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தேசிய கணக்காய்வு அலுவலகம்

NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல.
My No. }

BAF/B/BOC-S/MBSL/2020

මගේ අංකය
உமது இல.
Your No. }

දිනය
திகதி
Date }

30 March 2021

The Chairman
Merchant Bank of Sri Lanka & Finance PLC

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Merchant Bank of Sri Lanka & Finance PLC and its subsidiary for the year ended 31 December 2020 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Merchant Bank of Sri Lanka & Finance PLC (the "Company") and the consolidated financial statements of the company and its subsidiary (the "Group") for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of profit or loss, the statement of comprehensive income, statement of changes in equity and the statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course. To carry out this audit I was assisted by a firm of Chartered Accountants in public practice.

In my opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 December 2020 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

I draw attention to Note 51.1 of the financial statements, which describes the Company's level of compliance with stipulated minimum capital adequacy ratios, and the remedial actions taken by the Company there of. My opinion is not modified in respect of this matter.

1.3 Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. For each matter below, my description of how my audit addressed the matter is provided in that context.

I have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of my report, including in relation to these matters. Accordingly, my audit included the performance of procedures designed to respond to my assessment of the risks of material misstatement of the financial statements. The results of my audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements.

Key audit matter

Impairment allowance on Loans & receivables at amortised cost

As described in Notes 3.5.12, 12, 23 and 50.2, impairment allowance on such financial assets carried at amortised cost is determined in accordance with Sri Lanka Accounting Standard – SLFRS 9 *Financial Instruments* (SLFRS 9).

This was a key audit matter due to:

- materiality of the reported impairment allowance which involved complex calculations; and
- the degree of assumptions, judgements and estimation uncertainty associated with the calculations.

Key areas of significant judgements, estimates and assumptions used by management in the assessment of the impairment allowance included the following:

- the probable impacts of COVID-19 and related industry responses (e.g. government stimulus packages and debt moratorium relief measures granted by the Company);
- the determination on whether or not customer contracts have been substantially modified due to such COVID – 19 – related stimulus and relief measures granted and

How my audit addressed the key audit matter

I assessed the alignment of the Group’s expected credit loss model computations and underlying methodology with the requirements of SLFRS 9 with consideration of COVID 19 impacts and related industry responses based on the best available information up to the date of my report. My audit procedures included amongst others the following:

- I evaluated the design, implementation and operating effectiveness of controls over estimation of impairment, which included assessing the level of oversight, review and approval of provision for impairment policies and procedures by the Board and management.
- I checked the completeness and accuracy of the underlying data used in the computations by agreeing significant details to source documents and accounting records of the Group.
- I checked the underlying calculations.
- In addition to the above, the following procedures were performed:
 - **For a sample of loans and advances assessed on an individual basis for impairment:**

related effects on the amount of interest income recognised on affected loans and advances and

- forward-looking macroeconomic factors, including developing and incorporating macroeconomic scenarios, given the wide range of potential economic outcomes and probable impacts from COVID-19 that may impact future expected credit losses.

- Assessing the appropriateness of the criteria used by the management to determine whether there are any indicators of impairment; and

- Evaluating the associated reasonability of the provisions made with particular focus on the impact of COVID-19 on high risk industries, strategic responsive actions taken, collateral values, and the value and timing of recoveries.

- **For loans and advances assessed on a collective basis for impairment:**

- Assessing the reasonability of assumptions and estimates used by the Management including the reasonableness of forward-looking information and scenarios

- As relevant, the basis for and data used by Management to determine overlays in consideration of the probable effects of the COVID-19 pandemic.

- **For loans and advances affected by government stimulus and debt moratorium relief measures granted**

- Assessing the reasonableness of judgements, calculations and data used to determine whether customer contracts have been substantially modified or not and to determine the resulting accounting implications; and

- Evaluating the reasonability of the interest income recognized on such affected loans and advances.
- I assessed the adequacy of the related financial statement disclosures as set out in Note 3.5.12, 12, 23 and 50.2.

