

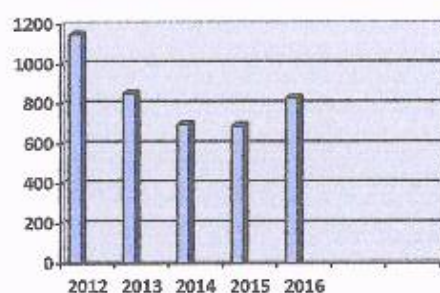
CONTENTS	PAGE
01. CORPORATE INFORMATION	01
02. FINANCIAL HIGHLIGHTS	02
03. COMPANY PROFILE	03
04. PERFORMANCE REVIEW	05
05. RISK MANAGEMENT REPORT	08
06. ANNUAL REPORT OF THE BOARD OF DIRECTORS	11
07. FINANCIAL STATEMENTS	14
08. ANNEXURE	44

Corporate Information

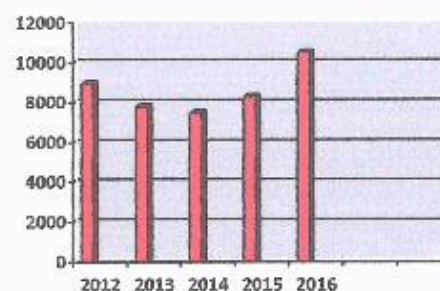
Name of the Company	- NSB FUND MANAGEMENT COMPANY LIMITED												
Company Reg. Number	- PB 795												
Legal Form	- A fully owned subsidiary of National Savings Bank, incorporated under the Companies Act No. 17 of 1982 and re-registered under the provisions of the Companies Act No. 07 of 2007.												
Board of Directors	<table> <tr> <td>- Mr. Aswin De Silva</td><td>Mr. D L P R Abeyaratne</td></tr> <tr> <td>Mr. Suranga Naullage</td><td>Mr. S D N Perera</td></tr> <tr> <td>Mr. Ajith Pathirana</td><td>Mr. R D R Amarasekara</td></tr> <tr> <td>Mr. Dhammika Ambewela</td><td>Mr. R A N Jayasundara</td></tr> <tr> <td>Mr. D S W Samarasekara</td><td>Mr. Yasas De Silva</td></tr> <tr> <td>Mr. Srilal Fernando</td><td></td></tr> </table>	- 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 Ambewela	Mr. R A N Jayasundara	Mr. D S W Samarasekara	Mr. Yasas De Silva	Mr. Srilal Fernando	
- 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 Ambewela	Mr. R A N Jayasundara												
Mr. D S W Samarasekara	Mr. Yasas De Silva												
Mr. Srilal Fernando													
Chief Executive Officer	- Ms. G V A D Devika Silva												
Company Secretary	- Ms. Anupama Muhandiram												
Registered Office	- 1 st Floor "Savings House" National Savings Bank No. 255, Galle Road, Colombo 03.												
Telephone	- 2565956, 2564601 & 2372038												
Fax	- 2564706/2574387												
E-mail	- nsbfmt@nsb.lk												
SWIFT	- NSBFLKLXXXX												
Auditor	- Auditor General												
Banker	- Bank of Ceylon - Corporate Branch No.4, Bank of Ceylon Mawatha Colombo 01.												

Financial Highlights

For the year ended 31 st December	2016 Rs. Mn	2015 Rs. Mn	Change %
Gross Income	831	693	20
Net Operating Income	179	326	(45)
Profit on Ordinary Activities Before Tax	109	253	(57)
Net Profit After Tax	79	174	(54)
Govt. Securities Portfolio	10,507	8,308	26
Borrowings	9,143	6,927	32
Net Assets	1,691	1,731	(2)
Earnings Per Share	5.29	11.62	(54)
Dividends Paid	16	16	-
ROE (%)	6.45	14.60	
ROI (%)	2.58	3.69	
Net Profit Ratio (%)	13.14	36.49	



Gross Income



Govt. Securities Portfolio

Company Profile

The NSB Fund Management Co. Ltd had 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. The Company is now one of the main primary Dealer among eight standalone PD Companies and seven PD Units of Commercial Banks.

Operating Structure

As the fully owned subsidiary of National Savings Bank, the Company is always in line with the best business practices of the Bank and has the privilege of serving the customer with second largest portfolio in Government Securities.

Customers

The NSB FMC currently has high net worth individual and institutional customers. Those mainly include the large investment Funds of Sri Lanka including Central Bank Provident Fund.

Achievements

Over seventeen years we have built up the financial and intellectual capital and are now equipped with the following which give us the confidence to fly higher in the years ahead.

1. 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.
2. 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 Service Bureau Limited, formed to manage the SWIFT Network services and related facilities locally.
3. The 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 very much lesser cost without going through SWIFT. Settlement risk is now minimized due to Delivery Verses Payment (DVP) method used to settle funds and securities using above systems.
4. The 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.
5. The Company contributed to the efforts of NSB as a Lead Manager for issuing Government Securities to the Sri Lanka Diaspora by managing the customer

investments in Government Securities under this scheme as the agent of the Central Bank.

Business Lines

- Participate in Primary Auctions of the Government securities
- Custodian services
- Trustee Services including collateral Manager Services
- Lead Manger services
- Portfolio Management services

The Board of Directors at its meeting held on 18/11/2016 has approved to carry out the fee based activities as an income diversification and business growth strategy in compliance with the guidelines issued by the Central Bank of Sri Lanka on Fee Based Activities of the Primary Dealers. Accordingly, the Company is now engaged in Trustee Services and Custodian Services and in the process of diversifying into Portfolio Management.

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.

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

Performances Review

Company performance

NSB FMC has evolved from the Primary dealer arm of NSB to diversified various fee based activities. Accordingly the Board of Directors has approved to change the Company Logo to reflect its new business outlook of the company.

