People's Leasing & Finance PLC Annual Report 2018/19

We are focused on our core values of economic viability, social accountability, and environmental responsibility.

Our emphasis remains on the journey itself, as much as the destination, as we seek to create moments of happiness.

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Directors' statement

We present here our sixth Integrated Annual Report for the year ended 31 March 2019, which sets out a balanced and concise assessment of our financial, social, and environmental performance and how we drive sustainable growth while balancing stakeholder interests. The Board of Directors has reviewed the Company's business plans and is satisfied that People's Leasing has adequate resources to continue its operations in the foreseeable future. Accordingly, the Financial Statements are prepared based on the going concern concept.

The Report is structured in two parts.

The **first section** explains how we created value during the year under review, while building the legend that is People's Leasing. The Report provides the reader with a well-rounded appreciation of the state of operations and instils confidence in the Company's prospects for future growth and sustainability.

The **second section** consists of more detailed information including the audited and complete Annual Financial Statements for the year ended 31 March 2019. The financial performance of the Company and the Group during the year is illustrated in the statements. They provide a vignette of the Company's financial position as at 31 March 2019. This section also contains detailed reports on corporate governance as well as supplementary information.

To cater to the communications needs of the Company's diverse stakeholder groups, this Report is available in different mediums and formats, including a comprehensive report in online HTML format.

The Financial Statements provide full disclosure on the financial aspects relating to the Organisation, allowing us to adhere to the statutory and legislative requirements of reporting.

While recognising and acknowledging our responsibility to present accurate information in this Integrated Annual Report, we confirm that it addresses all material issues and matters relating to the Company and its operations. While complying with statutory requirements, our presentation of comprehensive material information is in keeping with the Company's commitment to transparency.

Financial projections and statements relating to future events are based on current available information. While we cannot provide any assurances regarding future events, we advise readers to refrain from placing undue reliance on the projected data in making their decisions. Information has not been updated post-publication.

Mr Hemasiri Fernando
Chairman/Non-Executive,
Non-Independent Director

Mr Michael Pradeep Amirthanayagam
Deputy Chairman/Non-Executive,
Independent Director/
Senior Independent Director

Mr Jehan Prasanna Amaratunga
Non-Executive,
Non-Independent Director

Mr Mohamed Anise Mohamed Rizwan
Non-Executive, Independent Director

Mr Johnson Anthony Fernando
Non-Executive, Independent Director

Mr Rasitha Gunawardana
Non-Executive,
Non-Independent Director

Mr N W A M U K K E Weerasinghe
Non-Executive, Independent Director

Dr Kennedy Gunawardana
Non-Executive, Independent Director

Our sixth Integrated Annual Report

Apt communications

Our reporting addresses the needs of our diverse stakeholders without creating clutter. This Report is structured in line with our business model and comprises a discussion on our strategy, performance, governance, and prospects, and how they help to create sustainable value.

A comprehensive report in online HTML format (for a universal audience).

Additional information that supplements the printed version is available in the online version of this Integrated Annual Report.

A two-part Integrated Annual Report in print, PDF and CD formats (compliance-related disclosure for a more select, specialist audience).

GRI 102-50 GRI 102-51 GRI 102-52

Reporting period

This Annual Report covers material information relating to the Company's performance for the financial year beginning 1 April 2018 to 31 March 2019. (Our most recent report is dated 31 March 2018).

GRI 102-45 GRI 102-46 GRI 102-4

Report boundary

Largely covers business operations of People's Leasing & Finance PLC ("Company" or "People's Leasing") in Sri Lanka unless otherwise stated. Financial reports cover People's Leasing and its six subsidiaries ("Group") and its interest in the associate.

GRI 102-48 GRI 102-49

Restatements and changes

No restatements were done of information provided in previous reports and no significant changes from previous reporting periods were reported in the scope and aspect boundaries. However, presentation and classification of the financial statements of the previous year are amended where relevant for better presentation and to be comparable with the current year.

Strategic imperatives

Our five strategic imperatives help us capitalise on opportunities and mitigate risks that present themselves within the overarching trends that shape our operating environment:

1. Pursuing sustainable growth
2. Augmenting customer experience
3. Achieving execution excellence
4. Promoting efficient resource use
5. Embodying responsible stewardship

These strategic imperatives were developed in response to matters material to the Company. The Report focuses on material opportunities and risks that significantly impact our business and stakeholders as discussed on pages 64 to 65.

GRI 102-12 GRI 102-54

Compliance

In producing this Report we drew on concepts, principles, and guidance from –

- The International Integrated Reporting Council (IIRC) <IR> Framework
- The Global Reporting Initiative (GRI), GRI Standards: Comprehensive Option
- The Institute of Chartered Accountants of Sri Lanka
- Securities and Exchange Commission of Sri Lanka
- The Central Bank of Sri Lanka
- The Colombo Stock Exchange
- The United Nations Sustainable Development Goals (SDGs)
- The Smart Integrated Reporting Methodology™

GRI 102-56

External assurance

The Financial Statements together with the related Notes are audited by Messrs Ernst & Young, Chartered Accountants, Sri Lanka and their assurance report is set out on pages 217 to 219. The external assurance obtained by them for sustainability reporting is given on page 387 of this report. Messrs Ernst & Young, Chartered Accountants also issued the External Assurance for the Company's compliance with Corporate Governance Directions which has been submitted to the Central Bank of Sri Lanka. Directors' statement on internal controls over financial reporting has been reviewed by the said Auditors, and their opinion on the same is given on page 214.

GRI 102-53

Queries on the Report

Any questions and queries on this Integrated Annual Report 2018/19 and the information presented therein are to be directed to:

Chief Financial Officer
People's Leasing & Finance PLC
1161, Maradana Road,
Colombo 08,
Sri Lanka.
Postal code: 00800
Phone: +94 11 263 1631

How we create value

Look carefully at the diagram overleaf. Our Annual Report is structured in line with our business model. In other words, this unique approach means that the Report's **contents page** mirrors the Company's **business model**.

How we create value

Contents: Mapping our business model

Contents: Mapping our business model <<

How we create value

Our business model in action

Our Annual Report is structured in line with our business model and emphasises our strategic direction which in turn spans five distinctive imperatives. These imperatives cover all key forms of capitals.

The business model of People's Leasing is a system for transforming inputs into outputs to generate outcomes that make an impact, contributing towards the fulfilment of our Vision and Mission in the process.

The supporting structure

Building a legend (refer pages 10 to 23) involves marching towards the realisation of our Vision while staying true to our Mission.

It also involves sound governance ("Being responsible stewards" on pages 24 to 59) as we consider the impacts and influence of the overarching trends in the operating environment ("Putting enterprise in context" on pages 60 to 65) and stakeholder expectations ("Strengthening stakeholder relationships" on pages 66 to 71) on our ability to create value. Our strategy ("Plotting our journey" on pages 72 to 77) is designed to ensure that we remain on track to meet our goals.

Our business model can be considered a system for transforming inputs through business activities into outputs, outcomes, and impact with the goal of fulfilling our Vision and Mission. This "results chain" ("Seeing enterprise in action" on pages 78 to 150) is also underpinned by continuous monitoring and evaluation of results ("Staying on course" on pages 152 to 178) to ensure that we remain on course.

Value creation

As a well-entrenched player in the NBFI sector in Sri Lanka, we have a resilient business model that has evolved over the past two decades. It is an important determinant of our sustainability and therefore, draws guidance from multiple disciplines such as economics, finance, marketing, regulation, strategy etc. to remain relevant in its day-to-day operations. Further, given the competitiveness and the complexities of the market, the dynamic operating environment and the emerging developments that threaten to challenge conventional business models, People's Leasing continuously fine tunes the components of its business model, process, or activities in particular, based on the available/required inputs, targeted outputs, envisaged outcomes, and desired impact.

Building a legend

As we continue our work in building a legend, we look back at the highlights of the year. Our Chairman discusses how we have been realising our Vision and contributing to financial inclusion. How we remain true to our Mission is discussed by our Chief Executive Officer who also highlights our focus on innovation and customer service in our quest to create value.

Being responsible stewards

Responsible stewardship is championed by our Board of Directors, and corporate management and management teams. People's Leasing is supported by a robust compliance culture, with the necessary controls, training, and technology in place. Sound corporate governance is also practiced to create trust and engagement between the Company and its investors. The Annual Report of the Board of Directors on the affairs of the Company provides information required by regulators.

Putting enterprise in context

As a responsible corporate citizen, we put value creation at the heart of our strategy. Our growth, during the reporting year, is reviewed in the context of global economic activity which impacted our local economy and, in turn, our business. We identified these external developments as opportunities and risks. In this Report, we look at topics that have the most impact on our value creation process.

Our business model in action << **How we create value**

Strengthening stakeholder relationships

Through meaningful dialogue with our key stakeholder groups we are able to better understand and address their needs and concerns while balancing the distribution of value created. The operating environment and stakeholder engagement become the basis for materiality. The materiality of a topic was assessed by its relevance to People's Leasing or our stakeholder, and its significance. How significant it is was determined by the probability of occurrence and the magnitude of impact.

Plotting our journey

Our strategic imperatives are designed to mitigate risks and capitalise on the opportunities that are material to us and which arise from stakeholders concerns and the overarching trends shaping the contours of our operating environment.

Seeing enterprise in action

All forms of inputs that help People's Leasing create value through its business model are capitals. It comprises both quantitative and qualitative inputs provided by stakeholders external to the Company as well as those generated internally. Beyond the financial capital, our future prospects and potential depend on the quantity and quality of these capital inputs in today's context.

Inputs then are the internal and external capitals we use to create value.

Activities are actions taken or work performed through which inputs are used to produce specific outputs. Activities focus on key strategic imperatives.

Outputs can be defined as the short-term impact. They are the services we produce and the resulting changes which are relevant to the achievement of outcomes. We define outcomes as value created by us for the Company and for our stakeholders in the medium term. Impact is the continued delivery of our Vision and Mission over the long term.

Staying on course

In order to mitigate the risks associated with our business model, our Integrated Risk Management Framework focuses on managing our exposures to risk and potential losses and to protect the value of our assets and shield earnings. To ensure that we stay on course we constantly monitor and evaluate our performance making minute course adjustments as the need arises.

As indicated in the Contents on the previous pages, this Report is structured in line with our business model (see overleaf).

How we create value >> Our business model in action

Vision and Mission
(page 12)

Operating environment
(pages 60 to 65)

Stakeholder engagement and materiality
(pages 66 to 71)

Strategic direction
(pages 72 to 77)

Inputs
(pages 80 to 81)

Financial capital – Strong book value of the Company reflecting profitability and asset quality

Institutional capital – Knowledge-based intangibles and tangibles that we control

Investor capital – Our dedicated investors who are rewarded through our good governance

Customer capital – Loyal patronage earned by exceeding customer expectations

Business partner capital – Market confidence and financial stability shored up through sound stewardship

Employee capital – A skilled team of innovators powered by a passion to serve

Social and environmental capital – A license to operate derived through our commitment to ethical and responsible business

Value creation activities

Pursuing sustainable growth (pages 84 to 91)

Robust financial sustainability and catering to the market while strengthening risk management

Augmenting customer experience (pages 92 to 103)

Exceeding expectations with every interaction through innovative products and services via wide network

Achieving execution excellence (pages 104 to 123)

Maintaining lean processes to support dedicated employees and robust systems that support customer service excellence

Promoting efficient resource use (pages 124 to 129)

Using resources efficiently and sustainably and maintaining professional growth and an engaging work culture

Embodying responsible stewardship (pages 130 to 145)

Offering responsible and inclusive financial services and investing on positive social and environmental development

Our business model in action << **How we create value**

Governance

(pages 24 to 59)

Risk management, monitoring and evaluation

(pages 152 to 178)

Outputs
(pages 146 and 147)

Financial growth through sustainable business practices

New products and services in response to customer needs

Further streamlining of vital systems and processes that increase efficiency and service standards

Robust business partnerships renewed and further strengthened

Continuous learning and development for our people

Empowered communities and environmentally-conscious business activities

Outcomes
(pages 148 and 149)

Growth in profitability and business volumes leading to a stable and sound company

Strong brand value and solid market share attracting stakeholder trust

Strong customer patronage and sustainable competitive advantage through value-added products and service excellence

Empowered and committed workforce that strengthens the brand through innovative total solutions

Reinforced partnerships that contribute towards value creation

Empowered societies through responsible finance and investment on society and environment whilst contributing towards the achievement of SDGs

Impact
(page 150)

The long-term impact of our enterprise in action is the building of a legend – a beloved brand, strong and trusted; a market leader, constantly anticipating and addressing stakeholder needs; and a responsible corporate citizen operating sustainably – economically, socially, and environmentally.

Building a legend

About People's Leasing

What does it take to build a legend? In our experience it is a journey – one that begins with our Vision and Mission.

Our Vision

To become legendary in the financial-service scene as a provider of customer-friendly, creative and innovative total solutions

Our Mission

Dedicated value-added customer service to accomplish organisational service excellence whilst maintaining a sustainable competitive advantage

The legend so far...

As legends go, People's Leasing has already made a name for itself as a trusted brand

Brand strength

We are one of Sri Lanka's largest non-bank financial institutions (NBFI) with a Brand value of Rs. 8.7 billion.

75%

75%-owned by People's Bank

The parent lends us its:

- **Credibility**
- **Capital**
- **Liquidity**
- **Stability**

People's Leasing's differentiators:

- **Skilled and engaged workforce**
- **Diversified portfolio**
- **Agility in responding to industry trends**
- **One stop financial solutions provider**
- **Being a responsible corporate citizen**

Most rated NBFI

People's Leasing is the most rated non-bank financial institution in the country with three ratings:

AA-(lka)

from Fitch Ratings Lanka Limited

B-

one notch below Sovereign from Fitch Ratings International

About People's Leasing

Our culture

Our focus on financial inclusion governs our operations, prompting us to respond to all stakeholders with deliverable core values of –

Economic viability — Social accountability — Environmental responsibility

Guided by our Vision, Mission and values, as a responsible financial services provider, we offer responsible lending and financial protection solutions abiding by relevant legislation, integrating environmental, social and governance (ESG) criteria into business operations and create value for our stakeholders through our tested processes, committed staff and the state-of-the-art technology.

GRI 102-5

Group structure

75% People's Bank

People's Leasing & Finance PLC

- Leases
- Loans
- Deposits
- Margin trading
- Factoring
- Islamic finance

To avoid duplicating the activities of our major shareholder we limit our services to those who are not a key stakeholder for People's Bank.

Subsidiaries						Associate
People's Insurance PLC	People's Micro-commerce Ltd.	People's Leasing Fleet Management Limited	People's Leasing Property Development Limited	People's Leasing Havelock Properties Limited	Lankan Alliance Finance Limited	People's Merchant Finance PLC
Ownership 75%	Ownership 100%	Ownership 100%	Ownership 100%	Ownership 100%	Ownership 51%	Ownership 37.06%

Details of our subsidiaries and associate can be found online

http://plc2018-19.annualreports.lk/sr.html

About People's Leasing

GRI 102-7

Prudent growth

The journey so far has been eventful. Established in 1995, People's Leasing was registered in 2012 as a licensed finance company under the Finance Business Act No. 42 of 2011.

	Customer touchpoints	Employee number	Capital	Deposits	Subsidiaries/ associates	Product range
Then – 1995	1 branch in Kandy	3	Rs. 10 million	Deposits not accepted	None	Lease Hire purchase
Now – 2019	103 branches	2,329	Rs. 28,603 million	Rs. 88 billion	6 subsidiaries 1 associate	Leasing Loans Islamic finance Deposits Margin trading Factoring

Future focus

Digitalising the customer journey	Empowering recovery process	Strengthening our team with new cadre	Improve credit quality through focused training	Continued adherence to regulatory capital adequacy requirements	Diversifying our product and service offer in line with our customer expectations
Strategising our marketing initiatives by leveraging Group synergy and our competitive service environment	Investing in multimodal digital presence	Increasing social media presence	Building a competent, engaged, and motivated team	Rolling out products across more branches	Continuing our commitment to be a responsible corporate citizen

Building a legend

About People's Leasing

GRI 102-7

Where we stand

Given below is a summary industry comparison of key performance indicators.

Indicator	2018/19 Industry*	2018/19 People's Leasing	2017/18 Industry*	2017/18 People's Leasing
Business volumes (Rs. billion)				
Loans and advances	**1,137.0**	**151.7**	1,057.1	140.2
Investments	**109.7**	**15.4**	118.1	13.8
Deposits	**716.8**	**88.4**	686.7	69.8
Borrowings	**463.8**	**48.5**	396.0	55.7
Capital	**183.7**	**28.6**	169.7	27.0
Total assets	**1,431.3**	**172.5**	1,355.0	160.7
Profitability (%)				
Return on assets (ROA)	**2.7**	**3.9**	3.2	3.7
Return on equity (ROE)	**12.1**	**15.9**	16.1	16.7
Net interest margin (NIM)	**7.4**	**9.7**	7.7	8.4
Core capital ratio	**9.9**	**14.4**	12.4	18.4
Total risk weighted capital ratio	**11.2**	**15.2**	13.1	16.5
Source of funds (%)				
Total deposits	**52.5**	**53.4**	54.83	45.7
Total borrowings	**34.0**	**29.3**	31.62	36.6
Capital elements	**13.5**	**17.3**	13.55	17.7
Use of funds (%)				
Loans and advances	**79.4**	**87.9**	78.0	87.2
Investments	**7.7**	**8.9**	8.7	8.6
Other assets	**12.9**	**3.2**	13.3	4.2
Asset growth	**5.6**	**7.4**	11.8	7.3
Loans and advances (YoY growth)	**7.6**	**8.2**	9.8	5.2
Asset quality (%)				
Gross NPA ratio	**7.7**	**3.9**	5.9	2.7
Net NPA ratio	**2.4**	**0.9**	1.5	0.7

*Source: Central Bank of Sri Lanka Annual Reports 2017 and 2018 (figures as at 31 December 2017 and 2018).

As evident across a gamut of indicators, People's Leasing occupies an enviable position in the NBFI sector of the country.

Business volumes

People's Leasing accounts for 12.3% of deposits, 13.3% of loans and advances and 12.1% of total assets of the industry.

Profitability

People's Leasing is one of the most profitable players with well above the industry average ROA and ROE levels.

Source of funds

A focused approach based on a long-term strategy saw deposit base growing by 26.6% YoY against the industry growth of mere 4.4%.

Use of funds

Interest earning assets accounts for 94.8% of the total assets, depicting robustness of our financial intermediation.

Asset quality

Possesses a loans and advances portfolio with one of the highest levels of asset quality and with a provision cover of 70%.

About People's Leasing

Highlights of the year

Financial capital

Shareholders' funds
Rs. 29 billion
2017/18 – Rs. 27 billion

Total assets
Rs. 173 billion
2017/18 – Rs. 161 billion

Profit after tax
Rs. 4.42 billion
2017/18 – Rs. 4.31 billion

Market share in total assets
12.05%
2017/18 – 11.86%

Net interest income
Rs. 15 billion
2017/18 – Rs. 12 billion

Total operating income
Rs. 17 billion
2017/18 – Rs. 14 billion

Institutional capital

Brand value
Rs. 8.7 billion
2017/18 – Rs. 6.5 billion

Credit ratings

Fitch Ratings Lanka Ltd.
AA-(lka)

Fitch Ratings International
B-

20
awards and accolades won during the year

Investor capital

Market capitalisation
Rs. 21 billion
2017/18 – Rs. 24 billion

Share price 2019
Rs. 13.40
2017/18 – Rs. 15.80

Net assets per share
Rs. 18.10
2017/18 – Rs. 17.11

Price earnings ratio
4.79 times
2017/18 – 5.79 times

Dividend payout ratio
44.72%
2017/18 – 45.83%

Building a legend

About People's Leasing

Highlights of the year <<

Customer capital

8.23%
increase in the lending portfolio
2018/19 – Rs. 152 billion,
2017/18 – Rs. 140 billion

26.67%
increase in the deposits portfolio
2018/19 – Rs. 88 billion,
2017/18 – Rs. 70 billion

248,587
deposit customers
2017/18 – 204,125

121,129
active lending customers
2017/18 – 116,612

Savings base
Rs. 5 billion
2017/18 – Rs. 4 billion

43%
repeat customers
2017/18 – 53%

Business partner capital

14,564
new suppliers

29,320
active suppliers/dealers
2017/18 – 27,431

7
strategic tie-ups

6
memberships in industry associations

Employee capital

2,329
employees
2017/18 – 2,085

88.9%
retention ratio
2017/18 – 88.5%

Return to work ratio
79%
2017/18 – 76%

492
new recruits
2017/18 – 240

Social and environmental capital

Carbon footprint (tCO_2eq)
5,695
2017/18 – 7,011

Investment on CSR
Rs. 122 million
2017/18 – Rs. 102 million

Following structural reforms last year, we are now better geared for the future.

Building a legend

Realising our Vision

Chairman's message

GRI 102-14

The financial year just ended, was a year of consolidation for People's Leasing. Following structural reforms, the overhaul of our product portfolio, and the identification of new customer segments, we have already laid the groundwork for a successful future.

The year is also the perfect example of progress under duress. Within, and in spite of, an environment that was continually challenging, the Company turned in a robust performance. The economic, social and environmental pressures that impacted our business were far beyond our control and their impact was significant, rendering our operating environment difficult to navigate. What was within our power, however, was to be innovative and responsive as we pushed forward.

For the fiscal year just ended, we recorded a profit after tax of Rs. 4,416.12 million with year on year growth of 2.48% supported by the growth in headline net interest income, despite the higher taxes and impairment charges. Newly introduced Debt Repayment Levy resulted in an additional Rs. 436.97 million expense for the Company. In addition a further Rs. 348.79 million was provided against an investment in the associate. Both these items had not been budgeted for. The People's Leasing Group recorded a profit after tax of Rs. 5,011.27 million. Our ROA and ROE outpaced the industry average, standing at 3.95% and 15.88% respectively. The asset base of People's Leasing and the Group grew to Rs. 172,541.28 million and Rs. 185,932.64 million respectively as at end March 2019.

These figures are particularly satisfying given the mitigating circumstances, including economic slowdown, the depreciating rupee, political instability, subdued investment and construction, power disruptions and inclement weather – all of which resulted in a significantly lower disposable income among our customer base and the general population.

Operating in a volatile environment becomes even more challenging given the fact that our customers are the first to be affected in an economic downturn. This presents us with a conundrum that is not the easiest to crack. Nevertheless, we persevered and, as the CEO will discuss in detail in his review, our work during the year was geared towards offering customers products and services that catered to their businesses and lifestyle goals and set People's Leasing apart from the competition.

Looking ahead, we are focusing on diversification and differentiation to maintain our position as the leading non-bank financial institution (NBFI) in the country. While all our subsidiaries are performing well and delivering sound financial results, our operations in Bangladesh are also turning in a profit, despite the competitive environment within which we must work, showing promise for capitalising on the great potential that this growing economy has to offer. Here too, we stand out from the competition with products and services that speak to the customers' financial needs. We will also reinforce our investment in long-term growth by expanding and strengthening our prowess in information and communications technology (ICT) as this is an area where we can face increasing risks but also increasing opportunities.

Maintaining good governance has always been paramount at People's Leasing and always will be. It is part of our DNA. This year was no different. We remained committed to sustainability and in compliance with all relevant rules and regulations prescribed by the regulators.

In conclusion, I extend my appreciation and thanks to the non-banking supervision division of Central Bank of Sri Lanka for their corporation and unstinted support. I would also likes extend my warm appreciation to the Board of Directors for their dedication and guidance towards the Company, the CEO Mr A S Ibrahim for his leadership in demanding times, the Corporate Management and all our employees for their commitment in striving towards achieving the Vision and Mission of People's Leasing, while adhering to the Company's Corporate Values. Their contribution over the years has contributed to our leading position in the NBFI sector, realising our Vision, and the building of a legacy that will take us far into the future.

Hemasiri Fernando
Chairman

13 June 2019

Given that People's Leasing serves a large extent of the market, we can be proud of our contribution to financial inclusion – bringing unbanked and under banked Sri Lankans to the formal financial system, and uplifting lives and livelihoods.

We consolidated yesterday with plans to diversify and differentiate tomorrow.

Building a legend

Staying true to our Mission

Chief Executive Officer's review

Maintaining a competitive advantage in the markets within which we operate is becoming increasingly challenging given the saturation of new and traditional players in the field. We lead the NBFI sector but must compete for market share with diverse challengers, from banks to fin techs. Despite this, and other mitigating circumstances outlined by the Chairman, People's Leasing was able to record a strong performance during the year under review, and here I present a vignette of this collaborative accomplishment.

Shaping the future today

In my last Review I mentioned that due to unprecedented changes in our operating environment, the future is shaping today. While this remains true, we must also strive to anticipate and meet the challenges of the future today. If we wait to do so tomorrow, it will be too late. Following the implementation of a restructure that saw the streamlining of four key divisions – Risk Management, Recoveries, Operations, and Marketing – we focused on consolidation in the short term, but differentiation and diversification in the medium to long term. At People's Leasing our past growth has been aggressive and our margins have been under pressure. During this year of consolidation, we focused on a measured growth.

To distinguish our offering, we also focused on the true needs of our customers. No longer are they satisfied to simply take what the market offers. Increasingly tech-savvy, our customers are consumers in a global market influenced by players including formidable giants and smart start-ups from Amazon and eBay to AirBnB and Ripple. Our customers now expect their local service providers to be as nimble and attentive to their needs – being where they are, when they want us. For us, differentiation and diversification were a big step forward in meeting this need.

Focusing on dedicated, customer service

Using our in-depth understanding of the customer we began by focusing on the economic life cycle – the business and lifestyle milestones of a customer's journey. For instance, we launched deposit products, including for children, which allow customers to save a targeted amount for a specific event in their lives. Our variable rate loans and leases for individuals and businesses – which opened the door for customers to enjoy the benefits of lower interest rates and the possibility of varying repayments – are showing great success. Our gold loan product, which was launched the previous year to provide quick relief for customers with urgent financial problems, was rolled out across five branches. We will be rolling this product out across 40 more branches in the near future. These and other products yet in the pipeline are designed to help us offer solutions to pressing customer needs.

We will continue working towards improving our accessibility, not just through our extensive network of brick-and-mortar touch points, but also using virtual touchpoints through our website and social media interactions. In response to customer feedback we will also continue to upgrade more service centres in strategic locations to fully fledged branches.

Beyond the diversification of our products and reach within Sri Lanka, I am pleased to report that our expansion into Bangladesh continues to show promise. Despite stiff competition in that market, we have broken even and our products, especially products such as leasing, term loans, and working capital loans, differentiate us from the rest.

Innovation will continue to be a key focus in our pursuit of operational efficiency, just as much as greater customer convenience and service will remain central in our efforts to augment our value proposition and exceed expectations.

Staying true to our Mission

Achieving organisational service excellence

While focusing on consolidation, we also turned our attention to greater operational efficiency, streamlined processes, and the cleaning up of our balance sheet. To ensure that our people work in an environment that is conducive to reaching the required milestones in our journey towards success, we have also invested in the latest in customer relationship management tools and continue to explore new technology in order to improve customer convenience and increase operational efficiency.

Diversification also means the exploration of previously untapped customer segments. Capturing these markets means being able to understand and meet new customer needs, which in turn depends greatly on the experience, skills, and dedication of our people. The restructure of our Company has provided us with a clear map of the expertise we require to reach these new segments. Training and development is already underway to ensure that we equip our people with the required knowledge and skills. New positions will be filled internally but where new expertise is required we will also be hiring externally.

