8,023,997	154,406,791
Total	24,534,545	842,015,123	8,023,997	154,406,791
21. Cash & Cash Equivalents				
Overnight Repos	116,868,392	195,655,827	92,873,000	162,239,000
Cash at Bank	4,991,098	15,742,039	3,655,570	14,549,370
RTGS Account	17,600	17,600	-	-
Cash in Hand	325,050	275,050	250,050	250,050
Favourable balance	122,202,140	211,690,516	96,778,620	177,038,420
Bank Overdraft	(2,544,165)	(7,811,638)	(2,544,165)	(7,811,638)
Cash & Cash Equivalents in the Statement of Cash Flows	119,657,975	203,878,878	94,234,455	169,226,782
22. Other Reserves				
Capital Reserve (Note 22.1)	99,975,000	99,975,000	-	-
Other Reserve (Note 22.2)	165,965	165,965	-	-
	100,140,965	100,140,965	-	-

Notes to the Financial Statements

22.1. 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.

22.2. Other Reserve

This represents the reserves generated from valuation of financial assets measured at Fair Value Through Other Comprehensive Income (FVTOCI). Refer Note 16.

As at 31 December,	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
23. Brokers' Deposits In Lieu Of Bank Guarantee				
Non Current Liability				
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
	939,970	939,970	939,970	939,970
Current Liability				
Broker Deposits (Note 23.1)	77,946,728	78,250,000	77,946,728	78,250,000
Dex Liquidity Deposits (Note 23.2)	1,295,000	1,295,000	-	-
15% Margin Deposit (Note 23.3)	11,496,392	33,416,827	-	-
	90,738,120	112,961,827	77,946,728	78,250,000

23.1. 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.

23.2. This is the cash deposit maintained by broker firms as part of their Liquidity Requirement in terms of Section 18 of CDS Regulations of the Colombo Stock Exchange.

23.3. This is the cash deposit maintained by broker firms as part of their Liquidity Requirement in terms of Section 5 of CDS Regulations of the Colombo Stock Exchange.

As at 31 December,	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
24. Employee Benefits				
Balance as at 01 January	54,364,386	58,896,598	54,364,386	58,896,598
Charge for the year	6,741,263	5,289,308	6,125,849	4,790,406
Interest for the year	5,239,277	6,489,112	4,534,147	5,613,882
Actuarial (Gains) / Losses recognized in OCI	10,569,040	(14,375,628)	9,432,786	(12,732,644)
Provision transferred to Subsidiary		-	2,456,798	(268,852)
Payments made during the year	(2,541,800)	(1,935,004)	(2,541,800)	(1,935,004)
Balance as at 31 December	74,372,166	54,364,386	74,372,166	54,364,386

As required by the Sri Lanka Accounting Standard LKAS 19 - "Employee Benefits", the Company and its subsidiary have provided gratuity liability based on the Projected Unit Credit Method.

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

	2019	2018
Expected Annual Average Salary Increment	6.00%	0%, 5% & 8%
Discounting Rate / Interest Rate	10.00%	11.50%
Staff Turnover Factor	9.60%	11.90%

24.1. Sensitivity of Assumptions used in calculating Employee Benefits Liability.

Assumptions regarding discount rate and salary increment rate have a significant effect on the amounts recognized in profit or loss and statement of financial position.

Following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement.

	Discount Rate +1%	Discount Rate -1%	Salary Increases +1%	Salary Increases -1%
Effect on the Aggregate Service and Interest Cost	89,744	(120,318)	416,356	(452,521)
Effect on Defined Benefit Obligation	4,341,954	4,085,123	4,212,428	(4,527,794)

	Group		Company	
As at 31 December,	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
25. Lease Liabilities on Right-to-use of Asset				
Balance as at 1 January 2019	257,219,887	-	257,219,887	-
Additions	-	-	-	-
Accretion of interest	28,894,654	-	26,262,715	-
Provision transferred to Subsidiary	-	-	2,631,939	-
Payments	(111,104,130)	-	(111,104,130)	-
Balance as at 31 December 2019	175,010,411	-	175,010,411	-
Lease Liabilities on Right-to-use of Asset - Current	91,570,876	-	91,570,876	-
Lease Liabilities on Right-to-use of Asset - Non Current	83,439,535	-	83,439,535	-
26. Other Payables				
Interest Payable to Brokers	1,699,019	1,704,654	1,695,583	1,679,195
Payments Received in Advance	2,174,828	3,238,100	2,147,580	3,219,374
Sundry Creditors & Accrued Expenses	83,878,287	111,798,392	80,122,416	105,740,452
	87,752,134	116,741,146	83,965,579	110,639,021

Notes to the Financial Statements

	Relationship	Group		Company	
		2019	2018	2019	2018
		Rs.	Rs.	Rs.	Rs.
27. Amounts due to Related Company					
Central Depository Systems (Pvt) Limited	Subsidiary	-	-	86,181,758	19,769,314
		-	-	86,181,758	19,769,314

28. Contingencies & Commitments

28.1. Litigation Against the CSE

- 1) Mr. I.B. Isaac (Plaintiff) claimed Rs. 21,784,454.97 (Including consequential damages) from the CSE stating that the CSE has failed to properly execute duty, was negligent and failed to exercise due diligence (Prior to the announcement of 2006 bonus issue of Touchwood Investments PLC) to safeguard Plaintiff's interest and thereby lead to cause direct loss and damage to the plaintiff.