In the year 2016, the Company recorded an operational profit of 179 Million despite the unfavorable market conditions provided during the year. The profit for the year decrease by 45 per cent in comparison to operational profit of Rs. 325.6 Million in 2015, due to increase in revaluation loss and decreased in realized gain.

Due to the upward movement in market interest rates at the end of the year revaluation loss has increased to Rs. 117.4 Million from Rs. 41.4 Million recorded for the year 2015. However, majority of the revaluation loss is a result of the investments made under a low market interest rate regime prevailed in the previous years.

Net interest income of Government securities decreased to Rs. 203.3 Million this year when compared to Rs. 274.9 Million in 2015, showing a decrease of 26 per cent, due to reduced net interest margin. Fluctuation in the market interest rates limiting the volume in trading activities resulted in a decrease in the gain on sale of T-bill and bonds in 2016. Gain from the sale of T-bills & bonds were Rs.19.7 Million in 2016 when compared to Rs.45 Million recorded in 2015. the fee income of the company was increased by 24% in the year 2016 compared to that of year 2015.

The Company paid Rs 17.5 Million by way of Value Added Tax (VAT) and also provided Rs. 29.7 Million as income tax expense for 2016. Spurred by the decrease in profit after tax during the year Earnings Per Share (EPS) decreased by 54 percent to Rs. 5.29 per share from Rs. 11.62 per share in the preceding year.

Net assets of the Company stood at Rs. 1,691 Million as at 31st December 2016 in comparison to Rs.1, 731 Million as at 31st December 2015. This is mainly due to revaluation losses of Available for Sale portfolio despite the company recorded a net profit.

Total assets of the company increased to Rs.10, 862 Million by the end of 2016 from Rs.8,770 Million as at 31st December 2015 recording a growth of 24 per cent. Growth in assets was supported by the 29 per cent growth recorded in T-bond portfolio to Rs.9,014 Million in 2016 from Rs.6,985 Million in 2015 and 21% growth in the T-bill portfolio from Rs.1,185 Million at the end of 2015 to Rs.1,439 Million of 31/12/2016.

The growth of the government securities portfolio was funded by the increase in repo borrowings by 32% or Rs.2,216Mn.

Market Developments

The inflation rates have stood at the single digit level over the year under review. Year on Year inflation increased to 4.2 percent in December 2016 from -0.7 percent in January 2016. The GDP grew by 4.4 per cent in real terms during the 2016, which is mainly attributable to 6.7 per cent and 4.2 per cent growth in the Industry activities and the Services activities respectively. However, the Agriculture activities, reported 4.2 per cent of negative growth rate.

Central Bank of Sri Lanka changed its monetary policy increasing the policy rates in the year 2016. In February 2016 the Monetary Board increased 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 increased to 7.00 per cent and 8.50 per cent, respectively.

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 Treasury Bill rates. The Treasury bill rates for 3, 6 & 12 month Increased from 6.45 per cent, 6.83 per cent & 7.30 per cent respectively. At 01/01/2016 to 8.72 per cent, 9.63 per cent and 10.17 per cent for 3, 6 and 12 months respectively at the end of the year 2016. The Government bond rates fluctuated throughout the year 2016.

Foreigners began unwinding their holdings in early 2015 as a part of a broader outflow of funds from emerging markets as they speculated on US Fed interest rate increases. Over a 12 month period to April 2016, foreign investors halved their holdings in Treasury bills and bonds to Rs. 230 Billion. The Central Bank responded by increasing monetary policy rates by 50 basis points in February 2016, and again in June by the same rate. In five months, foreign investments in government securities increased by 37per cent to Rs. 316 Billion. The recovery was short-lived and Sri Lanka's credit profile coming under increasing pressure and the US Fed increasing interest rates, twice since November 2016, resulted in another bout of foreign selling.

Human Capital

The Company has eleven directly recruited staff members and five staff members assigned from the NSB on secondment basis including the Chief Executive Officer. The Deputy General Manager- Asset Management Division of NSB serves as the CEO of the Company on secondment basis.

The Company continued its commitments to develop its employees during the year. The Board of directors has reviewed the salary structures during the year under review and upgraded the salary structure in line with the market salaries and has given the employees over and above 25% salary increase. Further, the employees were sent to various training

programmes including programmes conducted by CBSL and CA Sri Lanka. The Company also formalized the employee engagement by conducting brain storming and planning sessions to formulate its Business plan for 2017.

Future Initiatives

NSB FMC will continue to grow its investments and trading volumes while diversifying its business activities into fee income services. The company also has various initiatives planned to enhance its customer base for effective and efficient fund base. The marketing strategies are formed to take the company brand into high net worth customers including new logo launch.

The Company will employ market expertise for dealing and portfolio management and will invest in new IT system in line with its Business Continuity Plans and to become more efficient in its business activities.

Risk Management Report

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.

