

C O N T E N T S	P A G E
01. CORPORATE INFORMATION	01
02. REPORT OF THE DIRECTORS	03-14
03. FINANCIAL HIGHLIGHTS	15
04. REPORT OF THE AUDITORS	17-18
05. STATEMENT OF COMPREHENSIVE INCOME	19
06. STATEMENT OF FINANCIAL POSITION	20
07. STATEMENT OF CHANGES IN EQUITY	21
08. CASH FLOW STATEMENT	22
09. ACCOUNTING POLICIES	23-44

CORPORATE INFORMATION

Name of the Company	- NSB FUND MANAGEMENT COMPANY LIMITED
Company Reg Number	- PB 795
Legal Form	- A wholly owned subsidiary of the National Savings Bank, incorporated under the Companies Act No.17 of 1982 and re-registered under the provisions of the new Companies Act No. 07 of 2007.
Board of Directors	- Mr Aswin De Silva Mr D L P R Abeyaratne Mr Suranga Naullage Mr S D N Perera Mr Ajith Pathirana Mr R D R Amarasekara Mr Dhammika Ambeywela Mr R A Nimal Jayasundara Mr D S W Samarasekara Mr Yasas De Silva Mr Srilal Fernando
Chief Executive Officer	- Ms. B. P. J. Gunasekera
Company Secretaries	- Ms. Y.F. Deen Ms. Anupama Muhandiram
Registered Office	- 1 st Floor "Savings House" National Savings Bank Head Office 255, Galle Road, Colombo 03.

Telephone	: 2565956, 2564601 & 2372038
Fax	: 2564706/2574387
E-mail	: nsbfmc@nsb.lk
SWIFT	: NSBFLKLXXX
Auditors	- Ernst & Young (Chartered Accountants)
Bankers	- Bank of Ceylon - Corporate Branch No.4, Bank of Ceylon Mawatha Colombo 01.

NSB FUND MANAGEMENT COMPANY LIMITED

REPORT OF THE CHAIRMAN AND THE BOARD OF DIRECTORS

The Directors of the NSB FUND MANAGEMENT COMPANY LIMITED have pleasure in presenting their Report together with the Audited Financial Statements for the year ended 31st December 2015 and the Auditors' Report thereon.

Company's Activity

The Company's principal activity is to carry on business as a Primary Dealer to participate in the Primary Market and create and maintain a Secondary Market in Government Securities in compliance with the requirements of the Central Bank of Sri Lanka.

Share Capital

The Authorised, Issued and Paid up Share Capital of the Company is Rs.150,000,000/- divided into 15,000,000 Shares of Rs.10/- each which was paid by the National Savings Bank at the commencement of business on 01st March 2000. There was no change in the Issued and Paid up Share Capital during the period under review.

Directors as at 31st December 2015

Mr Aswin De Silva - Chairman

Mr D I P R Abeyaratne

Mr S D N Perera

Mr Ajith Pathirana

Mr Suranga Naullage

Mr Dhammika Ambeywela

Mr R D R Amarasekara

Mr R A Nimal Jayasundara

Mr D S W Samarasekara

Mr Yasas De Silva

Mr Srilal Fernando

Directors' Interests

None of the Directors had a direct or indirect interest in the contracts of the Company other than those disclosed in Note 33 to the Accounts.

Historical Background

The NSB Fund Management Co. Ltd., commenced business on 01st March 2000, as one of the dedicated Primary Dealer (PD) Companies appointed by the Central Bank under the new Primary Dealer system to deal exclusively in primary and secondary market transactions of Government Securities. Subsequently, the Commercial Banks were allowed to set up PD units or absorb the existing PD Company. At present, there are eight standalone PD Companies and seven PD Units of Commercial Banks.

The Central Bank increased the minimum capital requirement of Primary Dealers to Rs.300 Million from Rs.150 Million in June 2006 and to Rs.1000 Million from Rs.300 Million in October 2015. Company met both the requirement of the Central Bank of Sri Lanka from its retained profits.

A restructuring strategy to diversify Primary Dealer activities was unveiled by the Central Bank after enacting the necessary legislative amendments. Primary Dealers are now allowed to engage in fee based activities to earn an income such as portfolio management services, project appraisal services, loan syndication services, merger and acquisition advisory services and consultancy services. Primary Dealers are also allowed to invest in ordinary shares or debentures of its own group of companies.

Primary Dealers have been invited to obtain Trading Membership for Debt Securities of the Colombo Stock Exchange to act as Debt Brokers. The above decision is in line with the policy decisions taken by the Central Bank and the Securities and Exchange Commission of Sri Lanka (SEC) to develop the Corporate Bond market of Sri Lanka. Listed Corporate Bonds are exempted from the withholding tax to develop the market and promote trading. Since Stock Brokers do not have the expertise and the ability to promote the trading of Corporate Bonds, Primary Dealers are given concessions to become members of the CSE to trade Corporate Bonds using their expertise. Company has obtained the license from Securities and Exchange Commission (SEC) to function as a Stock Dealer / Stock Broker for Debt Securities and the Trading Membership for Debt Securities of the Colombo Stock Exchange (CSE).

Foreign investors are now allowed to invest in Rupee denominated Treasury Bonds and Bills without any restrictions on maturity period, holding period or Repo transactions. Initially, the allocation for foreigners to invest was gradually increased and however now it's stands at 7 per cent of the total value of Treasury

Bonds /Bills outstanding and the full allocations have been now almost subscribed.

The Company also serves as a designated agent appointed by the Central Bank for issues of Sri Lanka Development Bonds (SLDB) denominated in US Dollars.

The Company acts jointly with NSB as a Lead Manager to the issue of Government Securities to the Sri Lankan diaspora by managing the customer investments in Government Securities under this scheme as the agent of the Central Bank.

Market Developments

The inflation rates have stood at the single digit level over the year. Year on Year inflation declined to 4.2 per cent in December 2015 from 9.4 per cent in January 2015.

The GDP grew by 4.8 per cent in real terms during the 2015, which is mainly attributable to 5.3 per cent, 3 per cent and 5.5 per cent growth in Services activities, Industry activities and Agricultural activities, respectively.

Central Bank of Sri Lanka continued its monetary policy easing stance throughout the year 2015. In April 2015, the Monetary Board reduced the policy interest rates by 50 basis points and accordingly, the standard deposit facility rate (SDFR) and standard lending facility rate (SLFR) of the Central Bank were reduced to 6.00 per cent and 7.50 per cent, respectively. However, the Monetary Board decided to increase the SDFR and the SLFR of the Central Bank by 50 basis points each, to 6.50 per cent and 8.00 per cent, respectively effective from the close of business on 19 February 2016. The Monetary Board, at its meeting held on 29 March 2016, was of the view that the current monetary policy stance is appropriate and decided to maintain the SDFR and the SLFR of the Central Bank unchanged at 6.50 per cent and 8.00 per cent, respectively.

The policy rate reduction in April, has marginally controlled the upward pressure on the short- term interest rates. However, in the middle of the year, liquidation of the foreign held Government Securities by investors has put pressure on Government securities rates to move up, in parallel to the short-term interest rates. However, with the improved liquidity level in the market, the short-term interest rates have established its normal level in the latter part of the year.

Interest rates have been quite volatile throughout the year and have seen sizeable movements upward at certain times. With the lower liquidity level prevailed in the market during the first quarter of the year, the Treasury rates have started to increase and this trend was fuelled by the increase of the primary market T-bill rates. Treasury Bill rates increased sharply at the beginning of

March 2015 and started declining towards the end of the month. The weighted Average T-bill rates (net) for 3, 6 & 12 months were 5.74 per cent, 5.84 per cent & 6.01 per cent respectively at the beginning of the year. T-bill rates were 6.38 per cent, 6.69 per cent and 7.11 per cent for 3, 6 and 12 months respectively at the auction held on 23rd December 2015.

However, the Local Government bond rates rose by more than 150 basis points within the period late-August to September, but has come off these highs to similar levels as they were in April 2015.

As a result of the lower interest rate environment and the expected increase of interest rates in the US foreign investors have started to liquidate their holdings in Government Securities exerting pressure on the secondary marked Treasury yields. During the first seven months of 2015, USD 633.9Million (Rs.81.8Billion) worth of foreign holdings were exited from the Government Securities market while an inflow of USD 217.7Million has entered into the market in the same period in 2014. The continuous exit of Foreign Institutional Investors (FII) has led to a bear steepening of the T-bonds' yield curve.

Review of Performance

Automated Trading System (ATS) for debt trading is now in place after obtaining the Trading Membership from the Colombo Stock Exchange and the licenses from Securities and Exchange Commission of Sri Lanka.