Changing hearts and minds in order to reach our destination is easier thanks to the dedication of our people. Their attitude and quality of service is another differentiator that has cemented our place as a leader in the NBFI sector.

Maintaining a sustainable, competitive advantage

All our endeavours towards achieving a competitive advantage have been reinforced by responsible stewardship. Good governance and strong risk management practices are central to our work and essential to our industry, and for this reason they are aspects of the business that we take very seriously.

The recognition we have received for the year under review is testament to the success and sustainability of our operations, the strength of our brand, and our commitment to innovation. Among others, these included the number one ranked non-banking financial services brand by Brand Finance PLC, ranking among the ten best corporate citizens of the country for the sixth time, ranking 13 in Business Today's Top 30 Listed Companies, receiving the Gold Award for "CSR Project of the Year" at the IFFSA Awards 2018, the Silver Award for the Islamic Leasing Company of the Year at the SLIBFI Awards 2018, and local and international recognition for our Annual Report 2017/18.

Beyond the way we run our business, we also implemented a range of sustainability initiatives for the benefit of customers, the community and the environment. They are centred on entrepreneurship development; early childhood/education development; road safety; empowerment of local communities and conservation of environment. As a result of our commitment to these corporate social responsibility initiatives, we invested Rs. 122.23 million through 155 initiatives across the island during the year, with the active participation of our employees who contributed over 6,693 volunteer hours.

Delivering value to all our key stakeholder groups ensures that our impact on the economy, society, and environment remains positive, making us a truly sustainable entity which is economically viable, socially accountable, and environmentally responsible.

Staying true to our Mission

Continuing the legacy

Despite the difficulties that put the entire financial sector under pressure, People's Leasing recorded its highest ever profit after tax of Rs. 4,416.12 million, reflecting a growth of 2.48% over 2017/18. Reported profit was achieved against a backdrop of increased impairment charges and the newly imposed Debt Repayment Levy of Rs. 436.97 million which was not initially budgeted for by the Company. Loans and advances grew by 8.23% and deposits by 26.67%. Net interest margin improved to 9.70% from 8.38% over the previous year. This enabled us to grow our net interest income by 24.46% to Rs. 15,190.20 million accounting for 88.89% of the total operating income. Growth in income coupled with careful management of operating expenses saw the cost-to-income ratio substantially improve to 37.81% from 39.73%.

While our non-performing advances (NPA) ratio is well below the industry average of 7.7%, the increase in gross NPA ratio to 3.91% was due to the slowdown of the economy as a whole and caused the impairment charge for the year to increase to Rs. 1,954.88 million from Rs. 1,429.97 million the previous year. Included within this impairment charge is Rs. 348.79 million which was additionally made as a prudent measure for the Company's investment in the associate, People's Merchant Finance PLC.

The Company's return on assets improved to 3.95% during the year under review compared to 3.71% in the previous year. However, due to growth in equity being higher than the growth in profit after tax, our profitability in terms of ROE decreased marginally to 15.88% compared to the previous year, but remained ahead of the industry average of 12.1%. Notably, our deposit base grew to Rs. 88.37 billion, with the savings base surpassing Rs. 5 billion. Reflecting strong stability and adequate leeway for future business expansion, People's Leasing maintained capital adequacy ratios at 14.36% and 15.20% for Tier 1 capital and total capital respectively well ahead of the regulatory minimum requirements of 6% and 10%.

At the fiscal year's end, People's Leasing and the Group had a strong asset base of Rs. 172.54 billion and Rs. 185.93 billion respectively.

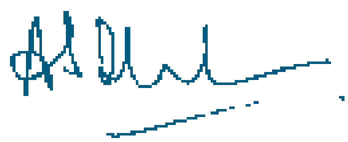
Future aspirations

To ensure that we are fit for the future we continue to explore areas such as process automation and digitalisation which have the potential to significantly improve business and provide our people with the capacity to exceed customer expectations. To maintain our leadership position in the market we will also look to strengthen relationships with business partners – increasing presence in vehicle dealerships, implementing new strategic tie-ups with selected suppliers, opening new branches in key locations, and rolling out existing products to new markets. Reinforcing our competent, engaged, and motivated team will continue to be a focus. We will also concentrate on maintaining an optimal mix while focusing on strengthening equity.

Appreciating invaluable contributions

My sincere thanks to the Chairman and the Board of Directors for their guidance, our customers for their loyalty and trust in us, our suppliers for their contribution, investors and strategic partners for their continued conviction, and officials of the Central Bank of Sri Lanka and the Department of Supervision of Non-Bank Financial Institutions for their support and regulatory guidance.

Staying true to our Mission means adapting to the changing environment with resilience and fortitude, as we forge ahead, building a legacy for future generations.



A S Ibrahim
Chief Executive Officer

13 June 2019

2

Being responsible stewards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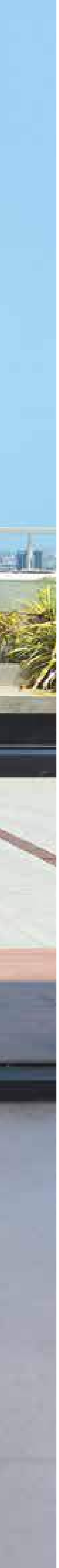


Being responsible stewards

Board of Directors

GRI 102-22

1

Mr Hemasiri Fernando

Chairman /Non-Executive, Non-Independent Director

Mr Fernando was appointed as a Non-Executive, Non-Independent Director, and the Chairman to the Board of People's Leasing & Finance PLC on 8 April 2015.

Qualifications

Bachelor's Degree in Economics (Special) – University of Colombo, Associate Member of the Institute of Travel and Tourism UK (A INST TT), Fellow of the British Institute of Management (FBIM).

Current positions

Chairman, People's Leasing Havelock Properties Limited, and People's Merchant Finance PLC. Director of People's Bank, People's Leasing Property Development Limited, People's Leasing Fleet Management Limited, and Lankan Alliance Finance Limited. Honorary Consul for the Kyrgyz Republic in Sri Lanka.

Positions held

He has held numerous positions of seniority in the Government of Sri Lanka. Secretary to the Ministry of Defence, served as the Chairman of Board of Investment of Sri Lanka, Chairman of Sri Lanka Telecom PLC, Chairman Telecommunications Regulatory Commission, Secretary to the Prime Minister (November 1994 – December 1999). Chairman of Airport and Aviation Services (Sri Lanka) Limited, and Independent Television Network Limited (ITN). President of the National Olympic Committee of Sri Lanka, Vice President of the Commonwealth Games Federation – CGF (Asia Region), Olympic Council of Asia (OCA). Also served in Sri Lanka Volunteer Naval Force in the rank of Commander.

2

Mr Michael Pradeep Amirthanayagam

Deputy Chairman/Non-Executive, Independent Director/ Senior Independent Director

Mr Amirthanayagam was appointed as a Non-Executive, Independent Director, Deputy Chairman and the Senior Independent Director to the Board on 8 April 2015.

Qualifications

Fellow Member of the Chartered Institute of Marketing UK, (FCIM), Associate Member of Trinity College of London Speech and Drama ATCL (Sp/Dr).

Current positions

Deputy Chief of Staff to Hon. Prime Minister, Chairman, and Managing Director of the leading advertising agency Holmes Pollard & Stott, Vice President of SUROL (Society for the Upliftment and Rehabilitation of Leprosy Affected Persons), Director of the Anura Bandaranaike Foundation.

Positions held

Member of the Governing Council of The Institute of Chartered Accountants of Sri Lanka and the Governing Council of the University of Colombo.

Special achievements

Awarded First in Order of Merit Prize at the final level examination of The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), presented a paper titled "Value for Money Accounting" at the National Conference of the CA Sri Lanka.

3

Mr Jehan Prasanna Amaratunga

Non-Executive Non-Independent Director

Mr Amaratunga was appointed as a Non-Executive, Non-Independent Director to the Board on 8 April 2015.

Qualifications

Fellow Member of The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), Fellow Member of the Chartered Institute of Management Accountants, UK (FCMA).

Current positions

Deputy Chairman of MTD Walkers PLC, Chairman of People's Insurance PLC, Director of People's Micro-commerce Ltd., JAT Holdings (Pvt) Limited, Sri Lanka Institute of Information Technology, Lankan Alliance Finance Limited, Bangladesh and Sri Lanka Institute of Nano Technology.

4

Mr Mohamed Anise Mohamed Rizwan

Non-Executive, Independent Director

Mr Rizwan was appointed as a Non-Executive, Independent Director to the Board on 8 April 2015.

Qualifications

Master's in Business Administration – University of Wales, UK, Diploma in Business Management, Member of the Chartered Institute of Marketing UK, Certified Member of Sri Lanka Institute of Marketing.

Current positions

Chief Officer Strategy, Marcom and New Business Ventures of LIMRA Holdings, senior adjunct lecturer and examiner for the postgraduate and undergraduate programmes in Marketing, Strategic Planning, New Business Ventures, Business Ethics, and Consumer Behaviour offered by Northwood University, USA and the MBA programme of the University of West London, Dissertation Supervisor for the same MBA programme.

Positions held

Held many senior positions in public listed companies, as Group Vice President – Marketing, Group Head of Marketing, Head of Marketing, Business Development/ Marketing and Corporate Communications in diverse industries.

Board of Directors

5

Mr Johnson Anthony Fernando

Non-Executive, Non-Independent Director

Mr Fernando was appointed as a Non-Executive, Independent Director to the Board on 8 April 2015 and currently functions as a non-executive, non-independent Director.

Current positions

Director of Shore to Shore (Pvt) Limited, Expo Property Developers (Pvt) Limited, Expo Industrial Engineering (Pvt) Limited, Expo Printers (Pvt) Limited, Expo Cargo Links (Pvt) Limited, Expo Trade Links (Pvt) Limited, and Lankan Alliance Finance Limited, Bangladesh, Advisory Board Member of the Benedict XVI Catholic Institute of Higher Education and Colombo Catholic Press, Committee member of National Hospital of Sri Lanka, Vice-Chairman of the International Chamber of Commerce Sri Lanka.

Positions held

Held many senior positions within the Expo Industrial Group which has diversified interests in Apparel, Food Packaging, Industrial Printing, Commercial Printing, Logistics Management, Engineering, and Construction, President of the Sri Lanka Association of Printers, Vice-President of the Sri Lanka-China Business Council Cooperation.

6

Mr Rasitha Gunawardana

Non-Executive
Non-Independent Director

Mr Gunawardana was appointed as a Non-Executive, Non-Independent Director to the Board on 29 August 2016.

Qualifications

Associate Member of the Chartered Institute of Management Accountants, UK.

Current positions

CEO/GM of People's Bank, Director of People's Leasing Fleet Management Limited and Lankan Alliance Finance Limited, Bangladesh.

Positions held

Leading positions at People's Bank in the areas of finance, performance management, corporate and commercial credit, treasury operations, credit control, and risk management, private and public sectors in industries covering travel and hotels, plantation management, and construction, Deputy General Manager – risk management, Senior Deputy General Manager – business banking at People's Bank.

7

Mr N W A M U K K E Weerasinghe

Non-Executive, Independent Director

Mr Weerasinghe was appointed as a Non-Executive, Independent Director to the Board on 9 October 2018.

Qualifications

Diploma in Mechanical Engineering – University of Moratuwa, Diploma in Human Resource Management – University of Colombo.

Current positions

Managing Director of Upcountry Manpower Employment Agency (Pvt) Ltd., Hampstead International Educational Institute (Pvt) Ltd., Managing Director of U M A Enterprises (Pvt) Ltd., Director, Upcountry Travel & Tours (Pvt) Ltd., Chairman and Secretary of D B Wijethunga Foundation. All Island JP.

Positions held

Director of Sri Lanka Bureau of Foreign Employment (from 1993-2008), Director of National Engineering Research and Development Centre of Sri Lanka.

8

Dr Kennedy D Gunawardana

Non-Executive, Independent Director

Dr Gunawardana was appointed as a Non-Executive, Independent Director to the Board on 9 October 2018.

Qualifications

PhD in Computer and Engineering Management – Accounting Information System Special, Master's of Business Administration, BSc in Business Administration, Fellow Member of Chartered Institute of Management Accountants.

Current positions

Senior Professor of Accounting Information Systems and Coordinator of the PhD in Management Programme – University of Sri Jayewardenepura, Member of the Syndicate Committee of Institute of Human Resource Advancement, Board member of the Management of University of Colombo School of Computing, Visiting Faculty Member of University of Moratuwa, University of Kelaniya, and University of Colombo for MBA programmes in the areas of Accounting, Management Information Systems, and Research Methodology.

9

Ms Lakmini Dilrukshi Kottegoda

Company Secretary

Ms Lakmini Kottegoda was appointed as the Company Secretary to the Board on 1 June 2018.

Qualifications

Attorney-at-Law with a Bachelor's Degree in Law.

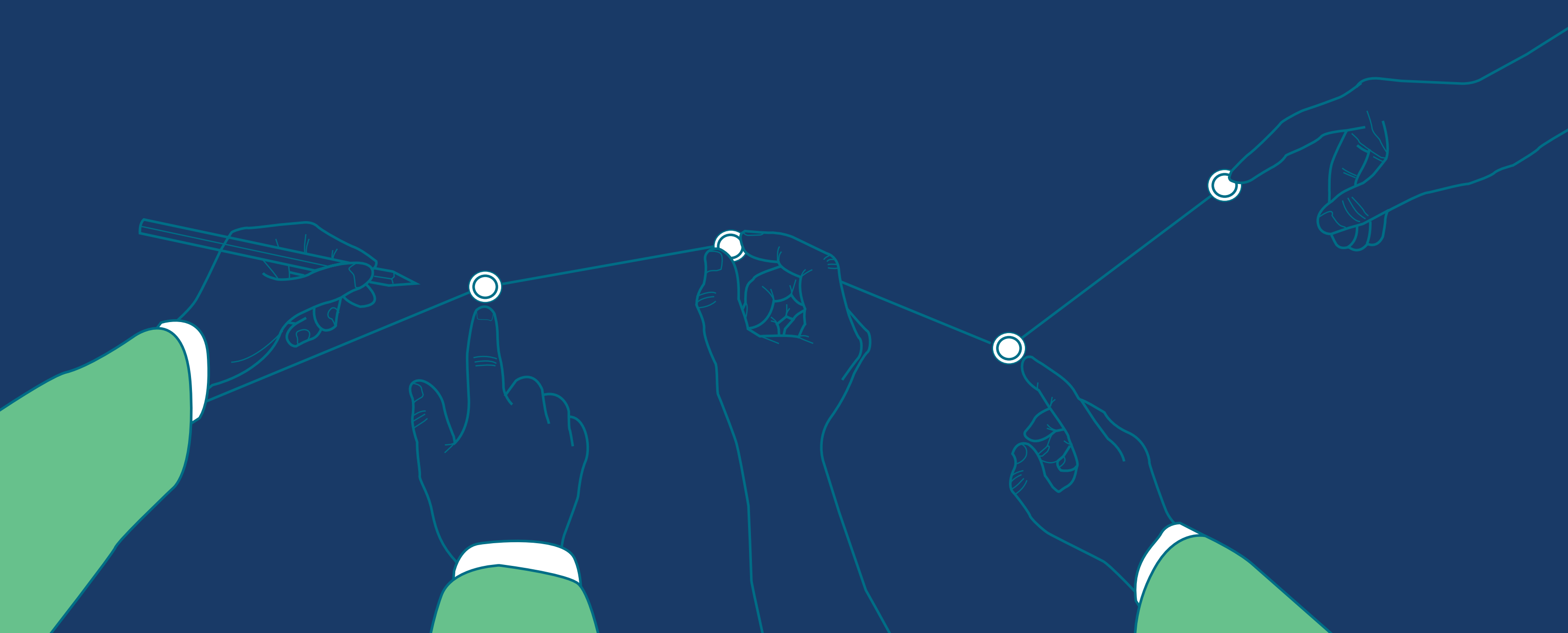
Current positions

Company Secretary of People's Insurance PLC, People's Leasing Fleet Management Limited, People's Leasing Property Development Limited, People's Leasing Havelock Properties Limited, People's Micro-commerce Ltd., and People's Merchant Finance PLC.

A sound governing partnership

Together our Board of Directors and Management Team form one of the most prolific tandems in the industry.

The Board guides the Management team, ensuring that People's Leasing's activities are in keeping with its Vision, Mission, and strategic planning goals. In turn, the Management team provides relevant information and recommendations for the Board to make informed decisions about major issues.

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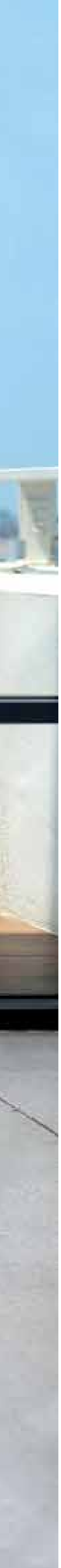

Being responsible stewards

Corporate management

1

Mr Sabry Ibrahim

Chief Executive Officer/General Manager

Mr Ibrahim was appointed as the CEO/GM of People's Leasing & Finance PLC in July 2017.

Honours Degree (BSc) (Colombo), FCIB (UK).

35 years of banking experience in the areas of Corporate Banking, Treasury Management, and Risk Management.

2

Mr Sanjeewa Bandaranayake

Senior Deputy General Manager

Mr Bandaranayake joined People's Leasing & Finance PLC in July 2007.

FCA, FCMA (Sri Lanka), FCMA (Australia), a finalist of the CIMA (UK).

Over 25 years of post-qualifying experience at a very senior level in the Finance Sector.

3

Mr Lionel Fernando

Senior Deputy General Manager

Mr Fernando joined People's Leasing & Finance PLC in 1995.

ACA, AIB (Sri Lanka), Postgraduate Diploma in Business & Financial Administration CA Sri Lanka, Associate Member of Management Accountants of Sri Lanka.

Over 30 years experience in Banking and Finance.

4

Mr Rohan Tennakoon

Deputy General Manager – Risk and Control

Mr Tennakoon joined People's Leasing & Finance PLC in 1998.

MBA (Colombo), MSc (Mgt) – (Sri Jayewardenepura), BSc (Bus. Admin.) Sp. with 2nd Class Upper (Sri Jayewardenepura), AIB (Sri Lanka) and member APBSL, Licentiate of CA Sri Lanka.

29 years experience in many diversified fields such as Accounting, Manufacturing, Exporting and Banking prior to joining the Leasing Sector, experienced in Marketing and Business Development, Branch Operations, Credit, and presently in Risk and Control Department.

5

Mr Damith Malavithanthila

Deputy General Manager – Recoveries and Administration

Mr Malavithanthila joined People's Leasing & Finance PLC in 1996 and was the Head of Recoveries for 10 years.

Finalist of The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and Finalist of the IBSL.

Over 29 years experience in Banking and Finance and several years of experience in Auditing and Accounting.

6

Mr Laksanda Gunawardena

Deputy General Manager – Marketing

Mr Gunawardena joined People's Leasing & Finance PLC in 2002 and was the Head of Corporate Leasing for 10 years.

MBA, MSc in Strategic Marketing, AICM – SL, Dip in Credit Management from SLICM, CMA (Australia), Certified Member of SLIM, Member SLID, Member of the CPM Sri Lanka.

Over 24 years experience in corporate and SME Financing in the areas of Credit, Marketing, Recoveries, Branch Development, and Operations.

7

Mr Prabath Gunasena

Deputy General Manager – ICT (Group)

Mr Gunasena joined People's Leasing & Finance PLC in 1999 and has been the Head of ICT for 20 years.

MBA (University of Western Sydney), Dip in Computer System Design – NIBM Sri Lanka. Project Management for Information Systems, Institute of Systems Science, National University of Singapore.

8

Mr Udesh Gunawardena

Deputy General Manager – Internal Audit

Mr Gunawardena joined People's Leasing & Finance PLC in 1999.

ACA, ACMA (Sri Lanka), Associate of IPFM (UK), Member of IIA, Finalist of the CIMA (UK), Dip in Treasury, Investments and Risk Management (IBSL).

Over 21 years experience at senior levels in finance, with particular emphasis on Accounting, Auditing, and Financial Management and Treasury Operations.

9

Mr Ranil Perera

Assistant General Manager – Recoveries

Mr Perera has over 19 years of experience at People's Leasing Group.

MA in Regional Development and Planning (Colombo), MBA (Manipal), PG Dip in Economic Development (Colombo), Dip in Marketing from CIM, B.Com (Special) International Trade (Sri Jayewardenepura), part qualifications from the CIM (UK), CA Sri Lanka.

10

Mr Uresh Jayasekera

Assistant General Manager – Human Resources (Group)

(Not in picture)

Mr Jayasekara has over 20 years experience in the field of Human Resources.

MBA specialising in HR (Colombo), PG Dip in Business Management (Colombo), BSc Bio Science (Honours) (Kelaniya), Dip in Management (Open University of Sri Lanka).

All above details are as at 31 March 2019.

Detailed profiles are available online

http://plc2018-19.annualreports.lk/cm.html


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Management team

1

Mr Saman Liyanage

Chief Manager – Deposits and Savings

MBA (University of Manipal, India), AICM – SL, Dip in SLICM.

Over 34 years experience in the Financial Services Industry.

2

Mr Hasantha De Silva

Chief Manager – Operations

HND in Accountancy (Technical College, Galle), Intermediate level (CA Sri Lanka).

Over 19 years experience at People's Leasing and 8 years in Accounting and Auditing.

3

Mr P D C S Mahanama

Chief Manager – Operations

15 years experience at People's Leasing and over 22 years experience in the Marketing and Financial Sector prior to joining People's Leasing.

4

Mr Neil Thushantha

Chief Manager – Operations

BSc Ag Sp Degree – 2nd Class Upper (Peradeniya), Part qualification CIMA (UK).

Over 20 years managerial experience in the Financial Sector.

5

Mr Chamil Herath

Chief Manager – Operations

BSc Business Admin (Special) Degree – (Sri Jayewardenepura), Licentiate Level – CA Sri Lanka.

20 years experience in the Leasing Industry.

6

Mrs Kamani Dematawewa

Chief Manager – Legal

Attorney-at-Law and Notary Public, Dip in Credit Management – SLICM, AICM – SL, Post Attorney Dip in Finance, Banking and Insurance Laws – Institute of Advanced Legal Studies of the Incorporated Council of Legal Education.

31 years experience in the Financial Sector as a corporate lawyer.

Management team

7

Mr Omal Sumanasiri

Chief Manager – Finance

B B Mgt (Accountancy) – 1st Class (Kelaniya), ACA and ACMA (Sri Lanka).

Over 14 years experience in the fields of Accounting and Auditing.

8

Mr Mohideen Maharoof

Chief Manager – Islamic Finance

Dip in Islamic Banking and Finance, Intermediate Level – IBSL.

Over 33 years experience in diversified fields including Banking and Finance, Garments, and Automobile Industries.

9

Mr Shiron Ranasinghe

Chief Manager – Operations

MCIM, Certificate in Credit Management from IBSL.

Over 20 years experience in People's Leasing.

10

Mrs Priyanka Wimalasena

Chief Manager – Operations

BCom (Special) Degree – (Sri Jayewardenepura), Licentiate of CA Sri Lanka.

Over 20 years experience in People's Leasing.

11

Mr Nandana Weerakkody

Chief Manager – Recoveries

BSc Ag Sp Degree – (Peradeniya), Certificate Course in Hire Purchase and Lease from IBSL.

24 years experience in Financial and Leasing Industries.

12

Mr Vajira Ramanayake

Chief Manager – Marketing

MBA (Sikkim Manipal), CMA (Australia), Intermediate Banking, Dip in IBSL, Dip in Credit Management in SLICM.

Over 25 years experience in Banking and Leasing Industries.

13

Mr Nishantha Perera

Senior Manager – Margin Trading/ Porfolio Management

Over 27 years experience in Investor Services and Margin Trading Operations.

14

Mr Randhil Siriwardena

Senior Manager – Factoring

ACMA (UK), ACMA (SL), CGMA.

Over 21 years experience in the Banking and Finance Sector. Specialising in Factoring.

15

Mr Nandana Vithana

Senior Manager – Administration

MBA (PIM), BSc Marketing Management – 2nd Class Upper (Sri Jayewardenepura), Licentiate Level II – CA Sri Lanka, Stage II – CIMA.

20 years experience at People's Leasing.

16

Mr Aminda Rajapaksha

Senior Manager – Internal Audit

BCom (Sp) – (Sri Jayewardenepura).

Over 19 years experience in the field of Internal Audit and Finance.

17

Mr Ganesan Thusyanthan

Senior Manager – Branch Operations

M Econ Specialised in Financial Markets (Colombo), BA in Economics Specialised in Monetary Economics with 2nd Class Upper Div (Colombo).

Over 15 years of experience at People's Leasing.

18

Mr Vishwamithra Kadurugamuwa

Senior Manager – Compliance

Attorney-at-Law, Postgraduate Diploma in International Trade Law (Wales), Life Member of BASL.

Over 12 years experience in Corporate and Commercial Law.

All above details are as at 31 March 2019.

Detailed profiles are available online

http://plc2018-19.annualreports.lk/mt.html

Being responsible stewards

Compliance management

Compliance management continues to be an important function at People's Leasing. Our risk assessment process oversees our compliance risk exposure, along with legal, financial, operational, and reputational risks.

The compliance culture

Compliance is deeply steeped in the culture of People's Leasing. The Board and Senior Management take the lead in establishing an environment wherein ethics, integrity, transparency, and accountability play a key role. This has the effect of the Company's employees taking ownership towards their responsibilities and carrying out their functions with compliance in mind, adhering to all applicable laws and regulations.

People's Leasing has not been subject to fines or action imposed by regulators due to instances of non-compliance for the period under review.

The compliance function

A stand-alone compliance function with a direct reporting structure to the Integrated Risk Management Committee (IRMC) of the Board ensures that it has a significantly higher level of independence from the business and other support functions of the Company.

People's Leasing takes a preventive approach towards compliance by creating a culture that deters potential breaches before they occur. Various interrelated processes define the comprehensive compliance management system of the Company. Internal audit carries out regular investigative activities, monitors compliance, carries out random checks, and makes recommendations that are implemented by the heads of respective divisions.

For the period under review, the Company faced challenges in implementing changes to the Company's operating procedures and practices to ensure compliance with new Directions and circulars issued by regulatory authorities. This was primarily due to the high costs involved for the implementation of systems, combined with the challenging nature of breaking away from industry-wide practices. The Company and the broader financial services sector will continue to face challenges in the coming years in the form of continuous regulatory changes to suit modern transaction methods, developments in technology, and increased monitoring and reporting functions.

Compliance controls

Internal Audit regularly conducts audits in areas deemed susceptible to fraud and unethical practices. The findings of these audits are reported to the Board Audit Committee and Integrated Risk Management Committee, who evaluate and recommend corrective measures as necessary.

A Whistle-Blower Policy promotes ethical behaviour and an effective compliance culture within the Company's activities. It provides a mechanism for employees to report possible risks and violations of laws and regulations.

The HR Policy ensures that the ethical work culture of the Company is upheld through the recruitment of employees with a high level of integrity as well as enabling the periodical rotation of staff.

An Anti-Money Laundering (AML) and Know Your Customer (KYC) Policy and procedure manual are in place, covering all aspects of anti-money laundering. Relevant staff members are provided with the necessary training for KYC, AML, combatting the financing of terrorism, and customer risk profiling to ensure compliance with the relevant laws and regulations.

Compliance technology

People's Leasing incorporates the usage of technology wherever possible to update compliance monitoring and testing mechanisms in line with current industry practices.