Due to this fact, 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

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

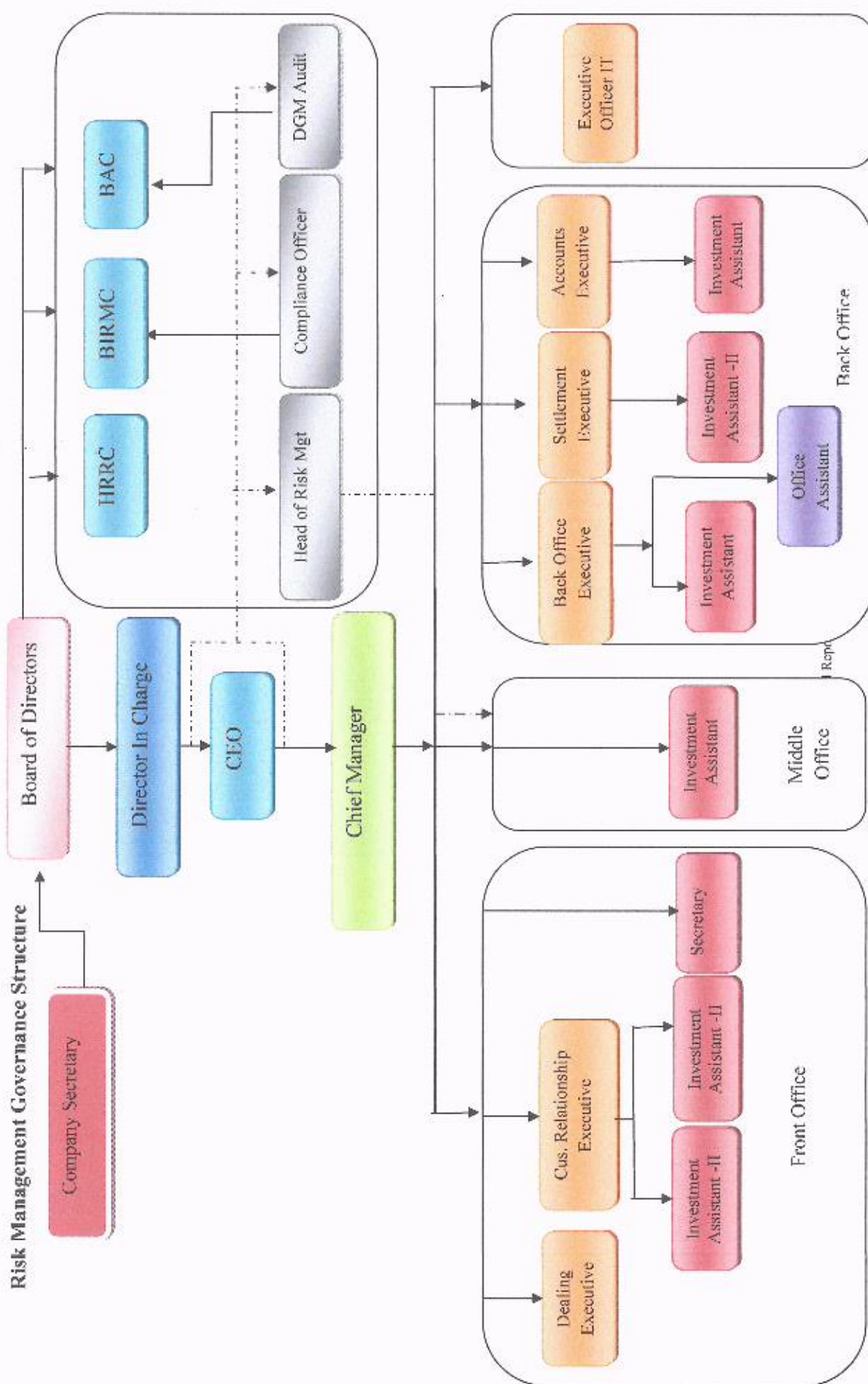
Regulatory risk is the risk that a change in laws and regulations will materially impact on security, business, sector or market. A change in laws or regulations made by the government or a regulatory body can increase the costs of operating a business, reduce the attractiveness of investment and/or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

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 preview 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.



Annual Report of the Board of Directors

The Board of Directors of the NSB FUND MANAGEMENT COMPANY LIMITED has pleasure in presenting their Report together with the Audited Financial Statements for the year ended 31st December 2016. The financial statements were reviewed and approved on 20th March 2017.

Principal Activity

The Company's principal activity is to carry on business as a Primary Dealer.

Stated Capital

The Authorized Share Capital of the Company is Rs.150,000,000/- divided into 15,000,000 Shares of Rs.10/- each. The entire Share Capital is issued and fully paid and the sole shareholder is NSB. The Board of Directors proposes to increase the Authorized Share Capital of the Company to Rs. 1,000,000,000/- divided into 100,000,000 shares of Rs.10/- each for the purposes of the Registered Stock and Securities Ordinance, the Local Treasury Bill Ordinance and the Central Bank Securities, to engage in secondary market transactions in Government and Central Bank Securities and to carry out any acts which are required to promote and develop a secondary market of those securities. There were no changes in the principal activities of the Company.

Review of Operation and Future Developments

A review of the activities during the year is contained Review Performance on pages 7 to 8 and the Business performance on pages 8 to 9 and the Future initiatives on page 9. These reports form an integral part of the Annual Report.

Financial Statements

The Financial Statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS) laid down by the Institute of Chartered Accountants of Sri Lanka and complying with the requirements of the Companies Act No. 07 of 2007.

The Financial Statements of the Company for the year ended 31st December 2016, duly signed by the Chief Executive Officer, Chairman and one of Director of the Company on pages 13 to 42 are form an integral part of the annual report of the Board of Directors.

Auditor's Report

Messrs Ernst & Young on behalf of the Auditor General carried out the audit on the Financial Statements for the year ended 31st December 2016 and their report on pages 14 to 15 on those statements which forms an integral part of the annual report of the Board of Directors.

Going Concern

The financial statements of the Company have been prepared on a going-concern basis in compliance with the new Sri Lanka Accounting Standards (SLFRS/LKAS) and in conformity with the generally accepted Accounting Principles and applied consistently and in 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. 582,537/-.

Donations

There were no material payments of donations 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 adjustment to or disclosure in the accounts.

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, VAT, NBT, ESC and Income Tax etc... have been paid on due dates.

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 are 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 altogether twelve Board meetings were held in 2016.

Directors as at 31st December 2016

Mr. Aswin De Silva - Chairman

Mr. D L P R Abeyaratne

Mr. Suranga Naullage

Mr. S D N Perera

Mr. Ajith Pathirana

Mr. R D R Amarasekara

Mr. Dhammika Ambewela

Mr. R A Nimal Jayasundara

Mr. D S W Samarasekara

Mr. Yasas De Silva

Mr. Srilal Fernando

Directors' Interest

None of the Directors had a direct or indirect interest in the contracts with the Company other than those disclosed in Note 35 to the Financial Statements.