Debt trading has to be initiated by liaising with the other market players. At present, there is hardly any trading in Debt Securities. However, the present market scenario is not conducive to start building a Corporate Debt portfolio to commence trading. However, the Company builds up a debt portfolio amounting to Rs 186 Million.

Trading activities of the Company were conducted cautiously as secondary market Treasury Bonds yields were not moving in line with the yields of Treasury Bills primary auctions and Government securities interest rates showed mixed results during the year.

Improved net interest income permitted the Company to record an operational profit of 325.6 Million for 2015. However, this is a decrease by 15 per cent in comparison to operational profit of Rs. 381.2 Million in 2014, due to the increase in revaluation loss and decrease in realized gain.

Due to the upward movement in the market interest rates at the end of the year, the revaluation loss has increased to Rs.41.4Million by 44 per cent from Rs.28.8Million recorded in the year 2014. However, majority of the revaluation loss is a result of the investments made under a low market interest rate regime prevailed in the past years.

Net interest income decreased to Rs. 274.9 Million this year when compared to Rs. 280.5 Million in 2014, showing a decrease of 2 per cent, due to the reduced net interest margin. Fluctuation in the market interest rates and low volume in trading activities resulted in a decrease in the gain on sale of T-bill and bonds in 2015. Gain from the sale of Treasury bills & bonds was Rs.44.9 Million in 2015 when compared to Rs.94.3 Million recorded in 2014.

The Company paid Rs 30.2 Million by way of Value Added Tax (VAT) and also provided Rs. 78.4 Million as liability on Income Tax for 2015. Under the imposition of Super Gain Tax (SGT), as the book profit of the Group (Bank and NSB FMC) for the Year of Assessment 2013/14 exceeded Rs. 2.0 Billion, the Company became liable to the Super Gain Tax. Accordingly, 25 per cent of Taxable profit for the year 2013 amounting to Rs. 109.5 Million was paid to the Department of Inland Revenue as SGT.

Spurred by the decrease in profit after tax during the year, Earnings Per Share (EPS) decreased by 16 per cent to Rs 11.62 per share from Rs 13.46 per share in the preceding year.

Net assets of the Company stood at Rs. 1,785 Million as at 31st December 2015 in comparison to Rs.1,915 Million as at 31st December 2014. This is mainly due to the payment of SGT and revaluation loss of Available-for-Sale portfolio albeit the Company recorded a net profit.

Total assets of the Company increased to Rs.8,807 Million by the end of 2015 from Rs.7,528 Million as at 31st December 2014 recording a growth of 13 per cent. Growth in assets was supported by the 20 per cent growth recorded in T-bond portfolio to Rs.6,985 Million in 2015 from Rs.5,800 Million in 2014 albeit the T-bill portfolio recorded a decrease of 26 per cent from Rs.1,595.8 at the end of 2014 to Rs.1,185 Million by the end of 2015.

Repo borrowings of the Company increased to Rs. 6,927 Million in 2015 from Rs.5,511 Million in 2014 which is a growth of 26 per cent and the increase in repo borrowings was mainly to fund the investments in T-bonds.

Of the total income of Rs. 692 Million in 2015, service charges received from the National Savings Bank represent Rs. 43.6 Million. The Company has paid Rs.2.7 Million to the National Savings Bank during the year as rent, electricity, water and stationary charges. The salaries and all other expenses pertaining to NSB employees released to the Company on secondment have also been reimbursed to National Savings Bank by the Company.

Business Performance

The internally developed software system is being fully implemented automating all the business functions of the Company. The Information System (IS) audit is already being commenced to verify the system since April 2016. A Manual of Operations is being prepared incorporating the changes of the operational procedures which took place after the implementation of the new software system.

The internally developed software system has fully automated the Front and Back Office activities and improved the Management Information (MIS) and Risk Management aspects by providing reporting and online monitoring facilities.

Company is fully equipped with technical facilities needed for carrying out the Primary Dealer functions. SWIFT connectivity is available to send and receive funds and securities to facilitate RTGS and SSSS transactions. Company maintains a current account (RTGS) and a securities account (SSSS) with the Central Bank.

Company is linked to the Central Bank Wide Area Network (WAN) which enables the Company to participate in Treasury Bills and Treasury Bonds primary auctions held by the Central Bank, electronically on online basis. Low value securities can now be transferred using this system at a much lower cost without going through SWIFT. Settlement risk has now been minimized due to Delivery Verses Payment (DVP) method used to settle funds and securities using above systems.

Company has established a link to the Automatic Trading System (ATS) of Colombo Stock Exchange (CSE) to trade Corporate Debt and for the settlement of deals.

The Company joined the Local SWIFT Service Bureau together with NSB for a more efficient and cost effective SWIFT facility. Fully functional Disaster Recovery (DR) site of the Company is located at NSB Maharagama premises under the Business Continuity Plan (BCP) of the Company. Software System with regular back up updates, SWIFT connectivity, WAN links to Central Bank, Links to the Company Head Office are set up at the DR site and live tests covering all operations of the Company (BCP Drill) have been carried out successfully for three consecutive years.

The Company contributed to the efforts of the NSB as a Lead Manager for issuing Government Securities to the Sri Lankan diaspora by managing the customer investments in Government Securities under this scheme as the agent of the Central Bank.

Company provides following services to its parent entity, NSB.

- Bidding at Primary Auctions and settlement of funds and securities of successful bids.

- Accepting and settlement of funds and securities of private placements from CBSL.
- Handling fund transfers through RTGS.
- Acceptance and delivery of Government Securities from counterparties for NSB.
- Repositioning of securities on purchase or sale of T/Bills & Bonds from counter parties of NSB in the Central Depository (SSSS).
- Maintain the NSB Government Security portfolio with LankaSettle.

Formation of Lanka Financial Services Bureau Limited

As a member of the SWIFT Service Bureau, the Company made a Capital contribution of Rupees one Million and was allotted 100,000 shares in Lanka Financial Services Bureau Limited, formed to manage the SWIFT Network services and related facilities locally.

Human Resources

The Company has eleven directly recruited staff members and four staff members assigned from the NSB on secondment basis including the Chief Executive Officer. The Office Assistant is outsourced at present. With the retirement of the former CEO, the Deputy General Manager- Asset Management Division of NSB was appointed as the new CEO of the Company.

Staff training: The Chief Manager- Trading, participated in a 4 day certificate programme on "Treasury & foreign exchange operations" conducted by Central Bank of Sri Lanka, and a programme on "Sri Lanka Accounting Standards" conducted by Central Bank of Sri Lanka.

One Executive Officer participated in one day Training programme on "Customer Service" conducted by the Training Division of the NSB. Two other Executive Officers participated in an awareness Programme on "Rules, Regulations and Operations of the Lankasettle System", conducted by the Central Bank of Sri Lanka. One Investment Assistant took part in a 2 day program on "Fundamentals of Portfolio at Risk and Bank Failures" conducted by Central Bank of Sri Lanka. The Company Accountant and the Compliance Officer participated in a 2 day program on "Compliance for Financial Institutions" conducted by the Central Bank of Sri Lanka. The Compliance Officer further participated in a workshop on FATCA conducted by the KPMG.

The periodic in-house training programmes were also conducted to update the knowledge of the staff. User Training programmes were carried out for the computer system and further training is also being provided "on the job basis".

Corporate Governance

The Board of Directors

The Directorate, inclusive of the Chairman of the NSB as the Chairman of the Company, consists of 11 members. The 3 from the remaining 10 directors are also appointed from the NSB. The Company complies with the Corporate Governance practices recommended by the Central Bank of Sri Lanka, the regulatory authority of the Company and follow the Sri Lanka Accounting Standards (SLFRS/LKAS) adopted by the Institute of Chartered Accountants of Sri Lanka.

The Board of Directors is responsible for granting approval to annual accounts, the annual budget and reviewing the financial performance of the Company on regular basis. The Board is also responsible for granting approval to staff appointments, promotions, salaries and major capital expenditure. The Board has delegated the execution of corporate policy, management and administration to a management team headed by the CEO. The Management ensures that the Board of Directors is provided with relevant background material to help make informed decisions, and six Board Meetings were held in 2015.

Going Concern

The financial statements of the Company have been prepared on a going-concern basis in compliance with the Sri Lanka Accounting Standards (SLFRS/LKAS) and in conformity with the generally accepted Accounting Principles and applied consistently accordance with Central Bank regulations. Reasonable and prudent judgments have been made where necessary when preparing the financial statements.

Capital Expenditure

The total capital expenditure incurred on fixed assets and intangible assets during the year amounted to Rs. 1,673,375/-.