On 17th October 2016, the District Court of Colombo pronounced the judgement in favour of the Plaintiff granting him the reliefs prayed under a.c and d of prayer to the plaint, namely,

- An amount of Rs. 11,784,454.97 with interest in respect of the losses incurred by him due to the investments in shares of Touchwood;
- The aggregate interest up until the settlement of the dues as prescribed above; and,
- Legal fees.

The CSE, on 09 December 2016, filed a petition of Appeal in the High Court of Civil Appeal of the Western Province praying to set aside the judgement of the District Court dated 17 October 2016.

The appeal No.WP/HCCA/COL/115/16 is coming up for Argument on 15th June 2020.

Based on the legal advice, the directors do not expect outcome of the pending litigations to have material effect on the Statement of Financial Position.

28.2. 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.

28.3. 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.

29. Capital Commitments

The Group and the Company has following purchase commitments in the ordinary course of business as at 31 December;

As at 31 December,	Group		Company	
	2019	2018	2019	2018
	Rs.	Rs.	Rs.	Rs.
Property and Equipment				
- approved & contracted	2,056,467	9,493,340	2,056,467	9,493,340
	2,056,467	9,493,340	2,056,467	9,493,340

30. Financial Instruments

30.1. Financial Risk Management

Overview

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

- a) Credit Risk
- b) Liquidity Risk
- c) Market Risk
- d) Operational Risk

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

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 & Audit Committee. The primary function of the Committee is to ensure the establishment of an 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.

Notes to the Financial Statements

(a) 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, debentures, staff loans receivable, trade and other receivables which are financial assets and cash and bank balances with financial institutions. Fact sheets of the unit trusts are observed and reported to investment committee. Fixed deposit investments and debenture investments are in financial institutions which are having good credit ratings. Receivables are monitored to ensure that exposure to bad debts are minimized. Staff loans are given to permanent confirmed employees and are deducted from the salaries as per the terms of granting loans.

(b) Liquidity Risk

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

Finance division monitors the cash flow forecasts of the group to ensure sufficient cash availability 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 trusts. Brokers' Deposits in lieu of Bank Guarantee is the cash deposit maintained by broker firms as part of their Liquidity Requirement and have been invested in Overnight Repo investments 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.

The following are the remaining contractual maturities at the end of the reporting period of financial assets and liabilities, including estimated interest payments.

Non-Derivative Financial Assets

	Carrying Amount (Rs.)	Total (Rs.)	03 Months or Less (Rs.)	03-12 Months (Rs.)	Over 01 Year (Rs.)
Group					
31 December 2019					
Financial Assets					
Cash in hand	325,050	325,050	325,050	-	-
Balances with Banks & Financial Institutions	121,859,489	121,859,489	121,859,489	-	-
Financial Assets at FVTPL	842,015,123	842,015,123	842,015,123	-	-
Investments in Corporate Debenture	755,804,513	755,804,513	-	-	755,804,513
Investments in LFSB	1,165,965	1,165,965	-	-	1,165,965
Other Investments	769,406,563	769,406,563	-	569,206,642	200,199,921
Trade and Other Receivables	255,615,685	255,615,685	255,615,685	-	-
	2,746,192,388	2,746,192,388	1,219,815,347	569,206,642	957,170,399
Financial Liabilities					
Brokers' Deposits in lieu of Bank Guarantee	91,678,090	91,678,090	11,496,392	79,241,728	939,970
Trade Payables	87,752,134	87,752,134	87,752,134	-	-
Lease Liabilities on Right-to-use of Asset	175,010,411	175,010,411	20,734,066	70,836,809	83,439,535
Bank Overdraft	2,544,165	2,544,165	2,544,165	-	-
	356,984,800	356,984,800	122,526,757	150,078,537	84,379,505

	Carrying Amount (Rs.)	Total (Rs.)	03 Months or Less (Rs.)	03-12 Months (Rs.)	Over 01 Year (Rs.)
31 December 2018					
Financial Assets					
Cash in hand	275,050	275,050	275,050	-	-
Balances with Banks & Financial Institutions	211,397,866	211,397,866	211,397,866	-	-
Financial Investments - Available-for-Sale	154,406,792	154,406,792	154,406,792	-	-
Investments in Corporate Debenture	779,622,746	779,622,746	-	429,907,203	349,715,543
Investments in LFSB	1,165,965	1,165,965	-	-	1,165,965
Other Investments	1,376,476,823	1,376,476,823	-	1,376,476,823	-
Trade and Other Receivables	271,049,400	271,049,400	271,049,400	-	-
	2,794,394,642	2,794,394,642	637,129,108	1,806,384,026	350,881,508
Financial Liabilities					
Brokers' Deposits in lieu of Bank Guarantee	113,901,797	113,901,797	33,416,827	79,545,000	939,970
Trade Payables	116,741,146	116,741,146	116,741,146	-	-
Bank Overdraft	7,811,638	7,811,638	7,811,638	-	-
	238,454,581	238,454,581	157,969,611	79,545,000	939,970