IT systems and controls relevant to financial reporting

The Company uses multiple IT systems in its operations. As such the Company's financial reporting process is heavily dependent on information derived from its IT systems.

Key financial statement disclosures involved use of reports generated from multiple systems, collation of information and spreadsheet – based calculations.

In addition, during the year, new procedures were also introduced to address the changes in working environment resulting from Covid 19. Accordingly, I considered this as a Key audit matter.

My audit procedures included the following,

- Understanding the changes made to security monitoring procedures over IT systems relevant to financial reporting, given the increase in remote access.
- Understanding and evaluating the design and operating effectiveness of key automated, IT dependent and manual controls implemented by management over generation of multiple system reports and collation of required information in calculating the significant information for financial statements disclosures.
- Checking the source data of the reports used to generate significant disclosures for accuracy and completeness.
- Checking the underlying calculations and the reasonableness of classifications made by management.
- Assessing the reasonability of Management's general ledger reconciliation procedures which includes cross checking to system reports and source data where relevant.

1.4 Other information included in the Company's 2020 Annual Report

The other information comprises the information included in the Company's 2020 Annual Report, but does not include the financial statements and my auditor's report thereon, which is expected to be made available to me after the date of this auditor's report. Management is responsible for the other information.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the Company's 2020 Annual Report, if I conclude that there are material misstatements therein, I am required to communicate that matter to those charged with governance for correction. If further material uncorrected misstatements are existed those will be included in my report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution that will be tabled in due course.

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

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

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

2. Report on Other Legal and Regulatory Requirements

2.1 National Audit Act, No. 19 of 2018 and Companies Act, No. 7 of 2007 include specific provisions for following requirements.

2.1.1 I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Company as per the requirement of section 163 (2) (d) of the Companies Act, No. 7 of 2007 and the section 12 (a) of National Audit Act, No. 19 of 2018.

2.1.2 The financial statements of the Company comply with the requirement of section 151 of the Companies Act, No. 07 of 2007.

2.1.3 The financial statements presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.

2.1.4 The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

2.2 Based on the procedures performed and evidence obtained were limited to matters that are material. nothing has come to my attention;

2.2.1 to state that any member of the governing body of the Company has any direct or indirect interest in any contract entered into by the Company which are out of the normal course of business as per the requirement of section 12 (d) of the National Audit Act, No. 19 of 2018.

2.2.2 to state that the Company has not complied with any applicable written law, general and special directions issued by the governing body of the Company as per the requirement of the section 12 (f) of the National Audit Act, No. 19 of 2018 except for non-compliances that are material are given below,

Reference to law/ direction

Description

Direction No.03 of 2018 issued by the Central Bank of Sri Lanka (Risk Weighted Average Capital Adequacy Requirements.

Non-compliance with the Risk Weighted Capital Adequacy Ratios as disclosed in Note 51.1 of the financial statements.

2.2.3 to state that the Company has not performed according to its powers, functions and duties as per the requirement of section 12 (g) of the National Audit Act, No. 19 of 2018.

2.2.4 to state that the resources of the Company had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12 (h) of the National Audit Act, No. 19 of 2018.