Donations

No donations were made by the Company during the period under review.

Post Balance Sheet Events

No circumstances have arisen since the date of the Balance Sheet, which would require adjustments to or disclosure in the accounts.

Auditors

Ernst and Young Chartered Accountants carried out the audit of the financial statements of the Company for the financial year ended 31st December 2015 and their report appears in the Page 11 of this report.

Directors' Responsibility

The Board of Directors is responsible for the preparation and presentation of the financial statements of the Company.

Statutory Payment

All statutory payments EPF, ETF, PAYE Tax and Income Tax etc. have been paid on due dates.

Risk Management

In the course of conducting its business, financial institutions assume risks in order to realize returns on their investments. On the other hand, risks are assumed to have the potential to wipe out expected returns and may result in losses to the institutions. Hence, successful business strategy depends on taking informed, well-timed risks, so one way or another, risk matters have always been on the prime concerns of financial institutions.

Considering the fact that, the need for effective risk management framework in institutions cannot be over emphasized. Through effective risk management framework, institutions will be able to optimize their risk-return trade off.

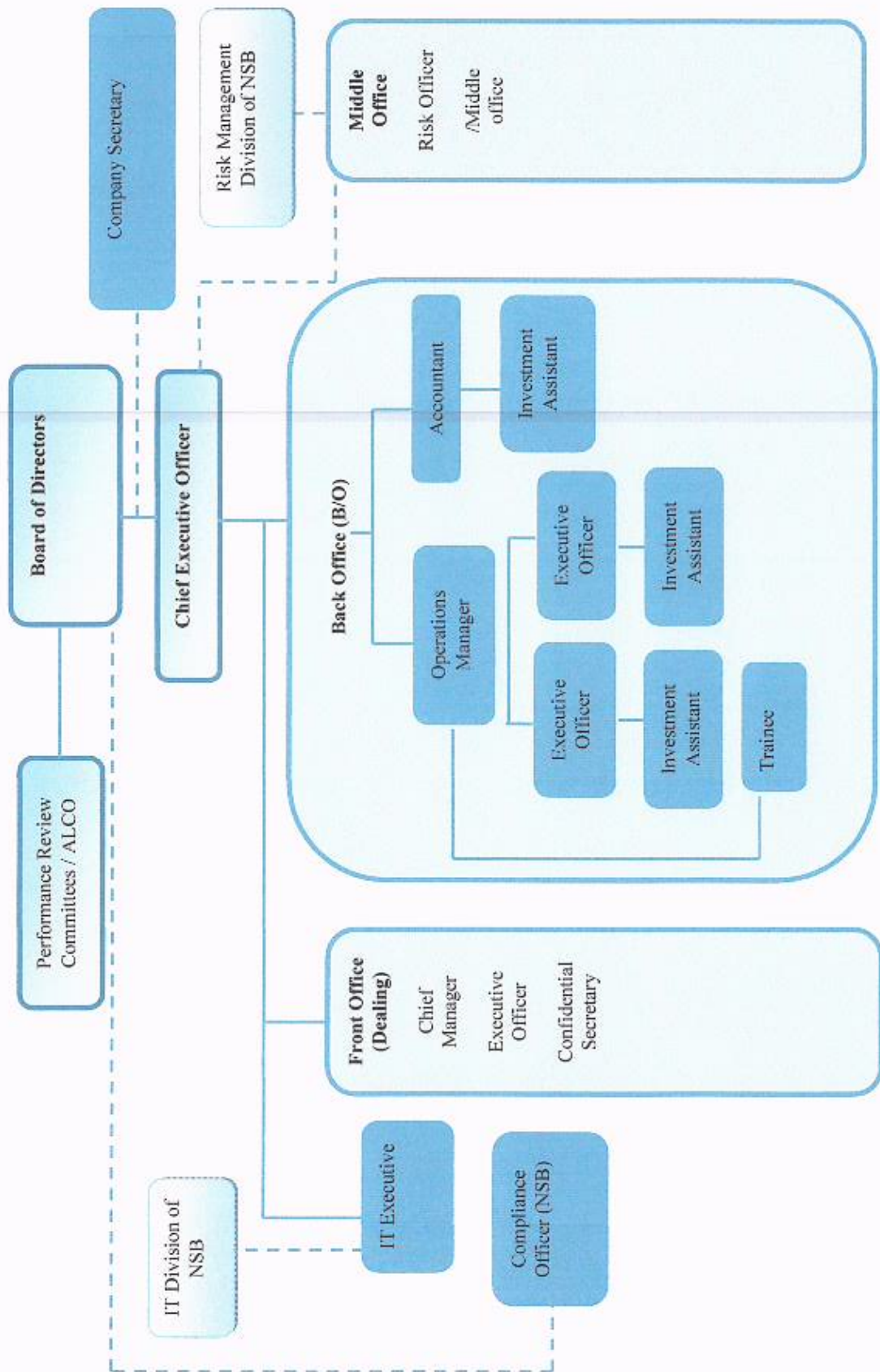
As a Primary Dealer Company, NSB FMC is mainly exposed to the following type of risks.

- Market risks
- Liquidity risks
- Operational risks
- Regulatory & Compliance risks

Risk Management Governance Structure at NSB FMC

As the Company believes in an integrated approach to risk management, the governance structure is re-designed to have a holistic view on risk management. The Risk Management governance structure of the Company is under the purview of the Board of Directors. The Board delegates powers to CEO and the ALCO to have an integrated approach in achieving the strategic objectives to ensure capital efficiency to gain operational efficiencies. The Risk Management Division of the Bank is entrusted with the responsibility of risk management of the Company.

Risk Management Governance Structure



Market Risk Management

Market risk is the risk of losses in positions arising from movements in market prices. These market prices include interest rate risk, equity risk, foreign exchange risk and commodity risk. Since NSB FMC is in the business of dealing in government securities and other debt securities, the Company is exposed only to interest rates risk arising from fluctuations in market interest rates.

In order to manage the market risk of the Company, NSB FMC has a well defined limit structure across the delegated authority levels. Further, NSB FMC operates in compliance with the rules and regulations of the Central Bank of Sri Lanka.

Liquidity Risk Management

Liquidity risk is the inability of an institution to meet its obligations as and when they become due, without adversely affecting the Company's financial condition. Effective liquidity risk management ensures NSB FMC's ability to meet its obligations as they fall due and reduces the probability of an adverse situation developing.

NSB FMC strives to manage the liquidity risk of the Company by obtaining adequate collateral for its lending and timely monitoring of its cash flows.

Operational Risk Management

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The definition includes legal risk but excludes strategic risk.

Operational risk can arise due to internal events such as the potential for failures or inadequacies in the NSB FMC's processes and systems (e.g. its IT, risk management or human resources management, processes and systems), or those of its outsourced service providers.

In managing its operational risk, NSB FMC strives to follow the set internal controls, policies and procedures in order to avoid losses originated from vulnerabilities in the operational processes and appearances of threats which together cause operational loss events.

Regulatory and Compliance Risk

Regulatory risk is the risk that a change in laws and regulations will materially impact on security, business, sector or market. A change in laws or regulations made by the government or a regulatory body can increase the costs of operating a business, reduce the attractiveness of investment and/or change the competitive landscape.

Compliance risk is defined as the risk of legal sanctions, material financial loss, or loss to reputation the Bank may suffer as a result of its failure to comply with laws, its own regulations, code of conduct, and standards of best/good practice.

In order to manage the regulatory and compliance risk, the NSB FMC has always taken measures to operate within the set guidelines of the regulatory authorities.

The Compliance Officer is responsible for independently ensuring that operating and business units comply with regulatory and internal guidelines.

Conclusion

The results achieved during the year would not have been possible if not for the team work and collective effort of all employees. The Directors wish to thank all employees of the Company for their commitment and dedication during the period under review.

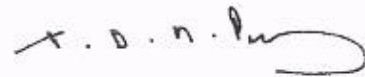
The Board of Directors extend their gratitude to the Governor, the Superintendent of Public Debt and the Staff of the Public Debt Department of the Central Bank of Sri Lanka for their support and guidance.

The Directors also wish to thank the National Savings Bank- the parent Company and the whole shareholder, for the immense support extended during the year under review.

For and on behalf of the Board
NSB Fund Management Company Limited.