Non -Derivative Financial Assets

	Carrying Amount (Rs.)	Total (Rs.)	03 Months or Less (Rs.)	03-12 Months (Rs.)	Over 01 Year (Rs.)
Company					
31 December 2019					
Financial Assets					
Cash in Hand	250,050	250,050	250,050	-	-
Balances with Banks & Financial Institutions	96,528,570	96,528,570	96,528,570	-	-
Financial Assets at FVTPL	330,954,977	330,954,977	330,954,977	-	-
Investments in Corporate Debentures	755,804,513	755,804,513	-	-	755,804,513
Other Investments	769,406,563	769,406,563	-	769,406,563	-
Trade and Other Receivables	231,969,939	231,969,939	231,969,939	-	-
	2,184,914,612	2,184,914,612	659,703,536	769,406,563	755,804,513
Financial Liabilities					
Brokers' Deposits in lieu of Bank Guarantee	78,886,698	78,886,698	-	77,946,728	939,970
Trade Payable	83,965,579	83,965,579	83,965,579	-	-
Lease Liabilities on Right-to-use of Asset	175,010,411	175,010,411	20,734,066	70,836,809	83,439,535
Bank Overdraft	2,544,165	2,544,165	2,544,165	-	-
	340,406,853	340,406,853	107,243,810	148,783,537	84,379,505

Notes to the Financial Statements

	Carrying Amount (Rs.)	Total (Rs.)	03 Months or Less (Rs.)	03-12 Months (Rs.)	Over 01 Year (Rs.)
31 December 2018					
Financial Assets					
Cash in Hand	250,050	250,050	250,050	-	-
Balances with Banks & Financial Institutions	176,788,370	176,788,370	176,788,370	-	-
Financial Investments - Available-for-Sale	-	-	-	-	-
Investments in Corporate Debentures	779,622,746	779,622,746	-	429,907,203	349,715,543
Other Investments	959,415,032	959,415,032	-	959,415,032	-
Trade and Other Receivables	238,897,949	238,897,949	238,897,949	-	-
	<u>2,154,974,147</u>	<u>2,154,974,147</u>	<u>415,936,369</u>	<u>1,389,322,235</u>	<u>349,715,543</u>
Financial Liabilities					
Brokers' Deposits in lieu of Bank Guarantee	79,189,970	79,189,970	-	78,250,000	939,970
Trade Payable	110,639,021	110,639,021	110,639,021	-	-
Bank Overdraft	7,811,638	7,811,638	7,811,638	-	-
	<u>197,640,629</u>	<u>197,640,629</u>	<u>118,450,659</u>	<u>78,250,000</u>	<u>939,970</u>

(c) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates that 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 group to mitigate the market risk. The Group has set up a risk management division.

Currency Risk

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

However, the Group is not exposed to a significant currency risk due to the reason that there are no foreign currency exposures as at the reporting date.

Interest Rate Risk

Interest rate risk arises due to fluctuations in the interest rates resulting in adverse impact to future cash flows or the fair values of financial instruments of the Group.

The Group's approach in managing interest rate risk is to continuously monitor positions on a daily basis to a level that are viable and prudent. When analyzing impacts of interest rate movements on profitability, Management resorted to the techniques of sensitivity analysis carried out on Group financial assets and liabilities, taking into account various interest rate scenarios.

Given below is a sensitivity analysis carried out as at 31 December 2019 that demonstrates possible impact to Group profitability due to a given change in interest rates, keeping all other variables constant.

	Market Rates up by 1% Effect to the Interest Income	Market Rates drop by 1% Effect to the Interest Income
Effect on Profit or Loss	1,924,994	(1,924,994)

(d) Operational Risk

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

30.2. Accounting Classification and Fair Values

	Note	Classification Of Financial Assets			Financial Liabilities	Total Carrying Amount	Fair Value
		Financial Assets at Amortised Cost Rs.	Financial Assets at FVTPL Rs.	Financial Assets at FVOCI Rs.	measured at Amortized Cost Rs.	Rs.	Rs.
GROUP							
As at 31 December 2019							
Assets							
Cash in Hand	21	325,050	-	-	-	325,050	325,050
Balances with Banks & Financial Institutions	21	121,859,489	-	-	-	121,859,489	121,859,489
Financial Assets at FVTPL	20	-	842,015,123	-	-	842,015,123	842,015,123
Financial Investments	14	755,804,513	-	-	-	755,804,513	755,804,513
Investment in Fixed Deposit	15	569,206,642	-	-	-	569,206,642	569,206,642
Investments in LFSB	16	-	-	1,165,965	-	1,165,965	1,165,965
Trade and Other Receivables	19	255,615,685	-	-	-	255,615,685	255,615,685
Total Financial Assets		1,702,811,379	842,015,123	1,165,965	-	2,545,992,467	2,545,992,467
Liabilities							
Due to Customers		-	-	-	564,605	564,605	564,605
Due to Brokers	23	-	-	-	93,377,108	93,377,108	93,377,108
Due to Banks	21	-	-	-	2,544,165	2,544,165	2,544,165
Lease Liabilities on Right-to-use of Asset	25	-	-	-	175,010,411	175,010,411	175,010,411
Other Financial Liabilities		-	-	-	85,488,510	85,488,510	85,488,510
Total Financial Liabilities		-	-	-	356,984,799	356,984,799	356,984,799