Acknowledgement of the contents of the Report

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

For and on behalf of the Board of Directors.



Chairman

Date: 12th June 2017



Director

NSB FUND MANAGEMENT COMPANY LIMITED
FINANCIAL STATEMENTS
31 DECEMBER 2016



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

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Fax : +94 11 5579190
eysl@k.ey.com
ey.com

AdeS/AAW

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF NSB FUND MANAGEMENT COMPANY LIMITED
TO THE AUDITOR GENERAL OF SRI LANKA**

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 2016, 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 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

(Contd...2/)



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.

20 March 2017
Colombo

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016

	Note	2016 Rs.	2015 Rs.
Interest Income	5	830,627,905	692,614,775
Net Gain/(Loss) From Financial Instruments at Fair Value through Profit and Loss	6	(97,626,423)	3,569,538
Interest Expense	7	(554,000,051)	(370,609,992)
Net Operating Income		179,001,430	325,574,321
Other Income	8	75,238	
Personnel Costs	9.1	(31,144,983)	(26,516,401)
Operating Expenses		(21,317,671)	(16,017,990)
VAT on Financial Services	10	(17,472,211)	(30,277,541)
Profit before Taxation	9	109,141,803	252,762,389
Income Tax Expense	11	(29,724,426)	(78,443,982)
Profit for the Year		79,417,377	174,318,407
Other Comprehensive Income			
Gain/(Loss) on Retirement Benefit Obligation		332,745	377,836
Net Gain/(Loss) on Available for Sale financial Assets		(102,958,782)	(179,101,002)
Total Comprehensive income for the year		(23,208,661)	(4,404,759)
Earnings Per Share	12	5.29	11.62
Dividend Per Share (Rs.)	13	1.10	1.07

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 FINANCIAL POSITION

As at 31 December 2016

	Note	2016 Rs.	2015 Rs.
ASSETS			
Cash and Cash Equivalents	15	8,407,607	7,945,170
Financial Assets at Fair Value through Profit and Loss (Trading)	16	7,012,619,077	4,262,151,445
Loans and Receivables	17	11,561,630	236,934,088
Financial Assets Held to Maturity	18	1,800,555,991	2,211,484,320
Available for Sale	19	1,893,752,369	2,020,269,824
Other Long Term Investments	20	1,000,000	1,000,000
Property, Plant & Equipment	21	2,171,946	2,222,261
Intangible Assets	22	-	-
Deferred Tax Asset	23	588,353	227,762
Other Assets	24	131,399,672	27,474,614
Total Assets		10,862,056,646	8,769,709,484
LIABILITIES & EQUITY			
Liabilities			
Borrowings under Repurchase Agreements	25	9,143,181,376	6,927,046,142
Amount Due to Related Parties	26	3,335,515	475,777
Other Liabilities	27	5,918,287	10,515,558
Income Tax Payable		17,152,612	99,408,677
Retirement Benefit Obligation	28	1,260,024	1,345,838
Total Liabilities		9,170,847,815	7,038,791,992
Equity			
Stated Capital	29	150,000,000	150,000,000
Retained Earnings		1,329,307,506	1,285,911,729
Special Risk Reserve	30	493,961,109	474,106,765
Other Reserves		(282,059,784)	(179,101,002)
		1,691,208,831	1,730,917,492
Total Equity and Liabilities		10,862,056,646	8,769,709,484

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

Reetika Silva

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:

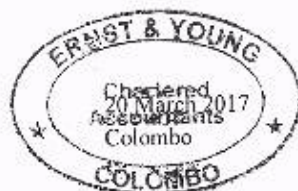
[Signature]

Chairman

[Signature]

Director

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



STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

	Stated Capital Rs.	Special Risk Reserve Rs.	Available for Sale Reserve Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 01 January 2015	150,000,000	430,527,164	-	1,334,263,516	1,914,790,680
Prior Year Adjustment				(53,931,487)	(53,931,487)
Profit for the year	-	-	-	174,318,407	174,318,407
Other Comprehensive Income/(Loss)	-	-	(179,101,002)	377,836	(178,723,166)
Super Gain Tax	-	-	-	(109,536,942)	(109,536,942)
Total Comprehensive Income	-	-	(179,101,002)	11,227,814	(167,873,188)
Transfers	-	43,579,601	-	(43,579,601)	-
Dividend Paid	-	-	-	(16,000,000)	(16,000,000)
Balance as at 31 December 2015	150,000,000	474,106,765	(179,101,002)	1,285,911,729	1,730,917,492
Profit for the year	-	-	-	79,417,377	79,417,377
Other Comprehensive Income	-	-	(102,958,782)	332,745	(102,626,037)
Total Comprehensive Income	-	-	(102,958,782)	79,750,121	(23,208,661)
Transfers	-	19,854,344	-	(19,854,344)	-
Dividend Paid	-	-	-	(16,500,000)	(16,500,000)
Balance as at 31 December 2016	150,000,000	493,961,109	(282,059,784)	1,329,307,506	1,691,208,831

Note : Please refer Note No. 14 for the Prior year adjustment.