Chairman



Director

Date: 12th May 2016

Financial Highlights (Rs. Millions)		
	2015	2014
Gross Income	692.6	699.2
Operating Profit	283.1	345.9
Profit on Ordinary Activities Before Tax	252.8	306.7
Net Profit After Tax	174.3	202.0
Govt Securities Portfolio	8,307.8	7,491.5
Net Assets	1,784.8	1,914.8
Earnings Per Share	11.62	13.46

NSB FUND MANAGEMENT COMPANY LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2015



Building a better
working world

Ernst & Young
Chartered Accountants
201 De Saram Place
P.O. Box 101
Colombo 10
Sri Lanka

Tel : +94 11 2463500
Fax Gen : +94 11 2697369
Tax : +94 11 5578180
eysl@lk.ey.com
ey.com

AdeS/NKDS/JJ

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NSB FUND MANAGEMENT COMPANY LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of NSB Fund Management Company Limited, ("the Company"), which comprise the statement of financial position as at 31 December 2015, statement of comprehensive income, statement of changes in equity and, cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information set out on pages 07 to 28.

Board's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain evidence and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.



Building a better
working world

Report on other legal and regulatory requirements

As required by Section 163(2) of the Companies Act No. 7 of 2007, we state the following:

- a) The basis of opinion and scope and limitations of the audit are as stated above.
- b) In our opinion :
 - 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,
 - The financial statements of the Company, comply with the requirements of Section 151.

11 March 2016
Colombo

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2015

	Note	2015 Rs.	2014 Rs.
Interest Income	5	692,614,775	699,200,960
Net Gain/(Loss) From Financial Instruments at Fair Value through Profit and Loss	6	3,569,538	65,518,344
Interest Expense	7	(370,609,992)	(383,512,460)
Net Operating Income		325,574,321	381,206,844
Personnel Costs	8.1	(26,516,401)	(16,611,747)
Operating Expenses		(16,017,990)	(18,662,998)
VAT on Financial Services	9	(30,277,541)	(39,227,007)
Profit before Taxation	8	252,762,389	306,705,092
Income Tax Expense	10	(78,443,982)	(104,735,235)
Profit for the Year		174,318,407	201,969,857
Other Comprehensive Income			
Gain/(Loss) on Retirement Benefit Obligation		377,836	96,435
Net gain/(loss) on available-for-sale financial assets		(179,101,002)	-
Total Comprehensive income for the year		(4,404,759)	202,066,292
Earnings Per Share	11	11.62	13.46
Dividend Per Share (Rs.)	12	1.07	1.11

Figures in brackets indicate deductions.

The accounting policies and notes on pages 7 through 28 form an integral part of the financial statements.

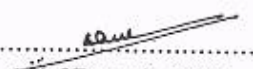


NSB Fund Management Company Limited
STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Note	2015 Rs.	2014 Rs.
ASSETS			
Cash and Cash Equivalents	13	7,945,170	4,100,559
Financial Assets at Fair Value through Profit and Loss (Trading)	14	4,262,151,445	4,123,727,165
Loans and Receivables	15	236,934,088	2,085,726
Financial Assets Held to Maturity	16	2,211,484,320	3,367,825,996
Available for Sale	17	2,020,269,824	-
Other Long Term Investments	18	1,000,000	1,000,000
Property, Plant & Equipment	19	2,222,261	879,277
Intangible Assets	20	-	6,537
Deferred Tax Asset	21	227,762	668,302
Other Assets	22	27,474,614	28,023,268
Total Assets		8,769,709,484	7,528,316,830
LIABILITIES & EQUITY			
Liabilities			
Borrowings under Repurchase Agreements	23	6,927,046,142	5,510,826,767
Amount Due to Related Parties	24	475,777	423,224
Other Liabilities	25	10,515,558	13,349,724
Income Tax Payable		45,477,190	86,575,093
Retirement Benefit Obligation	26	1,345,838	2,351,343
Total Liabilities		6,984,860,505	5,613,526,151
Equity			
Stated Capital	27	150,000,000	150,000,000
Retained Earnings		1,339,843,216	1,334,263,516
Special Risk Reserve	28	474,106,765	430,527,164
Other Reserves		(179,101,002)	-
Total Equity		1,784,848,979	1,914,790,679
Total Equity and Liabilities		8,769,709,484	7,528,316,830

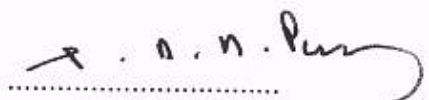
These Financial Statements are in compliance with the requirements of the Companies Act No : 07 of 2007.


Chief Executive Officer

The board of directors is responsible for the preparation and presentation of these Financial Statements. Signed for and on behalf of the board by:



Chairman


Director

The accounting policies and notes on pages 7 through 28 form an integral part of the financial statements.

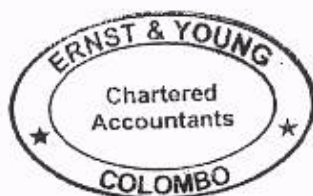


NSB Fund Management Company Limited
STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2015

	Stated Capital	Special Risk Reserve	Other Reserve Available for Sale Reserve	Retained Earnings	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01 January 2014	150,000,000	380,034,700	-	1,199,303,898	1,729,338,598
Profit for the year	-	-	-	201,969,857	201,969,857
Other Comprehensive Income	-	-	-	96,435	96,435
Total Comprehensive Income	-	-	-	202,066,292	202,066,292
Transfers	-	50,492,464	-	(50,492,464)	-
Dividend Paid	-	-	-	(16,614,210)	(16,614,210)
Balance as at 31 December 2014	<u>150,000,000</u>	<u>430,527,164</u>	<u>-</u>	<u>1,334,263,516</u>	<u>1,914,790,680</u>
Profit for the year	-	-	-	174,318,407	174,318,407
Other comprehensive income/(loss)	-	-	(179,101,002)	-	(179,101,002)
Super Gain tax	-	-	-	(109,536,942)	(109,536,942)
Other Comprehensive Income	-	-	-	377,836	377,836
Total Comprehensive Income	-	-	(179,101,002)	65,159,301	(113,941,701)
Transfers	-	43,579,601	-	(43,579,601)	-
Dividend Paid	-	-	-	(16,000,000)	(16,000,000)
Balance as at 31 December 2015	<u>150,000,000</u>	<u>474,106,765</u>	<u>(179,101,002)</u>	<u>1,339,843,216</u>	<u>1,784,848,979</u>

Figures in brackets indicate deductions.

The accounting policies and notes on pages 7 through 28 form an integral part of the financial statements.



STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Note	2015 Rs.	2014 Rs.
Cash Flows from Operating Activities			
Profit before Tax		252,762,389	306,705,092
Non-cash Items Included in Profits Before Tax			
Depreciation	19	330,390	181,154
Amortization	20	6,537	78,460
Provision for Gratuity	26	311,581	429,849
Cash Flows from Operating Activities before Working Capital Changes		253,410,898	307,394,554
 (Increase)/Decrease in Financial Assets Held for Trading		 (2,341,364,644)	 179,944,207
(Increase)/Decrease in Loans and Receivables		(234,848,362)	299,474,577
(Increase)/Decrease in Other Assets		548,654	(13,232,226)
Increase/(Decrease) in Borrowings under Repurchase Agreements		1,416,219,375	(837,263,064)
Increase/(Decrease) in Amount due to Related Parties		52,553	(116,563)
Increase/(Decrease) in Other Liabilities		(2,834,166)	(1,617,134)
Cash Flow from Operating Activities		(908,815,691)	(65,415,648)
 Income Tax Paid		 (148,844,948)	 (51,465,044)
Gratuity Paid		(939,249)	(185,100)
Net Cash Flow from Operating Activities		(1,058,599,888)	(117,065,792)
 Net Cash from Investing Activities			
Purchase of Property, Plant and Equipment		(1,673,375)	(373,610)
Net Proceeds from Financial Investments - Held to Maturity		1,080,117,875	126,905,562
Net Cash from Investing Activities		1,078,444,500	126,531,952
 Net Cash from Financing Activities			
Dividend Paid		(16,000,000)	(16,614,210)
Net Cash from Financing Activities		(16,000,000)	(16,614,210)
 Net Increase/(Decrease) in Cash & Cash Equivalents		3,844,613	(7,148,051)
 Cash and Cash Equivalents at the Beginning of the Year		 4,100,558	 11,248,608
Cash and Cash Equivalents at the End of the Year	13	7,945,170	4,100,558

Figures in brackets indicate deductions.

The accounting policies and notes on pages 7 through 28 form an integral part of the financial statements.



1. REPORTING ENTITY

NSB Fund Management Company Limited is a limited liability Company domiciled in Sri Lanka. The registered office of the Company and the principal place of business is located at National Savings Bank, 1st Floor, "Savings House" No.255, Galle Road, Colombo 3.

