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The Board of Directors
Hatton National Bank PLC
No. 479, T B Jaya Mawatha
Colombo 10

25 August 2016

Accountants' Report Hatton National Bank PLC

Dear Sirs/Madams

Introduction

This report has been prepared for the purpose of prospectus issued in connection with the issuance of Subordinate, Unsecured, Listed, Redeemable, Rated Debentures of LKR 5,000,000,000/- (5Bn) with an option to increase by LKR 1,000,000,000/- (1Bn) in the event of an oversubscription of the initial issue in order to raise LKR 6,000,000,000/- (6Bn) in total debentures at a Par value of LKR 100/-.

We have examined the financial statements of Hatton National Bank PLC (the "Bank") and the consolidated financial statements of the Bank and its subsidiaries (the "Group") for the years ended 31 December 2011 to 31 December 2015, and report as follows.

1. Incorporation

The Bank is a public quoted company incorporated on 05 March 1970 and domiciled in Sri Lanka. It is a Licensed Commercial Bank regulated under the Banking Act No.30 of 1988 and amendments thereto. The Bank was re-registered under the Companies Act No.07 of 2007 under the registration number PQ 82. The shares of the Bank have a primary listing on the Colombo Stock Exchange. The registered office of the Bank is situated at No. 479, T B Jaya Mawatha, Colombo 10. The principal activities of the Bank continues to be banking and related activities such as accepting deposits, corporate and retail banking, personnel financial services, off shore banking, foreign currency operations, trade services, investment banking, development banking, rural finance, project finance, dealing in government securities, leasing and Islamic banking.

2. Financial Information

2.1 Five Year Summary of Audited Financial Statements

A summary of Statements of Financial Position, Statements of Profit or Loss, Statements of Changes in Equity and Statements of Cash Flows of the Bank and a summary of Consolidated Statements of Financial Position, Statements of Profit or Loss, Statements of Changes in Equity and Statements of Cash Flows of the Group for the financial years ended 31 December 2011 to 31 December 2015, based on the audited financial statements are set out on Annexure 01 of the Accountants' Report.

Financial Statements for the years ended 31 December 2011 to 31 December 2013 have been audited by another auditor ("Messrs. KPMG").



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2.2 Audited Financial Statements for the year ended 31 December 2015

Our audit report on the Financial Statements for the year ended 31 December 2015 together with such Financial Statements comprising Statement of Financial Position, Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows along with the accounting policies and notes thereon is available on the websites of the Bank and CSE, www.cse.lk, where the management is responsible for the electronic presentation of the financial report and to ensure the electronic version of the audited financial report and the auditor's report on the website is identical to the final signed hard copy version.

2.3 Unaudited Financial Statements for the year ended 30 June 2016

The Statement of Financial Position, Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the six months ended June 30, 2016 is available on the websites of the Bank and CSE, www.cse.lk.

2.4 Audit Reports

The Separate and Consolidated Financial Statements of the Bank for the years ended 31 December 2011 to 31 December 2013, have been audited by Messrs. KPMG. We have audited the Separate and Consolidated Financial Statements of the Bank for the year ended 31 December 2014 and 31 December 2015. Unmodified audit opinions have been issued for the said financial years by such auditors' reports dated, 21 February 2012, 21 February 2013, 21 February 2014, 20 February 2015 and 19 February 2016 respectively.

2.5 Accounting Policies

The Separate and Consolidated Financial Statements of the Bank for the years ended 31 December 2011 to 31 December 2015, indicate that such Financial Statements comply with Sri Lanka Accounting Standards. Financial Statements for the years ended 31 December 2011 to 31 December 2013 have been audited by another auditor ("Messrs. KPMG"). The accounting policies of the Bank are stated in detail in the audited Financial Statements of Hatton National Bank PLC for the year ended 31 December 2015 and changes in the accounting policies of Bank from 31 December 2011 to 31 December 2014 are given below.

Changes in Accounting Policies as a Result of First-time adoption of Sri Lanka Accounting Standards ("SLFRS/LKAS")

For all periods up to and including the year ended 31 December 2011, the Bank has prepared its financial statements in accordance with previous Sri Lanka Accounting Standards (SLASs). The Financial statements, for the year ended 31 December 2012 are the first Bank has prepared in accordance with revised Sri Lanka Accounting Standards ("SLFRS/LKAS") effective for the period beginning on or after 1 January 2012. There were no material changes in the accounting policies of the bank, except for the adoption of revised Sri Lanka Accounting Standards.