The Company uses a customer screening software system to assess customers prior to onboarding against sanctioned lists, adverse media exposure, and other potential risks and liabilities.

Compliance training

As part of the preventive measures taken to ensure compliance is upheld within the Company, employees are provided with adequate training. To this effect, the Human Resources Department establishes a training plan that incorporates internal and external training opportunities. For the period under review, compliance staff members received training to ensure they remain up to date on changes in laws and regulations and international best practices.

Further, the Compliance Department has carried out extensive training programmes for staff members in the executive grades who are exposed to AML/TF risks, during the reporting period.

Compliance management

Compliance-related regulatory developments

The following compliance-related regulatory developments occurred during the period under review:

- Finance Business Act Direction No. 01 of 2018 – Financial Customer Protection Framework
- Regulations No. 01 of 2018 – Amendments to Sri Lanka deposit insurance scheme – Regulation No. 01 of 2010
- Finance Business Act Direction No. 02 of 2018 – Loan to value ratio for credit facilities granted in respect of motor Vehicles
- Finance Business Act Direction No. 03 of 2018 – Capital Adequacy requirements
- Finance Business Act Direction No. 04 of 2018 – Valuation of immovable properties
- Circular No. 01 of 2018 – Credit Ratings
- Finance Business Act Direction No. 05 of 2018 – Amendments to Directions on Loan to Value Ratios for Credit Facilities Granted in Respect of Motor Vehicles
- Finance Business Act Direction No. 06 of 2018 – Amendments to Directions on Loan to Value Ratios for Credit Facilities Granted in Respect of Motor Vehicles
- Finance Business Act Direction No. 07 of 2018 – Outsourcing of Business Operations
- Finance Business Act Direction No. 08 of 2018 – Amendment to Direction on Structural Changes
- Finance Business Act Direction No. 09 of 2018 – Measures to Curtail Import of Motor Vehicles
- Finance Business Act Direction No. 10 of 2018 – Maximum Rate of Interest on Microfinance Loans
- Amendments to the Rules for Financial Institutions (Customer Due Diligence) Rules, No. 01 of 2016 – Extraordinary Gazette No. 2092/02, 8 October 2018
- Guideline No. 01 of 2018 – Minimum Compliance Standards for Payment-related Mobile Applications
- Circular No. 06 of 2018 – Establishment of a National Quick Response Code Standard for Local Currency Payments
- Guideline No. 04 of 2018 on identification of Beneficial Ownership
- Guideline No. 05 of 2018 on implementing United Nations (Sanctions in relation to Democratic People's Republic of Korea)
- Guideline No. 06 of 2018 on Suspicious Transactions Reporting
- Guideline No. 07 of 2018 on implementing United Nations (Sanctions in relation to Iran)

Being responsible stewards

Corporate governance

This report

Our objective is to communicate with stakeholders material and significant information in a concise but comprehensive manner to facilitate shareholders to obtain a balanced understanding of how good governance is being practiced in the Company in its efforts to create value for stakeholders in a sustainable manner. It is detailing about policies, procedures, framework and key component of the Company's corporate governance mechanism along with its approach in managing risk. This report should be read in conjunction with the corporate governance annexes.

Corporate governance Report (pages 37 to 53)

Corporate governance Annexes (pages 183 to 201)

Provides a detailed report on compliance with following key regulatory provisions and voluntary guidelines in a checklist form, with reference to the sections of the report,

- Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka – 2017
- Finance Companies (Corporate Governance) Direction No. 03 of 2008 and amendments thereto
- Colombo Stock Exchange Listing Rules – Sections 7.6 and 7.10 of Continuing Listing Requirements

Our approach to governance

The Board firmly believes that good corporate governance is essential to create trust and engagement between the Company and its investors, contributing to the long-term success of the business. It guides the Board and all levels of employees in the conduct of day-to-day business activities. The Company is committed to achieving the highest standards of corporate governance practices that go beyond the minimum prescribed in statutes and codes.

The Board is responsible for creating and delivering sustainable stakeholder value. The governance policies and procedures enable the Board to manage the Company for the benefit of all stakeholders, ensuring long-term value creation. The Company conducts internal and external reviews at regular intervals to ensure compliance with governance standards and where non-compliance is identified, immediate measures are initiated to achieve compliance.

The framework and policies are reviewed at regular intervals to maintain alignment with the Company's strategy, regulatory requirements, dynamic business environment, technological advancements and international best practice. Policies are reinforced through alignment of performance management systems to maintain a culture of compliance and realise our corporate goals.

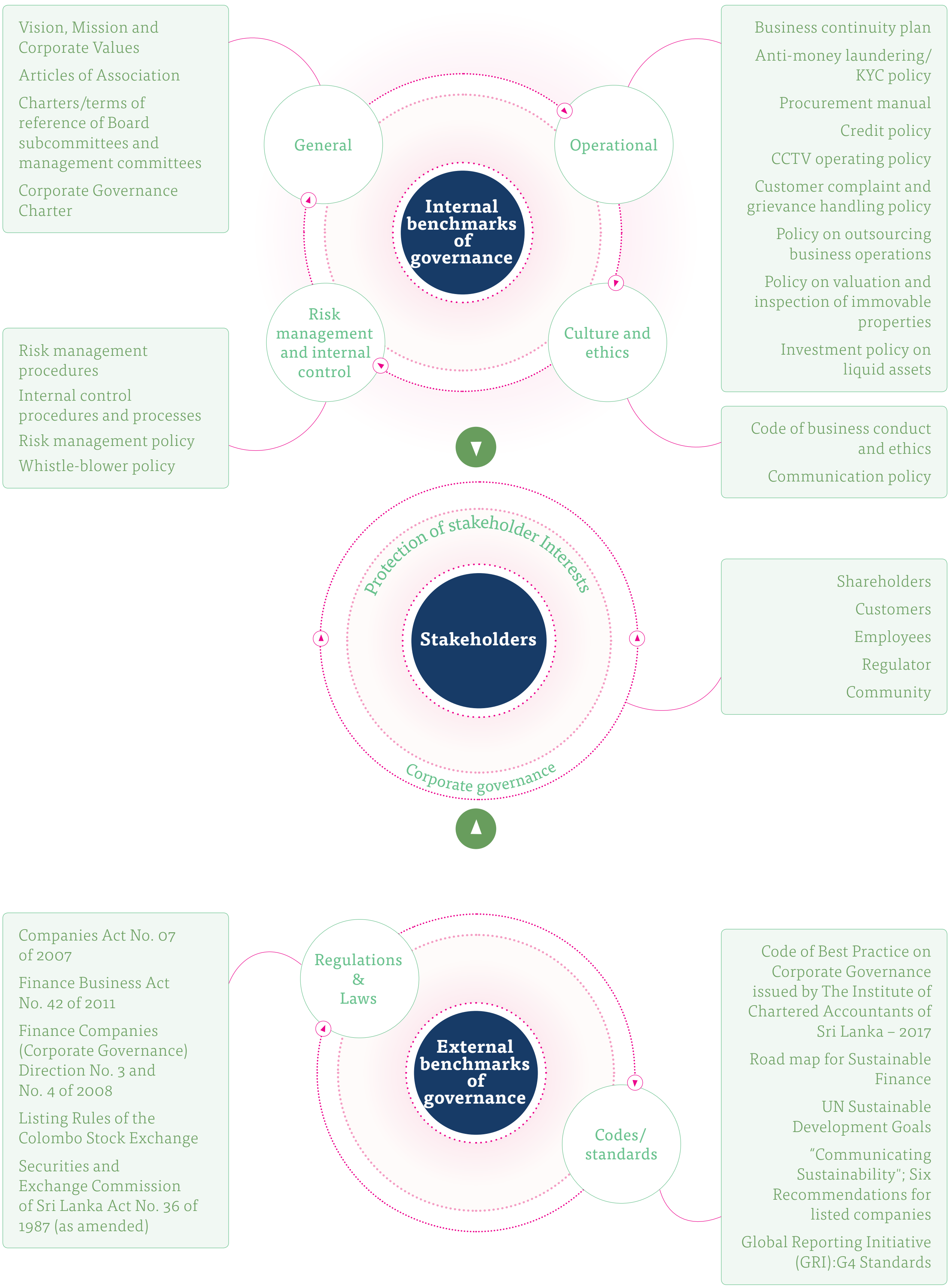
As part of the continuous commitment towards improving its compliance of corporate governance standards, the Board has complied throughout the year with mandatory and voluntary standards in its governance practices.

Corporate governance framework

People's Leasing aims at achieving the highest standard of governance and adopts globally accepted best practices that promote independence and transparency. The best practices are integrated into a robust Corporate Governance Framework, thereby creating a platform for prudent management of the Company in the interest of all its stakeholders.

The external mechanisms are imposed on the Company through various laws, regulations, and codes that govern the industry. The Company has also developed an internal mechanism that focuses on risk management, culture, and general company practices.

Corporate governance



Corporate governance

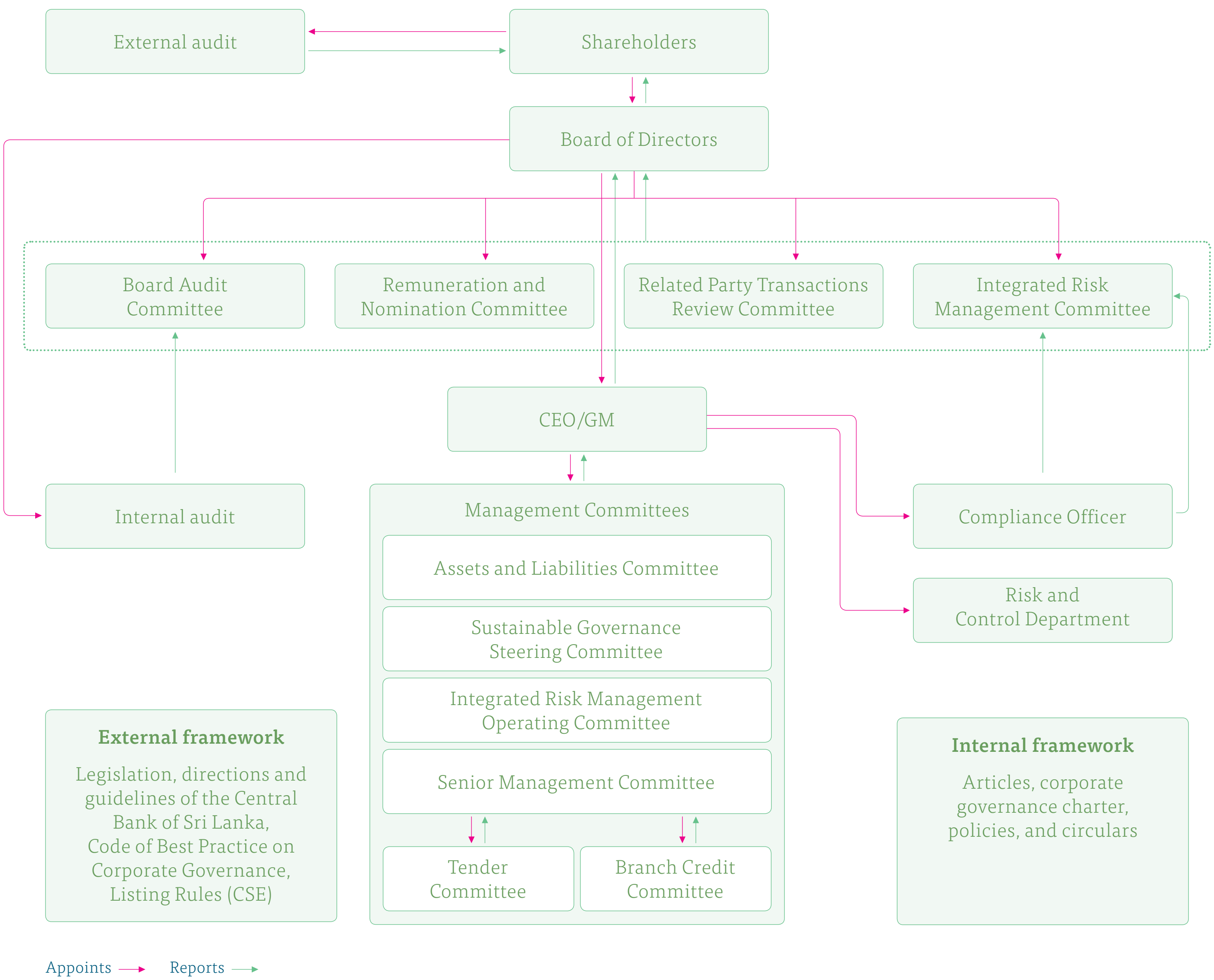
Corporate governance structure

Our governance structure provides a strong foundation for good governance with oversight, accountability, and improved decision-making ensuring sustainable behaviour, combined with effective risk management, internal controls, and compliance.

The structure is based on a system of checks and balances that enable the Board of Directors, Management, and employees to achieve the overall goals of the Company with fewer conflicts focusing on the rights and interests of all stakeholders of the Company.

GRI 102-18

Corporate governance structure



Corporate governance

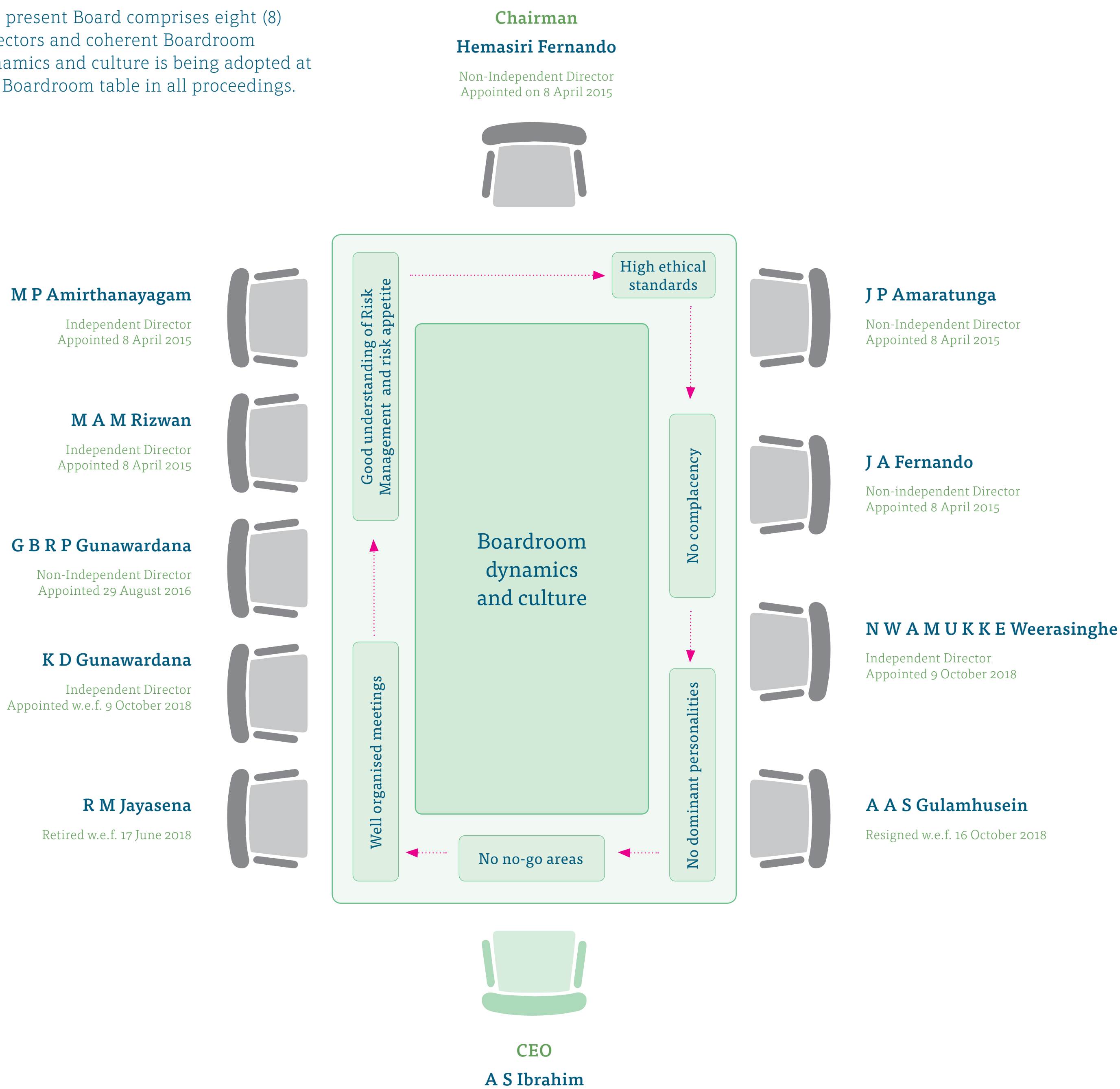
Being responsible stewards

Tone at the top

The Board

GRI 102-22

The present Board comprises eight (8) Directors and coherent Boardroom dynamics and culture is being adopted at the Boardroom table in all proceedings.



Corporate governance

"Governance is the living blood of the Company"

Board's role in corporate governance

The Board fully appreciates that an effective corporate governance system is essential to drive the Company's performance in a manner that maximises stakeholder interests. As drivers of corporate governance, all Directors dedicate sufficient time to attend Board and Board Committee meetings and matters deliberated therein. Directors bring their independent judgement in discharging their duties on matters pertaining to strategy, performance, risk management, governance and business conduct.

The Board acknowledges its responsibility to ensure that the Annual Report provides a balanced view of its corporate governance practices and those salient matters which are expected to have a profound impact on stakeholders. The Board both individually and jointly confirms that its operations are being carried out in full adherence to the applicable laws and regulations. Whilst measures are in place to consolidate data and facilitate disclosure, the process of data management systems is further strengthened to ensure increased reliability, and completeness of information.

Board highlights

Strategy

Developed the strategic plan and continuous monitoring of the status of the strategic plan.

Digitalisation

Introduced Internet banking and digital models to capture field visits and incentives of officers.

Performance review

Continuous monitoring of performance of the Company and subsidiaries against the budget. Review of performance of Bangladesh operations.

Executive level committees

Established new committees to overview Islamic business and information technology and reviewed composition of existing committees.

Board composition

Retirement and resignation of existing members and new appointments to the Board.

GRI 102-22 GRI 102-23

Composition and balance of the Board

The present Board comprises eight (8) members and there is a strong independent element on the Company's Board. Whilst all eight Directors were Non-Executive, three were Independent Directors during the financial year 2018/19. In this backdrop, Deputy Chairman, Mr Amirthanayagam, resigned from the Board of Lankan Alliance Finance Limited on 13 June 2019, from which date onwards the Board comprised four Independent Directors. An Independent Director's tenure does not exceed nine years ensuring that possible safeguards are applied in maintaining their independence.

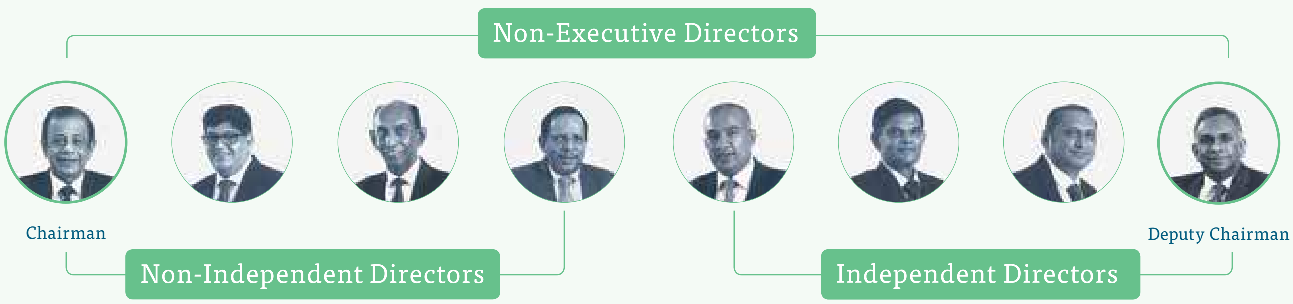
The Board believes that the current composition and size of the Board provide sufficient diversity without interfering with efficient decision-making, taking into account the nature and scope of the Company.

A well-balanced Board is critical for the Company to remain competitive in the dynamic business environment. Accordingly, each year the size and composition of the Board and skills and competencies of the members are reviewed to ensure an appropriate balance of skills, experience and age. The competencies include banking, accounting and finance, business acumen, industry knowledge, familiarity with legal and regulatory requirements, and risk management. The Board considers that its Directors possess the necessary knowledge and competencies to lead and govern the Company effectively.

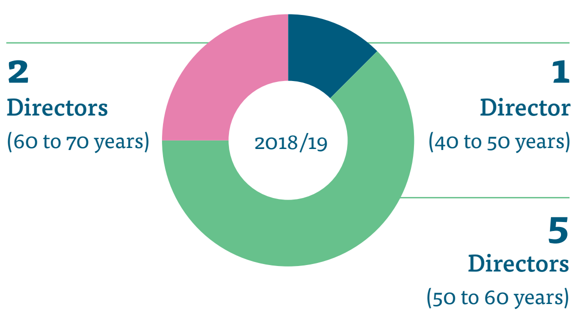
Corporate governance

Board composition

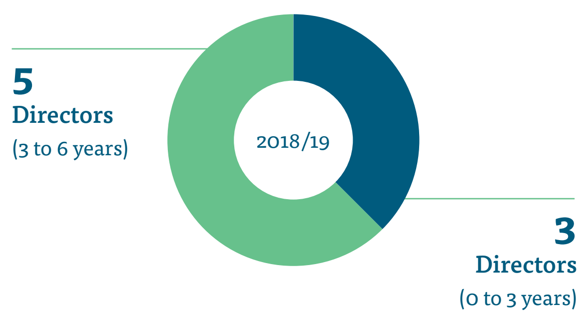
Independent and Non-Independent Directors



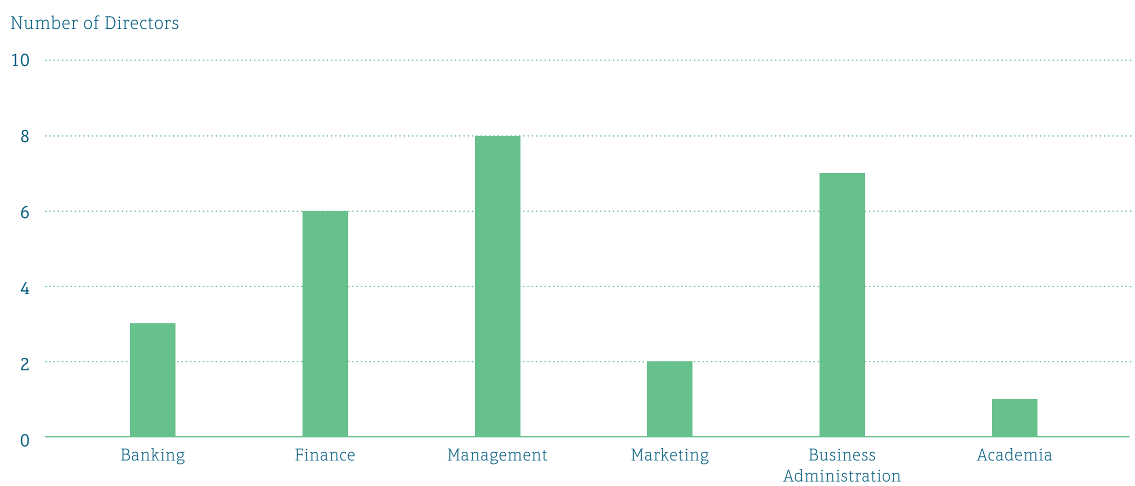
Age composition



Tenure of members



Diversity of expertise



Corporate governance

GRI 102-23 GRI 102-26

Chairman and Chief Executive Officer (CEO)

There is a clear segregation in the roles of the Chairman and the CEO in line with the corporate governance best practice. This ensures that no one Director has unfettered power in the decision-making process. Whilst the CEO carries out the executive functions of the Company, the Chairman facilitates effective discharge of Board functions.

Chairman's role

- Leading the Board and ensuring overall effectiveness of the Board, Board Committees, and individual Directors
- Maintaining high standards of corporate governance
- Promoting an open environment for debate where each Director is given an equal opportunity to contribute
- Approving Board agendas and ensuring sufficient allocation of time to discuss each material matter
- Pivotal in providing oversight, advice and guidance to the CEO and the Management

CEO's role

- Providing effective leadership to the Senior Management to ensure accomplishment of corporate goals
- Liaising between the Board and the Senior Management to facilitate discharge of Board's duties and day-to-day management in line with Board-approved objectives and risk policy
- Implementing strong internal controls and conducting Company's operations in line with Board's risk appetite
- Facilitating flow of information across the Company to communicate Board-approved strategic objectives and corporate values and monitoring the progress towards achievement of the same
- Ensuring independence and avoidance of conflicts of interest in the conduct of operations relating to the Company and its subsidiaries
- Identifying and developing potential staff as successors of the executive team to ensure smooth and efficient functioning of the Company
- Adhering to rules and regulations applicable to non-bank financial institutions

Corporate governance

Being responsible stewards

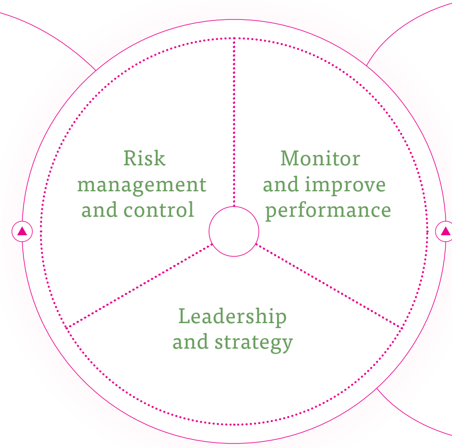
GRI 102-26

Roles and responsibilities of the Board

The Board fully appreciates that an effective and robust Board whose members engage in open and constructive debate is fundamental to good corporate governance.

The Board is responsible for leadership and strategy, risk management and control, and monitoring and improving performance.

- The procedures and controls in place are reviewed by the Board to maintain the integrity of the accounting and financial records of the Company.
- The risk management framework of the Company is reviewed by the Board and the Board ensures compliance with the laws and regulations.



- Promotes professional standards and corporate values to be imposed on the employees.

- Sets the strategies, aims, and values in a manner that enhances the returns of the stakeholders.
- Provides direction to the Management and approves the business strategy.

GRI 102-27

Financial acumen

The Board of Directors is comprised of individuals/professionals specialised in diverse fields such as Banking, Accounting, Management, Human Resources, Marketing and even Academia. There are three Chartered/Management Accountant Directors on the Board with financial knowledge and acumen to offer guidance on finance –

- Mr Jehan Amaratunga
- Mr Rasitha Gunawardana
- Dr Kennedy Gunawardena

In addition, Directors are continuously updated on revisions to various accounting and regulatory standards to ensure they remain up to date on the latest trends and issues.

GRI 102-24

Appointment and re-election of the Board

The Company follows a formal process for the selection of new Directors to enhance the transparency in the selection of nominees for Directors. The Remuneration and Nomination Committee adopts the following process –

- The balance of skills, knowledge and experience of the existing Board is evaluated and the required attributes of the incoming Director is decided in an attempt to fill any gap.
- Subsequent to endorsing the salient attributes of the new Directors, a process to attract and select candidates having the required qualities is initiated.
- The shortlisted candidates are assessed to ensure suitability and the selected candidates are informed of the expectations.
- The most suitable candidate is recommended to the Board for appointment, subject to approval by the Central Bank of Sri Lanka.