1.1 Principal Activities and nature of operations

The Company is a primary dealer engaged in trading government securities in the open market.

1.2 Parent enterprise

The Company is a wholly owned subsidiary of National Savings Bank.

1.3 Approval of Financial Statements

The Financial statements for the year ended 31 December 2015 were authorized for issue by the directors on 11 March 2016.

Statement of compliance

The financial statements which comprise the statement of financial position, the statement of comprehensive income, statement of changes in equity and the statement of cash flows, together with the accounting policies and notes (the "financial statements") have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the requirement of the Companies Act No. 7 of 2007.



2. BASIS OF PREPARATION

2.1 Presentation and Functional Currency

The financial statements are presented in Sri Lankan Rupees, the Company's functional and presentation currency, which is the primary economic environment in which the Company operates.

The significant accounting policies are discussed in Note 3 below.

2.2 Basis of Measurement

The financial statements have been prepared on accrual basis under the historical cost basis except for the following material items in the statement of financial position:

- Financial assets designated at fair value through profit or losses and available for sales are measured at fair value.
- Loans and receivables, Financial assets held to maturity and Borrowings under repurchase agreements are measured at amortized cost.
- The liability for defined benefit obligation is recognized as the present value of the defined benefit obligation

2.3 Comparative Information

The accounting policies have been consistently applied by the company with those of the previous financial year in accordance with LKAS 01 presentation of financial statements.

2.4 Functional and presentation currency

The financial statements are presented in Sri Lanka rupees, which is the functional currency of Company.

2.5 Use of estimates and Judgment

The preparation of financial statements in conformity with SLFRS 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. Judgments and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Hence actual results may differ from those estimates and judgmental decisions.

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 any periods affected. Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

Tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of business relationships and the long term nature and complexity of existing contractual agreements, Differences arising between the actual results and the assumptions should necessitate future adjustments to tax income and expense already recorded. Accordingly, based on such reasonable estimates the Company establishes the provisions to be made during the financial year.



Financial assets at fair value through profit or loss

The determination of fair values of financial assets and financial liabilities recorded on the Statement of Financial Position for which there is no observable market price are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

In the principal market for the asset or liability or In the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Retirement benefit obligation

The cost of retirement benefit obligation is determined using the Projected Unit Credit method. The Projected Unit Credit method involves making assumptions about expected salary increment rate, Discount/Interest rates and staff turnover factor. Due to the complexity of the valuation, the underlying assumptions and its long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Details of the key assumptions used in the estimates are contained in Note 26.

Going Concern

The management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on a going concern basis.

3. ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all financial periods presented in these financial statements.



ASSETS AND BASES OF THEIR VALUATION

3.1 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, balances with banks, and bank overdrafts.

3.2 3.3 Financial Instruments

Non-Derivative financial assets

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial assets: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables.

a) Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

b) Held-to-maturity financial assets

If the Company has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Company from classifying investment securities as held-to-maturity for the current and the following two financial years.

c) Available-for-sale financial investments

Available-for-sale financial investments include equity securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the income statement in finance costs and removed from the available-for-sale reserve.



d) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables comprise Securities sold under agreements to repurchase.

3.3 Impairment of Assets

Impairment of Non-Derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security.

The Company considers evidence of impairment for receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together receivables and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount.

Impairment of Non-financial assets

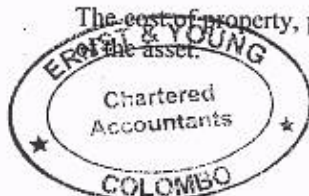
The carrying amounts of the Company's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated and recognized in the statement of financial position.

3.4 Property, plant and equipment

3.4.1 Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes expenditures that are directly attributable to the acquisition of the asset.



Purchased software that is integral to the functionality of the related equipment is capitalized as a part of equipment.

3.4.2 Depreciation

Depreciation is recognized in profit and loss on a straight line basis over the periods appropriate to the estimated useful life of the different types of assets on the rates given below.

Furniture and fittings	10 % p.a.
Computer and equipment	25 % p.a.
Office equipment	10 % p.a.
Swift equipment	25 % p.a.

Depreciation of an asset begins when it is available for use and ceases at the earlier of the dates on which the asset is classified as held for sale or is derecognised. Depreciation methods, useful lives and residual values are reassessed at the reporting date.

3.5 Intangible assets

An intangible asset is recognized if it is probable that future economic benefits will flow to the entity and the cost of the asset can be measured reliably. Intangible assets with finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumptions of future economic benefits embodied in the assets is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. Amortization expense on intangible assets with finite lives is recognized in profit and loss on the straight-line basis over the estimated useful lives, from the date they are available for use. The estimated useful life of intangible assets with finite life is as follows:

SWIFT license fee 5 Years
SWIFT entrance fee 5 Years

LIABILITIES AND PROVISIONS

3.6 Employee Benefits

3.6.1 Defined benefit plans

The liability recognized in the Statement of Financial position in respect of defined benefit plan is the present value of the defined benefit obligation at the reporting date. The defined benefit obligation is calculated annually using the projected Unit Credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using the interest rates that apply to the currency in which the benefit will be paid and that have terms to maturity approximating to the terms of the related liability.



3.6.2 Defined contribution plans - Employees' Provident Fund and Employees' Trust Fund

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Employees are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions in line with respective statutes and regulations. The Company contributes 12% and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively and is recognized as an expense in profit and loss in the periods during which services are rendered by employees.

3.6.3 Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

3.7 Non-derivative financial liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: Borrowings under repurchase agreements and other payables.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

3.8 Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

3.9 Income Statement

3.9.1 Revenue Recognition

3.9.1.1 Interest and similar income

For all financial instruments measured at amortized cost, interest bearing financial assets classified as financial instruments designated at fair value through profit or loss, interest income is recorded using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.



3.9.1.2 Fee and Commission Income

Fee and commission income include accounts servicing fees, investment management fees, sales commission and placement fees which are recognized when the related services are performed.

3.9.1.3 Trading Income

Gains or losses arising from the sale of dealing securities are accounted for on the date of transaction in profit and loss.

3.9.2 Expenses

3.9.2.1 Interest and similar expenses

For all financial instruments measured at amortized cost, borrowings under repurchase agreements, interest expense is recorded using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial liability. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

3.9.2.2 Income tax expense

Income tax expense comprises of current and deferred tax. Current and Deferred tax are recognized in profit and loss except to the extent that it relates to items recognized directly in equity, when it is recognized in equity.

Current Tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date and any adjustments to tax payable in respect of previous years.

Deferred Tax

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. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the temporary difference 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.

Value Added Tax on financial services

The basis for the computation of Value Added Tax on financial services is the accounting profit before income tax adjusted for the economic depreciation computed on prescribed rate and emoluments of employees.



4. STANDARDS ISSUED BUT NOT EFFECTIVE

The standards and interpretations that are issued but not yet effective up to the date of issuance of the company's financial statements are disclosed below. The company intends to adapt these standards, if applicable, when they become effective.

SLFRS 9- Financial Instruments: Classification and Measurement

SLFRS 9, as issued reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets and liabilities.

The standard was originally effective for annual periods commencing on or after 01 January 2015. However effective date has been deferred subsequently.

SLFRS 14 – Regulatory Deferral Accounts

The scope of this standard is limited to first-time adopters of SLFRS that already recognize regulatory deferral account balances in their financial statements. Consequently, the financial statements of rate regulated entities that already apply SLFRS, or that do not otherwise recognize such balances, will not be affected by this standard. This standard is effective for the annual periods beginning on or after 01 January 2016.

SLFRS 15 - Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance. Including LKAS 18 Revenue, LKAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. This standard is effective for the annual periods beginning on or after 01 January 2017.



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

5. INTEREST INCOME	2015	2014
	Rs.	Rs.
Interest on Treasury Bills/Bonds	645,534,194	663,990,936
Interest on Debentures	3,389,311	34,582
Fees & Commission	43,691,270	35,175,443
	<u>692,614,775</u>	<u>699,200,960</u>
6. NET GAIN/(LOSS) FROM FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS (TRADING)	2015	2014
	Rs.	Rs.
Realised	44,979,204	94,309,964
Unrealised	(41,409,666)	(28,791,620)
	<u>3,569,538</u>	<u>65,518,344</u>
7. INTEREST EXPENSE	2015	2014
	Rs.	Rs.
Interest Expense on Repurchase Agreements	370,609,992	383,512,460
	<u>370,609,992</u>	<u>383,512,460</u>
8. PROFIT BEFORE TAXATION	2015	2014
	Rs.	Rs.
Profit before taxation is stated after charging all expenses including the following		
Auditor fees and other related expenses	220,000	200,000
Depreciation on PPE	330,390	373,610
Amortisation of Intangible Assets	6,537	78,460
Personnel Costs (8.1)	26,516,401	16,611,747
8.1 Personnel Costs	2015	2014
	Rs.	Rs.
Salaries	20,076,523	11,739,632
Defined Contribution Plan Cost - EPF and ETF	878,174	796,080
Defined Benefit Plan Cost - Retirement Gratuity	311,581	429,849
Other Staff Cost	5,250,123	3,646,187
	<u>26,516,401</u>	<u>16,611,747</u>
9. VAT ON FINANCIAL SERVICES		

The value base for value added tax for the company is the adjusted accounting profit before tax and emoluments of employees. The adjustment to the accounting profit before tax is for economic depreciation computed on prescribed rates, instead of the rates adopted in the financial statements.