Notes to the Financial Statements

	Note	Classification Of Financial Assets			Financial	Total Carrying Amount	Fair Value
		Financial			Liabilities		
		Assets at Amortised Cost	Financial Assets at FVTPL	Financial Assets at FVOCI	measured at Amortized Cost		
		Rs.	Rs.	Rs.	Rs.		
GROUP							
As at 31 December 2018							
Assets							
Cash in Hand	21	275,050		-	-	275,050	275,050
Balances with Banks & Financial Institutions	21	211,397,866		-	-	211,397,866	211,397,866
Financial Investments - Available-for-Sale	19	-	154,406,792		-	154,406,792	154,406,792
Investments in Corporate Debenture	14	779,622,746	-	-	-	779,622,746	779,622,746
Investment in Fixed Deposit	20	1,376,476,823		-	-	1,376,476,823	1,376,476,823
Investments in LFSB	15	-	-	1,165,965	-	1,165,965	1,165,965
Trade and Other Receivables	18	271,049,401		-	-	271,049,401	271,049,401
Total Financial Assets		2,638,821,886	154,406,792	1,165,965	-	2,794,394,642	2,794,394,642
Liabilities							
Due to Customers		-	-	-	4,242,353	4,242,353	4,242,353
Due to Brokers	23	-	-	-	115,606,451	115,606,451	115,606,451
Due to Banks	21	-	-	-	7,811,638	7,811,638	7,811,638
Other Financial Liabilities		-	-	-	110,794,139	110,794,139	110,794,139
Total Financial Liabilities		-	-	-	238,454,581	238,454,581	238,454,581

	Note	Classification Of Financial Assets			Financial	Total Carrying Amount Rs.	Fair Value Rs.
					Liabilities		
		Assets at	Financial	Financial	measured at		
		Amortised	Assets at	Assets at	Amortized		
		Cost	FVTPL	FVOCI	Cost		
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
COMPANY							
As at 31 December 2019							
Assets							
Cash in Hand	21	250,050	-	-	-	250,050	250,050
Balances with Banks & Financial Institutions	21	96,546,170	-	-	-	96,546,170	96,546,170
Financial Assets at FVTPL	20	-	330,954,977	-	-	330,954,977	330,954,977
Financial Investments	14	755,804,513	-	-	-	755,804,513	755,804,513
Other Investments	15	769,406,563	-	-	-	769,406,563	769,406,563
Trade and Other Receivables	19	231,969,939	-	-	-	231,969,939	231,969,939
Total Financial Assets		1,853,977,235	330,954,977	-	-	2,184,932,212	2,184,932,212
Liabilities							
Due to Customers		-	-	-	564,605	564,605	564,605
Due to Brokers	23	-	-	-	80,582,281	80,582,281	80,582,281
Due to Banks	21	-	-	-	2,544,165	2,544,165	2,544,165
Due to Related Parties	27	-	-	-	86,181,758	86,181,758	86,181,758
Lease Liabilities on Right-to-use of Asset	25	-	-	-	175,010,411	175,010,411	175,010,411
Other Financial Liabilities		-	-	-	81,705,390	81,705,390	81,705,390
Total Financial Liabilities		-	-	-	426,588,610	426,588,610	426,588,610

	Note	Classification Of Financial Assets			Financial	Total Carrying Amount Rs.	Fair Value Rs.
		Financial	Financial Assets at FVTPL Rs.	Financial Assets at FVOCI Rs.	Liabilities		
		Assets at			measured at		
		Amortised Cost Rs.			Amortized Cost Rs.		
COMPANY							
As at 31 December 2018							
Assets							
Cash in Hand	21	250,050		-	-	250,050	250,050
Balances with Banks & Financial Institutions	21	176,805,970			-	176,805,970	176,805,970
Financial Investments - Available-for-Sale	19	-	-	-	-	-	-
Investments in Corporate Debenture	14	779,622,746	-	-	-	779,622,746	779,622,746
Other Investments	20	959,415,032		-	-	959,415,032	959,415,032
Trade and Other Receivables	18	238,897,949		-	-	238,897,949	238,897,949
Total Financial Assets		2,154,991,747	-	-	-	2,154,991,747	2,154,991,747
Liabilities							
Due to Customers		-	-	-	4,242,353	4,242,353	4,242,353
Due to Brokers	23	-	-	-	80,869,165	80,869,165	80,869,165
Due to Banks	21	-	-	-	7,811,638	7,811,638	7,811,638
Due to Related Parties	26	-	-	-	19,769,314	19,769,314	19,769,314
Other Financial Liabilities		-	-	-	104,717,474	104,717,474	104,717,474
Total Financial Liabilities		-	-	-	217,409,944	217,409,944	217,409,944

30.3. Fair Values of Financial Instruments

30.3.1. Valuation Models

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- **Level 1:** Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- **Level 2:** Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- **Level 3:** Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs that have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Notes to the Financial Statements

30.3.2. Financial instruments Measured at Fair Value – Fair Value Hierarchy

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the statement of financial position.

	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
GROUP				
31 December 2019				
Financial Assets at FVTPL	-	842,015,123	-	842,015,123
Investments in LFSB	-	-	1,165,965	1,165,965
Total Financial Assets	-	842,015,123	1,165,965	843,181,088
Liabilities	-	-	-	-
31 December 2018				
Financial Assets at FVTPL	-	154,406,792	-	154,406,792
Investments in LFSB	-	-	1,165,965	1,165,965
Total Financial Assets	-	154,406,792	1,165,965	155,572,757
Liabilities	-	-	-	-

Financial instruments Measured at Fair Value – Fair Value Hierarchy

	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
COMPANY				
31 December 2019				
Financial Assets at FVTPL	-	330,954,977	-	330,954,977
Total Financial Assets	-	330,954,977	-	330,954,977
Liabilities	-	-	-	-
31 December 2018				
Financial Assets at FVTPL	-	-	-	-
Total Financial Assets	-	-	-	-
Liabilities	-	-	-	-

Level 2 fair Value Measurements

30.3.3.1. Reconciliation

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 2 of the fair value hierarchy.