W.P.C. Wickramaratne

Auditor General

Merchant Bank of Sri Lanka & Finance PLC

STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Note	Company			Group		
		2020 Rs.'000	2019 Rs.'000	Change %	2020 Rs.'000	2019 Rs.'000	Change %
Income	4	5,188,013	6,839,015	(24.1)	5,472,169	7,023,770	(22.1)
Interest and similar income		4,950,638	6,532,729	(24.2)	5,056,499	6,650,029	(24.0)
Interest and similar expenses		(3,532,790)	(4,331,275)	18.4	(3,532,144)	(4,332,252)	18.5
Net interest income	5	1,417,848	2,201,454	(35.6)	1,524,355	2,317,777	(34.2)
Fee and commission income		116,893	208,928	(44.1)	109,569	204,588	(46.4)
Fee and commission expenses		(22,071)	(25,847)	14.6	(6,102)	(20,687)	70.5
Net fee and commission income	6	94,822	183,081	(48.2)	103,467	183,901	(43.7)
Insurance premium income	7	-	-	-	178,408	50,883	250.6
Net claims and benefits	8	-	-	-	(101,585)	(29,434)	(245.1)
Net trading income	9	10,312	9,652	6.8	10,312	9,652	6.8
Net gain/(loss) on financial instruments at fair value through profit or loss	10	63,629	18,768	239.0	64,105	21,017	205.0
Other operating income	11	46,541	68,938	(32.5)	53,276	87,601	(39.2)
Total operating income		1,633,152	2,481,893	(34.2)	1,832,338	2,641,397	(30.6)
Impairment charges for loans and other losses	12	(563,431)	(279,673)	(101.46)	(563,431)	(279,673)	(101.5)
Net operating income		1,069,721	2,202,220	(51.43)	1,268,907	2,361,724	(46.3)
Personnel expenses	13	(1,091,985)	(1,143,504)	4.5	(1,236,582)	(1,235,808)	(0.1)
Depreciation and amortisation	14	(291,273)	(278,100)	(4.7)	(305,392)	(294,362)	(3.7)
Other operating expenses	15	(571,882)	(700,713)	18.4	(674,777)	(807,499)	16.4
Total operating expenses		(1,955,140)	(2,122,317)	7.9	(2,216,751)	(2,337,669)	5.2
Operating profit/(loss) before VAT on financial services and impairment of investment in group companies		(885,419)	79,903	(1,208.1)	(947,844)	24,055	(4,040.3)
Impairment reversal/(charge) of investment in subsidiary	28.6	(462,544)	270,692	(270.9)	-	-	-
Impairment reversal/(charge) of investment in associate	27	5,058	(5,058)	200.0	-	-	-
Profit/(loss) from operations after impairment of investment in group companies		(1,342,905)	345,537	(488.6)	(947,844)	24,055	(4,040.3)
Taxes on financial services	16.1	-	(288,343)	100.0	-	(288,343)	100.0
Share of associate company's profit/(loss) before tax	27.1	-	-	-	20,212	(8,263)	344.6
Profit/(loss) before income tax		(1,342,905)	57,194	(2,448.0)	(927,632)	(272,551)	(240.4)
Income tax (expense)/reversal	16.2	234,600	45,390	417	18,550	(196,019)	109.5
Profit/(loss) for the year		(1,108,305)	102,584	(1,180.4)	(909,082)	(468,570)	(94.0)
Profit/(loss) for the year attributable to:							
Equity holders of the parent		(1,108,305)	102,584	(1,180.4)	(780,666)	(346,162)	(125.5)
Non-controlling interests		-	-	-	(128,416)	(122,408)	(4.9)
Profit/(loss) for the year		(1,108,305)	102,584	(1,180.4)	(909,082)	(468,570)	(94.0)
Earnings per share:							
Basic/diluted earning per share (Rs.)	17	(6.68)	0.62	(1,180.4)	(4.71)	(2.09)	(125.5)

Figures in brackets indicate deductions.

The accounting policies and the notes on pages 12 to 110 form an integral part of the Financial Statements.

Merchant Bank of Sri Lanka & Finance PLC
STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

Note	Company			Group		
	2020 Rs.'000	2019 Rs.'000	Change %	2020 Rs.'000	2019 Rs.'000	Change %
Profit/(loss) for the year	(1,108,305)	102,584	(1,180.4)	(909,082)	(468,570)	(94.0)
Other comprehensive income/(expenses)						
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):						
Gains/(Losses) on re-measuring financial investments at fair value through other comprehensive income	6,737	3,299	104.2	16,994	15,663	8.5
Net other comprehensive income/(expenses) to be reclassified to profit or loss in subsequent periods	6,737	3,299	104.2	16,994	15,663	8.5
Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax):						
Actuarial gains/(losses) on defined benefit plans	40 (53,290)	(30,822)	(72.9)	(52,356)	(33,406)	(56.7)
Share of associates company's other comprehensive income	27.1 -	-	-	(679)	(65)	(949.8)
Deferred tax effect relating to components of other comprehensive income	16.2 14,921	8,630	72.9	14,921	8,630	72.9
Net other comprehensive income/(expenses) not to be reclassified to profit or loss in subsequent periods	(38,369)	(22,192)	(72.9)	(38,114)	(24,841)	(53.4)
Other comprehensive income/(expenses) for the year, net of tax	(31,632)	(18,893)	(67.4)	(21,120)	(9,178)	(130.1)
Total comprehensive income/(expenses) for the year, net of tax	(1,139,937)	83,691	(1,462.1)	(930,202)	(477,748)	(94.7)
Total comprehensive income/(expenses) attributable to:						
Equity holders of the parent	(1,139,937)	83,691	(1,462.1)	(806,955)	(359,858)	(124.2)
Non controlling interests	-	-	-	(123,247)	(117,890)	(4.5)
Total comprehensive income/(expenses) for the year, net of tax	(1,139,937)	83,691	(1,462.1)	(930,202)	(477,748)	(94.7)