NSB Fund Management Company Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended /As at 31 December 2015

10. INCOME TAX EXPENSE

	2015 Rs.	2014 Rs.
Current Income Tax		
Current Income Tax charge on ordinary activities for the year	79,865,124	104,835,203
Under/(Over) Provision of current taxes in respect of prior years	(1,861,681)	-
	<u>78,003,443</u>	<u>104,835,203</u>
Deferred Income Tax		
Deferred Taxation Charge/(Reversal)	440,539	(99,968)
Income Tax Expense Reported in the Income Statement	<u>78,443,982</u>	<u>104,735,235</u>

Reconciliation between Current Tax Expenses and the Accounting Profit

	2015 Rs.	2014 Rs.
Accounting Profit /(Loss) before Tax from Continuing Operations	252,762,389	306,705,092
Income not Liabe for Tax	(3,814,256)	(501,645)
Unrealized (Gain) / Loss from the Trading Securities	-	28,791,620
Other Aggregate Disallowed Items	36,437,894	39,936,798
Other Aggregate Deductible Items	(1,605,337)	(520,426)
Taxable Profit	<u>283,780,691</u>	<u>374,411,439</u>
Income Tax Rate	28%	28%
Current Income Tax Expense	79,458,593	104,835,203
Deemed Dividend Tax	406,531	-
	<u>79,865,124</u>	<u>104,835,203</u>

11. EARNINGS PER SHARE

The calculation of earnings per share is based on profit attributable to the ordinary shareholders for the year, divided by the average number of ordinary shares in issue during the year and calculated as follows;

	2015 Rs.	2014 Rs.
Profit Attributable to Ordinary Shareholders	174,318,407	201,969,857
Numbers of Ordinary Shares	15,000,000	15,000,000
Earnings Per Share	<u>11.62</u>	<u>13.46</u>

12. DIVIDEND PER SHARE

Dividend per share is calculated by dividing the dividend by the number of ordinary shares in issues as at the year end

	2015 Rs.	2014 Rs.
Numbers of Ordinary Shares	15,000,000	15,000,000
Interim dividend paid (Rs.)	16,000,000	16,614,210
Dividend per share	<u>1.07</u>	<u>1.11</u>



13. CASH & CASH EQUIVALENTS

	2015 Rs.	2014 Rs.
Cash at Bank and Cash in Hand	7,216,409	3,933,193
Balance with Central Bank	728,761	167,366
Cash & Cash Equivalents for the Purpose of Cash Flow Statement	7,945,170	4,100,559

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (TRADING)

	2015 Rs.	2014 Rs.
Treasury Bills	1,184,757,431	1,595,786,985
Treasury Bonds	3,077,394,014	2,510,905,598
Corporate Debentures	-	17,034,582
	4,262,151,445	4,123,727,165

15. LOANS AND RECEIVABLES

	2015 Rs.	2014 Rs.
Loans & Receivables from Banks	232,038,861	-
Loans & Receivables from Other Customers	4,895,227	2,085,726
	236,934,088	2,085,726

16. FINANCIAL ASSETS HELD TO MATURITY

	2015 Rs.	2014 Rs.
Treasury Bonds	2,073,104,090	3,288,975,887
Amortised Discount/Premium Treasury Bond	138,380,230	78,850,109
	2,211,484,320	3,367,825,996

17. FINANCIAL ASSETS AVAILABLE FOR SALE

	2015 Rs.	2014 Rs.
Treasury Bonds	1,834,209,138	-
Debentures	186,060,686	-
	2,020,269,824	-

18. OTHER LONG TERM INVESTMENTS

	2015		2014	
	Cost Rs.	Directors' Valuation Rs.	Cost Rs.	Directors' Valuation Rs.
Investment in Lanka Financial Services Bureau Limited	1,000,000	1,000,000	1,000,000	1,000,000
	1,000,000	1,000,000	1,000,000	1,000,000



NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2015

19. PROPERTY, PLANT AND EQUIPMENT

	Balance as at 01/01/2015	Additions during the year	Disposals during the year	Balance as at 31/12/2015
Cost	Rs.	Rs.	Rs.	Rs.
Computer Equipment	2,741,559	1,673,375	-	4,414,934
Swift Equipment	913,903	-	-	913,903
Office Equipment	437,786	-	-	437,786
Furniture & Fittings	952,343	-	-	952,343
	<u>5,045,592</u>	<u>1,673,375</u>	<u>-</u>	<u>6,718,966</u>

Accumulated Depreciation

	Balance as at 01/01/2015	Charge for the year	Depreciation on Disposals	Balance as at 31/12/2015
	Rs.	Rs.	Rs.	Rs.
Computer Equipment	2,395,899	224,265	-	2,620,163
Swift Equipment	913,901	-	-	913,901
Office Equipment	229,237	36,402	-	265,638
Furniture & Fittings	627,278	69,724	-	697,002
	<u>4,166,315</u>	<u>330,390</u>	<u>-</u>	<u>4,496,705</u>

Carrying Amount

	2015 Rs.	2014 Rs.
Nat Book Value as at 31 December	<u>2,222,261</u>	<u>879,277</u>

20. INTANGIBLE ASSET

	SWIFT license Fee Rs.	SWIFT Entrance Fee Rs.	Total Rs.
Cost			
Balance as at 1 January 2015	1,058,562	911,031	1,969,593
Balance as at 31 December 2015	<u>1,058,562</u>	<u>911,031</u>	<u>1,969,593</u>

Accumulated Amortisation & Impairment Loss

Balance as at 1 January 2014	1,058,562	904,494	1,963,056
Amortisation charge for the Year	-	6,537	6,537
Balance as at 31 December 2014	<u>1,058,562</u>	<u>911,031</u>	<u>1,969,593</u>

Carrying Amount

	2015 Rs.	2014 Rs.
Carrying Amount	<u>-</u>	<u>6,537</u>

21. DEFERRED TAX ASSET

	2015 Rs.	2014 Rs.
Balance at the beginning of the year	668,302	568,334
Origination/(reversal) of temporary differences	(440,540)	99,968
Balance at the end of the year	<u>227,762</u>	<u>668,302</u>

The closing Deferred Tax Asset balance relates to the following

Accumulated depreciation	(175,989)	11,756
Accumulated amortization	-	(1,830)
Unrecognized tax benefit obligation	403,751	658,376
	<u>227,762</u>	<u>668,302</u>



NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2015

22. OTHER ASSETS

	2015 Rs.	2014 Rs.
Other Receivables	14,001	11,500
WHT Receivable	27,460,613	28,011,768
	<u>27,474,614</u>	<u>28,023,268</u>

Notional Credit for WHT on Government Securities on Secondary Market Transaction

In accordance with the section 137 of the Inland revenue Act No.10 of 2006 the company is entitled to a notional tax credit equivalent to 1/9th of the interest income derived from the Market transaction in Government securities.

Accordingly, the net interest earned by the Company from the secondary Market transactions in government securities, has been grossed up in the Financial Statement and the resulting notional credit amounted to Rs. 27,460,613/- (2014 - Rs. 28,011,768/-).