	Financial Assets at FVTPL	
	Group Rs.	Company Rs.
Balance at 01 January 2019	154,406,791	-
Total gains or losses:		
- in profit or loss	47,862,730	16,209,374
Purchases	687,000,000	337,000,000
Redemption	(47,254,397)	(22,254,397)
Balance at 31 December 2019	842,015,124	330,954,977

	Financial Assets at FVTPL	
	Group Rs.	Company Rs.
Balance at 01 January 2018	539,981,651	181,384,477
Total gains or losses:		
- in profit or loss	39,501,881	10,970,292
- in OCI	-	-
Purchases	683,833,963	315,974,267
Redemption	(1,108,910,704)	(508,329,036)
Balance at 31 December 2018	154,406,791	-

Notes to the Financial Statements

30.3.3.2. Unobservable Inputs Used in Measuring Fair Value

The fair value of Unit Trust investments are determined by the relevant Unit Trust Fund Management Company. The Unit Trust Fund Management Company provides the fair value of the Group's investment portfolio monthly.

Financial Instruments Not Measured at Fair Value

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

	Level 01 Rs.	Level 02 Rs.	Level 03 Rs.	Total Fair Values Rs.	Total Carrying Amount Rs.
GROUP					
31 December 2019					
Assets					
Cash & Cash Equivalents	-	-	325,050	325,050	325,050
Balances with Banks & Financial Institutions	-	-	121,877,089	121,877,089	121,877,089
Trade and Other Receivables			255,615,685	255,615,685	255,615,685
Total Financial Assets	-	-	377,817,824	377,817,824	377,817,824
31 December 2019					
Liabilities					
Due to Customers	-	-	564,605	564,605	564,605
Due to Brokers	-	-	93,377,108	93,377,108	93,377,108
Due to Banks	-	-	2,544,165	2,544,165	2,544,165
Lease Liabilities on Right-to-use of Asset	-	-	175,010,411	175,010,411	175,010,411
Other Financial Liabilities	-	-	85,488,510	85,488,510	85,488,510
Total Financial Liabilities	-	-	356,984,799	356,984,799	356,984,799
31 December 2018					
Assets					
Cash & Cash Equivalents	-	-	250,050	250,050	250,050
Balances with Banks & Financial Institutions	-	-	176,805,970	176,805,970	176,805,970
Investments in LFSB	-	-	1,165,965	1,165,965	1,165,965
Other Receivables	-	-	271,049,400	271,049,400	271,049,400
Total Financial Assets	-	-	449,271,385	449,271,385	449,271,385
31 December 2018					
Liabilities					
Due to Customers	-	-	4,242,353	4,242,353	4,242,353
Due to Brokers	-	-	115,606,451	115,606,451	115,606,451
Due to Banks	-	-	7,811,638	7,811,638	7,811,638
Other Financial Liabilities	-	-	110,794,139	110,794,139	110,794,139
Total Financial Liabilities	-	-	238,454,581	238,454,581	238,454,581

30.3.3.3. Financial Instruments Not Measured at Fair Value

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

	Level 01 Rs.	Level 02 Rs.	Level 03 Rs.	Total Fair Values Rs.	Total Carrying Amount Rs.
COMPANY					
31 December 2019					
Assets					
Cash & Cash Equivalents			250,050	250,050	250,050
Balances with Banks & Financial Institutions			96,528,570	96,528,570	96,528,570
Other Receivables			231,969,939	231,969,939	231,969,939
Total Financial Assets	-	-	328,748,559	328,748,559	328,748,559
Liabilities					
Due to Customers	-	-	564,605	564,605	564,605
Due to Brokers	-	-	80,582,281	80,582,281	80,582,281
Due to Banks	-	-	2,544,165	2,544,165	2,544,165
Due to Related Parties	-	-	86,181,758	86,181,758	86,181,758
Lease Liabilities on Right-to-use of Asset	-	-	175,010,411	175,010,411	175,010,411
Other Financial Liabilities	-	-	81,705,391	81,705,391	81,705,391
Total Financial Liabilities	-	-	426,588,610	426,588,611	426,588,6110
31 December 2018					
Assets					
Cash & Cash Equivalents	-	-	250,050	250,050	250,050
Balances with Banks & Financial Institutions	-	-	211,415,466	211,415,466	211,415,466
Other Receivables	-	-	271,049,400	271,049,400	271,049,400
Total Financial Assets	-	-	482,714,916	482,714,916	482,714,916
Liabilities					
Due to Customers	-	-	4,242,353	4,242,353	4,242,353
Due to Brokers	-	-	80,869,165	80,869,165	80,869,165
Due to Banks	-	-	7,811,638	7,811,638	7,811,638
Due to Related Parties	-	-	19,769,314	19,769,314	19,769,314
Other Financial Liabilities	-	-	104,717,474	104,717,474	104,717,474
Total Financial Liabilities	-	-	217,409,944	217,409,944	217,409,944

Assets for which Fair Value approximates Carrying Value

For Financial assets and Financial liabilities that have a short term maturity (original maturity less than a year), it is assumed that the carrying amount is approximate to their values.

Notes to the Financial Statements

31. Related Party Disclosures

31.1. Transactions with Key Management Personnel

According to Sri Lanka Accounting Standard (LKAS 24) "Related Party Disclosures", Key Management Personnel, are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of Directors (including Executive and Non-Executive Directors) and Senior Management who can influence the planning & decision making process have been classified as Key Management Personnel of the Company.