Change in Accounting Policies as a Result of adoption of LKAS 19-Employee benefits

The Bank adopted Sri Lanka Accounting Standard LKAS 19-Employee benefits with effect from 1st January 2013. As a result of the change, the Bank determined the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset) at the beginning of the annual period. Previously the Bank determined interest income on plan assets based on the long term rate of expected return.

Change in Accounting Policies as a Result of adoption of SLFRS 11-Joint Arrangements

The Bank adopted Sri Lanka Accounting Standard SLFRS 11-Joint Arrangements with effect from 1st January 2014. Upon adoption of SLFRS 11, the Group has determined its interest in Acuity Partners (Pvt) Ltd to be classified as a joint venture under SLFRS 11 and it is required to be accounted for using the equity method. Prior to the transition to SLFRS 11, Acuity Partners (Pvt) Ltd was classified as a jointly controlled entity and the Group's share of the assets, liabilities, revenue, income and expenses was proportionately consolidated in the consolidated financial statements. The transition was applied retrospectively as required by SLFRS 11.

2.6 Dividends

The Bank has declared and paid dividends in respect of Ordinary Shares for the years ended 31 December 2011 to 31 December 2015 in the following manner.

Year	Dividend Paid (Rs. Bn)	Dividend per Share (Rs.)
2011*	2.914	7.50
2012	3.378	8.50
2013	3.400	8.50
2014	3.431	8.50
2015**	3,449	8.50

* Final dividend of Rs 6.00 per share consists of Rs 3.00 per share in cash and Rs 3.00 in the form of a scrip dividend.

** Final dividend of Rs 7.00 per share consists of Rs 3.50 per share in cash and Rs 3.50 in the form of a scrip dividend.

2.7 Events after Reporting Date

No material events have taken place since 31 December 2015 that require disclosure or/and adjustments in the financial statements.



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2.8 Restriction on Use

This report is made solely for the purpose of the Board of Directors of Hatton National Bank Plc in usage in the application for the purpose of issuance of Subordinate, Unsecured, Listed, Redeemable, Rated Debentures of LKR 5,000,000,000/- (5Bn) with an option to increase by LKR 1,000,000,000/- (1Bn) in the event of an oversubscription of the initial issue in order to raise LKR 6,000,000,000/- (6Bn) debentures at a Par value of Rs.100/-. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the addressee, for our audit work, for the report, or for the opinion we have formed. This report should not be used, circulated, quoted or otherwise referred to any other purpose.