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 2016

	Note	2016 Rs.	2015 Rs.
Cash Flows from Operating Activities			
Profit before Tax		109,141,803	252,762,389
Non-cash Items Included in Profits Before Tax			
Depreciation	21	631,089	330,390
Amortization	22	-	6,537
Provision for Gratuity	28	246,931	311,581
Loss on Fixed Asset Transfer		1,762	-
Cash Flows from Operating Activities before Working Capital Changes		110,021,584	253,410,898
(Increase)/Decrease in Financial Assets Held for Trading		(2,750,467,633)	(2,341,364,644)
(Increase)/Decrease in Available for Sale		23,558,673	-
(Increase)/Decrease in Loans and Receivables		225,372,458	(234,848,362)
(Increase)/Decrease in Other Assets		(103,925,057)	548,654
Increase/(Decrease) in Borrowings under Repurchase Agreements		2,216,135,234	1,416,219,375
Increase/(Decrease) in Amount due to Related Parties		2,859,738	52,553
Increase/(Decrease) in Other Liabilities		(4,597,271)	(2,834,166)
Cash Flow from Operating Activities		(281,042,273)	(908,815,691)
Income Tax Paid for tax assessments on prior periods		(53,931,487)	-
Income Tax Paid in 2016		(58,409,595)	(148,844,948)
Gratuity Paid		-	(939,250)
Net Cash Flow from Operating Activities		(393,383,355)	(1,058,599,888)
Net Cash from Investing Activities			
Purchase of Property, Plant and Equipment		(582,537)	(1,673,375)
Net Proceeds from Financial Investments - Held to Maturity		410,928,329	1,080,117,875
Net Cash from Investing Activities		410,345,792	1,078,444,500
Net Cash from Financing Activities			
Dividend Paid		(16,500,000)	(16,000,000)
Net Cash from Financing Activities		(16,500,000)	(16,000,000)
Net Increase/(Decrease) in Cash & Cash Equivalents		462,437	3,844,613
Cash and Cash Equivalents at the Beginning of the Year		7,945,170	4,100,558
Cash and Cash Equivalents at the End of the Year	15	8,407,607	7,945,170

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
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

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 2016 were authorized for issue by the directors on 20 March 2017.

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.



NSB Fund Management Company Limited
NOTES TO THE FINANCIAL STATEMENTS
 Year ended 31 December 2016

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.



NSB Fund Management Company Limited
NOTES TO THE FINANCIAL STATEMENTS
 Year ended 31 December 2016

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.



NSB Fund Management Company Limited
NOTES TO THE FINANCIAL STATEMENTS
 Year ended 31 December 2016

3. ACCOUNTING POLICIES

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

ASSTS 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 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.



NSB Fund Management Company Limited
NOTES TO THE FINANCIAL STATEMENTS
 Year ended 31 December 2016

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.



NSB Fund Management Company Limited
NOTES TO THE FINANCIAL STATEMENTS
 Year ended 31 December 2016

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.



NSB Fund Management Company Limited
NOTES TO THE FINANCIAL STATEMENTS
 Year ended 31 December 2016

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

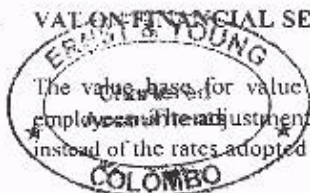
SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance. Including LKAS 18 Revenue, LKAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. This standard is effective for the annual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



5. INTEREST INCOME	2016	2015
	Rs.	Rs.
Interest on Treasury Bills/Bonds/R.Repo	757,300,968	645,534,194
Interest on Debentures	18,768,049	3,389,311
Fees & Commission	54,558,887	43,691,270
	<u>830,627,905</u>	<u>692,614,775</u>
6. NET GAIN/(LOSS) FROM FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS	2016	2015
	Rs.	Rs.
Realised	19,730,383	44,979,204
Unrealised	(117,356,806)	(41,409,666)
	<u>(97,626,423)</u>	<u>3,569,538</u>
7. INTEREST EXPENSE	2016	2015
	Rs.	Rs.
Interest Expense on Repurchase Agreements	554,000,051	370,609,992
	<u>554,000,051</u>	<u>370,609,992</u>
8. OTHER INCOME	2016	2015
	Rs.	Rs.
Other Income	50,000	-
Loss on Fixed Assets Transfer	(1,762)	-
Dividend Income	27,000	-
	<u>75,238</u>	<u>-</u>
9. PROFIT BEFORE TAXATION	2016	2015
	Rs.	Rs.
Profit before taxation is stated after charging all expenses including the following		
Auditor's Remuneration	265,353	220,000
Depreciation on PPE	631,090	330,390
Amortisation of Intangible Assets	-	6,537
Personnel Costs (8.1)	31,144,983	26,516,401
9.1 Personnel Costs	2016	2015
	Rs.	Rs.
Salaries	20,951,239	20,076,523
Defined Contribution Plan Cost - EPF and ETF	945,003	878,174
Defined Benefit Plan Cost - Retirement Gratuity	246,931	311,581
Other Staff Cost	9,001,811	5,250,123
	<u>31,144,983</u>	<u>26,516,401</u>

10. VALUATION 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.



11. INCOME TAX EXPENSE

	2016 Rs.	2015 Rs.
Current Income Tax		
Current Income Tax charge on ordinary activities for the year	34,214,892	79,865,124
Under/(Over) Provision of current taxes in respect of prior years	(4,129,875)	(1,861,681)
	<u>30,085,017</u>	<u>78,003,443</u>
Deferred Income Tax		
Deferred Taxation Charge/(Reversal)	(360,591)	440,539
Income Tax Expense Reported in the Income Statement	<u>29,724,426</u>	<u>78,443,982</u>

Reconciliation between Current Tax Expenses and the Accounting Profit

	2016 Rs.	2015 Rs.
Accounting Profit /(Loss) before Tax from Continuing Operations	109,141,803	252,762,389
Income not Liable for Tax	(10,112,733)	(3,814,256)
Other Aggregate Disallowed Items	23,890,246	36,437,894
Other Aggregate Deductible Items	(723,272)	(1,605,337)
Taxable Profit	<u>122,196,043</u>	<u>283,780,691</u>
Income Tax Rate	28%	28%
Current Income Tax Expense	34,214,892	79,458,593
Deemed Dividend Tax	-	406,531
	<u>34,214,892</u>	<u>79,865,124</u>

12. 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;

	2016 Rs.	2015 Rs.
Profit Attributable to Ordinary Shareholders	79,417,377	174,318,407
Numbers of Ordinary Shares	15,000,000	15,000,000
Earnings Per Share	<u>5.29</u>	<u>11.62</u>

13. 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

	2016 Rs.	2015 Rs.
Numbers of Ordinary Shares	15,000,000	15,000,000
Dividends paid (Rs.)	16,500,000	16,000,000
Dividend per share	<u>1.10</u>	<u>1.07</u>

Note: Proposed Dividend is Rs. 16.5 Mn, 11% on Stated Capital for the year 2017.