Figures in brackets indicate deductions.

The accounting policies and the notes on pages 12 to 110 form an integral part of the Financial Statements.

Merchant Bank of Sri Lanka & Finance PLC

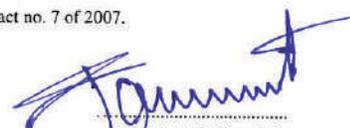
STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

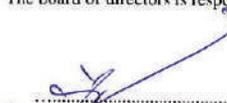
	Note	Company			Group		
		2020 Rs.'000	2019 Rs.'000	Change %	2020 Rs.'000	2019 Rs.'000	Change %
Assets							
Cash and cash equivalents	20	742,106	1,355,785	(45.3)	2,263,447	2,178,946	3.9
Placements with banks & financial institutions	21	299,746	1,477,103	(79.7)	778,598	2,126,932	(63.4)
Financial investments at fair value through profit or loss	22	950,012	945,199	0.5	960,328	955,040	0.6
Loans & receivables at amortised cost	23	26,785,517	29,261,351	(8.5)	26,548,397	29,006,921	(8.5)
Financial investments at fair value through other comprehensive income	24	1,292,616	1,216,478	6.3	1,465,111	1,954,350	(25.0)
Financial investments at amortised cost	25	1,519	1,513	0.4	1,519	1,513	0.4
Real estate stock	26	328,824	297,075	10.7	328,824	297,075	10.7
Investment in associate company	27	81,084	76,026	6.7	95,106	76,026	25.1
Investment in subsidiary	28	387,424	849,968	(54.4)	-	-	-
Investment properties	29	114,370	117,276	(2.5)	114,370	117,276	(2.5)
Property, equipment and right-of-use assets	30	758,690	895,799	(15.3)	796,287	928,706	(14.3)
Intangible assets	31	146,493	180,255	(18.7)	148,909	187,460	(20.6)
Deferred tax Assets	38	52,760	-	-	102,065	264,901	(61.5)
Other assets	32	418,048	301,288	38.8	704,678	518,612	35.9
Total assets		32,359,209	36,975,116	(12.5)	34,307,639	38,613,758	(11.2)
Liabilities							
Due to banks	33	5,436,682	7,749,021	(29.8)	5,442,511	7,749,807	(29.8)
Due to customers at amortised cost	34	21,725,261	22,755,930	(4.5)	21,665,256	22,755,930	(4.8)
Debt issued and borrowed funds at amortised cost	35	2,568,829	2,466,268	4.2	2,568,829	2,466,268	4.2
Insurance contract liabilities-life	36.1	-	-	-	498,767	546,253	(8.7)
Insurance contract liabilities-non life	36.2	-	-	-	488,784	383,164	27.6
Current tax liabilities	37	14,831	14,851	(0.1)	14,831	14,851	(0.1)
Deferred tax liabilities	38	-	212,520	(100.0)	-	212,520	(100.0)
Other liabilities	39	793,849	897,039	(11.5)	1,141,429	1,147,789	(0.6)
Retirement benefits obligations	40	351,906	271,699	29.5	363,816	283,558	28.3
Total liabilities		30,891,358	34,367,328	(10.1)	32,184,223	35,560,140	(9.5)
Equity							
Stated capital	41	2,124,457	2,124,457	-	2,124,457	2,124,457	-
Statutory reserves	42.1	234,613	234,613	0.0	234,613	234,613	0.0
Retained earnings	42.2	(893,794)	252,880	(453.4)	(714,093)	105,118	(779.3)
OCI reserve	42.3	2,575	(4,162)	161.9	3,157	(9,099)	134.7
Total equity attributable to equity holders of the parent		1,467,851	2,607,788	(43.7)	1,648,134	2,455,089	(32.9)
Non controlling interests		-	-	-	475,282	598,529	(20.6)
Total equity		1,467,851	2,607,788	(43.7)	2,123,416	3,053,618	(30.5)
Total liabilities and equity		32,359,209	36,975,116	(12.5)	34,307,639	38,613,758	(11.2)
Commitments and contingent liabilities	49	107,800	121,337	(11.2)	177,514	190,086	(6.6)
Net assets value per share (Rs.)		8.85	15.72	(43.7)	9.94	14.80	(32.9)