Yours faithfully

Emst + Young

Statement of Financial Position

As at 31st December	LKAS /SLFRS BANK					LKAS /SLFRS GROUP				
	2015 Rs 000	2014 Rs 000	2013 Rs 000	2012 Rs 000	2011 Rs 000	2015 Rs 000	2014 Rs 000	2013 Rs 000	2012 Rs 000	2011 Rs 000
ASSETS										
Cash and cash equivalents	14,909,598	13,141,295	11,624,645	8,769,206	7,542,767	15,419,654	13,421,850	11,621,193	8,848,466	7,576,224
Balances with central banks	20,096,090	16,907,538	16,366,368	19,933,463	18,683,405	20,096,090	16,907,538	16,366,368	19,950,321	18,698,197
Placements with banks	26,827	3,789,538	1,246,612	10,321,832	7,220,151	1,174,326	5,096,455	2,990,100	11,667,417	8,243,999
Derivative financial instruments	1,302,872	178,370	174,573	344,552	496,643	1,302,872	178,370	174,573	344,552	496,643
Other financial assets held for trading	593,390	551,371	652,312	474,083	1,160,499	1,948,772	1,052,727	986,391	1,078,124	2,407,725
Non-current assets held for sale	20,151	30,238	-	-	-	20,151	30,238	-	2,875	2,875
Reverse repurchase agreements	4,869,219	16,930,572	6,278,832	51,050	781,478	7,782,374	19,575,253	6,980,280	651,480	-
Loans and receivables to other customers	498,341,628	396,277,166	351,965,376	302,709,930	256,416,865	507,244,329	401,859,754	351,776,782	303,270,612	257,435,480
Financial investments - Available-for-sale	78,046,505	67,842,229	63,391,086	58,295,356	51,239,058	79,718,231	69,443,057	64,035,975	59,355,106	51,434,979
Financial investments - Held-to-maturity	-	-	-	-	-	1,257,433	955,421	931,681	1,643,852	1,697,640
Financial investments - Loans and receivables	84,206,702	35,369,035	33,104,536	20,030,669	14,665,997	87,087,205	38,049,100	35,103,762	20,904,172	15,362,143
Investments in Associates	-	-	-	-	83,674	-	-	28,864	386,172	384,319
Investment in Joint Venture	655,000	655,000	655,000	655,000	655,000	1,253,370	1,196,544	1,046,274	-	-
Investments in Subsidiaries	3,017,285	3,017,285	2,357,285	2,357,285	2,357,285	-	-	-	-	-
Investment properties	386,643	392,088	346,478	349,708	349,374	1,041,797	1,042,386	160,864	164,598	169,029
Property, plant and equipment	11,473,569	9,304,665	9,521,496	9,417,915	7,834,866	23,908,688	18,290,365	17,769,878	17,815,411	15,415,636
Intangible assets	659,309	802,728	994,677	556,171	549,503	1,001,230	1,089,759	1,048,866	689,501	670,776
Deferred tax assets	-	287,384	767,826	-	313,785	-	199,315	655,769	-	318,895
Other assets	6,602,922	7,374,846	10,863,335	12,092,199	10,133,295	7,328,053	8,102,644	11,202,120	12,679,956	10,982,310
Total Assets	725,207,710	572,851,348	510,310,437	446,358,419	380,483,645	757,584,575	596,490,776	522,879,740	459,452,615	391,296,870
LIABILITIES										
Due to banks	58,232,034	43,428,762	34,934,218	22,956,431	19,885,436	58,283,838	43,504,729	34,934,218	24,443,058	19,885,436