Close Family Members (CFM) of the KMPs are those family members who may be expected to influence or be influenced by that KMPs in their dealing with the entity. They may include KMPs domestic partner and children of the KMPs domestic partner and dependents of the KMPs domestic partner.

There were no transactions made with CFMs during the year ended 31 December 2019.

CSE paid Rs.6,630,000/- during the year as Directors' Expenses. (Rs. 8,358,000 /- in 2018)

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

	Company	
	2019	2018
	Amount Rs.	Amount Rs.
Short Term Employee Benefits	110,357,430	111,962,899
Long Term Employee Benefits	12,060,237	11,889,025

31.2. Transactions with Group Companies and Director Related Entities

Company	Relationship	Nature of Transaction	2019 Amount Rs.	2018 Amount Rs.
a) Mr. Ray Abeywardena				
Acuity Stockbrokers (Pvt) Ltd	Chairman	CSE Member fee, data communication charges & other charges	1,284,515	1,027,753
		Member fee, data communication & other charges receivable	181,253	75,361
		Sponsorship for Singapore Investor forum	-	592,400
		Interest payment for Member Firms' liquidity deposit	289,705	275,104
		Member Firms' liquidity deposit & entrance deposit as at year end	3,540,000	3,540,000
		Interest payable for Member Firms' liquidity deposit as at year end	64,135	73,687
		Order Management systems & Broker Back office Systems - Subsidy	1,000,000	1,000,000
		Order Management systems & Broker Back office Systems - Subsidy Payable	166,670	750,000
		CDS Sale of CDS forms & Other CDS Charges	19,818	14,915
		Amount receivable on sale of CDS forms as at year end	6,129	909
		Interest paid for Member Firms' margin deposit	-	37,630
Lanka Ventures PLC	Director	CSE Annual listing fee and ISIN Fee	119,647	117,934
		ISIN Fee receivable as at year end	540	587
		CDS Listed company fees	25,510	25,510
		Receipts for computer information & other CDS Charges	8,214	9,388
		Amount receivable for computer information provided as at year end	3,520	3,520
		Listed company fees receivable as at year end	-	25,510

Notes to the Financial Statements

Company	Relationship		Nature of Transaction	2019 Amount Rs.	2018 Amount Rs.
Softlogic Life Insurance PLC	Director	CSE	Annual listing fees	591,429	277,232
			Web Banner ,CSE Mastermind and ISIN Fee	804,800	300,587
			Web Banner, CSE Mastermind and ISIN Fee receivable as at year end	136,127	587
		CDS	Listed Company fee	122,445	109,148
			Computer information & other CDS Charges	25,171	43,418
			Listed Company fee receivable as at year end	42,210	109,148
			Amount receivable for computer information provided as at year end	1,173	5,867
	Director	CSE	Investment in Unit Trust made during the year	22,000,000	118,460,526
			Redemption of Unit Trust made during the year	22,254,397	180,735,804
Guardian Acuity Asset Management Ltd		CDS	Investment in Unit Trust made during the year	-	86,758,068
			Redemption of Unit Trust made during the year	25,000,000	106,758,068
			Investment in Unit Trust as at year end	56,127,914	73,822,447
The Associated Newspapers of Ceylon Limited	Director	CSE	Payment for Advertisement	-	451,001
LVL Energy Fund Limited	Director	CSE	Annual listing fee and ISIN Fee	174,488	115,362
			ISIN Fee receivable as at year end	540	587
		CDS	Listed Company fee	32,700	31,684
			Computer information & other CDS Charges	4,694	69,434
			Listed Company fee receivable as at year end	7,190	31,684
			Amount receivable for computer information provided as at year end	-	5,867

Company	Relationship		Nature of Transaction	2019 Amount Rs.	2018 Amount Rs.
b) Mr. D. Wirasekara					
First Capital Holding PLC	Director/CEO	CSE	Annual Listing Fee	352,041	354,458
			Sponsorship, Registration for CSE Quiz ,ISIN and Advertising on CSE web site fee	386,887	456,173
			Amount Receivable for Sponsorship, Registration for CSE Quiz ISIN Fee	250,540	1,173
		CDS	Charges for computer information	13,895	71,816
			CDS Service Charges	246,939	114,367
			Amount Receivable for computer information charges	4,507	5,868
			Amount Receivable for service charges	214,230	114,367
First Capital Asset Management Limited		CSE	Investment in Unit Trust	150,000,000	-
			Investment as at year end	162,542,941	-
		CDS	Investment in Unit Trust	150,000,000	-
			Investment as at year end	151,490,894	-
First Capital Markets Limited	Director/CEO	CSE	Member fees, photocopy charges & data, WAN charges	-	463,625
First Capital Equities (Pvt) Limited	Director	CSE	Member fees, Data Link cost - IDC and WAN charges	862,110	790,854
			Interest paid for Member Firms' liquidity deposit	138,223	137,553
			Member Firms' liquidity deposit & entrance deposit as at year end	1,750,000	1,790,000
			Interest payable for Member Firms' liquidity deposit as at year end	32,067	36,845
			Order Management systems & Broker Back office Systems - Subsidy	1,000,000	1,000,000
			Order Management systems & Broker Back office Systems - Subsidy payable	166,670	166,669
			Amount receivable for Member fees, Data Link cost - IDC and WAN charges	64,292	208,639
		CDS	Sale of CDS Forms	10,661	3,567
			Interest paid for Member Firms' margin deposit	-	71,633