Dr Kennedy Degaulle Gunawardena and Mr Namugoda Wijesinghe Attapattu Mudiyanselage Udawatte Keerthi Kumara Edward Weerasinghe were newly appointed to the Board on 9 October 2018 pursuant to the cessation of two Directors of the Company, after having followed the above process. Mr R M Jayasena and Dr Ali Asgar Shabbir Gulamhusein retired and resigned from Board membership respectively, during the financial year and such changes were communicated to shareholders immediately through the CSE disclosures.

In addition, the Company's Articles of Association requires a newly appointed Director during the year to hold office until the next Annual General Meeting and be eligible for re-election. Accordingly, Dr Gunawardena and Mr Weerasinghe will be re-elected at the next AGM of the Company.

The Remuneration and Nomination Committee Report on page 204 could be referred for further details on nomination and appointment of Directors.

Corporate governance

GRI 102-27

Induction and ongoing training

All newly appointed Directors undergo a structured induction which introduces the members to the relevant governance information, Company's charters, key reports and applicable regulations and policies. Directors are also introduced to the Key Management Personnel and to the operations of the Company.

Accordingly, the newly appointed Directors, Dr Gunawardena and Mr Weerasinghe were given an in-depth briefing about the Company, the business, governance practices, growth strategies, and risks facing the Company.

The Board recognises training as pivotal for continuous improvement and effective discharge of duties of Directors. The Company Secretary is responsible in collating the training needs and organising training for Directors. Accordingly, various training programmes have been organised for the Board during the year to keep with current trends. Further, the Continuous Professional Development (CPD) undertaken by Directors in their personal capacity also contributes in meeting the training needs of Directors.

GRI 102-25

Managing conflicts of interest and ensuring independence

The Board has to act in good faith and exercise their powers in the best interest of stakeholders and the Company as a whole, in compliance with the applicable regulations.

Directors who have no relationship with the Group, its related corporations, officers or its shareholders with more than 10% of voting rights of the Company that could interfere, or reasonably perceive to interfere, with the exercise of the Directors independent judgement in the best interest of the Company, are considered to be independent.

The Remuneration and Nomination Committee reviews the independence of Directors on an annual basis as well as when circumstances require the same, taking into account any salient feature that renders a Director Non-Independent. Directors are expected to provide an annual declaration of their independence which is deliberated by the Remuneration and Nomination Committee.

Upon our review it was noted that the two-third independent requirement in the Code was not complied, and measures were immediately initiated to mitigate the same. Accordingly, Mr Amirthanayagam resigned from the position of Director of the Company's Subsidiary, Lankan Alliance Finance Limited Bangladesh, increasing the number of Independent Directors to four (4). In addition the Board appointed Senior Independent Director monitors all Board proceedings to ensure no conflicts of interest.

The Board considers the following Directors as Non-Independent Directors of the Company having taken into account the views of the Remuneration and Nomination Committee.

Name of the Director	Reason for Non-independency
Mr Hemasiri Fernando	Director of Parent of the Group, People's Bank Chairman of Subsidiary of the Company – People's Leasing Havelock Properties Limited, Director of the Company's Subsidiaries – People's Leasing Property Development Limited, People's Leasing Fleet Management Limited and Lankan Alliance Finance Limited, Bangladesh.
Mr Jehan Prasanna Amaratunga	Chairman of Subsidiary of the Company, People's Insurance PLC and Director of Company's subsidiaries, People's Micro Commerce Ltd. and Lankan Alliance Finance Limited, Bangladesh.
Mr Goluhewage Bindu Rasitha Poojitha Gunawardana	Employed as CEO/GM of Parent of the Group, People's Bank. Further serves as a Director of subsidiaries of the Company, People's Leasing Fleet Management Ltd. and Lankan Alliance Finance Limited, Bangladesh.
Mr Johnson Anthony Fernando	Director of Subsidiary of the Company, Lankan Alliance Finance Limited, Bangladesh

All other Directors are deemed to be Independent Directors.

Board subcommittees

The Board has delegated certain functions to various Board subcommittees, such as –

- Board Audit Committee
- Integrated Risk Management Committee
- Remuneration and Nomination Committee
- Related Party Transactions Review Committee

Each of the Board subcommittees has its own Terms of Reference and the actions of which are reported and monitored by the Board. All Directors exercise due diligence and independent judgement and make decisions objectively in the best interest of the Company.

Corporate governance

Board subcommittees	Board Audit Committee	Integrated Risk Management Committee	Remuneration and Nomination Committee	Related Party Transactions Review Committee
Chairman	J P Amaratunga	M P Amirthanayagam	J P Amaratunga	M P Amirthanayagam
Members	M P Amirthanayagam M A M Rizwan	G B R P Gunawardana M A M Rizwan A S Ibrahim Sanjeewa Bandaranayake Lionel Fernando Rohan Tennakon	M P Amirthanayagam J A Fernando	J A Fernando M A M Rizwan
Agenda	Available	Available	Available	Available
Secretary	U Gunawardena	A I Samarasinghe	K G L D Kottegoda	K G L D Kottegoda
Invitees	CEO/GM	CEO/GM	CEO/GM	CEO/GM
Scope	Monitors the integrity of the financial information, ensures the compliance with the financial reporting requirements and reviews the Company's internal controls and risk management systems.	Assesses and monitors risk profile of the Company and ensures that risk profile is maintained at a manageable level.	Recommends to the Board on the matters relating to remuneration of the Executive Directors and provides advice on appointment of members to the Board and the composition of the Board.	Monitors the related party transactions of the Company and ensures that a "more favourable treatment than that accorded to third parties" is not accorded to such related parties.
Reference to committee report	Pages 202 and 203	Pages 206-208	Page 204	Page 205

GRI 102-33

Board meetings

Board meetings are held on a monthly basis as well as when a significant deliberation requires Board approval. There were thirteen (13) Board meetings during the year and the Board ensured that a wide array of items including strategy, finance, risk, governance and compliance were discussed during meetings to assist the executive management to effectively execute the Company strategy.

Maintaining effectiveness during meetings

In order to maximise the effectiveness of meetings and obtain the fullest commitment of Board members at meetings, the following steps are being adopted in connection with Company meetings:

Preparation prior to the meeting

- Advanced scheduling
- Develop a rational agenda with an element of flexibility
- Provide comprehensive information to the Board on items scheduled in the agenda
- Ability to appoint an alternate Director in instances where a Director cannot avail himself in person at a meeting
- Directors are vested with the discretion to obtain independent advice whenever they require

During the meeting

- Encourages open dialogue between all Directors
- Preparation and engagement in meaningful discussions
- Provides detailed updates on matters discussed at Board subcommittees
- Absorbs complete and comprehensive update on the operational and financial performance along with industry trends presented by the Management
- Availability of heads of respective business units to ensure that the Directors have the opportunity to discuss specific areas with them
- Regular updates are provided to the Board on impending changes in the business environment and regulatory requirements
- Presence of the Company Secretary to ensure the compliance with all applicable rules and regulations

Corporate governance

Supply of information

It is pivotal to ensure the flow of complete, adequate and timely information to the Directors to facilitate effective discharge of their duties and responsibilities.

Board and Board committee papers are distributed in advance of meetings to allow sufficient time for preparation for meetings. In addition to these documents, additional information requested by the Directors is promptly furnished.

Management forwards various proposals to the Board and those are submitted with the background, facts, risk analysis and mitigating strategies, financial impact, regulatory implications, and expected outcomes to obtain Board approval.

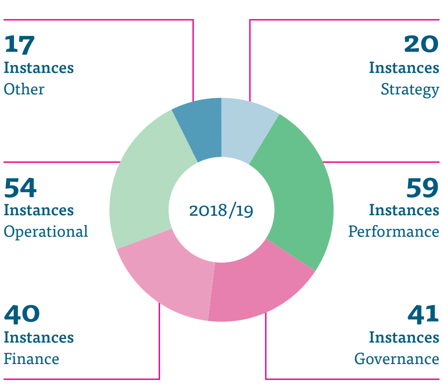
Employees who could provide valuable insights into matters taken up for discussion are also invited to attend Board and Board committee meetings.

The Board is updated on a monthly basis of the Company's performance, with specific emphasis on recoveries, as well as on market insights biannually to keep Directors abreast the Company's performance.

Focus of the Board

The Board deliberated on numerous aspects pertaining to strategy, performance, governance, finance, and operations during the year. The time spent on such deliberations is illustrated below:

Board focus areas



GRI 102-34

Special matters discussed by the Board during its meetings are as follows:

2018 April	Appointment of a Recoveries Consultant to closely monitor and advise on Company's recovery position; Declaration of final dividend of Rs. 0.50 per share subsequent to confirming the results of Solvency Test
May	Carried out a self-assessment of Directors to assess their effectiveness; Expansion of Branch Network to widen customer reach; Approval to initiate a CSR Project for differently-abled children
June	Sustainability review
July	Review of Company performance against Strategic Plan and devising control mechanisms; Approval of Manuals for new products launched during the year
August	Appointment of Directors in place of outgoing Directors to comply with Governance requirements
September	Approval of Policy on valuation and inspection of immovable property to establish transparent and efficient procedures in connection to property mortgages
October	Appointment of CFO for Bangladesh Operations to enhance financial reporting and monitoring
November	Approval of statutory payments and other benefits to the Company's Staff; Approval of the CCTV Operating Policy
December	Develop a Risk Tolerance Statement to ensure that the Company is within the prescribed risk appetite
2019 January	Digitalisation of visit payments to be made to officers to minimise manual workings and enhance convenience; Approval of Customer complaint and grievance handling Policy to address Customer concerns
March	Establishment of additional Executive Committees to widen the scope of areas covered

Corporate governance

Being responsible stewards

Attendance at Board and Board committee meetings

The Board meets once a month and ad hoc meetings are also convened to deliberate on urgent substantive matters.

The number of Board meetings and Board committees held during the year as well as attendance of each member at those meetings are disclosed below:

Name of Director	Board meetings	Board Audit Committee meetings	Integrated Risk Management Committee meetings	Remuneration and Nomination Committee meetings	Related Party Transactions Review Committee meetings
Hemasiri Fernando	11/13	–	–	–	–
Michael Pradeep Amirthanayagam	13/13	10/10	4/4	6/6	4/4
Jehan Prasanna Amaratunga	11/13	10/10	–	5/6	–
Johnson Anthony Fernando	12/13	–	–	5/6	3/4
Mohamed Anise Mohamed Rizwan	13/13	10/10	4/4	–	3/4
Goluhewage Bindu Rasitha Poojitha Gunawardana	13/13	–	4/4	–	–
R M Jayasena	2/2	–	–	–	–
Ali Asgar Shabbir Gulamhusein	3/6	–	–	–	–
Dr Kennedy Degaulle Gunawardana	6/7	–	–	–	–
Namugoda Wijesinghe Attapattu Mudiyanselage Udawatte Keerthi Kumara Edward Weerasinghe	7/7	–	–	–	–

GRI 102-28

Effectiveness of Board and executive management

Appraisal of Board

The Remuneration and Nomination Committee assesses the effectiveness of the Board as a whole as well as each individual Director in the Board on an annual basis. The three components to this assessment include –

1. Self-assessment;
2. Board assessment and;
3. Peer evaluations.

The Remuneration and Nomination Committee has established a set of performance criteria for the Board and each individual Director to assess the performance.

Board performance criteria	Individual Director performance criteria
Size and composition	Active participation and coherence with other Directors
Independence	Industry and business knowledge
Board processes	Contribution to the Board committees and effective discharge of responsibilities as a Director
Information and accountability	Availability of Director for meetings when warranted
Discharge of principal activities	Overall performance of the Director
Achievement of financial KPIs	

Corporate governance

The Chairman and the Deputy Chairman review the individual Directors self-assessment vis-à-vis the previous year's results and highlight any corrective action for gaps identified. The periodical review of the Board and its members helps in maintaining the effectiveness of the Board on a continuous basis.

The process of self-evaluation of the Board carried out in 2018/19 was led by the Chairman and supported by the Company Secretary. The full results of the Board evaluations were then analysed and presented to the Board in June 2019, which duly affirmed that the Board and its committees operated effectively during the year under review.

Appraisal of CEO/GM

The Board, in consultation with the CEO, sets reasonable financial and non-financial targets in line with short, medium, and strategic objectives of the Company to be achieved by the CEO on an annual basis. As the apex Executive, the CEO is responsible for the entire Company's operations and achievement of set targets. The performance of the CEO is reviewed at the end of the financial year against the set targets as well as in the backdrop of the operating environment and discussed by the Chairman with the CEO prior to forwarding for Board approval.

Succession planning

Succession planning is a key element of the Governance process. The Remuneration and Nomination Committee seeks to refresh the Board membership progressively and in an orderly manner. The Remuneration and Nomination Committee reviews the succession and leadership development plans for the Board and development plans are instituted for the identified successors.

GRI 102-35 GRI 102-36 GRI 102-37

Directors and executive remuneration and benefits

Policy and procedure

The Remuneration and Nomination Committee is accountable to set up a transparent procedure for developing policies on Directors' remuneration.

The Board as a whole determines the remuneration of Non-Executive Directors including members of the Remuneration and Nomination Committee.

The remuneration of Executive Directors is determined upon consulting the Chairman and/or CEO on their performance. The Company has no Executive Directors on the Board and hence there was no necessity to consult the Chairman/CEO in determining their pay.

The Remuneration and Nomination Committee when deemed necessary seeks advice from external remuneration consultants in framing the remuneration policy and determining the level and mix of remuneration.

None of the members of the Remuneration and Nomination Committee or any Director is involved in deliberations pertaining to remuneration payable to them.

Level and make up of remuneration

In recommending the level and mix of remuneration, the Remuneration and Nomination Committee seeks to establish a framework to attract, retain and motivate Directors. Such pay that is commensurate with market rates is essential in attracting quality personnel needed to drive the long-term success of the Company. The remuneration structure is reviewed frequently to ensure alignment with market rates.

The Non-Executive Directors receive a fee for attending meetings of the Board and Board subcommittees. Such fees paid are neither performance related nor pensionable.

Nevertheless, the performance-related component of the CEO's remuneration is linked to the achievement of predefined targets.

For further details on composition of Remuneration and Nomination Committee and rewarding methodology adopted, kindly refer the Remuneration and Nomination Committee Report on page 204.

Company Secretary

Directors have separate and independent access to the Company Secretary. The key roles of the Company Secretary include –

- Ensuring that Board procedures are observed and relevant provisions (Company's Articles of Association, Rules and Regulations, Companies Act and SEC – Securities and Exchange Commission Regulations) are complied with
- Assisting the Chairman and the Board in implementing the corporate governance framework to enhance long-term stakeholder interest
- Ensuring good information flow within the Board and its subcommittees and the Management
- Facilitation of orientation of new Directors and training and professional development of Directors
- Developing a framework to assess Management's compliance with Listing Rules and advising Management to ensure that key information is disclosed promptly
- Coordination of Board meetings including, preparation of minutes, liaison between the Board, subcommittees and the Management, and developing meeting agendas

The appointment and removal of the Company Secretary are subject to Board approval.

Corporate governance

GRI 102-19 GRI 102-20

Executive level committees

In addition to Board committees, several other executive level committees focused on different aspects have been established under the delegated authority of the CEO/GM of the Company in order to facilitate execution of Board-approved strategies. Each committee has its own Terms of Reference and follows a structured process. The proceedings of such meetings are communicated to the CEO/GM on a regular basis.

Executive level committee	Scope
Group Management Committee	Reviews the performance of the Group, implements strategies to optimise the benefits of Group synergies, and reports critical issues and recommends remedial action to the Boards of respective Group companies
Senior Management Committee	Reviews business strategy and overall policy matters impacting the Company, and communicate critical issues to the Board through the CEO with recommended corrective actions
Asset and Liability Committee	Reviews and assesses the liquidity position of the Group and the Company, analyses the product portfolio with the current market sentiments, and reports decisions and critical issues with recommended remedial action to the Integrated Risk Management Committee
Branch Credit Committee	Evaluates the credit disbursements at branch level and all credit proposals exceeding branch authority level, reporting to the Operation Department at the Head Office
Tender Review Committee	Reviews and manages the tender award process and reports critical issues with recommended remedial action to the Senior Management Committee
Integrated Risk Management Operating Committee	Reviews the risk governance structure of the Group and reports to the Integrated Risk Management Committee
Sustainability Governance Steering Committee	Reviews sustainability performance in terms of economic, environmental, and social aspects and recommends and reports strategic sustainability initiatives to the Board through the CEO

Communication and engagement with shareholders

Shareholder engagement

The Company recognises the importance of maintaining transparency and effective engagement with its shareholders. The Board ensures that shareholders are treated equally including non-controlling shareholders.

The Company focuses on facilitating effective communication with shareholders and attending to their queries and concerns using various modes:

- Annual General Meeting is an effective mode to facilitate direct contact between shareholders and the Board
- Roadshows together with Management Teams
- Investor forums to appraise the Company's development and financial performance towards improving shareholder relations
- Dissemination of information on financial performance through Quarterly and Annual Financial Statements submitted to the CSE
- Information uploaded on the Company's website on a regular basis

Shareholders are encouraged to raise their queries and concerns with the Board by contacting the Company Secretary through the channels specified in page 186 of the Annual Report.

GRI 102-21

Annual General Meetings (AGM)

The Company is committed to providing shareholders accurate, adequate and timely information and encourages active shareholder participation. Shareholders are able to proactively engage in discussions on performance and Company related matters at the AGM.

Being responsible stewards

Corporate governance

Notices to AGMs are posted to shareholders individually fifteen (15) working days prior to the date of the AGM. Such notice outlines the nature of business at the Meeting and resolutions to be passed enabling shareholders to form a reasonable judgement.

The Articles of Association of the Company allows shareholders to appoint proxies when they are unable to attend the Meeting in person, and the appointed proxy has the same voting right as the shareholder. To be effective the Proxy Form is expected to be filled and handed over to the Company, forty-eight (48) hours prior to commencing the Meeting.

A separate resolution is passed for each materially substantial matter and is adopted when a majority of shareholders vote in favour of the same.

The most recent AGM was the 22nd AGM of the Company held on 29 June 2018 at the People's Bank Staff Training College Auditorium, Colombo 10.

Matters discussed at the AGM took a performance, financial, shareholder and wider stakeholder perspective:

- Adoption of Audited Financial Statements, the Report of the Directors, and the Report of the Auditors for the year ended 31 March 2018
- Declaration of final dividend of Rs. 0.50 per share for the year ended 31 March 2018
- Reappointment of Messrs Ernst and Young as Auditors and authorisation of Directors to determine their remuneration
- Approval for the Board of Directors to determine contributions and other donations for the year ended 31 March 2019

GRI 102-18 GRI 102-29 GRI 102-30 GRI 102-32

Sustainability reporting

Sustainability drives the strategy and operations of the Company using a pragmatic and profound approach. Sustainability is not simply about being ethical. It often combines short-term gains with longer-term benefits to generate new sources of revenue and enhance Company performance and reputation. It identifies that social, environmental, and economic drivers influence the success of an organisation.

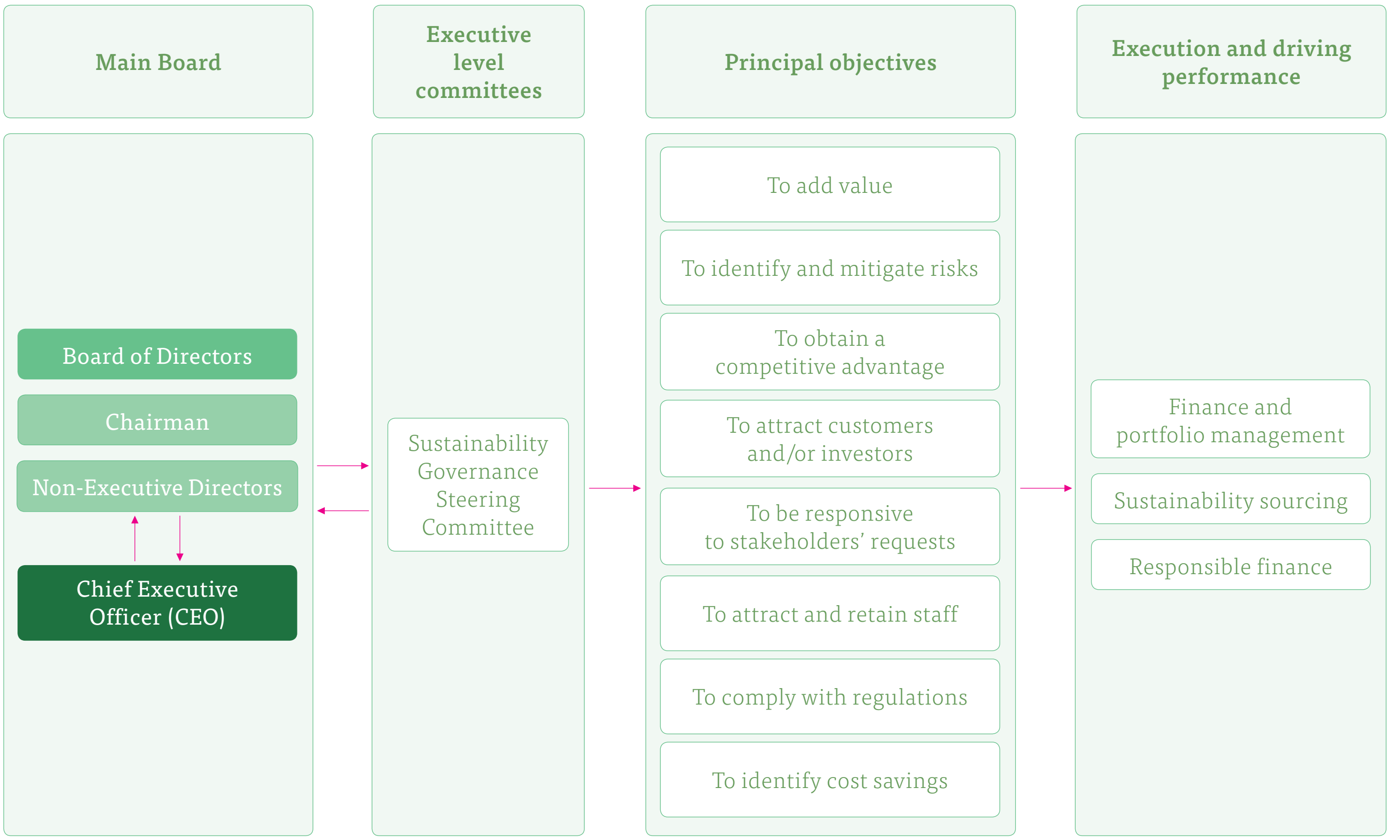
Our approach to sustainable performance management

We have recognised sustainability as a strategic issue which helps in creating value across several dimensions including revenue generation, cost reduction, risk management and long-term value creation. Hence, we integrate sustainability into our business strategies to realise the full potential. Drivers are set and performance is measured using a robust sustainability performance management system.

A Sustainability Governance Steering Committee has been established, comprising the executive management team of the Company, which reviews sustainability performance in terms of economic, environmental and social aspects, and recommends and reports strategic sustainability initiatives to the Board through the CEO.

Corporate governance

We are sustainable – the new "Business as usual"



GRI 102-29 GRI 102-30 GRI 102-31

Drivers to sustainability reporting – Environment, Social, and Governance (ESG)

People's Leasing recognises the importance of the long-term value of strategic and transparent ESG practices, to its investors and stakeholders. ESG information is considered more relevant and useful to investors in assessing the financial prospects and operational performance of the Company than traditional accounting practices. ESG creates an impact upon a host of vital business drivers including cost saving and productivity, risk management, revenue growth and market access, brand value and reputation, employee recruitment and retention, and human capital management.

The Company uses various tools across the three categories, environmental, social, and governance to track and disclose its sustainability performance.

Environment (E)	Social (S)	Governance (G)
• Direct and indirect GHG emissions	• CEO pay ratio	• Board – separation of roles
• Carbon intensity	• Gender pay ratio	• Board – transparent practices
• Direct and indirect energy consumption	• Employee turnover ratio	• Incentivised pay
• Energy intensity	• Gender diversity	• Fair labour practices
• Primary energy source	• Non-discrimination policy	• Procurement manual
• Water management	• Human rights policy	• Code of Ethics and Conduct
• Waste management	• Board diversity	• Bribery/Anti-corruption policy
• Environmental policy		• Sustainability report

Internet of things and cybersecurity

Cybersecurity is an emerging risk faced by many organisations having a high probability and impact which could compromise systems, steal data and other valuable company information, and damage the Company reputation.

Cybersecurity consists of technologies, processes and measures that are designed to protect the Company and its assets from cybercrimes. Effective cybersecurity reduces the risk of a cyberattack through the deliberate exploitation of systems, networks and technologies. The Company considers cybersecurity as a main component of its Information Security Management System (ISMS) which built on three pillars; people, processes and technology.

People

- Staff training and building awareness
- Professional skills and qualifications
- Competent resources

Process

- Information Security Management System (ISMS) – ISO 27001:2013 Certified
- Governance frameworks
- Best practice and risk assessment
- Periodic IT audit – DNV
- Vulnerability Assessment and Penetration Test (VAPT) – KPMG

Technology

- External firewall
- Email security gateway
- Web application firewall
- End user protection (Application control, device control, web filtering, DLP, data encryption and ransom ware)
- Internal firewall
- WSUS server

Annual report of the Board of Directors on the affairs of the Company

Annual report of the Board of Directors on the affairs of the Company is presented as required by Section 168 of the Companies Act No. 07 of 2007, and also provides information required by Finance Business Act No. 42 of 2011 and Directions issued thereunder, the Code of Best Practice on Corporate Governance issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the Listing Rules of the Colombo Stock Exchange.

1 General

The Board of Directors of People's Leasing & Finance PLC has pleasure in presenting the Integrated Annual Report to the shareholders, together with the Audited Financial Statements and the Audited Consolidated Financial Statements for the year ended 31 March 2019 of the Company and the Group and the Auditor's Report on these Financial Statements conforming to all statutory requirements. This Report was approved by the Board of Directors on 13 June 2019.

2 Nature of the business

[Section 168 (1) (a)]
Companies Act No. 07 of 2007

The nature of the business of the Company and its subsidiaries together with any change thereof during the accounting period.

2.1 Vision, mission and corporate conduct

The Company's Vision and Mission are provided on page 12 of this Annual Report. In achieving the Vision and Mission, all Directors and employees conduct their activities to the highest level of ethical standards and integrity, as set out in the Company's Code of Business Conduct and Ethics.

2.2 Principal business activities

The Company's principal business activities comprise providing finance leases, term loans, Islamic finance, margin trading, factoring, gold loans, issuing debt instruments, and mobilising public deposits. The Company had six subsidiaries as at 31 March 2019 and the nature of business activities of these subsidiaries are described in Subsidiary Information on our online HTML report. The Company or its subsidiaries has not engaged in any activity, which contravenes any law or regulation during the year under review.

2.3 Changes to the Group structure

Pursuant to the private placement by Sterling Capital Investment (Private) Limited on 29 March 2019, the ownership of People's Merchant Finance PLC was diluted in April 2019 and is no longer considered as an associate of People's Leasing & Finance PLC.

2.4 Branch network

The total branch network of the Company as at 31 March 2019 comprised 103 fully fledged branches and 101 service centres.

2.5 Review of operations

An overall assessment of the Company's financial position and performance during the year 2018/19, with comments on financial results and special events that took place is contained in the Chairman's Message on pages 18 to 19, the Chief Executive Officer's review on pages 20 to 23, and the Seeing enterprise in action on pages 78 to 151 of this Annual Report. These reports form an integral part of the Annual report of the Board of Directors on the affairs of the Company. Segment wise contribution to Group revenue, results, assets, and liabilities is disclosed in Notes to the Financial Statements on pages 338 to 339 of this Annual Report.