Derivative financial instruments	304,485	630,598	748,962	1,436,443	617,702	304,485	630,598	748,962	1,436,443	617,702
Securities sold under repurchase agreements	16,630,201	16,983,545	4,132,602	4,601,484	6,589,667	16,630,201	16,983,545	4,132,602	-	-
Due to other customers	527,126,181	419,327,123	387,158,390	341,423,986	291,356,578	536,132,789	425,620,382	386,864,044	340,847,606	290,911,558
Dividends payable	764,771	587,078	426,347	221,455	168,080	764,771	587,078	426,347	223,251	169,876
Other borrowings	26,833,109	4,345,285	4,530,499	4,627,277	419,074	26,833,109	4,345,285	4,530,499	9,538,743	8,876,197
Debt securities issued	4,490,742	4,451,407	1,418,775	-	-	4,913,751	4,842,627	1,399,184	150,000	-
Current tax liabilities	4,542,977	3,297,530	3,040,108	1,755,428	1,021,619	4,762,707	3,394,992	3,075,251	1,839,714	1,093,787
Bills payable	-	-	-	-	1,404,158	-	-	-	-	1,404,158
Insurance provision - Life	-	-	-	-	-	7,007,081	5,562,649	4,348,491	3,626,239	3,021,331
Insurance provision - General	-	-	-	-	-	1,546,266	1,279,139	1,011,101	969,441	944,322
Deferred tax liabilities	378,820	-	-	1,111,111	1,174,862	579,102	-	-	1,186,615	1,225,349
Other provisions	2,538,111	1,810,893	2,934,131	4,240,497	5,812,370	2,746,294	2,123,089	3,020,306	4,400,091	5,876,883
Other liabilities	6,250,856	5,436,705	7,675,990	9,333,364	9,027,153	7,250,893	6,300,920	8,236,151	10,044,868	9,924,156
Subordinated term debts	12,064,370	11,653,759	11,856,561	7,751,890	5,023,216	12,085,598	11,677,046	11,781,703	7,729,333	4,989,350
Total Liabilities	660,156,657	511,952,685	458,856,583	399,459,366	342,499,915	679,840,885	526,852,079	464,508,859	406,435,402	348,940,105
EQUITY										
Stated capital	13,826,873	13,289,992	12,830,268	12,579,479	11,451,451	13,826,873	13,289,992	12,830,268	12,579,479	11,451,451
Statutory reserves	3,760,000	3,160,000	6,761,205	4,530,562	2,778,337	3,760,000	3,160,000	6,761,205	4,530,562	2,778,337
Retained earnings	5,270,848	7,808,059	3,465,419	4,225,948	3,009,553	7,949,848	10,396,517	5,210,488	5,321,846	3,504,132
Other reserves	42,193,332	36,640,612	28,396,962	25,563,064	20,744,389	50,027,681	41,058,056	32,759,680	29,615,888	23,840,620
Total equity attributable to equity holders of the Bank	65,051,053	60,898,663	51,453,854	46,899,053	37,983,730	75,564,402	67,904,565	57,561,641	52,047,775	41,574,540
Non-controlling interests						2,179,288.00	1,734,132	809,240	969,438	782,225
Total Equity	65,051,053	60,898,663	51,453,854	46,899,053	37,983,730	77,743,690	69,638,697	58,370,881	53,017,213	42,356,765
Total Liabilities and Equity	725,207,710	572,851,348	510,310,437	446,358,419	380,483,645	757,584,575	596,490,776	522,879,740	459,452,615	391,296,870