14. PRIOR YEAR ADJUSTMENT

Consequent to the convergence of the Sri Lanka Accounting Standards with the International reporting Standards, the DIR issued a Gazette Notification No. 1857/8 dated 09/04/2014 on the assessment of profits for tax purposes in respect of the changes in the accounting treatment.

The Company had not calculated its taxable profit according to the above gazette notification for the Years of Assessment 2012/13 and 2013/14. Therefore, the DIR has issued the assessment for the underpaid income tax of Rs. 53,931,487 on the unrealized fair value gain of the Company's trading portfolio for the respective years.

Accordingly, the income tax charged in the Audited Financial Statements for the years 2012 and 2013 were understated and the net profit after tax were overstated by Rs. 53,931,487. Therefore, the income tax underpaid has been adjusted retrospectively.

	Income Tax Payable
Balances as at 31/12/2015	45,477,190
Prior Year Adjustment	53,931,487
Restated Balances as at 31/12/2015	<u>99,408,677</u>

15. CASH & CASH EQUIVALENTS

	2016 Rs.	2015 Rs.
Cash at Bank and Cash in Hand	7,930,232	7,216,409
Balance with Central Bank	477,376	728,761
Cash & Cash Equivalents for the Purpose of Cash Flow Statement	<u>8,407,607</u>	<u>7,945,170</u>

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

	2016 Rs.	2015 Rs.
Treasury Bills	1,438,757,533	1,184,757,431
Treasury Bonds	5,573,861,544	3,077,394,014
	<u>7,012,619,077</u>	<u>4,262,151,445</u>

17. LOANS AND RECEIVABLES

	2016 Rs.	2015 Rs.
Loans & Receivables from Banks	-	232,038,861
Loans & Receivables from Other Customers	11,561,630	4,895,227
	<u>11,561,630</u>	<u>236,934,088</u>

18. FINANCIAL ASSETS HELD TO MATURITY

	2016 Rs.	2015 Rs.
Treasury Bonds	1,746,287,883	2,073,104,090
Amortised Discount/Premium Treasury Bond	54,268,108	138,380,230
	<u>1,800,555,991</u>	<u>2,211,484,320</u>

19. FINANCIAL ASSETS AVAILABLE FOR SALE

	2016 Rs.	2015 Rs.
Treasury Bonds	1,693,913,047	1,834,209,138
Equity Securities	199,839,322	186,060,686
	<u>1,893,752,369</u>	<u>2,020,269,824</u>



2016

2015

Balance as at
01/01/2016

Additions
during the year

**Balance as at
01/01/2016**

Charge for the
year

2016
Rs.2015
Rs.

SWIFT
license Fee
Rs.

SWIFT
Entrance Fee
Rs.

1,058,5

9112016
Rs.2015
Rs.2016
Rs.

2015
Rs.

227,762

360,591

588,35.3

235.546

352.807

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2016

24. OTHER ASSETS	2016 Rs.	2015 Rs.
Other Receivables	1,719,950	14,001
WHT Receivable	20,280,988	27,460,613
Receivable from Treasury	109,398,734	-
	<u>131,399,672</u>	<u>27,474,614</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.20,280,988/- (2015 - Rs. 27,460,613/-).

25. BORROWINGS UNDER REPURCHASE AGREEMENTS	2016 Rs.	2015 Rs.
Due within 1 year	9,143,181,376	6,927,046,142
	<u>9,143,181,376</u>	<u>6,927,046,142</u>

26. AMOUNT DUE TO RELATED PARTY	2016 Rs.	2015 Rs.
National Savings Bank - Current Account	299,615	87,793
- Other Payables	3,035,901	387,985
	<u>3,335,515</u>	<u>475,777</u>

27. OTHER LIABILITIES	2016 Rs.	2015 Rs.
Value added Tax (VAT) Payable	2,367,007	8,365,844
NBT Payable	50,758	1,505,349
Sundry Creditors	1,111,256	-
Accrued Expenses	2,389,266	644,365
	<u>5,918,287</u>	<u>10,515,558</u>

28. RETIREMENT BENEFIT OBLIGATION	2016 Rs.	2015 Rs.
Balance at the beginning of the year	1,345,838	2,351,343
Current service cost	114,778	191,326
Interest for the year	132,152	120,254
Deficit/(Surplus) charge for the year	(332,745)	(377,836)
Payments made during the year	-	(939,250)
Balance at the end of the year	<u>1,260,024</u>	<u>1,345,838</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.



NSB Fund Management Company Limited
NOTES TO THE FINANCIAL STATEMENTS

35

As at 31 December 2016

28. RETIREMENT BENEFIT OBLIGATION (Contd...)

28.1 The Employee Benefit Liability is based on the Projected Unit Credit method carried out as at 31 December 2016. The principal assumptions used in determining the cost of employee benefits were:

	2016	2015
Discount rate	10%	10%
Future Salary Increment	6.5%	7%
Staff Turnover Rate & Average Future Working Life Time		
Age Group	30-34	35-39
Staff Turnover Rate	0%	0%
Average Future Working Life Time - Years	29.00	24.00
		13.50

28.2 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	(183,133)	220,126
One percentage point change in the salary escalation rate	225,749	(190,227)

Assumptions

Financial Assumptions - Rate of discount, Salary increment rate

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

29. STATED CAPITAL

	2016 Rs.	2015 Rs.
15,000,000 Ordinary Shares	<u>150,000,000</u>	<u>150,000,000</u>

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.