23. BORROWINGS UNDER REPURCHASE AGREEMENTS

	2015 Rs.	2014 Rs.
Due within 1 year	6,927,046,142	5,510,826,767
	<u>6,927,046,142</u>	<u>5,510,826,767</u>

24. AMOUNT DUE TO RELATED PARTY

	2015 Rs.	2014 Rs.
National Savings Bank - Current Account	87,793	99,528
- Other Payables	387,985	323,696
	<u>475,777</u>	<u>423,224</u>

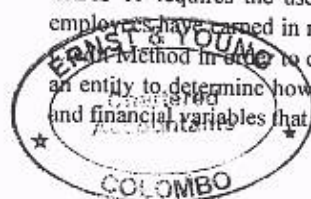
25. OTHER LIABILITIES

	2015 Rs.	2014 Rs.
Value added Tax (VAT) Payable	8,365,844	9,115,066
NBT Payable	1,505,349	3,623,143
Sundry Creditors	-	525
Accrued Expenses	644,365	610,990
	<u>10,515,558</u>	<u>13,349,724</u>

26. RETIREMENT BENEFIT OBLIGATION

	2015 Rs.	2014 Rs.
Balance at the beginning of the year	2,351,343	2,203,029
Current service cost	191,326	219,165
Interest for the year	120,254	210,684
Deficit/(Surplus) charge for the year	(377,836)	(96,435)
Payments made during the year	(939,250)	(185,100)
Balance at the end of the year	<u>1,345,838</u>	<u>2,351,343</u>

LKAS 19 requires the use of actuarial techniques to make a reliable estimate of the amount of the retirement benefit that the employees have earned in return for their service in the current and prior periods and discount that benefits using the projected unit credit method in order to determine the present value of the retirement benefit obligation and the current service cost. This requires an entity to determine how much benefit is attributable to the current and prior periods and to make estimates about demographic and financial variables that will influence the cost of the benefit.



NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2015

26. RETIREMENT BENEFIT OBLIGATION (Cont.)

- 26.1** The Employee Benefit Liability is based on the Projected Unit Credit method carried out as at 31 December 2015. The principal assumptions used in determining the cost of employee benefits were:

	2015	2014	
Discount rate	10%	9%	
Future Salary Increment	7%	7%	
Staff Turnover Rate & Average Future Working Life Time			
Age Group	30-34	35-39	40<
Staff Turnover Rate	12.50%	12.50%	10%
Average Future Working Life Time - Years	9.52	8.9	8.3

26.2 Sensitivity Analysis - Salary/Discount Rate

Values appearing in the Financial Statements are very sensitive to the changes in financial and non-financial assumptions used.

A sensitivity was carried out as follows.

Effect on the present value of Defined Benefit Obligation	+1%	-1%
One percentage point change in the discount rate	167,499	180,636
One percentage point change in the salary escalation rate	184,112	173,577

Assumptions

Financial Assumptions - Rate of discount, Salary increment rate

Demographic Assumptions - Mortality, Staff turn over, Disability, Retirement age

27. STATED CAPITAL

	2015 Rs.	2014 Rs.
15,000,000 Ordinary Shares	150,000,000	150,000,000

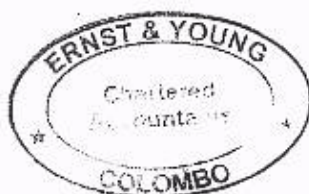
The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at Annual General Meeting of the company.

28. SPECIAL RISK RESERVE

	2015 Rs.	2014 Rs.
At the beginning of the year	430,527,164	380,034,700
Transferred during year - 25% of profit after tax	43,579,601	50,492,464
At the end of the year	474,106,765	430,527,164

- 28.1** In order to promote the safety, soundness and the stability of the Primary Dealer (PD) system and to build up PD capital base, with effect from July 1, 2004, Primary Dealers (PDs) are required to transfer a percentage of their profit after tax annually to a Special Risk Reserve as follows.

- I. 50% of the profit after tax annually by the PDs who maintain capital funds less than Rs.400 million.
- II. 25% of the profit after tax annually by the PDs who maintain capital funds in excess of Rs.400 million.



29. MATURITY OF ASSETS AND LIABILITIES

As analysis of interest bearing assets and liabilities by their remaining periods of the reporting date is as follows.

As at 31 December 2015	Less than 3 Months Rs.	3 to 12 Months Rs.	1 to 3 Years Rs.	3 to 5 Years Rs.	More than 5 Years Rs.	Total Rs.
Assets						
Government securities held for trading and held to maturity	297,403,635	3,270,070,094	2,267,179,359	546,547,570	92,435,106	6,473,635,764
Government securities Available for Sale	78,439,113		193,181,000	591,416,875	971,172,150	1,834,209,138
Corporate debentures	2,880,686		50,000,000	133,180,000		186,060,686
Government Securities held under dealing purposes						
Customers	4,064,102	831,119	-	-	-	4,895,221
Others	232,038,867	-	-	-	-	232,038,867
Total Interest earning assets	614,826,403	3,270,901,213	2,510,360,359	1,271,144,445	1,063,607,256	8,730,839,676
Total non Interest earning assets						38,869,808
Total Assets						8,769,709,484
Liabilities						
Government Securities sold under repurchase agreement	3,259,098,045	3,667,785,016	163,082	-	-	6,927,046,142
Total Interest bearing liabilities	3,259,098,045	3,667,785,016	163,082	-	-	6,927,046,142
Total non int. bearing liabilities						57,814,363
Shareholder's fund						1,784,848,979
Total Equity and Liabilities						8,769,709,484

As at 31 December 2014	Less than 3 Months Rs.	3 to 12 Months Rs.	1 to 3 Years Rs.	3 to 5 Years Rs.	More than 5 Years Rs.	Total Rs.
Assets						
Government securities held for trading	747,478,235	2,077,940,298	1,727,487,280	2,130,308,315	791,304,452	7,474,518,580
Corporate debentures	-	-	-	17,034,582	-	17,034,582
Government Securities held under						
Customers	1,499,856	585,869	-	-	-	2,085,725
Others	-	-	-	-	-	-
Total Interest earning assets	748,978,091	2,078,526,167	1,727,487,280	2,147,342,897	791,304,452	7,493,638,887
Total non Interest earning assets						34,677,943
Total Assets						7,528,316,830
Liabilities						
Government Securities sold under repurchase agreement	3,490,431,276	2,020,395,490	-	-	-	5,510,826,766
Total Interest bearing liabilities	3,490,431,276	2,020,395,490	-	-	-	5,510,826,766
Total non int. bearing liabilities						102,699,384
Shareholder's fund						1,914,790,680
Total Equity and Liabilities						7,528,316,830

30. FINANCIAL ASSETS PLEDGED AS COLLATERALS

The Company has pledged assets that are in its Statement of Financial Position in day to day transaction which are conducted under the usual terms and conditions applying such agreements. The company has pledged the investments in government securities against securities hold under repurchase agreements.

Government Securities

2015
7,950,720,206

2014
5,865,597,576



31. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial Instruments Recorded at Fair Value

The following is a description of how fair values are determined for financial instruments that are recorded at fair value using valuation techniques. These incorporate the Company's estimate of assumptions that a market participant would make when valuing the instruments.

(a) Financial Assets Held for Trading

Quoted Equities and Sri Lanka Government Securities - Treasury Bills and Bonds included in Financial Assets Held for Trading are valued using market prices.

whereas debt securities are valued using discounted cash flow valuation models which incorporate observable and non observable market data.

(b) Financial Investments - Available for Sale

Available for Sale Financial Assets valued using valuation techniques or pricing models primarily consist of unquoted equities.

Determination of Fair Value and Fair Value Hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique.

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data and unobservable inputs have a significant effect on the intruments valuation.

31.1 Determination of Fair Value and Fair Value Hierarchy

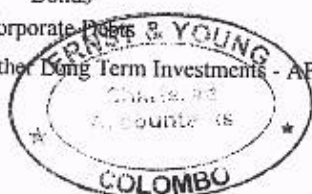
As at 31 December 2015	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Financial Assets				
Financial Assets - Held for Trading				
Government of Sri Lanka Treasury Bills and Bonds	4,262,151,444	-	-	4,262,151,444
Available for sale investments	-	1,834,209,138	-	1,834,209,138
Corporate Debts	-	186,060,686	-	186,060,686
Other Long Term Investments - AFS	-	-	1,000,000	1,000,000
	<u>4,262,151,444</u>	<u>2,020,269,824</u>	<u>1,000,000</u>	<u>6,283,421,268</u>

As at 31 December 2014

Financial Assets

Financial Assets - Held for Trading

Government of Sri Lanka Treasury Bills and Bonds	4,106,692,582	-	-	4,106,692,582
Corporate Debts	-	17,034,582.00	-	17,034,582
Other Long Term Investments - AFS	-	-	1,000,000	1,000,000
	<u>4,106,692,582</u>	<u>17,034,582</u>	<u>1,000,000</u>	<u>4,124,727,164</u>



31. FAIR VALUE OF FINANCIAL INSTRUMENTS (Cont.)

31.2 Determination of Fair Value and Fair Value Hierarchy

Set out below is a comparison, by class, of the carrying amounts and fair values of the Company's financial instruments that are not carried at fair value in the financial statements. This table does not include the fair values of non-financial assets and non-financial liabilities.