Income Statement
For the year ended 31st December

	LKAS /SLFRS BANK					LKAS /SLFRS GROUP				
	2015 Rs 000	2014 Rs 000	2013 Rs 000	2012 Rs 000	2011 Rs 000	2015 Rs 000	2014 Rs 000	2013 Rs 000	2012 Rs 000	2011 Rs 000
Gross Income	61,153,466	59,500,495	61,006,414	51,538,779	37,066,301	70,026,698	65,023,846	65,183,483	55,211,622	40,122,582
Interest income	52,615,463	51,868,333	56,770,713	47,326,377	33,175,928	56,893,956	53,062,579	57,364,012	47,919,387	33,546,871
Less: Interest expenses	26,279,934	26,966,826	31,423,945	25,368,432	16,530,253	27,200,236	27,077,830	31,403,749	25,495,541	16,626,472
Net interest income	26,335,529	24,901,507	25,346,768	21,957,945	16,645,675	29,693,720	25,984,749	25,960,263	22,423,846	16,920,399
Fee and commission income	5,874,928	4,976,212	4,263,200	3,740,497	2,710,552	6,426,080	5,196,099	4,348,213	3,905,052	2,987,433
Less: Fee and commission expenses	98,622	98,329	82,081	53,407	34,521	182,093	123,290	465,083	411,943	56,292
Net fee and commission income	5,776,306	4,877,883	4,181,119	3,687,090	2,676,031	6,243,987	5,072,809	3,883,130	3,493,109	2,931,141
Net interest, fee and commission income	32,111,835	29,779,390	29,527,887	25,645,035	19,321,706	35,937,707	31,057,558	29,843,393	25,916,955	19,851,540
Net gain/(loss) from trading	346,577	(570,720)	(1,815,061)	(1,632,528)	(347,078)	361,948	(441,618)	(1,782,580)	(1,624,049)	(426,335)
Net gain/(loss) from financial investments	253,858	1,398,025	246,591	87,446	398,936	297,978	1,493,975	292,429	116,463	390,630
Other operating income	2,062,640	1,828,645	1,540,971	2,016,987	1,127,963	6,046,736	5,712,811	4,961,409	4,894,769	3,623,983
Total Operating income	34,774,910	32,435,340	29,500,388	26,116,940	20,501,527	42,644,369	37,822,726	33,314,651	29,304,138	23,439,818
Less: Impairment charge/(reversal) for loans and other losses	931,925	2,491,520	4,270,686	1,142,110	(445,373)	1,022,111	2,532,808	4,326,864	1,142,110	(501,494)
Net operating income	33,842,985	29,943,820	25,229,702	24,974,830	20,946,900	41,622,258	35,289,918	28,987,787	28,162,028	23,941,312
Personnel expenses	7,927,695	7,407,015	5,453,778	6,689,864	4,987,287	9,155,160	8,108,200	5,962,095	7,272,980	5,525,978
Other expenses	8,050,939	7,971,000	8,108,508	7,160,603	6,347,602	13,305,132	11,625,995	10,616,021	9,134,427	8,118,998
	15,978,634	15,378,015	13,562,286	13,850,467	11,334,889	22,460,292	19,734,195	16,578,116	16,407,407	13,644,976
Operating profit before value added tax (VAT)	17,864,351	14,565,805	11,667,416	11,124,363	9,612,011	19,161,966	15,555,723	12,409,671	11,754,621	10,296,336
Less: Value added tax (VAT) on financial services	2,814,334	2,501,876	1,659,755	1,247,873	1,224,143	3,061,783	2,550,247	1,659,755	1,247,873	1,224,143
Operating profit after value added tax (VAT)	15,050,017	12,063,929	10,007,661	9,876,490	8,387,868	16,100,183	13,005,476	10,749,916	10,506,748	9,072,193
Share of profit/(loss) of Associates (net of income tax)	-	-	-	-	-	60,085	142,977	98,198	16,632	(15,729)
PROFIT BEFORE INCOME TAX	15,050,017	12,063,929	10,007,661	9,876,490	8,387,868	16,160,268	13,148,453	10,848,114	10,523,380	9,056,464
Less: Income tax expense	4,601,231	3,058,655	2,997,555	2,342,335	2,123,203	5,064,424	3,080,360	3,070,326	2,421,431	2,156,077
PROFIT FOR THE YEAR	10,448,786	9,005,274	7,010,106	7,534,155	6,264,665	11,095,844	10,068,093	7,777,788	8,101,949	6,900,387
Profit attributable to:										
Equity holders of the Bank	10,448,786	9,005,274	7,010,106	7,534,155	6,264,665	10,553,568	9,819,595	7,650,466	7,941,754	6,818,923
Non-controlling interests	-	-	-	-	-	542,276	248,498	127,322	160,195	81,464
PROFIT FOR THE YEAR	10,448,786	9,005,274	7,010,106	7,534,155	6,264,665	11,095,844	10,068,093	7,777,788	8,101,949	6,900,387
Earnings per share on profit										
Basic earnings per ordinary share (Rs)	25.83	22.47	17.59	18.94	16.60	26.09	24.50	19.20	20.75	18.65
Diluted earnings per ordinary share (Rs)	25.72	22.37	17.55	18.91	16.49	25.98	24.39	19.15	20.72	18.51