These Financial Statements have been prepared in compliance with the requirements of the companies act no. 7 of 2007.


P. I. Kandanaarachchi
Head of Finance


G. M. J. A. R. Gamalath
Acting Chief Executive Officer

The board of directors is responsible for these Financial Statements. Approved and signed for and on behalf of the board by:


Director


Director

Figures in brackets indicate deductions.

The accounting policies and the notes on pages 12 to 110 form an integral part of the Financial Statements.

30 March 2021
Colombo

Merchant Bank of Sri Lanka & Finance PLC

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

Company	Stated capital Rs.'000	Statutory reserves Rs.'000	OCI reserve Rs.'000	Retained earnings Rs.'000	Total equity Rs.'000
Balance as at 01 January 2019	2,124,457	214,096	(7,461)	193,005	2,524,097
Net profit for the year	-	-	-	102,584	102,584
Other comprehensive income, net of tax	-	-	3,299	(22,192)	(18,893)
Transfers to statutory reserve fund	-	20,517	-	(20,517)	-
Balance as at 31 December 2019	2,124,457	234,613	(4,162)	252,880	2,607,788
Balance as at 01 January 2020	2,124,457	234,613	(4,162)	252,880	2,607,788
Net loss for the year	-	-	-	(1,108,305)	(1,108,305)
Other comprehensive income, net of tax	-	-	6,737	(38,369)	(31,632)
Balance as at 31 December 2020	2,124,457	234,613	2,575	(893,794)	1,467,851

Group	Stated capital Rs.'000	Statutory reserves Rs.'000	OCI reserve Rs.'000	Retained earnings Rs.'000	Non controlling interests Rs.'000	Total equity Rs.'000
Balance as at 01 January 2019	2,124,457	214,096	(19,051)	457,799	64,007	2,841,308
Acquisition, disposal and changes in non-controlling interest	-	-	-	37,645	652,412	690,057
Net loss for the year	-	-	-	(346,162)	(122,408)	(468,570)
Other comprehensive income, net of tax	-	-	9,952	(23,647)	4,518	(9,177)
Transfers to statutory reserve fund	-	20,517	-	(20,517)	-	-
Balance as at 31 December 2019	2,124,457	234,613	(9,099)	105,118	598,529	3,053,618
Balance as at 01 January 2020	2,124,457	234,613	(9,099)	105,118	598,529	3,053,618
Acquisition, disposal and changes in non-controlling interest	-	-	-	-	-	-
Net loss for the year	-	-	-	(780,666)	(128,416)	(909,082)
Other comprehensive income, net of tax	-	-	12,256	(38,545)	5,169	(21,120)
Balance as at 31 December 2020	2,124,457	234,613	3,157	(714,093)	475,282	2,123,416

Figures in brackets indicate deductions.

The accounting policies and the notes on pages 12 to 110 form an integral part of the Financial Statements.

