

STATEMENT OF CASH FLOW

ACCOUNTING POLICY

The Statement of Cash Flow has been prepared by using 'The Direct Method', whereby gross cash receipts and gross cash payments of operating, investing and financing activities have been recognized. For the purpose of the preparation of the Statement of Cash Flow, cash and cash equivalents include cash and cash equivalents, balances with the Central Bank of Sri Lanka and placements with banks net of unfavourable nostro account balances, as presented in the Statement of Financial Position.

For the year ended 31 December	BANK		GROUP	
	2015 LKR '000	2014 LKR '000	2015 LKR '000	2014 LKR '000
Cash flows from operating activities				
Interest received	20,765,613	20,919,252	21,038,450	21,111,971
Fee and commission income received	2,016,259	1,856,202	2,765,456	2,513,505
Dividend income received	942,293	339,962	(636)	(13,856)
Other operating income received	1,700,796	1,671,597	1,870,590	1,671,965
Interest paid	(13,134,957)	(13,195,780)	(13,134,957)	(13,197,274)
Personnel costs paid	(3,162,861)	(2,857,403)	(3,280,182)	(2,917,346)
Other expenses paid	(2,415,887)	(2,100,602)	(2,519,663)	(1,930,701)
Operating profit before changes in operating assets and liabilities (a)	6,711,256	6,633,228	6,739,058	7,238,264
Net increase in loans and receivables to other customers	(34,473,636)	(38,496,570)	(34,473,636)	(38,496,570)
Net increase due to other customers	32,941,814	22,505,047	32,941,814	22,505,047
Net (increase)/decrease in other assets	(95,262)	(570,535)	(179,272)	(375,769)
Net increase/(decrease) in other liabilities	1,587,663	2,215,279	1,640,174	1,602,117
Net cash inflow/(outflow) from operating activities before taxation	6,671,835	(7,713,551)	6,668,137	(7,526,911)
Tax on financial services paid	(1,005,492)	(955,652)	(1,005,492)	(955,652)
Income taxes paid	(1,211,841)	(652,006)	(1,254,368)	(699,930)
Super Gain Tax paid by Parent Company	(732,081)	-	(833,548)	-
Super Gain Tax paid by non-controlling interest	-	-	(21,123)	-
Net cash provided by/(used in) operating activities	3,722,421	(9,321,209)	3,553,606	(9,182,493)
Cash flows from investing activities				
Net changes in financial investments	(5,078,640)	(17,009,180)	(5,078,362)	(16,959,756)
Net changes in investments in subsidiaries/associates	(103,826)	147,068	(53,947)	147,068
Expenditure on property, plant & equipment	(594,790)	(392,997)	(637,259)	(443,312)
Proceeds from sale of property, plant & equipment	15,817	14,765	42,580	14,765
Net cash used in investing activities	(5,761,439)	(17,240,344)	(5,726,988)	(17,241,235)
Cash flows from financing activities				
Issue of shares	11,957	52,258	45,031	52,258
Proceeds from issue of subordinated debts	8,914,408	-	8,914,408	-
Interest paid on subordinated debts	(1,719,085)	(1,573,625)	(1,719,085)	(1,573,625)
(Decrease)/increase in other borrowings	4,164,980	34,403,497	4,164,980	34,403,507
Dividends paid to non-controlling interests	-	-	(41,283)	(25,377)
Dividends paid to shareholders of the Bank	(1,806,863)	(1,966,761)	(1,806,863)	(1,966,761)
Net cash provided by/(used in) financing activities	9,565,397	30,915,369	9,557,188	30,890,002
Net increase in cash and cash equivalents	7,526,379	4,353,816	7,383,806	4,466,274
Cash and cash equivalents at the beginning of the year	12,431,750	8,077,934	12,601,395	8,135,121
Cash and cash equivalents at the end of the year	19,958,129	12,431,750	19,985,201	12,601,395

For the year ended 31 December	BANK		GROUP	
	2015 LKR '000	2014 LKR '000	2015 LKR '000	2014 LKR '000
Reconciliation of cash and cash equivalents				
Cash and cash equivalents	11,821,503	3,104,391	11,848,575	3,274,036
Balances with the Central Bank of Sri Lanka	6,999,898	6,740,590	6,999,898	6,740,590
Placements with banks	1,153,619	2,721,891	1,153,619	2,721,891
	19,975,020	12,566,872	20,002,092	12,736,517
Unfavourable balances in Nostro accounts (Note 36)	(16,891)	(135,122)	(16,891)	(135,122)
	19,958,129	12,431,750	19,985,201	12,601,395

The balances with the Central Bank of Sri Lanka represent the reserve maintained for the rupee deposit liabilities of the Bank and it is not available to finance the Bank's day-to-day operations.

(a) Reconciliation of Operating Profit before Changes in Operating Assets and Liabilities

For the year ended 31 December	BANK		GROUP	
	2015 LKR '000	2014 LKR '000	2015 LKR '000	2014 LKR '000
Operating profit before tax on financial services	5,447,875	5,786,773	5,715,283	6,526,732
Profit on disposal of property, plant & equipment	(4,356)	(15,951)	(10,150)	(19,451)
Accrual for interest income	(402,236)	(55,327)	(420,812)	(73,697)
Accrual for interest expenses	511,067	104,169	511,067	104,169
Accrual for general expenses	85,130	191	93,342	8,230
Contribution made to the pension fund	15,284	7,163	15,284	7,163
Depreciation of property, plant & equipment	284,744	246,400	317,798	291,140
Amortization of intangible assets	85,673	77,190	103,598	94,050
Gain on disposal of investments	(23,758)	(103,625)	(206,190)	(87,023)
Impairment for loans and receivables	711,833	528,708	711,833	528,708
Impairment for investments	–	37,294	34,312	–
Fair value adjustments on Equity Linked Compensation Plan	–	20,243	–	20,243
Fair value adjustments on investment property	–	–	(126,307)	(162,000)
Operating profit before changes in operating assets/liabilities	6,711,256	6,633,228	6,739,058	7,238,264

The Notes to the Financial Statements disclosed from pages 307 to 411 form an integral part of these Financial Statements.