30. SPECIAL RISK RESERVE

	2016 Rs.	2015 Rs.
At the beginning of the year	474,106,765	430,527,164
Transferred during year - 25% of profit after tax	<u>19,854,344</u>	<u>43,579,601</u>
At the end of the year	<u>493,961,109</u>	<u>474,106,765</u>

30.1 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. Not less than 10% of the profit after tax annually by the PDs who maintain capital funds in excess of Rs.400 million.



31. 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 2016	Less than 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	More than 5 Years	Total
Assets	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Assets						
Government securities held for trading and held to maturity	864,036,572	1,746,826,411	2,251,362,449	1,331,053,809	2,619,893,806	8,813,175,069
Government Securities Available for sale	78,462,722	-	745,413,125	-	870,037,200	1,693,913,047
Corporate debentures	3,719,322	-	144,500,000	51,620,000	-	199,839,322
Government Securities held under dealing purposes - Customers	6,182,173	5,379,457	-	-	-	11,561,630
Total Interest earning assets	952,400,789	1,752,205,890	3,141,275,574	1,382,675,809	3,489,931,006	10,718,489,068
Total non Interest earning assets						143,567,578
Total Assets						10,862,056,646
Liabilities						
Government Securities sold under repurchase agreement	6,462,898,716	2,680,282,660	-	-	-	9,143,181,376
Total Interest bearing liabilities	6,462,898,716	2,680,282,660	-	-	-	9,143,181,376
Total non int. bearing liabilities						27,666,440
Shareholder's fund						1,691,208,831
Total Equity and Liabilities						10,862,056,647
As at 31 December 2015						
Assets	Less than 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	More than 5 Years	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
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 Debenture	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	737,038,867	-	-	-	-	737,038,867
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
Shareholders' funds						1,784,848,979
Total Equity and Liabilities						8,769,709,484

32. 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 investment in government securities against securities held under repurchase agreements.

	2016 Rs.	2015 Rs.
Government Securities	10,396,333,731	7,950,720,706



33. 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

33.1 Determination of Fair Value and Fair Value Hierarchy

As at 31 December 2016	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	7,012,619,077	-	-	7,012,619,077
Available for Sale Investments	-	1,693,913,047	-	1,693,913,047
Corporate Debts	-	199,839,322	-	199,839,322
Other Long Term Investments - AFS	-	-	1,000,000	1,000,000
	<u>7,012,619,077</u>	<u>1,893,752,369</u>	<u>1,000,000</u>	<u>8,907,371,447</u>

As at 31 December 2015

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	-	186,060,686.00	-	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>



33. FAIR VALUE OF FINANCIAL INSTRUMENTS (Contd...)

33.2 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 2016		31 December 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	Rs.	Rs.	Rs.	Rs.
Financial Assets				
Cash and Bank	8,407,607	8,407,607	7,945,170	7,945,170
Loans and Receivables	11,561,630	11,561,630	236,934,088	236,934,088
Financial Assets Held to Maturity	1,800,555,991	1,659,558,250	2,211,484,320	2,172,330,000
Total Financial Assets	1,820,525,228	1,679,527,487	2,456,363,578	2,417,209,258
Financial Liabilities				
Borrowings under Repurchase Agreements	9,143,181,376	9,143,181,376	6,927,046,142	6,927,046,142
Amount Due to Related Parties	3,335,515	3,335,515	475,777	475,777
Total Financial Liabilities	9,146,516,892	9,146,516,892	6,927,521,919	6,927,521,919

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.



34. 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 2016

34.1 Credit Risk

Credit Risk Analysis - Maturity Profile Analysis of Financial Assets
As at 31 December 2016 - 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	-	-	769,723	3,735,523	5,954,775	798,707	-
Treasury bills	-	140,362,912	92,857,887	338,784,793	497,069,731	420,837,236	-
Treasury bonds	18,000,000	-	116,488,204	-	580,541,683	302,072,300	8,312,625,216
Total	18,000,000	140,362,912	210,115,814	342,520,316	1,083,566,189	723,708,243	8,112,625,216

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	232,000,000	-	400,000	613,119	2,604,931	1,181,858	-
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	2,318,051,255	4,659,830,872



NSB Fund Management Company Limited
NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2016

34. FINANCIAL RISK MANAGEMENT (Contd...)

34.2 Liquidity Risk

Liquidity risk Analysis - Maturity Profile Analysis of Financial Liabilities
As at 31 December 2016 - 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	-	1,535,876,961	837,040,077	678,563,689	888,288,055	1,499,890,736
Repo	-	3,552,000,000	-	-	-	-
Total	-	5,087,876,961	837,040,077	678,563,689	888,288,055	1,499,890,736

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

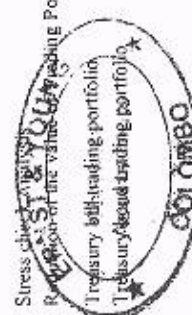
34.3 Market risk

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

Instrument	1-7 Days	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	-	779,315	3,907,656	6,452,002	899,385	-	-	-
Rev Repo	-	3,554,686,401	-	-	-	-	-	-
T. Bonds	17,999,226	116,315,801	-	577,953,048	295,307,089	1,365,001,120	2,926,188,162	3,398,266,840
T. Bills	140,168,790	92,353,260	333,513,263	478,922,907	393,789,390	-	-	-
Debentures	-	-	3,719,322	-	-	-	196,120,000	-
Total	158,168,016	3,764,134,777	341,140,241	1,063,317,957	689,995,864	1,365,001,120	3,122,308,162	3,388,266,840
Liabilities								
Capital & Profit	-	-	-	-	-	-	-	1,691,208,831
Customer Repo	1,539,828,300	868,116,929	706,300,639	974,017,333	1,643,416,331	-	-	-
Repo	3,554,686,401	-	-	-	-	-	-	-
Total	5,094,514,701	868,116,929	706,300,639	974,017,333	1,643,416,331	-	-	1,691,208,831

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

	2016 Rs.	2015 Rs.
Stress check of the value of the trading Portfolio	-	-
Treasury bill trading portfolio	5,074,090	4,345,588
Treasury bond trading portfolio	167,172,483	51,207,812
Total	172,246,574	55,553,400



35. 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. 876,250/- (2015 - Rs. 342,500/-).