2.6 Future outlook

The Company's outlook based on the challenges, opportunities and developments in the global market as well as in the Sri Lankan market is set out in the putting enterprise in context section on pages 62 to 65 of this Annual Report.

3 Financial statements

[Section 168 (1) (b) & (2)]

Completed and signed Financial Statements of the Company and the Group for the accounting period completed.

The Financial Statements of the Company and the Group duly certified by the Chief Financial Officer and the Chief Executive Officer with the approval of the Chairman and the Deputy Chairman, which have been prepared in accordance with the Sri Lanka Accounting Standards laid down by CA Sri Lanka and in compliance with the requirements of Companies Act No. 07 of 2007, appear on pages 221 to 369 of this Annual Report.

3.1 Directors' responsibility for financial reporting

In terms of Sections 150 (1), 151,152, and 153 (1) and (2) of the Companies Act No. 07 of 2007, the Board of Directors of the Company and Group are responsible for the preparation of the Financial Statement of the Company and the Group, which reflect a true and fair view of the financial position and performance of the Company and Group. In this regard, the Board of Directors wish to confirm that the Statement of profit or loss, Statement of financial position, Statement of changes in equity, and Statement of cash flows have been prepared in conformity with the requirements of the SLFRSs and LKASs as mandated by the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Companies Act No. 07 of 2007, Finance Business Act No. 42 of 2011 and

Being responsible stewards

Annual report of the Board of Directors on the affairs of the Company

Directions issued thereunder, and the Code of Best Practices on Corporate Governance issued by CA Sri Lanka.

The "Statement of Directors' Responsibility for Financial Reporting" provided on page 213 forms an integral part of this Report.

3.2 Financial results and appropriations

Interest income

The total interest income of the Company and the Group was Rs. 30,836.30 million (Rs. 26,704.64 million in 2017/18) and Rs. 32,234.34 million (Rs. 27,582.05 million in 2017/18) respectively for the year ended 31 March 2019. A more descriptive analysis of the interest income is given in Note 6.1 to the Financial Statements on page 244.

Performance and appropriations

The Company and the Group recorded a net profit of Rs. 4,416.12 million and Rs. 5,011.27 million respectively for the financial year 2018/19 (Rs. 4,309.33 million and Rs. 5,017.71 million in 2017/18). This represents an increase in the net profit of the Company by 2.48%. However, the Group net profit decreased by 0.13% compared to the previous year.

Details of the Company's performance and appropriation of profit are tabulated as follows:

Company	2018/19 Rs. million	2017/18 Rs. million
Profit before income tax	**6,585.26**	5,769.67
Income tax expense	**(2,169.14)**	(1,460.34)
Profit for the year	**4,416.12**	4,309.33
Profit brought forward from previous year	**11,502.16**	9,400.08
Restatement of opening balances	**(755.90)**	–
Profit available for appropriation	**15,162.38**	13,709.41
Appropriations		
Dividend paid for previous/current year	**(1,974.83)**	(1,974.83)
Other comprehensive income	**(4.94)**	(16.95)
Transfers to reserves	**(220.81)**	(215.47)
Transfers form reserves	**400.00**	–
Total appropriations	**(1,800.58)**	(2,207.25)
Unappropriated profit carried forward	**13,361.80**	11,502.16

Provision of taxation

As per the Finance Act No. 35 of 2018 certified on 1 November 2018, the Government has introduced a Debt Repayment Levy with effect from 1 October 2018 to 31 December 2021 at the rate of 7% on the value addition attributable to the supply of financial services.

This had a negative impact over the margins of the banks and NBFIs. This impacted the overall profitability of the Company. Although this had a partial impact for the financial year 2018/19, the full impact over profitability can be expected in the coming years.

The income tax rate applicable on the profits earned during the year was 28% (28% in 2017/18). Rate of VAT on financial services was at 15% for the period under consideration (15 % in 2017/18). Accordingly, the current year income tax expense of the Company is Rs. 2,169.14 million and a comprehensive note on income tax expense and deferred tax asset/liability of the Company and the Group is disclosed in Notes 17 and 42 respectively to the Financial Statements.

Property, plant and equipment and intangible assets

The total capital expenditure incurred on property, plant and equipment (including capital work in progress) of the Company and the Group in the year ended 31 March 2019 amounted to Rs. 147.67 million and Rs. 257.37 million respectively (Rs. 170.35 million and Rs. 412.26 million in 2017/18).

The Directors confirm that there were no other significant changes in the Company's or its subsidiaries' fixed assets, and market value of land has no substantial difference with the book value as disclosed in Note 32.4.

In the year ended 31 March 2019 the Company and the Group invested Rs. 8.62 million and Rs. 12.19 million respectively to acquire intangible assets. (In 2017/18, invested Rs. 36.75 million and Rs. 145.30 million respectively to acquire intangible assets).

The details of property, plant and equipment and intangible assets are presented in Notes 32 and 33 on pages 303 to 309 to the financial statements.

Freehold land and building

Extents, locations, and valuations of the Entity's land holding are detailed in Note 32.4 on page 307 of this Annual Report and the net book value of freehold land and buildings owned by the Company and the Group as at 31 March 2019 as included in the Financial Statements was Rs. 564.78 million and Rs. 2,956.61 million respectively.

Investments

Details of investments held by the Company are disclosed in Notes 23, 24, 27 and 28 on pages 269 to 273 and 294 to 297 to the financial statements.

Annual report of the Board of Directors on the affairs of the Company

Equity

Stated capital

The stated capital of the Company and the Group as at 31 March 2019 amounted to Rs. 13,236.07 million, which remained unchanged compared to last financial year.

Reserves

The total reserves of the Company and the Group as at 31 March 2019 stood at Rs. 15,367.28 million and Rs. 17,476.37 million respectively. During the financial year under review, Rs. 220.81 million was transferred from retained earnings to the reserves. Information on the movement of reserves is given in the "Statement of changes in equity" on pages 224 to 225 and in Notes 45 to 47 to the financial statements.

Debt capital

During the financial year 2018/19, the Company issued 60 million senior, unsecured, redeemable, rated debentures with a par value of Rs. 100/- each. These were listed on the Main Board of the CSE on 27 April 2018. The details of Debt Capital are given in Note 38 and a more comprehensive analysis of the Company's debentures is set out in Note 38.2 to the financial statements.

Capital adequacy

Tier 1 Capital Ratio and Total Capital Ratio of the Company computed as per the new capital adequacy requirements of CBSL stood at 14.36% and 15.20% respectively, as at 31 March 2019. The information on minimum capital requirement is given on page 177 of this Annual Report.

4 External auditor

[Section 168 (1) (c) (i) & (j)]

Above sections define Auditors' Report on Financial Statements of the Company and the Group with separate disclosure on amounts payable by the Company and its subsidiaries to the Auditor as audit fees and fees for other services rendered during the accounting period & Auditors' relationship or any interest with the Company and its subsidiaries.

4.1 Auditor and their independence

Messrs Ernst & Young, Chartered Accountants served as the Company's Auditor during the year under review. Based on the declaration made by Messrs Ernst & Young and as far as the Directors are aware, the Auditor does not have any relationship or interest in the Company or its subsidiaries other than to the extent disclosed in this paragraph.

4.2 Auditor's report

The Report of the Auditor on the Financial Statements of the Company and its Group is given on pages 217 to 219.

4.3 Auditor's remuneration

Messrs Ernst & Young, Chartered Accountants were paid following sums by the Company for audit and related services as well as for non-audit services including tax related services:

Fees	Company 2018/19 Rs. million	Company 2017/18 Rs. million	Group 2018/19 Rs. million	Group 2017/18 Rs. million
Audit and related services	**7.46**	6.99	**12.57**	10.69
Non-audit services	**5.73**	4.35	**6.71**	6.67

4.4 Appointment of auditor

According to Section 55 of the National Audit Act No. 19 of 2018, People's Leasing & Finance PLC falls under the definition of "auditee entity" and the Auditor General or any person authorised by the Auditor General shall carry out the audit of the Company for the ensuing financial year.

5 Accounting policies and changes during the year

[Section 168 (1) (d)]

Any changes made to the Accounting Policies during the year under review

An alternative format has been used in presenting Accounting Policies to minimise the disclosure overload and clutter in the Financial Statements. These Financial Statements comply with the requirements of the Sri Lanka Accounting Standards – LKAS 1 on "Presentation of Financial Statements" and with Section 168 (1) (d) of the Companies Act No. 07 of 2007.

The significant accounting policies together with the Notes adopted in the preparation of the Financial Statements are given on pages 227 to 369. The significant changes to Accounting Policies adopted if any, in the preparation of the Financial Statements are given in Note 3.3 on pages 232 and 233.

Being responsible stewards

Annual report of the Board of Directors on the affairs of the Company

6 Board of Directors

[Section 168 (1) (e), (f), (h)]

Above sections define particulars of the entries in the Interest Registers of the Company and its subsidiaries during the accounting period, Remuneration and other benefits paid to the Directors of the Company and its subsidiaries during the accounting period and Information on Directorate of the Company and its subsidiaries during and at the end of the accounting period.

6.1 Profiles

Names of the members of the Board of Directors together with their profiles including skills and experience are set out on pages 26 to 28 of this Report.

6.2 Appraisal of Board performance

The method used to appraise the performance of the Board of Directors is presented in the "Corporate governance" section on pages 48 and 49.

6.3 Other directorships/ significant positions of Directors

Information of the other directorships/ significant positions of the present Directors of the Company is given on pages 27 and 28.

6.4 Resignations and appointments

Mr R M Jayasena retired from the office of Independent, Non-Executive Director on 17 June 2018 and Dr Ali Asgar Shabbir Gulamhusein resigned from the office of Independent, Non-Executive Director on 16 October 2018.

Dr K D Gunawardena and Mr N W A M U K K E Weerasinghe were appointed as Non-Executive, Independent Directors on 9 October 2018 to strengthen the Board balance.

Mrs Kottegoda Gedara Lakmini Dilrukshi Kottegoda was appointed as the Company Secretary of People's Leasing with effect from 30 July 2018 in place of Mr Rohan Pathirage.

6.5 Directors' remuneration

Directors' fees and emoluments paid by the Company and the Group as for year ended 31 March 2019 was Rs. 9.69 million and Rs. 18.63 million respectively. Comparative figures are given in Note 15 to the Financial Statements.

6.6 Interests register/ Directors' interest in transactions

In compliance with the Companies Act No. 07 of 2007, the Company maintains an interests register, which is available for inspection. The Directors of the Company have made general declarations of their interests in transactions of the Company as per Section 192 (2) of the Companies Act No. 07 of 2007. Details of the transactions disclosed therein are given on pages 340 to 344 under related party transactions. Furthermore, the Chairman, the Board of Directors and the Chief Executive Officer of the Company have made general declarations that there is no financial, business, family or other material/relevant relationship(s) between themselves as required to be disclosed by the Finance Companies (Corporate Governance) Direction No. 03 of 2008 amended thereon.

6.7 Directors' interest in shares

The Directors have disclosed to the Board of their shareholding in the Company and any acquisitions or disposals thereof in compliance with Section 200 of the Companies Act No. 07 of 2007. The Directors' individual shareholdings along with the Chief Executive Officer's individual shareholding in the Company are given in the section titled "Investor relations" on pages 372 to 380 of this Annual Report.

6.8 Meetings

The details of Board meetings and Board subcommittee meetings are presented in the Corporate governance report on pages 46 to 48 of this Annual Report.

7 Share information

Significant shareholder information along with substantial shareholder details and other share related information is presented in detail under the title "Investor Relations" on pages 372 to 380 of this Annual Report.

7.1 Equitable treatment to shareholders

The Company has at all times ensured that all shareholders are treated equitably.

7.2 Dividends on ordinary shares

An interim dividend of Rs. 0.75 per share was paid on 11 January 2019 to the ordinary shareholders and the Directors recommended a final dividend of Rs. 0.50 per share for the year ended 31 March 2019. This will be paid in the form of a scrip dividend. Further, in compliance with the Company's Articles of Association, this dividend is to be approved by the shareholders at the Annual General Meeting to be held on 31 July 2019.

The Board of Directors ensured that the Company would meet the requirement of the solvency test in terms of Section 56 (3) of the Companies Act No. 07 of 2007 and the Listing Rules of the CSE, immediately after the payment of the said interim dividend and would ensure the compliance with the solvency test after the said final dividend as well. As required by Section 56 (2), the Board of Directors has obtained a certificate from the Auditor on the Statement of Solvency in respect of each dividend payment conforming to the above statutory provision.

Annual report of the Board of Directors on the affairs of the Company

8 Donations and CSR

[Section 168 (1) (g)]

Total amount of donations made by the Company during the accounting period.

During the financial year 2018/19, the Company made donations by way of corporate social responsibility activities amounting to Rs. 122.23 million compared to Rs. 101.53 million in 2017/18, in terms of the resolution passed at the last Annual General Meeting. The Company's Corporate Social Responsibility Department handles the Corporate Social Responsibility ("CSR") initiatives and activities. The CSR initiatives of the Company are presented in the sections titled Embodying Responsible Stewardship of Value Creation Activities on pages 130 to 145.

9 Corporate governance

[Code of best practice D.6, D.6.1, D.2, D.1.4]

The Board of Directors is committed to develop the corporate governance principles of the Company and has adopted a Corporate Governance Charter including the procedures and processes governing the different participants in the Company – such as the Board, Managers, Shareholders and other Stakeholders to ensure that the highest principles of corporate governance is maintained across the Organisation.

In adopting the aforesaid Corporate Governance Charter, the Board has ensured that the Company is in compliance with the recommendations of the Code of Best Practices on Corporate Governance issued by CA Sri Lanka, the Listing Rules of the Colombo Stock Exchange (CSE) and the Finance Companies (Corporate Governance) Directions No. 03 of 2008 and amendment thereon.

The Directors declare that

1. The Company has not engaged in any activity, which contravenes laws and regulations.
2. The Company has made all endeavours to ensure the equitable treatment of shareholders.
3. The business is a going concern.
4. Effectiveness and successful adherence of internal controls and risk management is practiced by the Company. The measures taken in this regard are set out in the Corporate Governance Report on pages 37 to 53 of this Annual Report.
5. To the best of their knowledge, there has not been any violation of the Code of Business Conduct and Ethics of the Company.

9.1 Board subcommittees

Board Audit Committee, Integrated Risk Management Committee, Remuneration and Nomination Committee, and Related Party Transactions Review Committee function as Board subcommittees with Directors who possess the requisite qualifications and experience. The composition of the said committees is set out on pages 45 and 46 of this Annual Report.

9.2 Compliance with laws and regulations

To the best of knowledge and belief of the Directors, the Company and the Group have not engaged in any activity contravening any laws and regulations.

9.3 Statutory payments

To the best of their knowledge and belief, the Directors are satisfied that all statutory payments due to the Government, other regulatory institutions and in relation to the employees have been timely made.

9.4 Environmental protection

The Directors confirm that to the best of their knowledge the Company and the Group, have not engaged in any activity, which causes detriment to the environment.

9.5 ESG reporting

Environmental, social and governance considerations can affect a company's ability to execute its business strategy and create value. The Company's annual report contains sufficient information on the recognition, management, measurement and reporting on ESG risks and opportunities as set out on page 52.

10 Acknowledgement

[Section 168 (1) (k)]

Acknowledgement of the contents of this report/ signatures on behalf of the Board by two Directors and the Secretary of the Company.

The Board of Directors has acknowledged the contents of this Annual Report as disclosed on page 59.

11 Stakeholder management and integrated reporting

The Company has taken several measures to manage its valued stakeholders including customers, employees, investors, business partners, community and environment in carrying out its value creation process. Aspects of economy, environment and social impacts have also been addressed adequately in the reporting process. Reports are presented under Strengthening Stakeholder Relationships on pages 66 to 69 of this Annual Report. Further, details on how we engage with our stakeholders can be found in our HTML Report.

12 Outstanding litigation

In the opinion of the Directors formed in consultation with the Company's lawyers, litigation currently pending against the Company will not have any material impact on the reported financial results or future operations of the Company. Details of litigation pending against the Company are given in Note 52 to the Financial Statements on pages 332 and 333.

13 Human resources

The Company has adopted an absolutely non-discriminatory employment policy which respects individuals and provides career opportunities irrespective of the gender, race, or religion.

As at 31 March 2019, 2,329 persons were in employment (2,085 persons as at 31 March 2018) with the Company.

Being responsible stewards

Annual report of the Board of Directors on the affairs of the Company

14 Internet of things and cybersecurity

[Code of best practice G.1, G.2, G.3]

The Board confirms that, the Company has appointed a Chief Information Security Officer (CISO) with sufficient expertise and authority, and allocate regular and adequate time on the Board meetings agenda for discussion about cyber risk management. Related information is set out in Corporate Governance section on page 53.

15 Events after the reporting period

Details of events after the reporting period are disclosed in Note 60 page 369 to the Financial Statements.

16 Compliance with requirements on the content of the Annual Report in Rule 7.6 of the Listing Rules

Rule reference	Information required to be disclosed	Status of compliance	Page reference
7.6 (i)	Names of persons who were directors of the Company during the financial year	✓	26-28
7.6 (ii)	Principal activities of the Company and its subsidiaries during the year	✓	54 and 227
7.6 (iii)	Information on 20 largest shareholders at the end of the year	✓	378
7.6 (iv)	The public holding percentage	✓	378
7.6 (v)	Directors' and Chief Executive Officer's holding in shares	✓	379
7.6 (vi)	Information pertaining to material foreseeable risk factors	✓	152-169
7.6 (vii)	Details of material issues pertaining to employees and industrial relations	✓	112-123
7.6 (viii)	Information on buildings/land holdings and investment properties as at the end of the year	✓	307
7.6 (ix)	Number of shares representing the stated capital as at the end of the year	✓	377
7.6 (x)	A distribution schedule of the number of holders in each class of equity securities and related information	✓	377
7.6 (xi)	Ratios and market price information on equity, debt, change in credit rating	✓	89, 376, 380
7.6 (xii)	Significant changes in the Company's or Subsidiaries' fixed assets	✓	304-306
7.6 (xiii)	Details of funds raised through a public issue, Rights Issue and a Private Placement during the year	✓	380
7.6 (xiv)	Information in respect of Employee Share Ownership or Stock Option schemes	✓	Not applicable
7.6 (xv)	Disclosure pertaining to Corporate Governance practice in terms of Rules 7.10.0, 7.10.5 c and 7.10.6 c of Section 7 of the Listing Rules	✓	190
7.6 (xvi)	Related party transactions exceeding 10% of the Equity or 5% of the total assets of the entity	✓	58

17 Going concern

[Code of best practice D1.4]

After reviewing the Company's business plans, the Board of Directors has a reasonable expectation that the Company possesses adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Financial Statements.

18 Annual General Meeting

The 23rd Annual General Meeting will be held at the People's Bank Staff Training College Auditorium 11th Floor, People's Leasing building, No. 7, Havelock Road, Colombo 5 on the 31 July 2019 at 3.30pm.

Notice of the Meeting relating to the 23rd Annual General Meeting is provided on page 394 of this Annual Report.

By order of the Board of Directors,

M P Amirthanayagam
Deputy Chairman

Hemasiri Fernando
Chairman

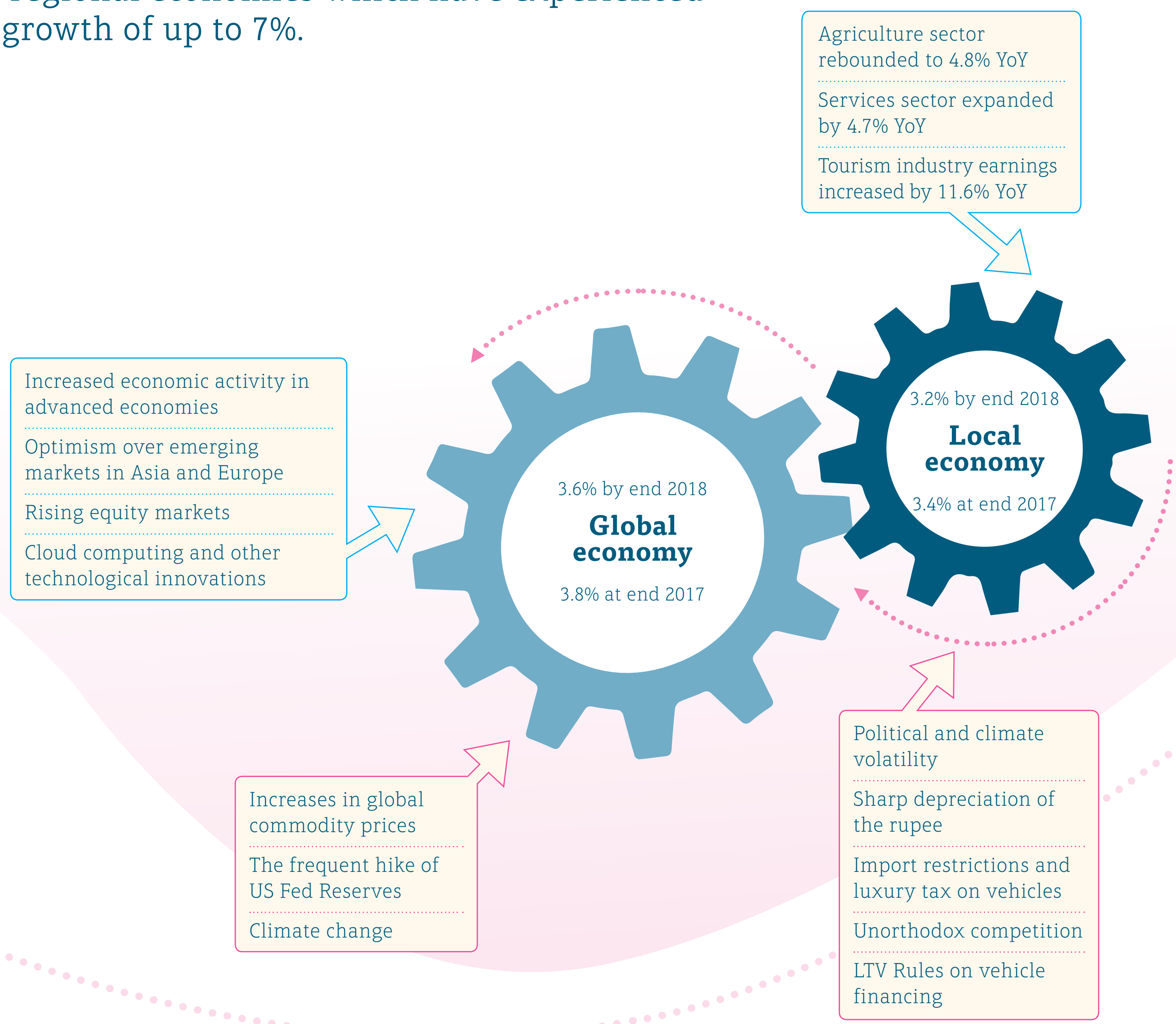
Lakmini Kottegoda
Company Secretary

13 June 2019

Putting enterprise in context

Operating environment

Our growth, during the year under review, must be viewed in the context of global economic activity which impacted our local economy, which in turn impacted our business. Local GDP growth reached 3.2% by end 2018, below the IMF and ADB forecasts of 4.3% and 3.8% respectively, and comparatively lower than regional economies which have experienced GDP growth of up to 7%.



This figure illustrates both the forces that drove global and local growth (●) as well as those that stymied growth (●). For a complete list of risks and opportunities that affected our business please refer Risks and Opportunities Section on pages 64 and 65.

Putting enterprise in context

Operating environment

Tough times

Sri Lanka's trade deficit had widened to USD 10,343 million by 31 December 2018, an increase of 7.53% in comparison to 2017. This was a result of import expenditure growth of 5.97% outpacing export earnings growth of 4.66%. The exchange rate came under pressure from capital outflows, particularly from Government rupee securities, tightening conditions in the global markets, and speculation in the domestic market.

World economic outlook projections

Company	2019 (Forecast)	2018	2017
World Output	**3.3**	3.6	3.8
Advanced Economies	**1.8**	2.2	2.4
United States	**2.3**	2.9	2.2
Euro Area	**1.3**	1.8	2.4
Japan	**1.0**	0.8	1.9
United Kingdom	**1.2**	1.4	1.8
Emerging Market and Developing Economies	**4.4**	4.5	4.7
Russia	**1.6**	2.3	1.5
China	**6.3**	6.6	6.9
India	**7.3**	7.1	6.7
ASEAN-5	**5.1**	5.2	5.3

Relieving the pressure

Several short-term measures were taken in an attempt to relieve the pressure on the exchange rate, but even so the Sri Lankan Rupee depreciated by 19% against the US dollar in 2018, the sharpest drop in a decade. The rupee depreciation comes on top of tax increases, fuel hikes, multiple strikes, and weather-related problems, bookended by local government elections and a constitutional crisis. They all significantly impacted the business and financial activities of our target market.

Sri Lanka is reported to have USD 5.9 billion. in external debt repayments in 2019, including an international sovereign bond of USD 1 billion which matured in January and was repaid.

Headline inflation in the country remained in low single digits while core inflation too remained restrained. The tight monetary policy remained throughout 2018 as well. Structural reforms such as the new Inland Revenue Act and the introduction of fuel pricing formula were introduced in line with the Government's Policy of revenue driven fiscal consolidation.

Optimistic vibes

On a more positive note, Sri Lanka also ascended 11 places to be ranked 100 among 190 countries in the World Bank's Ease of Doing Business Index. However, greater encouragement – for instance improved efficiency in the process for registering exporters – could also make it easier for SMEs to flourish and enter international markets.

While the terrorist attacks on 21 April 2019 have negatively impacted the country, Sri Lanka's ranking as the top tourist destination for 2019 by Lonely Planet, which may increase the country's chances of achieving tourist arrival targets and accelerate annual earnings from the industry. This could have a knock-on impact on the leasing sector with Micro business and SME owners being able to capitalise on this opportunity.

The US dollar continued to strengthen, resulting in funds outflow from the domestic financial market increasing pressure on Sri Lanka's exchange rate and foreign exchange reserves. Repercussions could well include the further depreciation of the rupee in 2019.

Risks and opportunities

At People's Leasing, we are focused on being a responsible corporate citizen; one that devotes its energies and resources to operating a sustainable business. The focal point of our strategy is the creation of value: delivering value to stakeholders just as much as we derive value from them.

In this Report, we look at topics that have the most impact on our value creation process. We view value creation in the context of the constantly changing environment within which we operate and the needs and priorities of our stakeholders.

Materiality

To assess both internal and external matters of material importance, we conduct a rigorous materiality assessment. How material or important a topic is was assessed by its relevance to People's Leasing or our stakeholders and its significance. How significant it is was determined by the probability of occurrence and the magnitude of its impact.

Key impacts

The outcome of this study results in the corresponding environmental, social, and governance matters being identified and their impact on our operating environment being assessed. We use these findings to determine any risks and opportunities that may be of concern to the sustainable operations of the Company and our key stakeholder groups.