	31 December 2015		31 December 2014	
	Carrying Amount Rs.	Fair Value Rs.	Carrying Amount Rs.	Fair Value Rs.
Financial Assets				
Cash and Bank	7,945,170	7,945,170	4,100,559	4,100,559
Loans and Receivables	236,934,088	236,934,088	2,085,726	2,085,726
Financial Assets Held to Maturity	2,211,484,320	2,172,330,000	3,367,825,996	3,387,403,250
Total Financial Assets	2,456,363,578	2,417,209,258	3,374,012,281	3,393,589,535
Financial Liabilities				
Borrowings under Repurchase Agreements	6,927,046,142	6,927,046,142	5,510,826,767	5,510,826,767
Amount Due to Related Parties	475,777	475,777	423,224	423,224
Total Financial Liabilities	6,927,521,919	6,927,521,919	5,511,249,991	5,511,249,991

Fair Value of Financial Assets and Liabilities not Carried at Fair Value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the Financial Statements.

Assets for which Fair Value Approximates Carrying Value

For financial assets and financial liabilities that have a short term maturity it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to demand deposits, savings accounts without a specific maturity, floating rate instruments, fixed rate instruments having maturities within 12 months.

Fixed Rate Financial Instruments

The fair value of fixed rate financial assets and liabilities (other than assets and liabilities with maturities within 12 months) carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments.



NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2015

32. FINANCIAL RISK MANAGEMENT

Overview

The Company has exposure to the following risks from its use of financial instruments:

- Market risk
- Operational risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The risk management policies of the Company's are established to identify and analyze the risk faced by the company's, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities.

The Board of Directors oversees how management monitors compliance with the Companies risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the company.

Market risk

Liquidity risk and the interest rate risk are monitored monthly using gap analysis and the re-pricing impact of interest rate fluctuations on the portfolio. Stress testing based on PVBP analysis to monitor the impact of interest rate variations on the value of the portfolio is also assessed and both results are reported to the Board.

Operational risk

A software system has been put in place to automate core functions of the Company with online MIS and other risk management facilities. A Disaster Recovery Site for SWIFT connectivity, IT system and other business functions of the Company has been set up at NSB premises in Maharagama & Internal audit conducted by Officers of the Audit & Vigilance Division of the NSB is responsible for monitoring the operation of the internal control system.

A Quarterly assessment of Company performance is conducted by the Public Debt Department of the Central Bank as the regulatory authority. Stress Testing to measure risk impact of interest rates on the portfolio, Cumulative Gap measuring the Liquidity Risk, Capital Adequacy Ratio and Capital Leverage are monitored under this assessment and the results informed by the Central Bank are forwarded to the Board of Directors of the Company.



NSB Fund Management Company Limited
NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2015

32. FINANCIAL RISK MANAGEMENT (Contd...)

32.1 Credit Risk

Credit Risk Analysis - Maturity Profile Analysis of Financial Assets
As at 31 December 2015 - Face Value Analysis

Instrument	Overnight	2-7 Days	8-30 Days	31-91 Days	92-182 Days	183-365 Days	Above 365 Days
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Reverse repo Treasury bills & Treasury bonds	232,000,000	-	400,000	613,119	2,604,931	1,181,958	-
Treasury bills	537,212	-	132,242,990	167,049,598	624,441,900	291,001,397	-
Treasury bonds	-	-	-	-	200,000,000	2,025,868,000	4,659,830,872
Total	232,537,212	-	132,642,990	167,662,717	827,046,831	2,318,051,355	4,659,830,872

Credit Risk Analysis - Maturity Profile Analysis of Financial Assets
As at 31 December 2014 - Face Value Analysis

Instrument	Overnight	2-7 Days	8-30 Days	31-91 Days	92-182 Days	183-365 Days	Above 365 Days
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Reverse repo Treasury bills & Treasury bonds	-	-	-	-	-	-	-
Treasury bills	-	-	43,030,124	186,744,828	1,252,094,351	146,584,991	-
Treasury bonds	-	-	200,000,000	303,103,782	-	680,626,203	4,317,657,907
Total	-	-	243,030,124	489,848,610	1,252,094,351	827,211,194	4,317,657,907



NSB Fund Management Company Limited
NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2015

32. FINANCIAL RISK MANAGEMENT (Contd...)

32.2 Liquidity Risk

Liquidity risk Analysis - Maturity Profile Analysis of Financial Liabilities
As at 31 December 2015 - Face Value Analysis

Instrument	Overnight Rs.	2-7 Days Rs.	8-30 Days Rs.	31-91 Days Rs.	92-182 Days Rs.	183-365 Days Rs.
Customer Repo	210,563,928	875,209,122	1,076,830,651	2,265,354,170	917,182,828	1,470,785,691
Repo	-	-	34,876,218	-	-	-
Total	210,563,928	875,209,122	1,111,706,869	2,265,354,170	917,182,828	1,470,785,691

Liquidity risk Analysis - Maturity Profile Analysis of Financial Liabilities
As at 31 December 2014 - Face Value Analysis

Instrument	Overnight Rs.	2-7 Days Rs.	8-30 Days Rs.	31-91 Days Rs.	92-182 Days Rs.	183-365 Days Rs.
Customer Repo	115,290,356	307,195,598	1,099,976,702	1,332,678,579	883,989,802	1,092,504,475
Repo	62,611,714	252,869,487	50,000,000	237,873,366	-	-
Total	177,902,071	560,065,085	1,149,976,702	1,570,551,945	883,989,802	1,092,504,475

32.3 Market risk

Sensitivity Analysis of Re-Pricing of assets and liabilities
Maturity of assets and liabilities - Market Value

Instrument	Overnight	8-30 Days	31-91 Days	92-182 Days	183-365 Days	1-2 Years	2-5 Years	Above 5 Years
Assets								
Customer Rev. Repo	-	406,127	641,728	2,743,172	1,379,088	-	-	-
Rev. Repo	232,038,797	-	-	-	-	-	-	-
T. Bonds	-	-	-	200,303,000	2,028,119,321	1,010,844,665	2,634,658,082	1,059,863,019
T. Bills	537,122	131,742,795	165,123,718	611,337,137	276,016,575	-	-	-
Debentures	-	-	2,880,686	-	-	-	183,180,000	-
Total	232,575,919	132,148,922	168,646,132	814,383,309	2,305,514,984	1,010,844,665	2,817,838,082	1,059,863,019
Liabilities								
Capital & Profit	-	-	-	-	-	-	-	1,890,110,833
Customer Repo	213,896,479	1,980,772,042	2,316,271,841	946,650,420	1,572,392,481	-	-	-
Repo	-	35,244,431	-	-	-	-	-	-
Total	213,896,479	2,016,016,473	2,316,271,841	946,650,420	1,572,392,481	-	-	-

Reduction of the value of the Trading Portfolio for an increase in yield by 100 basis points as per Stress Check Results

	2015 Rs.	2014 Rs.
Chartered	4,345,588	5,437,686
Treasury bond trading portfolio	51,207,812	93,917,935
Total	55,553,400	99,355,621



33. RELATED PARTY DISCLOSURES**(a) Transactions with key management personnel**

Key management personnel comprise of the Directors of the Company and the details of the transactions with them are as follows.

i) Loans to key management personnel

No loans were given to Directors of the company.

ii) Key management personnel compensation

Remuneration paid to Directors during the year was amounted to Rs. 342,500/- (2014 - Rs. 150,000/-).

(b) Transactions with related parties

The following transactions were carried out with related parties during the year ended 31 December 2015

Items in Income Statement

		2015 Rs.	2014 Rs.
National Savings Bank	Interest Received from investment in Reverse Repo	23,683,356	5,445,112
	Service Charge Income	41,330,185	35,170,443
	RTGS Charges	521,250	628,950
	Interest Paid on Repurchase agreements	6,410,039	24,563,140

State and State	Income tax	(78,443,982)	(104,835,203)
Controlled entities	Value added Tax	(30,277,541)	(39,227,007)

Items in Statement of Financial Position

National Savings Bank	Investments in Reverse Repo, Treasury Bills and Treasury Bonds	-	-
	Borrowing under Repurchase agreements	214,000,000	-
State and State	Government securities held	8,307,844,903	6,473,635,765
Controlled entities	Borrowings under repurchase agreements	6,815,926,390	3,977,272,328

34. CAPITAL COMMITMENTS AND CONTINGENCIES

There were no capital commitments and contingencies as at 31 December 2015.

35. EVENTS OCCURRING AFTER THE REPORTING DATE

No circumstances have arisen since the reported date which would require adjustments to or disclosure in the financial statements.