Statement of Changes in Equity

BANK

For the year ended 31st December

	Stated Capital		Statutory Reserves		Capital Reserve	Other Reserves		ESOP Reserve	Retained earnings	Total
	Voting Shares	Non-Voting Shares	Statutory Reserve	Investment Fund Account		Available for sale reserve	General Reserve			
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Balance as at 31st December 2011	9,143,326	2,308,125	1,800,000	978,337	3,009,986	2,334,403	15,400,000	-	3,009,553	37,983,730
Prior year adjustment	-	-	-	-	-	256,025	-	-	-	256,025
Restated balance as at 31st December 2011	9,143,326	2,308,125	1,800,000	978,337	3,009,986	2,590,428	15,400,000	-	3,265,578	38,239,755
Total comprehensive income for the year										
Net profit for the year 2012	-	-	-	-	-	-	-	-	7,534,155	7,534,155
Other comprehensive income, net of tax	-	-	-	-	1,462,621	529,203	-	-	756,710	2,748,534
Total comprehensive income for the year										
Transactions with equity holders, recognised directly in equity										
Contributions by and distributions to equity holders										
Final dividend for 2011 - Cash (Note 41)	-	-	-	-	-	-	-	-	(1,166,032)	(1,166,032)
Final dividend for 2011 - Scrip (Note 41)	840,958	208,471	-	-	-	-	-	-	(1,166,032)	(116,603)
Interim dividend for 2012 (Note 41)	-	-	-	-	-	-	-	-	(595,870)	(595,870)
ESOP allocation 2012	-	-	-	-	-	-	-	176,515	-	176,515
Shares issued under ESOP	64,975	13,624	-	-	-	-	-	-	-	78,599
Total contributions by and distributions to equity holders	905,933	222,095	-	-	-	-	-	176,515	(2,927,934)	(1,623,391)
Transfer of revaluation reserve for disposal of property, plant and equipment	-	-	-	-	(5,689)	-	-	-	5,689	-
Transfers during the year 2012	-	-	430,000	1,322,225	-	-	2,400,000	-	(4,152,225)	-
Balance as at 31st December 2012	10,049,259	2,530,220	2,230,000	2,300,562	4,466,918	3,119,631	17,800,000	176,515	4,225,948	46,899,053
Net profit for the year 2013	-	-	-	-	-	-	-	-	7,010,106	7,010,106
Other comprehensive income, net of tax	-	-	-	-	-	1,294,197	-	-	(857,846)	436,351
Total comprehensive income for the year										
Transactions with equity holders, recognised directly in equity										
Contributions by and distributions to equity holders										
Final dividend for 2012 - Cash (Note 41)	-	-	-	-	-	-	-	-	(2,782,814)	(2,782,814)
Interim dividend for 2013 (Note 41)	-	-	-	-	-	-	-	-	(599,332)	(599,332)
ESOP allocation 2013	-	-	-	-	-	-	-	239,701	-	239,701
Shares issued under ESOP	205,685	45,104	-	-	-	-	-	-	-	250,791
Total contributions by and distributions to equity holders	205,685	45,104	-	-	-	-	-	239,701	(3,382,146)	(2,891,654)
Transfer of revaluation reserve for disposal of property, plant and equipment	-	-	-	-	-	-	-	-	-	-
Transfers during the year 2013	-	-	430,000	1,800,643	-	-	1,300,000	-	(3,530,643)	-
Balance as at 31st December 2013	10,254,944	2,575,324	2,660,000	4,101,205	4,466,918	4,413,828	19,100,000	416,216	3,465,419	51,453,854
Balances as at 01st January 2014	10,254,944	2,575,324	2,660,000	4,101,205	4,466,918	4,413,828	19,100,000	416,216	3,465,419	51,453,854
Total comprehensive income for the year										
Net profit for the year 2014	-	-	-	-	-	-	-	-	9,005,274	9,005,274
Other comprehensive income, net of tax	-	-	-	-	-	2,341,527	-	-	1,140,012	3,481,539
Total comprehensive income for the year										
Transactions with equity holders, recognised directly in equity										
Contributions by and distributions to equity holders										
Final dividend 2013 - Cash (Note 45)	-	-	-	-	-	-	-	-	(2,800,912)	(2,800,912)
Interim dividend 2014 - Cash (Note 45)	-	-	-	-	-	-	-	-	(602,939)	(602,939)
Issue of shares under ESOP	307,076	54,771	-	-	-	-	-	-	-	361,847
Total contributions by and distributions to equity holders	307,076	54,771	-	-	-	-	-	-	(3,403,851)	(3,042,004)
Transfer during the year 2014	78,371	19,506	500,000	306,821	-	-	6,000,000	(97,877)	(6,806,821)	-
Transfer of investment funds account balance	-	-	-	(4,408,026)	-	-	-	-	4,408,026	-
Balance at 31st December 2014	10,640,391	2,649,601	3,160,000	-	4,466,918	6,755,355	25,100,000	318,339	7,808,059	60,898,663
Balances as at 01st January 2015	10,640,391	2,649,601	3,160,000	-	4,466,918	6,755,355	25,100,000	318,339	7,808,059	60,898,663
Super gains tax paid (Note 56 (a))	-	-	-	-	-	-	-	-	(2,074,248)	(2,074,248)
Total comprehensive income for the year										
Net profit for the year 2015	-	-	-	-	-	-	-	-	10,448,786	10,448,786
Other comprehensive income, net of tax	-	-	-	-	1,991,036	(2,299,789)	-	-	(897,969)	(1,206,722)
Total comprehensive income for the year										
Transactions with equity holders, recognised directly in equity										
Contributions by and distributions to equity holders										
Final dividend 2014 - Cash (Note 44)	-	-	-	-	-	-	-	-	(2,827,776)	(2,827,776)
Interim dividend 2015 - Cash (Note 44)	-	-	-	-	-	-	-	-	(608,548)	(608,548)
Issue of shares under ESOP	368,785	52,113	-	-	-	-	-	-	-	420,898
Total contributions by and distributions to equity holders	368,785	52,113	-	-	-	-	-	-	(3,436,324)	(3,015,426)
Transfer during the year 2015	101,513	14,470	600,000	-	(22,544)	-	6,000,000	(115,983)	(6,527,456)	-
Balance at 31st December 2015	11,110,689	2,716,184	3,760,000	-	6,435,410	4,455,566	31,100,000	202,356	5,270,848	65,051,053