GRI 102-47

Identifying and assessing

During the year under review, we analysed our external environment to identify matters arising from emerging trends and their relevance to key stakeholder groups. The following overarching trends were identified:

1. Funds outflows from developing and emerging market economies
2. The lack of structural reforms for increase in productivity
3. Need to contribute towards achieving SDGs
4. Increasing migration
5. Growing influence of digital marketing
6. Energy crisis and gradual shift to non-renewable energy
7. Growing ESG concerns in lending
8. Sluggish GDP and economic growth/challenges to future economic growth/increased cost of living
9. Political uncertainty and rising ethnic conflicts
10. Sharp depreciation of the rupee
11. Poor performance of the CSE
12. Promotion of tourism
13. Sri Lanka's downward slide on the global competitiveness index
14. Deteriorating asset quality of the financial sector
15. Frequent changes to local fiscal and monetary policies (increased borrowing costs, taxes)
16. Financial disintermediation
17. Unorthodox competition from fin-techs, tech giants and telcos
18. Growing role of technology
19. Cyber security/ATM card skimmers
20. Significant and mounting regulatory requirements
21. Investors growing interest on Company's future potential
22. Changing customer expectations
23. Competencies to adapt to changes in the market
24. Increasing emphasis on entrepreneurship
25. Strategic public-private partnerships
26. Vulnerability to natural disasters
27. Undermet and unmet societal priorities including poor investment on early childhood/education, healthcare, access to quality water and sanitation
28. Diminishing forest cover
29. Increased negative effects of global warming

Putting enterprise in context

Risks and opportunities

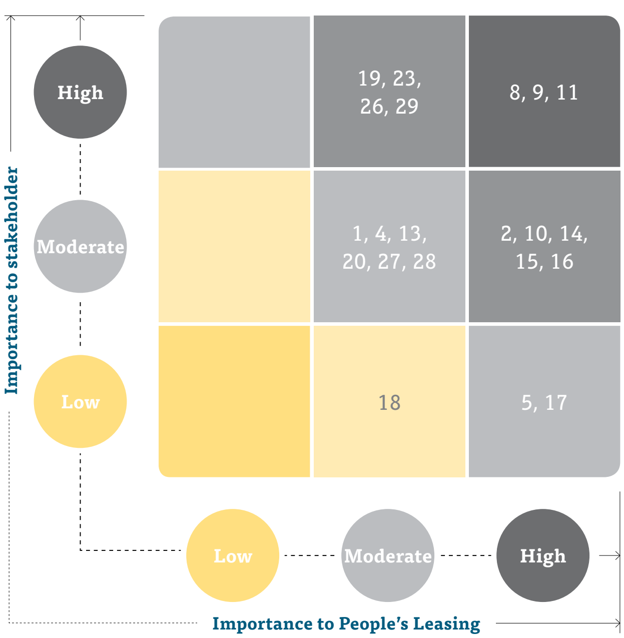
These trends were mapped as follows:

	Political	Economic	Social	Technological	Environment	Legal/ regulatory
Investors	9	3, 11, 12, 13, 14, 16, 21				20
Customers		1, 8, 10, 15	7, 22	5, 18, 19		
Employees			2, 4, 17	23		
Business partners		25				
Society			24, 27		29	
Environment					6, 26, 28	

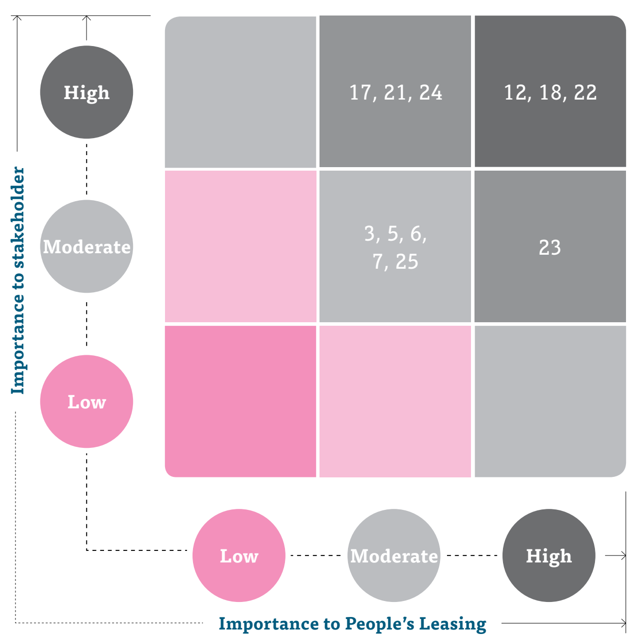
3 Relates to all stakeholders

The risks and opportunities arising from the trends were prioritised according to their relevance for our long-term strategy, competitive positions, and value drivers. After completing the analysis described previously, we mapped the above according to their impact on our stakeholders and the Company, categorising them as risks, opportunities or both, as portrayed in the matrices that follow.

Risks



Opportunities



We then formulated our strategic imperatives and strategies based on the outcomes of this analysis.

Strengthening stakeholder relationships

68
Stakeholders

70
Material matters

Stakeholders

GRI 102-40 GRI 102-42 GRI 102-43 GRI 102-44

Identify key stakeholders

Rank and prioritise stakeholders

Formulate value proposition for stakeholders

Engage with stakeholders

We define as stakeholders, those individuals or groups that can be considerably impacted by our actions, products, and services. In turn, we are completely cognisant of how our stakeholders' perceptions and actions can impact our own endeavours to meet our strategic goals.

We maintain a number of formal mechanisms to remain linked to our stakeholder groups as illustrated on page 69 (refer online for more details). In addition, we also share responsibility for such linkage across the Organisation at every point of contact with our stakeholders.

Refer online for more details on how we engage with our stakeholders

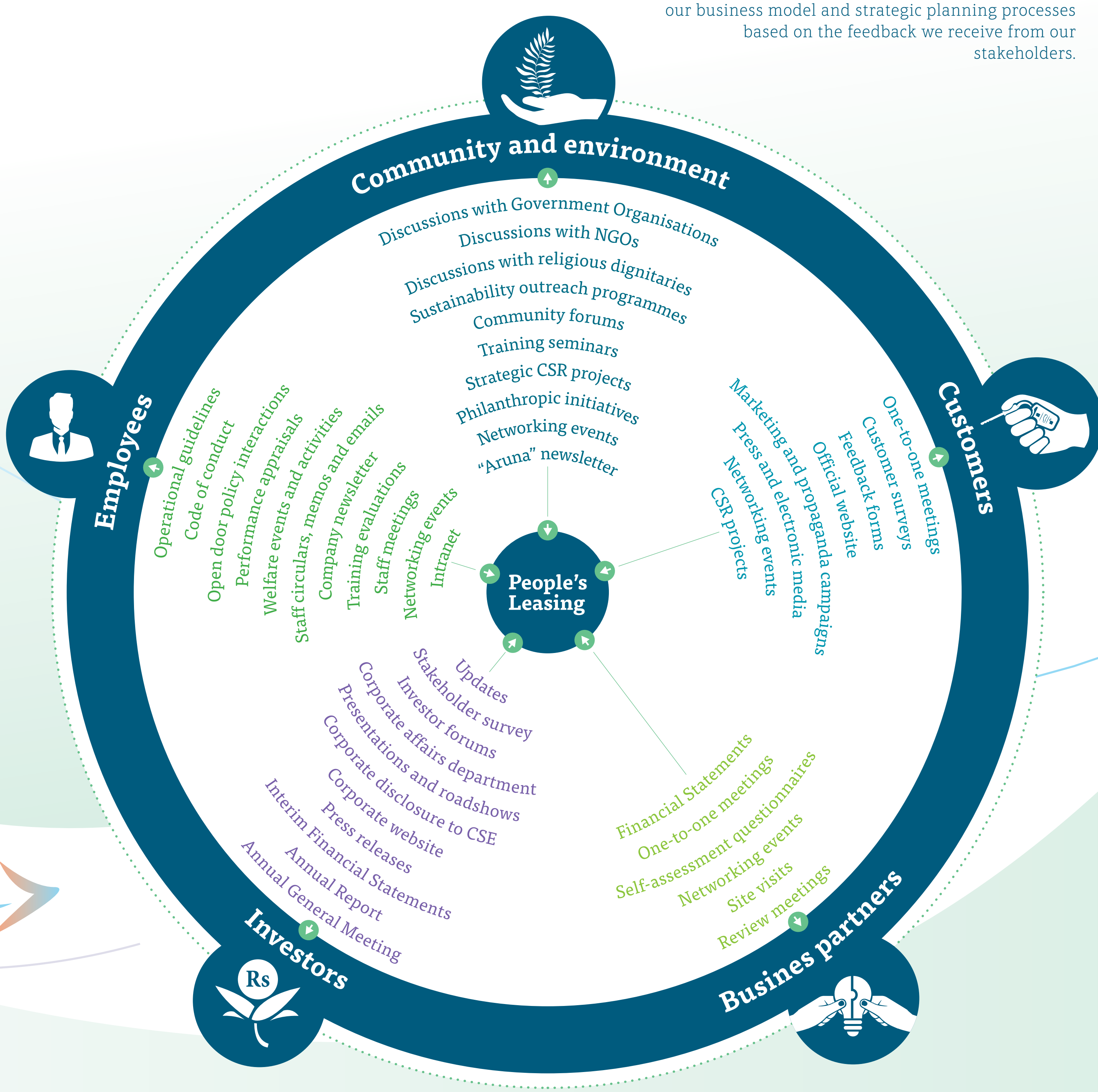
http://plc2018-19.annualreports.lk/sh.html

Strengthening stakeholder relationships

Stakeholders

It is only through meaningful dialogue with our key stakeholder groups that we can better understand and address their needs and concerns while balancing the distribution of value created.

Effective stakeholder engagement compels us to be future ready, as we continue to work on improving our business model and strategic planning processes based on the feedback we receive from our stakeholders.



Material matters

We conduct an annual materiality assessment to determine the content of our review, with due consideration given to significant economic, environmental and social impacts on our business and our stakeholders.

How material or important a topic is was assessed by its relevance to People’s Leasing or our stakeholder and its significance. How significant it is was determined by the probability of occurrence and the magnitude of its impact.

Completeness

Our annual review covers most material aspects and their boundaries through a materiality matrix to reflect significant economic, environmental, and social impacts enabling our stakeholders to assess our sustainable performance.

We take into consideration the sustainability context, our Vision, Mission and Values, business model, feedback from stakeholder engagement, independent research, and market reviews to identify topics of significance.

GRI 102-46 GRI 102-47 GRI 103-1

GRI standard number	Material topic	Materiality to People’s Leasing	Materiality to stakeholder					
			Internal	External				
			Employee	Customer	Business partner	Community	Environment	Investor
Material GRI Topic								
201	Economic performance	√	√	√	√	√	√	√
202	Market presence	√	√			√		
203	Indirect economic impact	√	√	√	√	√	√	√
204	Procurement practices	√			√	√	√	
205	Anti-corruption	√	√	√	√	√	√	√
206	Anti-competitive behaviour	√	√	√	√			√
301	Materials	√	√	√	√		√	
302	Energy	√	√				√	
304	Biodiversity	√					√	
305	Emissions	√						√
307	Environmental compliance	√		√	√		√	
308	Supplier environmental assessment	√			√		√	
401	Employment	√	√					
402	Labour/management relations	√	√					
403	Occupational health and safety	√	√					
404	Training and education	√	√		√	√		
405	Diversity and equal opportunity	√	√					
406	Non-discrimination	√	√					
408	Child labour	√	√					
409	Forced/compulsory labour	√	√					
410	Security practices	√	√	√	√			
412	Human rights assessment	√	√	√	√	√	√	√
413	Local communities	√	√		√	√		
414	Supplier social assessment	√			√	√		
417	Marketing and labelling	√	√	√		√	√	
418	Customer privacy	√		√				
419	Socioeconomic compliance	√	√	√	√	√	√	
Other material topics								
	Digital finance	√	√	√			√	
	ESG considerations	√	√	√	√	√	√	√

Material matters

GRI 102-49

During the materiality review some topics were identified as not material to our operations and removed from the list when compared to 2017/18. Further, digital finance and ESG considerations were newly included in the list.

Our approach to create shared value

At People's Leasing, we are focused on sustainable business, devoting our energies and resources to delivering value to stakeholders just as much as we derive value from them.

We formulate our strategies and strategic imperatives based on the outcomes of our materiality analysis. All material topics are managed in alignment with our strategic plan, with responsibilities assigned to the respective functional Heads. Resources are allocated based on a risk or opportunity's degree of materiality. Measuring the performance of our employees and operations against a set of pre-defined Key Performance Indicators (KPIs) strengthens our commitment to living by our value proposition. It is a process of monitoring and review that brings our operations back on track as required, and helps us create value for our stakeholders while achieving our strategic objectives. The Sustainability Governance Steering Committee and the Board of Directors review the progress on a quarterly basis.

GRI 103-1 GRI 103-2 GRI 103-3

Further details on our Management approach can be found in our online HTML report.

Refer online for more details on our Management approach, including GRI Standard and reasons for materiality

http://plc2018-19.annualreports.lk/mm.html

5

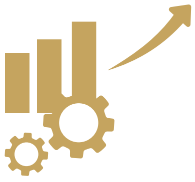
Plotting our journey

Our strategic direction

Our strategic direction

From social, economic, and environmental volatility and greater market competition to tighter regulatory restrictions and ever more virulent threats from cyber criminals, we are under ever-increasing pressure as we endeavour to create value.

Our strategic imperatives are designed to mitigate risks and capitalise on the opportunities that are material to us and which arise from stakeholders concerns and the overarching trends shaping the contours of our operating environment.



1

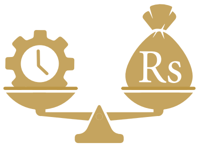
Pursuing sustainable growth

2

Augmenting customer experience

3

Achieving execution excellence



4

Promoting efficient resource use

5

Embodying responsible stewardship

Nimbly adjusting to changes in the operating environment and in response to stakeholder concerns, we identified short and longer-term goals, under each strategic imperative, which will help steer our Company in the direction that our strategy dictates.

In addition, each strategic imperative is supported by a number of strategies as outlined overleaf. We are also keenly aware of our responsibility to contribute towards the United Nations Sustainable Development Goals in our efforts to execute our strategies.

Our strategic direction

Our goals

1 Pursuing sustainable growth

Short term

- Achieve asset growth over 15%
- Achieve profit growth over 20%
- Maintain average interest spread above 5%
- Maintain Non-performing Advances (NPA) ratio below 4.5% and impairment charge ratio below 1%
- Utilise capital efficiently and maintain capital adequacy levels above 13%

Medium to long term

- Recapture the market share in terms of asset base, to increase the share to at least 15% to achieve market leadership
- Increase the return on portfolio to 21%
- Maintain NPA ratio below 4.0%
- Maintain a strong capital base while complying with regulatory requirements

2 Augmenting customer experience

Short term

- Improve relationships with customers and customer satisfaction levels
- Improve the customer base of the Company
- Update the Company products with technological features to ensure the customer convenience
- Ensure the Company's presence in all populated areas across the country

Medium to long term

- Become the most preferred financial services provider of the country
- Digitalisation of the customer journey while facilitating fingertip information

3 Achieving execution excellence

Short term

- Maintain operational efficiency with a cost to income ratio below 40%
- Improve the relationship with business partners by collaborating with strategic tie-ups
- Maintain right mix of marketing and back-office staff to meet business requirements
- Improve the efficiency of the staff

Medium to long term

- Achieve the industry's lowest cost to income ratio
- Strengthen the workforce to meet rising competition

4 Promoting efficient resource use

Short term

- Reduce short-term maturity mismatch by raising stable funding
- Maintain operational performance in line with the risk tolerance levels stipulated within the risk appetite framework
- Maintain 40%-60% mix in the fund base between borrowings and deposit
- Maintain operational performance in line with the risk tolerance levels stipulated within the risk appetite framework

Medium to long term

- Maintain diversified funding sources while reducing both liquidity and interest rate mismatch in line with the internal limits

5 Embodying responsible stewardship

Short term

- Maintain the highest standards of compliance and ESG considerations across all operational aspects
- Invest a minimum of 1% of the Company profit and proceeds of available charity fund on societal priorities and environment conservation
- Be an environmentally friendly financial solutions provider

Medium to long term

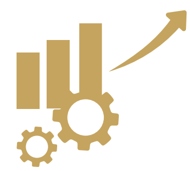
- Continue to be a socially responsible corporate citizen by addressing national and local priorities of the local communities and environment whilst positively contributing to the achievement of SDGs.

Our strategic direction

Our strategies

To keep up with the fast pace of development in the operating environment, we understand the importance of being agile enough to constantly adapt to our surroundings while remaining true to who we are. Accordingly, we have identified five strategic imperatives to ensure that we remain future ready – able to capitalise on the opportunities and mitigate the risks that come our way.

Pursuing sustainable growth by

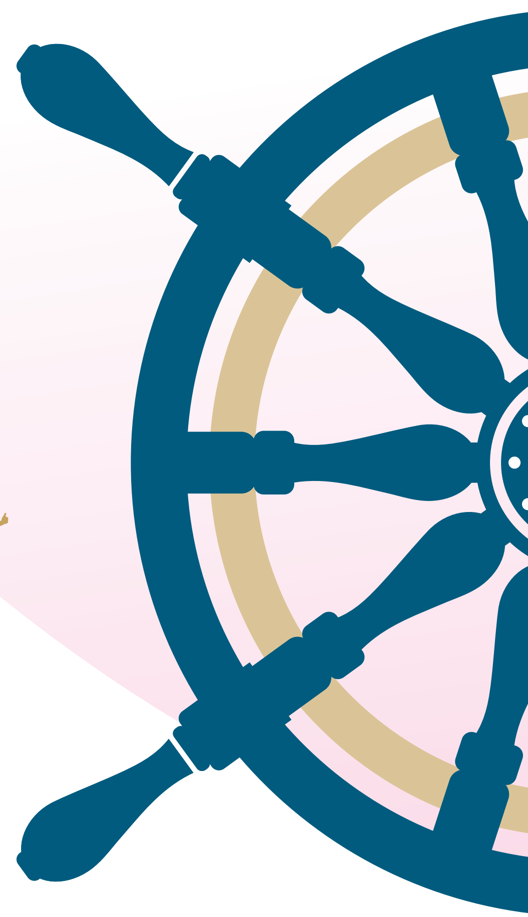


Increasing business volumes by focussing on untapped markets

Intensifying recovery steps with strong monitoring of customer portfolio

Optimising group synergies

Positioning and building corporate brand image



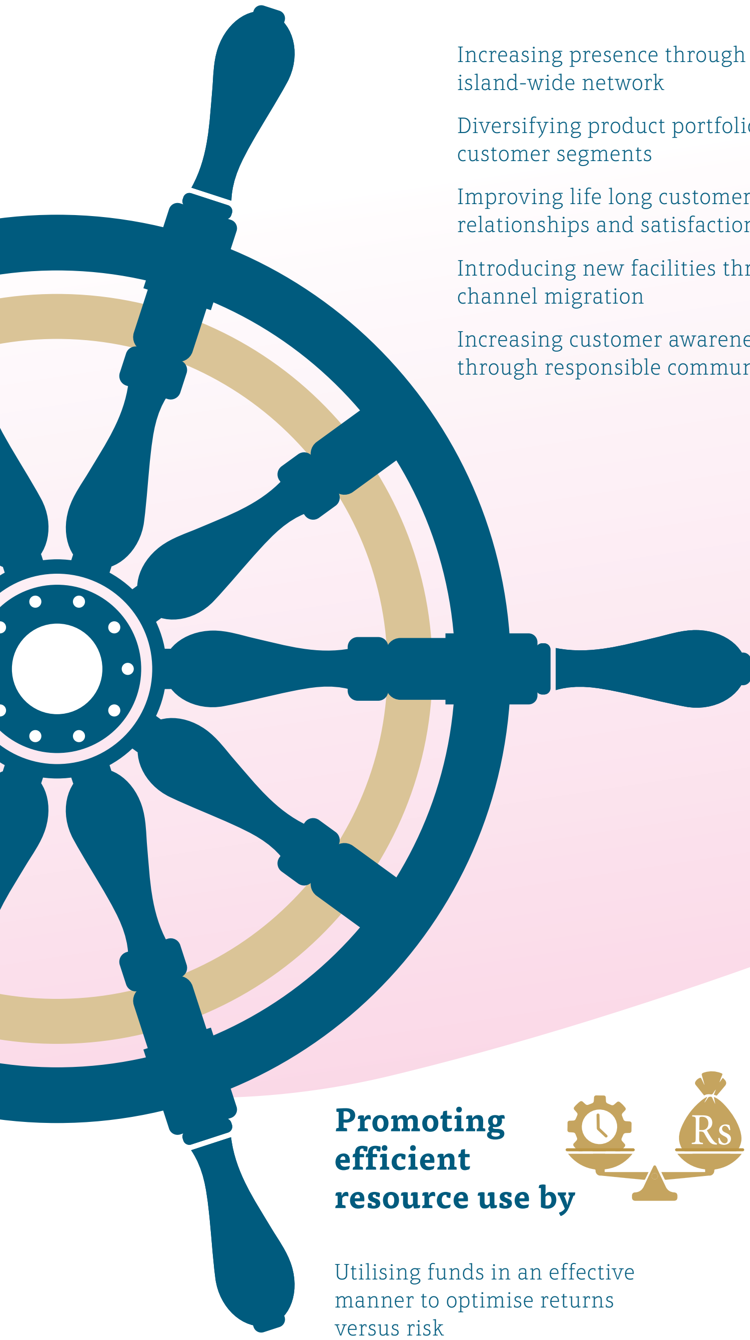
Embodying responsible stewardship by

Maintaining ethical, open, and transparent business environment

Maintaining sound corporate governance practices

Addressing national and local societal priorities to create a sustainable shared value

Managing and optimising our direct impact on the environment



Augmenting customer experience by

Increasing presence through island-wide network

Diversifying product portfolio across customer segments

Improving life long customer relationships and satisfaction levels

Introducing new facilities through channel migration

Increasing customer awareness through responsible communication

Achieving execution excellence by

Improving operational processes

Partnering for excellence

Attracting and retaining the best-suited talent

Building a competent, engaged, and motivated team

Promoting efficient resource use by

Utilising funds in an effective manner to optimise returns versus risk

Diversifying funding sources while managing liquidity

Reducing mismatch in maturities of assets portfolio and the funding base

Managing capital for growth and profitability

6

Seeing enterprise in action

80
Inputs

148
Outcomes

83
Value creation activities

150
Impact

146
Outputs

Inputs

Resources used to perform activities.

Financial capital

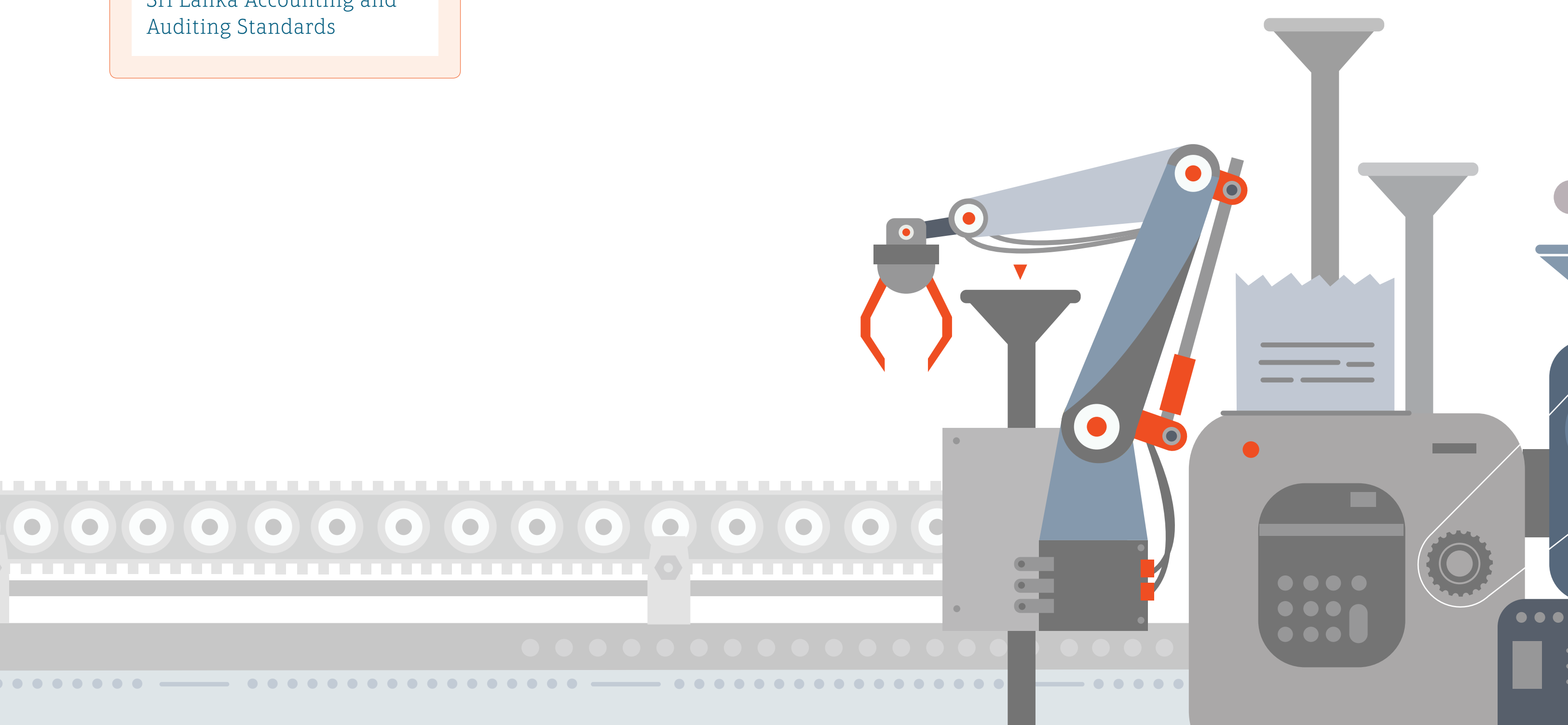
- Financial stability and strength
- Equity capital of Rs. 27.03 billion
- Deposits of Rs. 69.76 billion
- Borrowings of Rs. 55.70 billion
- Funding and liquidity management efforts with liquid assets of Rs. 11.74 billion
- Capital management initiatives
- Consistent dividend policy of Rs. 1.25 per share
- CBSL directions, guidelines and determinations
- CSE rules and regulations
- Sri Lanka Accounting and Auditing Standards

Institutional capital

- Strong corporate/brand image with a brand value of Rs. 6.5 billion
- Parent support
- AA- (lka) rating from Fitch Ratings Lanka
- State-of-the-art core IT system
- Institutionalised knowledge
- Ethical business conduct
- Good governance framework
- Innovative digital channels
- Effective internal control system
- Robust risk management framework
- Increasing presence on social media platforms
- Island-wide presence with 103 fully-fledged branches
- Integrity
- Whistle-blowing policy
- Policies and procedures

Investor capital

- Shareholders' funds from over 8,500 shareholders
- Attractive dividend policy with a payout ratio of 45.83%
- Communication with shareholders
- Market capitalisation of Rs. 25 billion



Inputs

Customer capital

- Customer base over 250,000
- Healthy client relationships
- Effective communication channels
- Responsible marketing tools
- Customer grievance handling mechanism