Merchant Bank of Sri Lanka & Finance PLC

STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

Accounting Policy

The Statement of Cash Flows has been prepared by using the 'Indirect Method' of preparing cash flow in accordance with the Sri Lanka Accounting Standard-LKAS 7 on 'Statement of Cash Flows', whereby operating activities, investing activities and financing activities are separately recognised. Cash and cash equivalents comprise of short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents as referred to in the statement of cash flows is comprised of those items as explained in Note 20

	Note	Company		Group	
		2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
For the year ended 31 December					
Cash flows from operating activities					
Profit/(loss) before income tax		(1,342,905)	57,194	(927,632)	(272,551)
Adjustments for :					
Change in operating assets	43.1	1,858,059	432,151	1,792,456	407,185
Change in operating liabilities	43.2	(1,213,717)	2,175,382	(1,085,068)	2,238,421
Share of associate company's profit/(loss) before tax	27.1	-	-	(20,212)	8,263
Contribution to defined benefit plans	40.1	56,674	51,652	59,739	54,220
Other non-cash items included in profit before tax	43.3	1,051,366	173,347	602,444	447,360
Dividends received	11.	(7,340)	(9,043)	(8,765)	(10,726)
		<u>402,137</u>	<u>2,880,683</u>	<u>412,962</u>	<u>2,872,172</u>
Gratuity paid	40.	(29,758)	(58,483)	(31,837)	(60,712)
Net cash generated from/(used in) operating activities before income tax		<u>372,379</u>	<u>2,822,200</u>	<u>381,125</u>	<u>2,811,460</u>
Tax paid	37.	-	-	-	-
Net cash generated from/(used in) operating activities		<u>372,379</u>	<u>2,822,200</u>	<u>381,125</u>	<u>2,811,460</u>
Cash flows from investing activities					
Purchase of financial assets designated at FVTPL		(172,760)	(1,216,805)	(172,760)	(1,216,803)
Proceeds from disposal of financial assets designated at FVTPL		241,888	567,132	241,888	567,132
Purchase of financial investments		(1,625,313)	(1,722,496)	(1,625,313)	(1,778,682)
Proceeds from sale and maturity of financial investments		1,653,433	1,761,567	2,229,068	1,761,567
Net increase/(decrease) in other investment		1,177,357	(806,528)	1,288,329	(1,352,357)
Purchase of property & equipment	30.	(57,171)	(139,668)	(60,952)	(152,719)
Purchase of intangible assets	31.	(1,321)	(24,011)	(1,321)	(24,010)
Investment in Subsidiary from parent and other parties		-	(500,000)	-	700,000
Proceeds from sale of property & equipment		267	3,164	406	7,400
Dividend received		7,340	9,043	8,765	10,726
Net cash used in investing activities		<u>1,223,720</u>	<u>(2,068,602)</u>	<u>1,908,111</u>	<u>(1,477,746)</u>
Cash flows from financing activities					
Net increase/(decrease) reverse repo and repo agreements		(269,243)	767,301	(269,243)	767,301
Net increase/(decrease) in other borrowings at amortised cost		(1,956,952)	545,746	(1,956,952)	545,746
Payments on redemption of debentures	35.3	-	(2,122,912)	-	(2,122,912)
Net cash used in financing activities		<u>(2,226,195)</u>	<u>(809,865)</u>	<u>(2,226,195)</u>	<u>(809,865)</u>
Net decrease in cash and cash equivalents during the year		(630,096)	(56,267)	63,041	523,849
Cash and cash equivalents at the beginning of year		1,022,800	1,079,067	1,845,175	1,321,326
Cash and cash equivalents at the end of year		<u>392,704</u>	<u>1,022,800</u>	<u>1,908,216</u>	<u>1,845,175</u>
Analysis of cash and cash equivalents at the end of the year					
Cash and short-term funds	20	742,106	1,355,785	2,263,447	2,178,946
Dues to banks	33.1	(349,402)	(332,985)	(355,231)	(333,771)
		<u>392,704</u>	<u>1,022,800</u>	<u>1,908,216</u>	<u>1,845,175</u>

Figures in brackets indicate deductions.

The accounting policies and the notes on pages 12 to 110 form an integral part of the Financial Statements.