Notes to the Financial Statements

Company	Relationship		Nature of Transaction	2019 Amount Rs.	2018 Amount Rs.
First Capital Treasuries PLC	Director/CEO	CSE	Annual Listing Fee for the period	336,994	235,281
			Amount receivable for ISIN fee	540	587
		CDS	Charges for computer information	12,534	7,393
			CDS Service Charges for the period	25,510	25,510
			Amount Receivable for computer information charges	5,493	3,520
			Amount Receivable for service charges	-	25,510
c) Mr. D. Fernando					
Singer (Sri Lanka) PLC	Director	CSE	Annual Listing Fee for the period	631,404	809,923
			Renewal Of Ticker Service and ISIN Fee	151,774	119,847
			Amount Receivable for ISIN Fee	1,080	2,347
		CDS	Charges for computer information, Direct Deposit Shares, New Listing Fee and Charges for mandatory and voluntary offers	22,343	212,132
			CDS Service Charges	44,730	29,878
			Amount Receivable for computer information charges	2,347	64,541
			Amount Receivable for service charges	19,220	29,878
Asia Securities (Pvt) Ltd	Chairman	CSE	Member fees, Data Communication charges, photocopy charges Data Link charges and WAN charges	1,362,694	1,531,923
			Amount Receivable for Member fees, Data Communication charges, photocopy charges Data Link charges and WAN charges	108,020	142,238
			Interest paid for Member Firms' liquidity deposit	332,020	276,546
			Member Firms' liquidity deposit & entrance deposit as at year end	6,540,000	3,540,000
			Interest payable for Member Firms' liquidity deposit as at year end	79,180	73,687
			Order Management systems & Broker Back office Systems - Subsidy	1,000,000	1,000,000

Company	Relationship	Nature of Transaction	2019 Amount Rs.	2018 Amount Rs.
		Order Management systems & Broker Back office Systems - Subsidy payable	166,670	166,668
		Sponsorship - Invest Sri Lanka	1,000,000	1,169,300
		Access to Media Room	60,000	-
		CDS Sale of CDS Forms	7,158	11,834
		Amount Receivable for Sale of CDS Forms	909	-
		Payment of interest for Member Firm's Margin Requirement	181,699	541,240
		Interest Payable for Member Firm's Margin Requirement	-	987
		Dex Liquidity Deposit as at year end	-	120,000
		15% Margin deposit as at year end	-	4,616,827
Union Assurance PLC	Director	CSE Annual listing fee	720,483	280,061
		Registration for CSE Quiz ,ISIN and My CSE	133,300	42,587
		Payment for Electricity and Rent	2,320,041	2,417,453
		Amount Receivable for ISIN Fee	1,127	587
		Amount payable for Electricity and Rent	36,247	-
		CDS Charges for Computer information charges and Daily/ Weekly Charges	21,029	22,296
		CDS Service Charges	30,660	69,214
		Amount Receivable for computer information charges	8,121	9,388
		Amount Receivable for service charges	30,660	69,214

Notes to the Financial Statements

Company	Relationship	Nature of Transaction	2019 Amount Rs.	2018 Amount Rs.
d) Mr. Dimuthu Abeyesekera (From 01st February 2019 (CSE) & 11th February 2019 (CDS))				
Asha Securities Limited	Director	CSE Photocopy Charges, Broker Fees, SLT Relocation charges, My CSE, Mastermind Reg fee and WAN Charges	1,858,603	-
		Payment of interest for Member Firms' liquidity deposit	251,822	-
		Payment for broker Order Management Systems and Broker Back office	1,000,000	-
		Amount receivable for Photocopy Charges, Broker Fees, SLT Relocation charges, My CSE, Mastermind Reg fee and WAN Charges	340,372	-
		Interest payable for Member Firms' liquidity deposit	59,254	-
		Member Firms' liquidity deposit & entrance deposit as at year end	5,040,000	-
		Order Management systems & Broker Back office Systems - Subsidy payable	250,000	-
		CDS CDS Forms	33,750	-
		Payment of interest for Member Firms' Margin Requirement	8,624	-
		Amount Receivable for Sale of CDS Forms	16,208	-

Company	Relationship	Nature of Transaction	2019 Amount Rs.	2018 Amount Rs.
e) Mr.Murtaza Jafferjee (From 01st February 2019 (CSE) & 11th February 2019 (CDS))				
Nations Trust Bank	Director	CSE Annual listing fees and ISIN Fee	1,116,229	-
		Quotation Fee, My CSE and Masterminds Registration Fee	450,162	-
		Amount Receivable for ISIN Fee	3,780	-
	CDS	Custodian Printouts, Direct deposit charges, Charges new listings, Transaction fees for Custodian Bank, CDS Daily Transactions & Entitlements Reports Charges, Participant Fees, CDS Computer information	1,074,411	-
		Amount receivable for Custodian Printouts, Direct deposit charges, Charges new listings, Transaction fees for Custodian Bank, CDS Daily Transactions & Entitlements Reports Charges, Participant Fees, CDS Computer information	438,302	-
		CDS Service Charges	33,405	-
		Amount Receivable for service charges	7,895	-
	Director	CSE Annual listing fees and ISIN Fee	238,903	-
		Amount Receivable for ISIN Fee	2,253	-
		CDS Computer information charges	46,845	-
		CDS Service Charges	25,510	-
Serendib Hotels PLC	Director	Amount Receivable for Computer information charges	18,682	-
	Director	Member fees and Mastermind Registration Order Management systems & Broker Back office Systems	388,811	-
			1,000,000	-
JB Securities (Pvt) Limited	Director	CDS Interest paid for Member Firms' liquidity deposit	6,994	-