Business partner capital

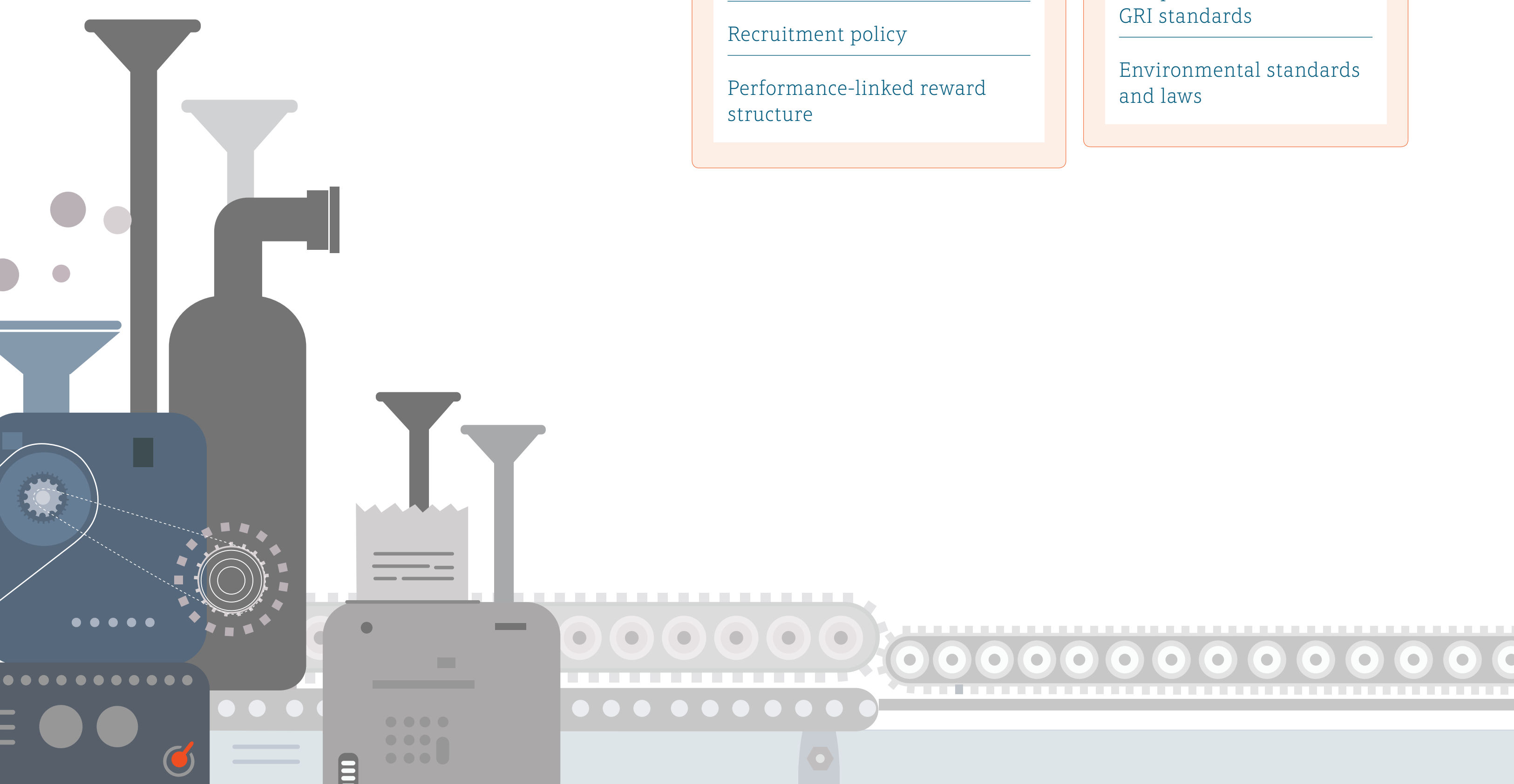
- Supplier base over 27,000
- Cordial relationships
- Transparent procurement policy
- Strategic tie-ups with vehicle dealers

Employee capital

- Over 13,000 years of cumulative experience with the staff
- Over 2,000 diversified workforce
- Performance driven culture
- Being passionate about everything
- Cordial industrial relations
- Entrepreneurial spirit
- Work ethics
- Non-discriminatory work environment
- Focus on innovation
- Commitment and loyalty
- Grievance handling procedure
- Recruitment policy
- Performance-linked reward structure

Social and environmental capital

- Five-pillared focused CSR framework
- Green lending products
- Demands for ESG considerations towards sustainable operation
- Demands for responsible lending
- Appeals for contributions to the society
- Demands for judicious resource utilisation
- United Nations (UN) Sustainable Development Goals (SDGs)
- Compliance with GRI standards
- Environmental standards and laws



Profit after tax

Rs. 4.42 billion

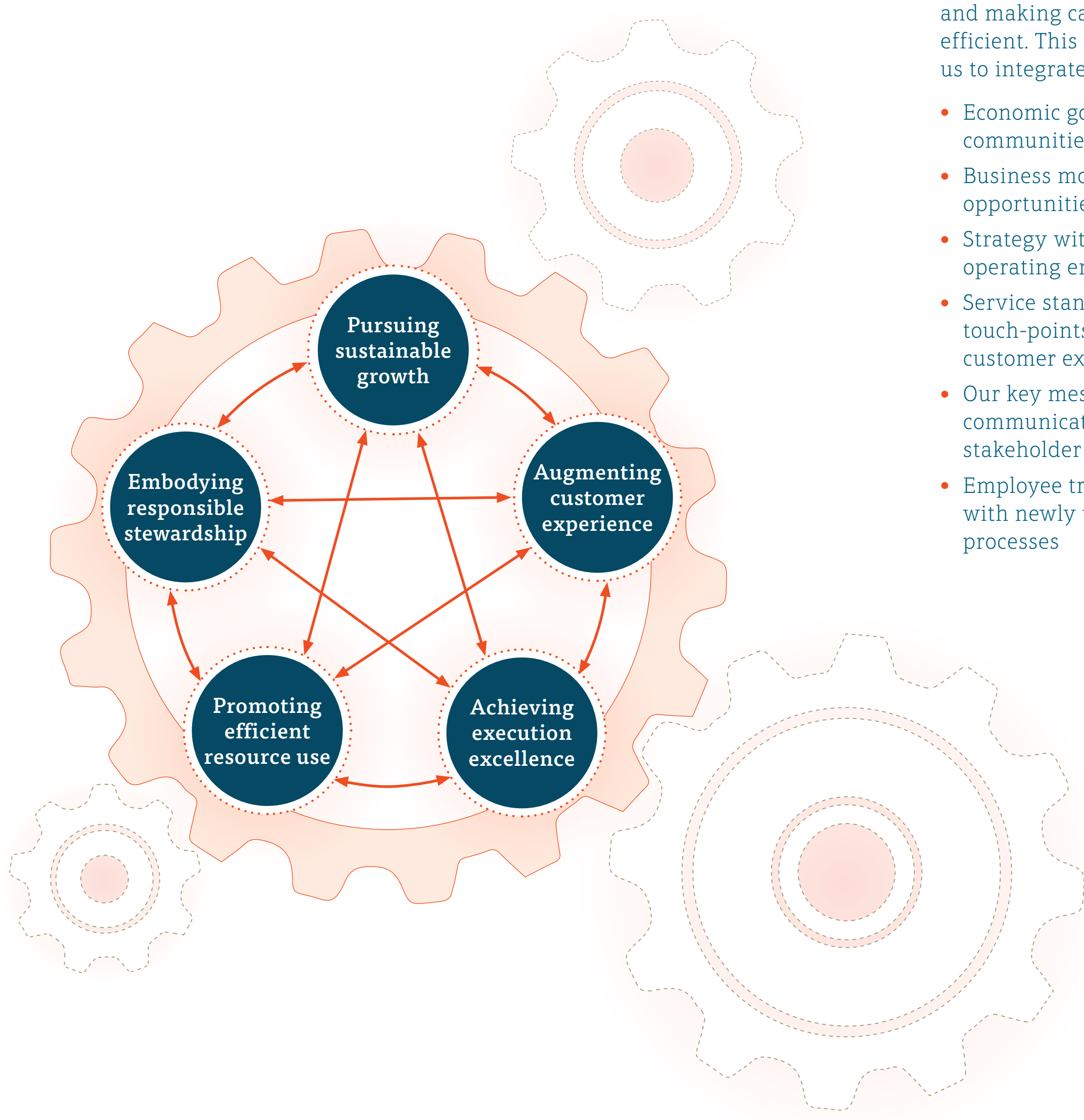
2017/18 – Rs. 4.31 billion

Seeing enterprise in action

Value creation activities

We define value creation activities as actions taken or work performed through which inputs are used to produce specific outputs. These value creation activities are detailed here in relation to the five strategic imperatives we have in place in order to mitigate risks and capitalise on opportunities arising from the mega trends that shape the environment within which we operate.

Within this integrated Annual Report we discuss many aspects of our operations that are interconnected. As this figure shows, our strategic imperatives too are intricately connected and well-integrated, with one influencing or being impacted by the others.



Through every integrated report we publish annually, we also show how each of our capitals – financial, institutional, investor, customer, business partner, employee, and social and environment – is integrated, with each influencing and impacting the other.

Integrated thinking has strengthened and reinforced our business model and the way we do things at People's Leasing. It has resulted in the integration of many aspects that has made the way we create value far more sustainable over the long term, helping us to minimise risks and avoid compartmentalisation to a greater degree while generating cost efficiencies and making capital allocation more efficient. This type of thinking also helped us to integrate:

- Economic goals with the goals of the communities within which we operate
- Business model with business opportunities in the market
- Strategy with the ever-changing operating environment
- Service standards across all customer touch-points leading to an integrated customer experience
- Our key messages across all communication channels for greater stakeholder engagement
- Employee training and development with newly upgraded systems and processes

Value creation activities

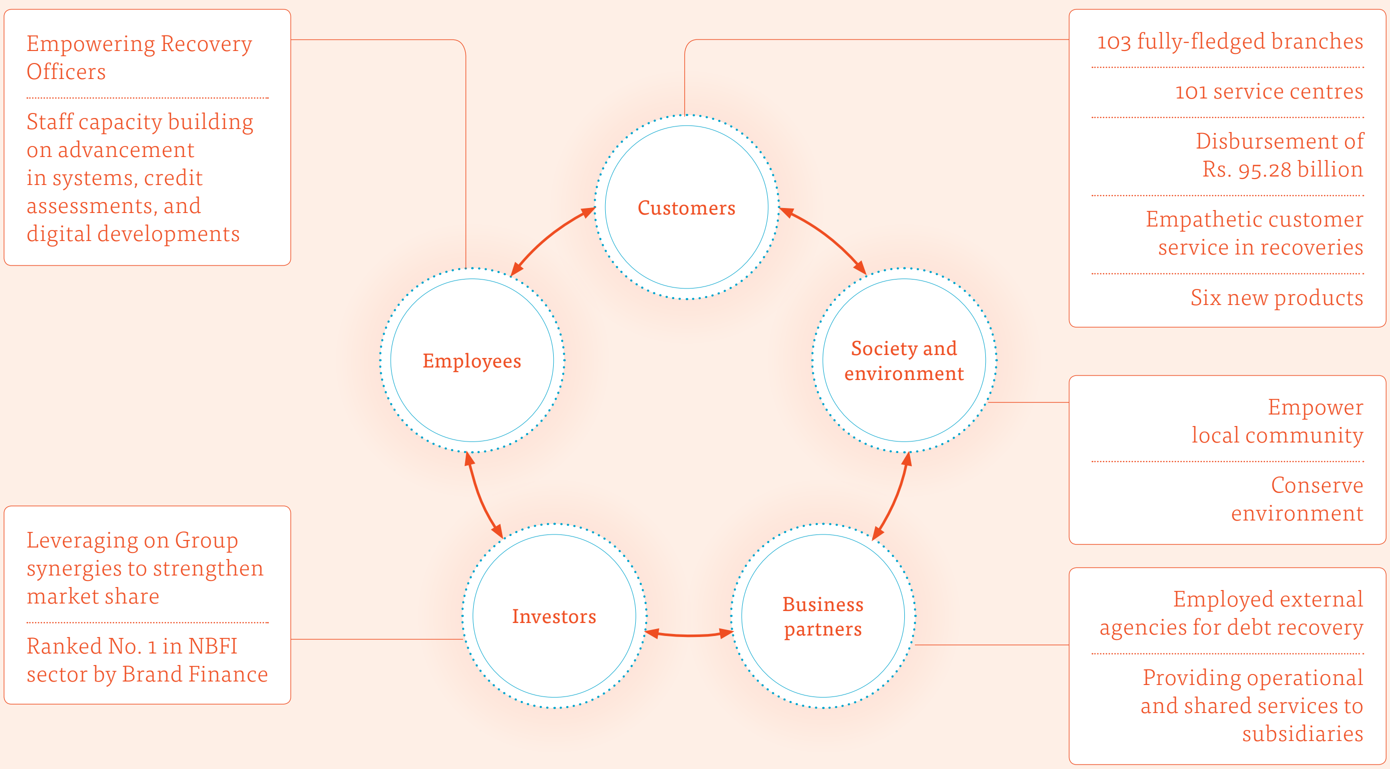
Seeing enterprise in action

Pursuing sustainable growth

As a responsible corporate citizen, we take a sustainable approach to leveraging the funds entrusted to us through the creation of credit which in turn is essential for the growth and development of people and the economy. While the services we provide are essential to society, we endeavour to earn the trust of customers for the efficient functioning of enterprise, resulting in the attraction of customers to our fold. This prudent and customer-centric approach to growth has strengthened our brand and today we rank as one of the largest non-bank financial institutions in Sri Lanka with respect to the Company's asset base.

The pursuit of sustainable growth is a journey that requires constant attention to the development of current businesses to secure profitable growth, the broadening of the range of activities, and diversifying of revenue streams. In this regard People's Leasing has developed new products to cater to emerging market conditions and strengthened risk management processes to improve the quality of its loan book.

Our impact on stakeholders



Contribution towards Sustainable Development Goals

8 DECENT WORK AND ECONOMIC GROWTH

Strengthen capacity to encourage and expand access to banking, insurance, and financial services for all

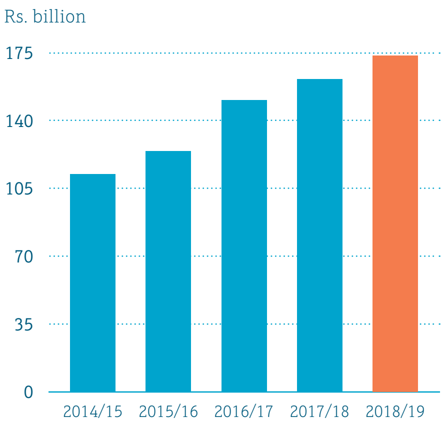
Value creation activities

Pursuing sustainable growth

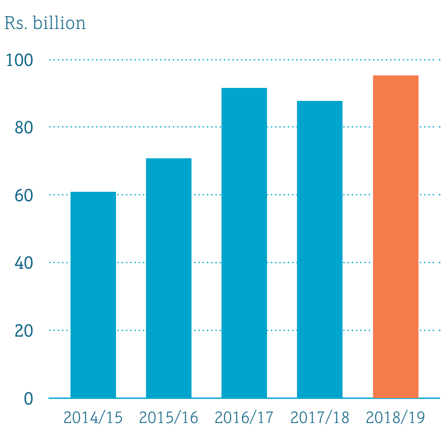
Increasing business volumes by focusing on untapped markets

Our asset base has been growing over the years as shown in the table below and as a consequence, it has increased by over 54% over the last five years. We now have the second largest asset base in the NBFI sector with a market share of 12.05%.

Asset base



New business volume



One of the main strategies employed in growing the asset base and the volume of business has been to set disbursement targets for branches, as well as individual marketers, and continuously monitor the performance. The achievement of those targets is embedded into the performance management system of the branches and their personnel.

Outlining aspects such as roles and responsibilities, statutory regulations, credit evaluation, approval, and monitoring, the credit policy of the Company guides the entire credit process. To ensure the facilities are granted to the right customers, we focused on enhancing our employees' knowledge on credit appraisal and credit quality.

The Company has an island-wide branch network of 103 fully-fledged branches and 101 service centres. (Refer page 96 under "Increasing presence through island-wide network" for more details.)

The amounts disbursed on each of the product categories is shown in the table below which also reflects the growth achieved year on year.

Products	March 2019	March 2018	Variance YOY	
	Rs. million	Rs. million	Rs. million	(%)
Finance leases	**41,943.48**	44,625.94	(2,682.46)	(6.01)
Motor loans	**18,721.89**	10,820.65	7,901.24	73.02
Other loans	**28,270.09**	27,088.90	1,181.19	4.36
Islamic (IJ/MR/TM)	**6,347.14**	5,316.64	1,030.50	19.38
Total	**95,282.60**	87,852.13	7,430.47	8.46

We recognise that the strategy for sustainable growth must focus on the development of new products to cater to changing market needs and the need to improve profitability. People's Leasing has introduced six new products during the financial year and enhanced features of existing products to meet varying customer requirements as well as to overcome the competition in the market.

- **Gold loans** – By using gold as collateral, we have reduced our risk exposure and also attracted new customers who face urgent fund requirements. The take up of this product has shown rapid progress and the intention is to roll it out to 40 branches in the ensuing year.
- **Variable rate leases and loans** – People's Leasing has been the first of the NBFIs to introduce variable rate leases to the market and this has found favour with the customers. In this instance as well, we have reduced our exposure to the risk of a mismatch in rates and have also given the customer the opportunity to participate in any potential rate reductions that the Company may be able to pass on.

[Refer pages 99 and 100 under "Product portfolio" for more details.]

Value creation activities

>> Pursuing sustainable growth

Seeing enterprise in action

Operations

During the year under review, we reduced the number of centralised operations to two zones from five, improving the integrity of the operational process and enhancing our quality of service.

Loan-to-Value Ratio (LTV) rules adversely affected our asset-based lending, increasing the competition with banks who are now entering the leasing arena. Restrictions on the opening of LCs (letters of credit) for vehicle importation were also imposed. Rupee depreciation and new taxes on vehicles increased vehicle prices, thereby negatively impacting demand.

Intensifying recovery steps with strong monitoring of customer portfolio

The control of risk is fundamental to the Company's sustainable growth plans. It has been our position that proper management of risk is instrumental in producing successful outcomes. In this regard, in 2017, we restructured the Recoveries Division along with three other key units, to position the Company for further growth. It is believed that the new measures in place will help us strengthen our position in the market and secure our asset quality, profitability, and stability.

By all accounts these changes are expected to have a positive impact on our portfolio. Improving credit quality is not an overnight solution. Instead it is a gradual process for which the foundation has been laid.

Strengthening the frontline

Our first step in the reorganisation involved empowering the Recovery Officers at the branches. To ensure, they are able to focus all their time and resources towards meeting customer needs, we recruited these officers locally. Their local knowledge, closer relationships with the customers, and deeper understanding of their businesses are proving to be beneficial in providing a personalised and value-added service to our customers.

A dedicated department has been established under Deputy General Manager – Recoveries to strengthen the collection efforts of the Company.

In addition to assigning our own employees, we have employed several external agencies to undertake recoveries of debts that are in arrears in excess of 24 months. The restructure has now also enabled the Special Recoveries Unit (SRU) and the Legal Division to work conjointly to resolve long outstanding debt issues and improve the Company's non-performing portfolio.

The Head of Recoveries who takes responsibility for the recoveries portfolio of the entire branch to ensure that no accounts are overlooked, also coordinates with the SRU and Legal Division located at our Head Office.

During the year under review, our non-performing portfolio at the end of March 2019 was calculated at 3.91% which was well below the industry average of 7.7%.

Firming up processes

Our recovery officers are trained to offer customers concessions and settlements, in contrast to the previous more aggressive approach to recoveries. We also intend appointing in-house lawyers to monitor and evaluate progress, while continuing to engage external lawyers for court representation.

We have instituted a much faster automated system which allows the SRU to monitor details such as the officer responsible for following up on the debt and the stage of the recovery process.

The support of our Disposal Loss Recovery Unit is another important addition to the Recoveries Division. They focus on disposal of assets after repossession (e.g. of a vehicle), improving the process and securing the maximum proceeds for the Company.

Looking ahead, we believe that the call centre will play an important role in further improving the progress made in recoveries to date. A pilot project will soon be launched in one region to explore its feasibility and effectiveness.

Internal processes concentrate on establishing the strength of the receiver of the loan, prior to granting the loan. The emphasis of this practice is on preventing a potential bad debt instead of focussing on collecting debts from weak applicants.

In the interest of promoting business, the process of approvals has been decentralised and performance management measures have been put in place to prevent a deterioration of the loan book.

The entire recovery process is however tempered with empathy for the customers' personal circumstances which are given serious consideration in arriving at a decision.

Optimising Group synergies

The overarching ingredient for our success lies with the synergies that exist within the Group. Our relationship with the parent, People's Bank, continues to provide a solid platform that reinforces our position in the marketplace. This relationship also facilitates the spread of best practice through collaboration at Board and Management levels.

The association with People's Bank opens up the prospects of being an associate service provider, offering convenience to customers through the bundling and cross-selling of products, hence differentiating People's Leasing in a competitive environment.

Parent and Group synergies

With a 75% stake in ownership, People's Bank, stands as our anchor and offers great support through the strength of their brand, solid reputation, position in the marketplace, and their expertise. In addition, we are able to take advantage of this relationship by operating 92 window offices across the People's Bank branch network.

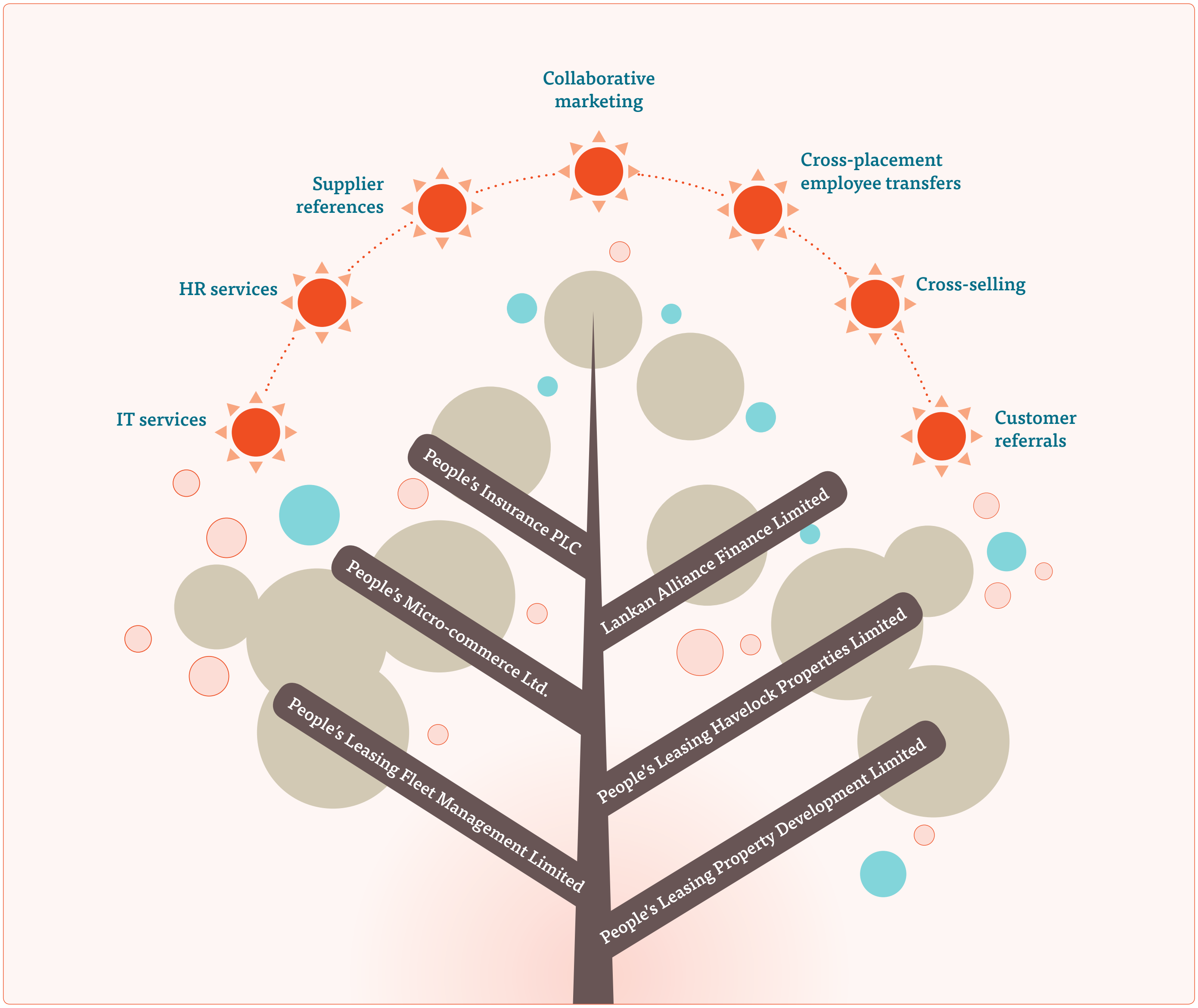
Subsidiaries

We are fully-committed strategically to enable our subsidiaries to reach their full potential. Our brand, branch network, and shared services lend confidence to the market and support the subsidiaries in strengthening their market base and achieving solid operating results.

Value creation activities

Pursuing sustainable growth <<

People's Leasing Group's subsidiaries and commonly shared facilities



People's Insurance

People's Insurance PLC (PI) is a fully-fledged non-life insurer, registered under the Regulation of the Insurance Industry Act and listed on the Main Board of the Colombo Stock Exchange.

PI offers products and services through window offices across the People's Leasing branch network and through representatives at the regional offices of People's Bank, in addition to their operations at the corporate office and six regional offices.

PI continues to strengthen ties and work closely with parent entities to capitalise on their vast client base and grow their business through customer referrals.

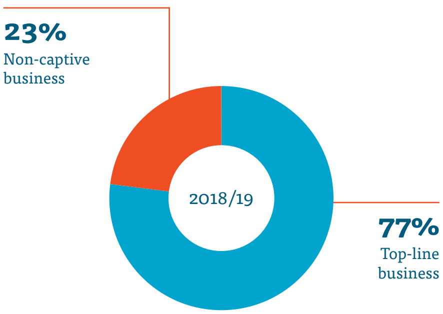
They also seek synergies and collaborate with other companies within the Group to secure their insurance business. PI relies predominantly on captive business through collaboration within the Group network, particularly, business generated through parent entities. This accounts for 77% of their top-line business.

Value creation activities

>> Pursuing sustainable growth

Seeing enterprise in action

Composition of business – captives and non-captive



Working together with parent entities, PI designs comprehensive financial solutions as part of the product-bundling and cross-selling process.

Similar to other subsidiaries, it avails itself of the Group network's commonly shared services and others including:

- Having a presence across 99 People's Leasing branches
- Attracting Rs. 116 million bancassurance business in 2018
- Within financial year 2018, PI secured Rs. 368 million through Group Insurance Business
- Cross-selling products and services
- Generating gross written premium (GWP) of Rs. 4,292 million in 2018.

People's Leasing Fleet Management Limited

As a leader in sustainable vehicle fleet management in Sri Lanka, People's Leasing Fleet Management Limited (PLFMML) while building business, creates value for the shareholders, customers, employees, and society. It is well placed within the Group to reap significant synergistic benefits in fleet service and motor valuations, supporting both our leasing operations as well as the claims Management process of People's Insurance.

PLFML also offers services by locating their representatives at People's Leasing branches.

	2018/19	2017/18
Valuation reports obtained from PLFML (No.)	**26,146**	23,664
PLFML valuations as a % of total valuations of People's Leasing (No.)	**51.56**	56.29
Hiring income		
Hiring income from People's Leasing (Rs. million)	**46.69**	40.67
Hiring income from PI (Rs. million)	**3.52**	3.70
Service Sales – Repairs to People's Leasing Group (Rs. million)	**4.05**	4.38
Number of vehicles permanently allocated to People's Leasing	**13**	10

GRI 203-2

People's Micro-commerce Ltd.