(b) Transactions with related parties

The following transactions were carried out with related parties during the year ended 31 December 2016.

Items in Income Statement		2016 Rs.	2015 Rs.
National Savings Bank	Interest Received from investment in Reverse Repo	1,973,635	23,683,356
	Service Charge Income	52,645,926	41,330,185
	RTGS Charges	916,650	521,250
	Interest Paid on Repurchase agreements	21,350,122	6,410,039
State and State controlled entities	Income tax	(29,724,426)	(78,443,982)
	Other Receivable	109,398,734	-
	Value added Tax	(17,472,211)	(30,277,541)
Items in Statement of Financial Position			
National Savings Bank	Investments in Reverse Repo, Treasury Bills and Treasury Bonds	-	-
	Borrowing under Repurchase agreements	810,000,000	214,000,000
State and State controlled entities	Government securities held	10,507,088,116	8,307,844,903
	Borrowings under repurchase agreements	5,439,659,517	6,815,926,390

36. CAPITAL COMMITMENTS AND CONTINGENCIES

There were no capital commitments and contingencies as at 31 December 2016.

37. 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.



NSB Fund Management Company Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

43

	2016 Rs.	2015 Rs.
Personnel Costs		
Salaries and Wages	6,629,166	6,549,014
Employee Emoluments	14,322,073	13,527,509
Medical Expenses	657,764	742,635
O/T Out Pocket Allowance	5,338	97,338
EPF	756,002	702,782
ETF	189,001	175,392
Bonus	6,337,058	3,932,545
Encashment of Privilege Leave	326,844	415,149
Staff Training Expenses	78,400	55,936
Stamp Duty	0.00	-
Gratuity expense	246,931	311,581
Medical Fund Recoveries	(1,300)	(1,800)
PAYE Expense	1,597,708	8,320
	<u>31,144,983</u>	<u>26,516,401</u>
Operating Expenses		
Directors Fees	876,250	342,500
Audit Fees	1,880,383	305,192
Bank Charges	78,000	85,208
Annual Membership Fees	125,000	140,000
RTGS Fees	1,084,850	880,900
Insurance Account	11,138	(118)
Swift Charges	884,238	766,180
Bloomberg Charges	3,184,824	2,886,442
Sundry Expenses	267,798	105,165
Sales Promotion	424,775	490,219
Brokerage Charges	1,604,907	93,138
Stationery	327,933	231,821
Chargeable Equipment	19,885	6,912
Rent	1,873,800	1,873,800
Travelling	146,726	29,910
Postage	5,625	4,570
Electricity	624,000	624,000
Telephone Charges	453,684	477,497
Water Tax	24,000	24,000
Depreciation - Furniture & fitting	68,971	69,724
Depreciation - Computer Equipment	518,745	224,265
Depreciation - Office Equipment	43,373	36,402
Depreciation - Intangible Assets	-	6,538
Maintenance of Computers	18,015	78,865
Maintenance of Office Equipments	90,292	35,242
NBT Expense	2,811,679	5,503,147
CSE & Other Chargers	-	22,400
CSE Rental and Communication Charges	630,500	659,982
WHT on Standing Facility	-	14,085
Expenses incurred on Statutory Req	115,859	-
Tax Penalty	2,696,574	-
Professional Fees	425,846	-
	<u>21,317,671</u>	<u>16,017,990</u>



Annexure

Statistical Indicators 2012-2016

	2012	2013	2014	2015	2016
Operating Result					
Gross Income (Rs Mn)	1,148	853	699	693	831
Net Gain/(loss) from financial instruments designated at fair value through profit or loss (Rs Mn)	(139)	281	66	4	(98)
Interest Expenses (Rs Mn)	(923)	(670)	(384)	(371)	(554)
Net Operating Income (Rs Mn)	86	464	381	326	179
Operating expenses provisions & VAT	(34)	(73)	(75)	(73)	(70)
Profit before Taxation (Rs Mn)	52	390	307	253	109
Income tax expenses (Rs Mn)	(43)	(46)	(105)	(78)	(30)
Profit for the year (Rs Mn)	9	344	202	175	79
Assets					
Cash & Cash Equivalents (Rs Mn)	2	11	4	8	9
Loans & Investments (Rs Mn)	9,679	8,101	7,495	8,732	10,719
Property, Plant & Equipment/Intangible Assets (Rs Mn)	1	1	1	2	2
Other Assets (Rs Mn)	45	15	28	28	132
Total	9,727	8,128	7,528	8,770	10,862
Liabilities & Equity					
Borrowings (Rs Mn)	8,274	6,348	5,511	6,927	9,143
Other Liabilities (Rs Mn)	53	51	102	58	28
Equity (Rs Mn)	1,400	1,729	1,915	1,785	1,691
Total	9,727	8,128	7,528	8,770	10,862
Ratios					
Return on equity (%)	3.76	22.58	16.02	14.60	6.45
Return on Investment (%)	2.32	2.26	4.21	3.69	2.58
Net Profit ratio (%)	4.53	45.79	43.87	36.49	13.14
Other Information					
No. of employees	13	11	11	11	16