Notes to the Financial Statements

Company	Relationship	Nature of Transaction	2019	2018
			Amount Rs.	Amount Rs.
J B Financial (Pvt) Ltd	Director	CSE		
		ISIN Fee	16,837	-
		Investment in Unit Trust	25,000,000	-
		Investment as at year end	27,465,383	-
		CDS		
		Investment in Unit Trust	200,000,000	-
		Investment as at year end	303,441,339	-
f) Central Depository Systems (Pvt) Ltd				
	Fully owned Subsidiary	Fund Transfer In	(335,591,407)	(618,518,718)
		Fund Transfer Out	102,149,687	505,217,983
		Expenses transferred	119,073,275	108,008,594
		Cheque received on behalf of CDS	(1,246,966)	(1,241,755)
		Cheque received on behalf of CSE	466,494	480,908
		Interest Expense	(170,333)	(452,558)
		CDS Rental Income & Management Fee	48,906,806	44,782,019

32. Events Occurring after the Reporting Period

There were no material events after the Reporting Period, which require adjustments to or disclosure in the Financial Statements other than following;

On 11 March 2020 the World Health Organization declared the coronavirus outbreak, a pandemic, and the Sri Lankan government declared a state of emergency on 18th March 2020. Responding to the potentially serious threat the COVID – 19 presents to public health, the Sri Lankan government authorities have taken measures to contain the outbreak, including the 'lock-down' of certain industries. In particular, airlines and railways suspended international transport of people, schools, universities, restaurants, hotels, cinemas, theatres and museums and sport facilities, retailers excluding food retailers, grocery stores and pharmacies were closed. The Colombo Stock Exchange was closed for trading from 20 March 2020 to 11 May 2020 and resumed operations from 11 May 2020.

The Company considers this outbreak to be a non-adjusting post balance sheet event. As the situation is fluid and rapidly evolving, the Management does not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak on the company.

To date the overall impact of the pandemic on the CSE & CDS revenues and profitability is negative. Cost management and cash conservation measures to protect the business have already been initiated together with the review of operating structures to minimize the impact on the bottom line of the group and ensure its long-term viability. The capital expenditure is on review and the both CSE & CDS are working through a detailed plan on cash conservation and cost containment.

There was a temporary revenue loss in main income of CSE and CDS fees due to market closure. The Group which will continue to take appropriate actions to mitigate any potential impact and will keep risk management measures under review, as the situation evolves. The Board of Directors are of the view that there is no impact to the going concern of the group.

33. Directors' Responsibility Statement

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

34. Comparative Figures

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

Member Firms

Members

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Director / CEO

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 Mr. Gihan Cooray
Chief Executive Officer

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 Reshan Kurukulasuriya
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 Mr. Ravindra Abeyasuriya
Chief Executive Officer

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Mr. D L P Abayasinghe

Chief Executive Officer

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Notes

Notes

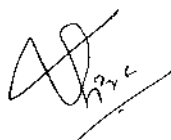
Notice of Meeting

The 35th Annual General Meeting of the Colombo Stock Exchange will be held on 16th July 2020 at 4:00 p.m. at the Colombo Stock Exchange, Auditorium, 4-1, West Block, World Trade Center, Colombo 01 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 2019 together with the Report of the Auditors thereon.
2. Election / Re-election of Directors
 - a. To re-elect Mr. Ray Abeywardena who retires in terms of Article 50 of the Articles of Association. (Mr. Ray Abeywardena being eligible is offering himself for re-election).
 - b. To re-elect Mr. Murtaza Jafferjee who retires in terms of Article 50 of the Articles of Association. (Mr. Mr. Murtaza Jafferjee being eligible is offering himself for re-election).
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 2020 and up to the date of the next Annual General Meeting.

By order of the Board



Secretary

JACEY AND COMPANY

Secretaries to Colombo Stock Exchange

28 May 2020.

NOTE:

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

Corporate Representation

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 day of 2020.

IT IS HEREBY RESOLVED that pursuant to Article 46 of the Articles of Association of Colombo Stock Exchange 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 2020, 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, 04 – 01, West Block, World Trade Centre, Echelon Square, Colombo 1, either before or at the time of the meeting.

Corporate Information

GRI 102 - 3, 4, 5

Name

Colombo Stock Exchange

Legal Status

A Company Incorporated in Sri Lanka and Limited by Guarantee

Company Registration Number

GL12

Subsidiary

Central Depository Systems (Private) Limited.

Registered Office

04-01, West Block, World Trade Center, Echelon Square, Colombo 1, Sri Lanka.

Secretaries

Jacey and Company

Auditors

KPMG

Lawyers

M/s Julius & Creasy, Attorneys-at-Law

M/s FJ and G de Saram, Attorneys-at-Law

Bankers/ Settlement Banks

Bank of Ceylon

Commercial Bank of Ceylon PLC

Sampath Bank PLC

Colombo Stock Exchange Contact

Tel : +94 11 2356456

Fax

Clearing and Settlement : +94 11 2440396

Finance : +94 11 2448921

Administration : +94 11 2325804

Information Technology : +94 11 2440162

Trading and Market Surveillance : +94 11 2448925

Market Development : +94 11 2445279

Listing and Corporate Affairs : +94 11 2391128

Human Resources : +94 11 2440163

Legal : +94 11 2440539

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