For the year ended 31st December

Cash Flows from Operating Activities

	LKAS /SLFRS Bank					LKAS /SLFRS Group				
	2015 Rs 000	2014 Rs 000	2013 Rs 000	2012 Rs 000	2011 Rs 000	2015 Rs 000	2014 Rs 000	2013 Rs 000	2012 Rs 000	2011 Rs 000
Interest and Commission Receipts	57,870,224	58,459,603	56,662,642	47,901,062	32,124,704	62,541,611	59,237,182	56,886,504	47,916,971	32,619,731
Interest Payments	(26,162,039)	(31,065,772)	(31,927,052)	(24,728,933)	(14,224,010)	(26,960,267)	(31,163,966)	(31,917,851)	(24,856,302)	(14,315,333)
Receipts from other Operating Activities	2,486,728	1,742,375	1,848,832	1,638,755	1,085,283	7,422,487	5,736,461	5,246,493	4,598,787	3,538,563
Cash Payments to Employees	(7,787,955)	(7,085,900)	(6,947,716)	(6,385,313)	(5,755,443)	(9,016,129)	(7,747,437)	(7,332,296)	(6,896,173)	(6,281,654)
Cash Payments to Suppliers	-	-	-	-	(2,308,761)	-	-	-	-	(2,072,901)
Recovery of loans written off in prior years	19,989	8,913	8,295	11,192	4,071	33,267	8,913	8,295	11,192	4,071
Cash Payments to Other Operating Activities	(9,658,598)	(10,234,794)	(9,570,581)	(9,176,304)	(6,835,305)	(13,221,249)	(11,813,945)	(11,149,917)	(10,327,090)	(7,946,368)
Operating Profit before Changes in Operating Assets and Liabilities	16,768,349	11,824,425	10,074,420	9,260,459	4,090,539	20,799,720	14,257,208	11,741,228	10,447,385	5,546,109

Increase in Operating assets

Reverse repurchase agreements	11,922,595	(10,513,871)	(6,226,870)	-	-	11,731,355	(10,945,922)	(6,479,509)	-	-
Deposits held for Regulatory or Monetary Control Purpose	(3,188,552)	(541,170)	3,567,095	(1,250,058)	(6,191,761)	(3,188,552)	(541,170)	3,567,095	(1,249,869)	(6,191,761)
Loans and receivables to other customers	(102,633,950)	(46,508,086)	(51,735,528)	(44,961,367)	(54,199,207)	(106,052,373)	(47,720,799)	(52,368,957)	(45,863,570)	(55,050,244)
Other Short Term assets	(1,385,665)	76,151	763,225	(902,569)	(1,382,675)	(1,356,430)	(73,750)	722,460	(981,135)	(1,281,723)
	(95,285,572)	(57,486,976)	(53,632,078)	(47,113,994)	(61,773,643)	(98,866,000)	(59,281,641)	(54,558,911)	(48,094,574)	(62,523,728)

Increase/(Decrease) in Operating Liabilities

Securities sold under repurchase agreements	(342,332)	12,822,441	(461,595)	-	-	(342,332)	12,822,441	(461,595)	-	-
Deposits from Customers	106,591,985	34,850,988	43,322,311	48,819,348	50,073,031	109,212,989	35,416,711	43,316,675	48,687,988	49,829,714
Other Liabilities	686,371	540,741	421,940	(568,538)	(599,694)	696,755	654,477	387,268	(316,089)	(789,290)
	106,936,024	48,214,170	43,282,656	48,250,810	49,473,337	109,567,412	48,893,629	43,242,348	48,371,899	49,040,424

Net Cash Generated from/(used in) Operating Activities before Income Tax

Income Taxes Paid	(2,142,303)	(1,222,240)	(2,889,691)	(929,178)	(2,645,086)	(2,340,344)	(1,281,374)	(2,927,327)	(966,030)	(2,725,563)
Super Gains tax paid	(2,074,248)	-	-	-	-	(2,105,625)	-	-	-	-
Net Cash Generated from/(used in) Operating Activities	24,202,250	1,329,378	(3,164,693)	9,468,097	(10,854,853)	27,055,163	2,587,822	(2,502,662)	9,758,680	(10,662,758)

Cash Flows from Investing Activities

Dividend Income	1,236,084	368,830	362,509	248,990	399,487	298,749	269,037	280,047	223,433	397,553
Dividend Income received from associates	-	-	-	-	-	30,130	26,637	147	-	-
Net proceeds from Sale, Maturity and Purchase of Financial Investments	(61,270,202)	(4,375,970)	(15,854,115)	(10,687,368)	(1,491,319)	(62,764,719)	(5,813,664)	(15,775,760)	(10,741,492)	(1,505,697)
Improvements to Investment Properties	-	(51,010)	(2,202)	(5,085)	(395)	(4,221)	(5,813,664)	(993)	(139)	-
Purchase of Property, Plant and Equipment	(882,806)	(645,368)	(952,411)	(872,396)	(1,210,302)	(1,091,320)	(752,255)	(1,020,117)	(925,940)	(1,260,080)
Purchase of Intangible Assets	(77,194)	(104,687)	(671,888)	(181,982)	(145,402)	(156,306)	(120,477)	(681,059)	(208,214)	(155,408)
Investment in Associate Company	-	-	-	-	-	-	-	-	(20,000)	(199,661)
Net proceeds from sale of non current assets held for sale	31,000	-	-	-	-	31,000	-	-	-	-
Net proceeds from sale of Associate company	-	-	-	58,815	-	-	30,519	-	58,815	-
Net proceeds from sale of Subsidiary company	-	-	56,158	-	-	-	-	-	-	-
Investment in Subsidiary Company	-	-	-	-	(234,320)	-	-	-	-	-
Proceeds from Sale of Property Plant and Equipment	23,522	49,942	18,397	36,038	84,389	23,593	50,876	22,398	37,237	90,044
Proceeds from deemed disposal of subsidiary company through Joint Venture	-	-	-	-	-	9,830	26,777	40,189	144,511	-
Net cash effect on disposal of Subsidiary	-	(660,000)	-	-	-	-	(342,294)	9,920	-	-
Net Cash Flows used in Investing Activities	(60,939,596)	(5,418,263)	(17,043,552)	(11,402,988)	(2,597,862)	(63,623,264)	(6,624,844)	(17,125,228)	(11,431,789)	(2,633,249)

Cash Flows from Financing Activities

Increase/(Decrease) in Debentures	-	(318,581)	3,725,177	2,815,526	2,000,000	-	(318,581)	3,665,513	2,827,525	2,000,000
Increase debt securities issued	-	3,000,000	1,354,300	-	-	-	2,949,854	1,334,709	-	-
Increase of long term borrowings	37,580,671	8,358,214	11,857,794	5,199,665	3,795,333	37,556,509	8,268,933	11,863,799	5,129,078	4,086,130
Issue of preference shares	-	-	-	-	-	-	-	-	150,000	0
Dividends Paid	(3,258,631)	(3,243,120)	(3,177,254)	(1,825,130)	(1,775,013)	(3,333,631)	(3,308,120)	(3,232,254)	(1,807,716)	(1,741,148)
Proceeds from right issue and private placement	-	-	-	-	6,066,799	-	-	-	-	5,903,086
Proceeds from issue of shares to minority share holders	-	-	-	-	-	-	-	-	-	156,250
Proceeds from issue of shares under ESOP	420,898	361,847	250,789	78,599	66,102	420,898	361,847	250,789	78,599	66,102
Share issue expenses	-	-	-	(5,649)	(45,871)	-	-	-	(8,247)	(50,300)
Debt issue expenses	-	(9,898)	(22,342)	-	-	-	(9,898)	(22,342)	-	-
Net Cash Generated from Financing Activities	34,742,938	8,148,462	13,988,464	6,263,011	10,107,350	34,643,776	7,944,035	13,860,214	6,369,239	10,420,120
Net Increase/(Decrease) in Cash and Cash Equivalents	(1,994,408)	4,059,576	(6,219,781)	4,328,120	(3,345,365)	(1,924,325)	3,907,012	(5,767,676)	4,696,130	(2,875,887)
Cash and Cash Equivalents at the Beginning of the year	16,930,833	12,871,257	19,091,038	14,762,918	18,108,283	18,518,305	14,611,293	20,378,969	15,819,753	18,696,110
Cash and Cash Equivalents at the End of the year	14,936,425	16,930,833	12,871,257	19,091,038	14,762,918	16,593,980	18,518,305	14,611,293	20,515,883	15,820,223