Our venture into microfinance complements our inclusive approach to value creation and our commitment to financial inclusion. We see a growing level of activity amongst the grassroots communities which presents us with an opportunity to gain a stronger customer base and also make them known to the parent at the right time.

The target audience consists primarily of women, who have the power to bring social and economic change to their families, thereby securing benefits through the ripple on effect.

As at 31 March	2019	2018
Customer base	**26,850**	26,773
Portfolio (Rs. million)	**2,438.82**	1,951.08

The Company also caters to the market for small vehicles, such as three wheelers and motor bikes, for SME clients to facilitate their transportation requirements and enhance the quality of their lifestyle.

People's Micro-commerce Ltd. (PML) grants significant business value to People's Insurance on asset backed facilities, and provides island-wide services through the People's Leasing branch network.

Similar to other subsidiaries, PML enjoys parent support and Group synergies for a range of shared services, which in addition include:

- 33 PML branches operating across the People's Leasing branch network
- Business tie-ups.

People's Leasing Property Development Limited

The principal activities of the Company are concentrated on property development and the renting of properties. The Company mainly engages in the implementation of projects and the monitoring of construction of branches for People's Bank and People's Leasing. They also provide consultancy services to the other entities in the Group when they are involved in the purchase or renting of properties.

Seeing enterprise in action

Value creation activities

Pursuing sustainable growth <<

People's Leasing Havelock Properties Limited

The Company's principal line of business is in constructing and operating office complexes. They provide sophisticated working premises for the Group companies at a reasonable price.

Details of our subsidiaries can be found online

http://plc2018-19.annualreports.lk/sr.html

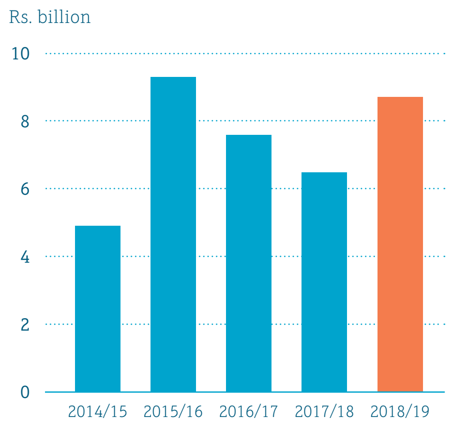
Positioning and building corporate brand image

Our brand position remained strong throughout the year under review, as illustrated below. Fitch Ratings Lanka assigned the Company a credit rating of AA- (lka) making it one of the highest rated finance companies in Sri Lanka. People's Leasing also has an international rating from Fitch Rating International (B-), which is one notch below the Sovereign rating. Since the Company is not utilising foreign borrowings at the moment, we decided to discontinue the rating which is obtained from Standard & Poor's during the financial year.

Ratings

	2018/19	2017/18	2016/17	2015/16	2014/15
Fitch Ratings Lanka	**AA-(lka)**	AA-(lka)	AA-(lka)	AA-(lka)	AA-(lka)
Fitch Ratings International	**B-**	B	B	B+	B+
Standard & Poor's	**Discontinued**	B+/B	B+/B	B+/B	B+/B

Brand value



The fundamentals of People's Leasing have been strong and its brand value has been derived from financial stability, customer friendliness, reliability and trustworthiness.

Other factors have supplemented our brand as follows:

- Consistently maintaining higher ratings as shown in the Table above.
- Awarded the coveted No. 1 Rank in the Non-Banking Financial Services Brand by Brand Finance PLC 2018
- Brand value stands at Rs. 8.72 billion in the Financial Services (Leasing) category in 2019 compared to Rs. 6.49 billion in 2018.
- Included in the S&P Sri Lanka 20 index since December 2014.

Improving brand strength

Established over two decades ago in 1995, People's Leasing is a wholly-owned subsidiary of People's Bank, one of the largest state banks in Sri Lanka. Formerly known as PLC, the Company changed its branding to reflect the name People's Leasing, capitalising on the connection with its parent company.

These are some of the elements that contribute to People's Leasing occupying a leadership position in an environment where competition is fierce.

Yet, resting on our laurels has never been the ethos of the Company. Complacency is extremely dangerous in an industry where stiff competition in the market from traditional and non-traditional players, places constant pressure on us to keep ahead of the others.

In order to better anticipate and neutralise threats as far as possible and to capitalise on market opportunities, we will soon have a dedicated Research and Development Division. Through the establishment of this unit, we will begin launching programmes such as "mystery shoppers" to better understand market sentiment and requirements. Backed by such research, we will be able to develop products and services, enhance our reach in the marketplace, streamline internal processes and enhance service standards, which will result in keeping the Company abreast of changing customer expectations and shaping our business to suit market needs.

Taking the brand to new markets is another avenue we are exploring. Having already moved beyond the geographical boundaries to commence operations in Bangladesh in 2017, we are already generating a profit and introducing new products to the market, such as, "Gold Loans", and *"Musharakah"*.

Value creation activities

>> Pursuing sustainable growth

Achievements 2018/19

Recognition by Ceylon Chamber of Commerce

1. People's Leasing recognised as One of the Ten Best Corporate Citizens in the Country at "Best Corporate Citizen Sustainability Awards 2018"
2. Consistent Communication (2018) and continuous improvement – Financial Performance

Recognition at CMA Excellence in Integrated Reporting Awards 2018 organised by Certified Management Accountants of Sri Lanka (CMA Sri Lanka) for Annual Reports including –

3. Overall Second Runner-up – Bronze Award
4. Gold winner of the Leasing and Finance Sector
5. Award for one of the ten best Integrated Reports
6. Special Merit Award for "Integrated Thinking"

Seeing enterprise in action

Value creation activities

Pursuing sustainable growth <<

Annual Report Awards – 2018 hosted by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)

(7) Bronze winner for integrated reporting – Best Disclosure on Capital Management

(8) Bronze winner – Finance Leasing and other Financial Institutions Sector

(9) Bronze winner – Corporate Social Responsibility Reporting

SAFA 2018 – Best Presented Annual Report Awards

(10) Integrated reporting first runner-up

(11) Financial Services Sector – Merit

ARC Awards International – 2018 (Financial Services – General category)

(12) Silver Award – Financial Data

(13) Bronze Award – Chairman's/ President's letter

(14) Honors – Written Text

(15) Honors – Interior Design

(21) In 2019, People's Leasing was awarded the Most Valuable Consumer Brand in the financial sector and the Most Loved Brand in the financial sector

IFFSA Awards 2018 – Sri Lanka's Islamic Finance Forum of South Asia

(16) Gold Award for "CSR Project of the Year"

(17) Bronze Award for the "Islamic Finance Product of the Year"

People's Leasing has received many awards in recognition of its performance and contribution to the NBFI industry. These are listed here for the information of the stakeholders

(18) Ranked No. 13 in the Business Today "TOP 30"

(19) Ranked No. 1 Non-Banking Financial Services Brand – by Brand Finance PLC

(20) Corporate accountability rating for People's Leasing & Finance PLC has been found to conform to the standard of "Gold" as issued by STING Consultants

Value creation activities

Seeing enterprise in action

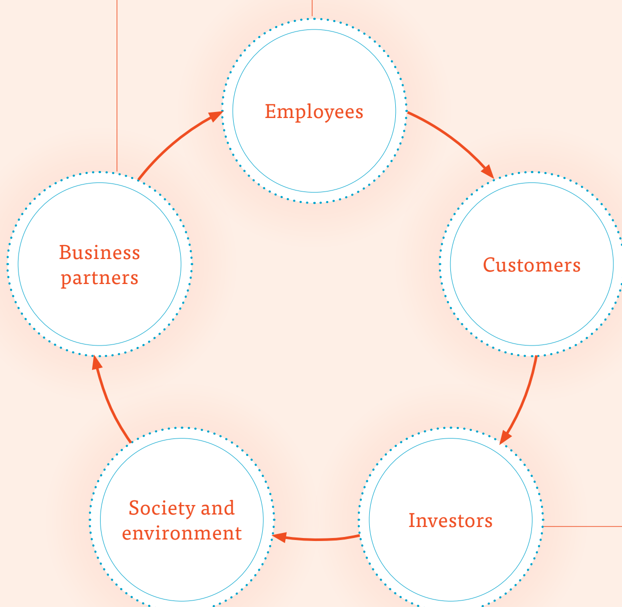
Augmenting customer experience

At People's Leasing we are clear about the strong connection between customer service and business success. To us, customer service means not just knowing our customers and being where they are, but providing them with the perfect, holistic solutions for all their financial needs. We strive to make them feel that each and every interaction with us is worthwhile and beyond their expectations.

Our impact on stakeholders

- Adopting a digitised system to speed up the facility approval process
- Adopting a digital platform that will securely manage our customer database and provide our employees with customer information at their fingertips

- Socially and environmentally responsible products
- Products and services spanning key economic sectors supporting revenue generation for customers and the respective sectors
- Creating more digital citizens



- Training and development on cyber and data security
- Systems and processes that facilitate customer service

- Increasing online presence
- New products with greater flexibility
- High service standards
- Channel migration

- Diverse product portfolio spanning leasing, loans, deposits,Islamic financing products, margin trading and factoring
- Customer growth of 8.16% YoY
- An Information Security Management System that is ISO 27001 certified
- Going digital to be future ready

Contribution towards Sustainable Development Goals

1 NO POVERTY

Ensure that all men and women have equal rights to economic resources and access to financial services

10 REDUCED INEQUALITIES

Empower and promote the social and economic inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status

Seeing enterprise in action

Value creation activities

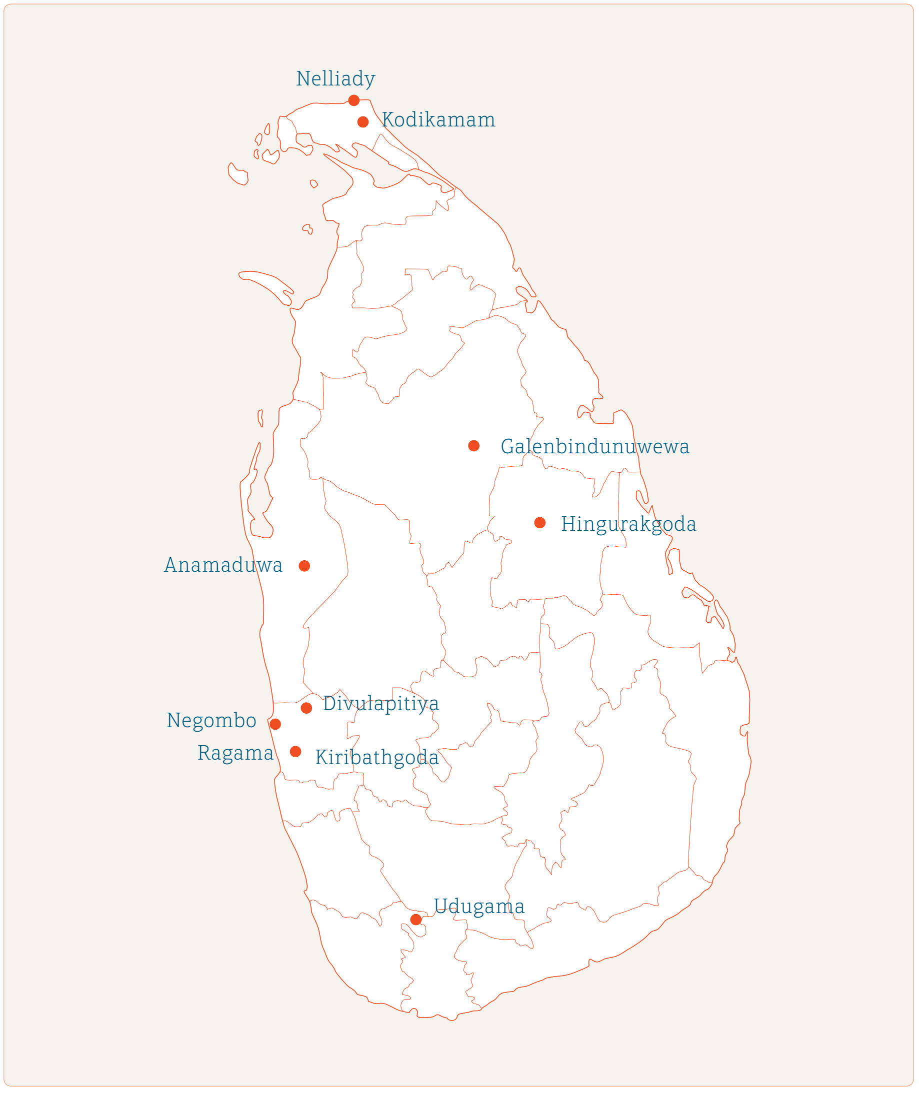
Augmenting customer experience

GRI 102-10

Increasing presence through island-wide network

In an environment where competition is high, ensuring that our customers have easy access to our products and services is and always has been a top priority at People's Leasing. In this respect, we have expanded our presence to 103 fully-fledged branches and 101 service centres that span the island. We have also collaborated with our parent company, People's Bank to widen our reach.

Service centres to be converted to fully-fledged branches in 2019/20



Subject to CBSL approval

As part of this drive we will continue to increase accessibility by taking measures that include converting high-performing service centres into branches. In addition our latest branch will be opened in Puthukuduiyiruppu.

Our focus has also moved beyond a brick-and-mortar presence across the country. We are now concentrating on expansion through social media platforms such as Facebook, Viber, and WhatsApp, and the revamp of our website so that it is more interactive and customer-friendly – ideal touchpoints for our constantly on-the-go clients.

Through our collaboration with People's Bank we are also expanding our remit through an extensive cash deposit machine (CDM) network, the online Sri Lanka Interbank Payment System (SLIP), and the Common Electronic Fund Transfer Switch (CEFTS).

Details of our branch network can be found online

http://plc2018-19.annualreports.lk/bn.html

Composition of our customer base

Apart from cross-selling, two-thirds of our customer base consists of depositors while the rest are borrowing customers. Our deposit customers mostly invest in savings deposits which are of a relatively lower cost to us and are stable funds. Leasing is the main product lending customers were interested in, thus it represented the majority of our total lending customers.

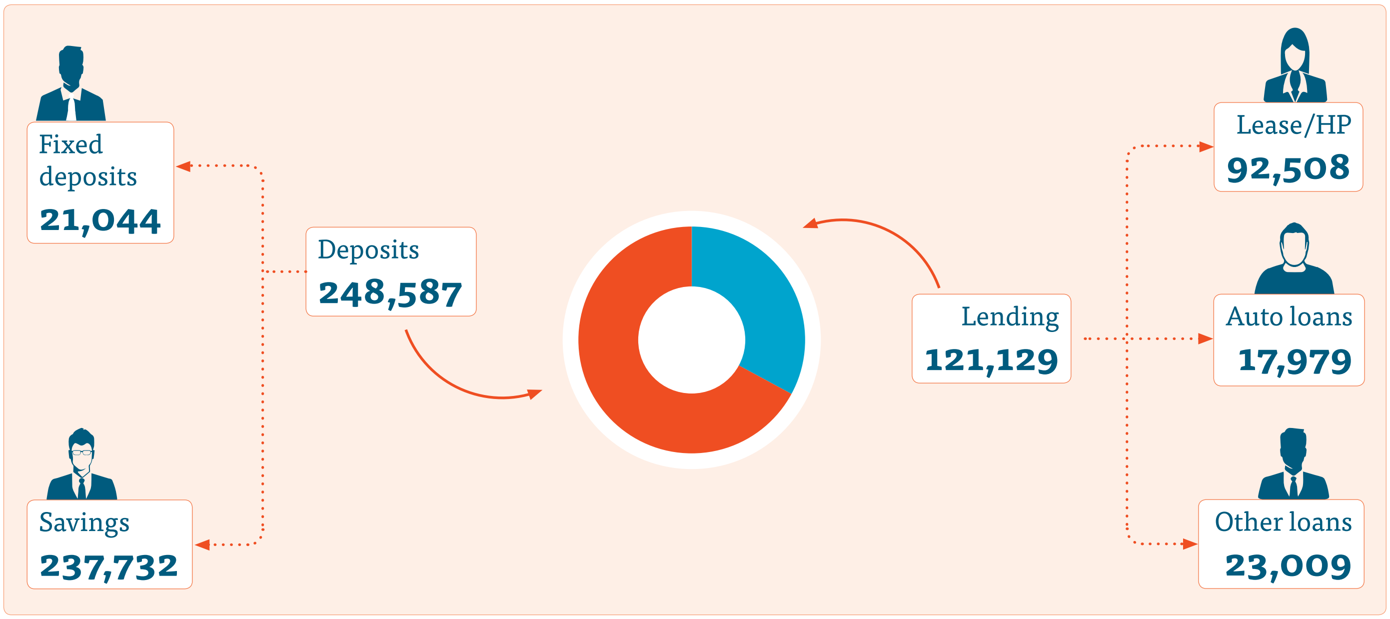
Value creation activities

>> Augmenting customer experience

Seeing enterprise in action

GRI 102-6

Number of customers segmented according to main products



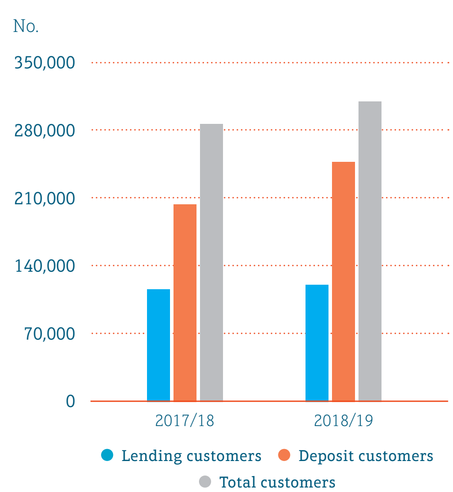
Note: Due to cross-selling total number of customers is lower than the summation of each product

Diversifying product portfolio across customer segments

In a market where competition is fierce our future lies in diversifying our products and services. Currently our product portfolio spans leasing, loans, deposits, Islamic financing products, margin trading and factoring (refer online for entire product portfolio). Our products also consist of unique features in the market. For instance, we offer our customers unique savings schemes and investment plans that are guaranteed and unaffected by market fluctuations – the first time an NBFI received this type of approval from the Central Bank of Sri Lanka (CBSL).

In addition to this range though, our products and services stand out thanks to our unique blend of experience, customer centricity, and our exposure to technological advancements. We help the customers make targeted savings plans for life goals. The steady growth of our customer base is testament to the strength and relevance of our products.

Growth in customer base



During the year, we used our in-depth knowledge of customer needs to redesign existing products offering greater flexibility and novel features. We also introduced a number of new products across our portfolio, products with unique features designed to cater to customer needs.

Geographical presence

We are present in every province and able to serve the less developed and the less affluent sections of our society. 63.14% of our lending customers live and work in provinces other than the Western Province and 57.22% of disbursements during the year were made to these customers.

Apart from meeting and exceeding customer needs through our product portfolio we hope to also make a positive impact on the economy. Our products and services span key economic sectors and the facilities we extend for commercial purposes support revenue generation, not just for our customers but also, for the respective sectors.

Total customer base

311,135

2018 – 287,655

Value creation activities

>> Augmenting customer experience

GRI 102-4 GRI 102-6

Geographical segregation of customers

Northern Province

	Branches	5
	Service centres	11
	Total customers	9,809
Lending	Number of customers	3,878
Lending	Disbursement (Rs. million)	2,944
Lending	Net portfolio (Rs. million)	3,830
Deposits	Number of customers	5,931
Deposits	Value (Rs. million)	1,462

North Central Province

	Branches	5
	Service centres	9
	Total customers	20,461
Lending	Number of customers	6,833
Lending	Disbursement (Rs. million)	4,243
Lending	Net portfolio (Rs. million)	6,701
Deposits	Number of customers	13,628
Deposits	Value (Rs. million)	582

North Western Province

	Branches	10
	Service centres	10
	Total customers	28,692
Lending	Number of customers	10,849
Lending	Disbursement (Rs. million)	7,563
Lending	Net portfolio (Rs. million)	11,144
Deposits	Number of customers	17,843
Deposits	Value (Rs. million)	2,563

Central Province

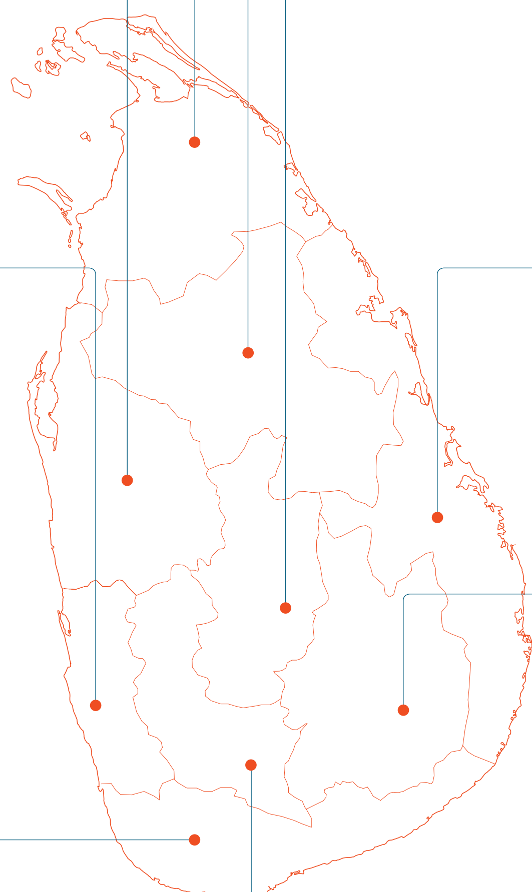
	Branches	12
	Service centres	8
	Total customers	38,754
Lending	Number of customers	14,338
Lending	Disbursement (Rs. million)	9,559
Lending	Net portfolio (Rs. million)	15,039
Deposits	Number of customers	24,416
Deposits	Value (Rs. million)	5,463

Western Province

	Branches	32
	Service centres	16
	Total customers	155,352
Lending	Number of customers	45,223
Lending	Disbursement (Rs. million)	40,758
Lending	Net portfolio (Rs. million)	69,643
Deposits	Number of customers	110,129
Deposits	Value (Rs. million)	68,788

Eastern Province

	Branches	9
	Service centres	11
	Total customers	18,938
Lending	Number of customers	6,393
Lending	Disbursement (Rs. million)	4,750
Lending	Net portfolio (Rs. million)	6,867
Deposits	Number of customers	12,545
Deposits	Value (Rs. million)	1,019



Uva Province

	Branches	6
	Service centres	7
	Total customers	30,326
Lending	Number of customers	8,908
Lending	Disbursement (Rs. million)	5,558
Lending	Net portfolio (Rs. million)	8,449
Deposits	Number of customers	21,418
Deposits	Value (Rs. million)	1,396

Southern Province

	Branches	15
	Service centres	17
	Total customers	47,167
Lending	Number of customers	18,917
Lending	Disbursement (Rs. million)	14,609
Lending	Net portfolio (Rs. million)	22,315
Deposits	Number of customers	28,250
Deposits	Value (Rs. million)	5,028

Sabaragamuwa Province

	Branches	9
	Service centres	12
	Total customers	23,755
Lending	Number of customers	7,499
Lending	Disbursement (Rs. million)	5,302
Lending	Net portfolio (Rs. million)	7,720
Deposits	Number of customers	16,256
Deposits	Value (Rs. million)	2,068

Cross selling has not been considered

Seeing enterprise in action

Value creation activities

Augmenting customer experience <<

GRI 102-6

Sector contribution (gross portfolio as at 31 March 2019 in Rs. million)

Sector	Rs. million
Financial services	4,361
Agriculture, forestry and fishing	23,499
Manufacturing	8,172
Tourism	3,728
Transport and storage	31,529
Construction and infrastructure development	12,009
Wholesale and retail trade	18,755
Healthcare, social services and support services	33,836
Consumption	9,085
Others	11,679

GRI 206-1

Our offering

Our products are developed with acknowledgement of the customer's confidence in the People's Leasing brand and our understanding of the customers' needs in light of overarching market trends. Our product policy is primarily focused on satisfying customer needs.

Its ultimate goal, however, is to expand our reach to the wider population while continuing to improve existing service standards, develop new and relevant products, and build strong relationships with all our customer segments.

We do not engage in anti-competitive, anti-trust and monopoly practices. Our products are priced in line with market trends and the country's monetary policy. We did not incur any fines or penalties during the reporting year.

Value creation activities

>> Augmenting customer experience

Service standards

The service delivery model we subscribe to encompasses the Company's aims and customer expectations. The factors that can materially affect the level of service we provide are outlined below:

Level of service to customers

Accessibility
We provide customers with the widest coverage of financial services in the country

Atmosphere
We overcome tough competition to be top of mind in this industry

Delivery speed
We provide quick solutions to our customers' financial needs

Quality and service standards of frontline officers
We listen to customers and adapt quickly when acting on their feedback

Leasing

While our main product, lease continues to do well with a gross portfolio of Rs. 87,421.57 million and 92,508 customers, we recently supplemented our suite of leasing products and services with the introduction of the Variable Interest Lease for motor vehicles for individuals and business enterprises providing greater flexibility to customers in terms of rate and the period. During this short period of time the product is showing promise with a gross portfolio of Rs. 548.49 million. The total NPA ratio for our entire leasing products portfolio is 2.07% while the collection ratio for same is 95.10%.

Loans

We expanded our loan portfolio with the introduction of three new products – the *Shakthi* Business Loan, the *Shasthra* Educational Loan and the *Sanasum Piyasa* Home Loan. These new products cover three of the key lifestyle stages of our customers and their families. We also launched Gold Loans during the previous year and this recent product too is showing promise with portfolio reaching Rs. 240.12 million and customer numbers growing to 795. Gold loans offer customers a speedy solution to urgent financial requirements. By providing customers holding several gold loan facilities with us the option to redeem individual articles we also provide flexibility and convenience. We will be rolling this product out to 40 branches in 2019/20.

The total NPA ratio for our loan products during the year was 6.66% while the collection ratio for same was 91.02%. Our loan products continue to grow in popularity with customer numbers increasing. The total disbursements for our loan products for the year was Rs. 46,991.98 million, up from Rs. 37,909.55 million the previous year.

Margin Trading and Factoring

Margin trading and factoring have long been staples in our product and services portfolio. The former provides investors of equity and debt markets with the chance to obtain a facility against their investment, to build their portfolio further, and to trade in additional securities. The latter offers capital solutions, transfer of risk, and sales ledger management, providing customers with a dedicated team to manage receivables. Margin trading comprises a portfolio of Rs. 2,058.46 million with interest income of Rs. 338.81 million, and we have seen the customer numbers for this segment increase from 141 to 154. For factoring, our gross portfolio reached Rs. 2,755.55 million, and disbursements of Rs. 895.98 million while customer numbers increased by 80.95% to 152 year on year.

Deposits

Our deposits portfolio was further strengthened with the addition of two new Children's Savings Accounts. *Senehasa Yaalu* offers higher interest rates for children's savings while *Senehasa* Future allows a fixed amount to be set aside every month on behalf of a child to achieve a target amount in two to five years – especially useful for planning educational and other milestones in a child's life. Another product, Super Investment Plan is designed to aid customers who wish to achieve a set target over a period ranging from two to five years, while Crest Saver is useful for customers wanting to ensure that a set portion of their salaries is saved each month.

Value creation activities

Augmenting customer experience <<

GRI 102-2

Product portfolio

Lending

Consisting mainly of finance leases, our leasing portfolio provides easy payment schemes and fast and friendly service through our island-wide branch network

A revolving loan facility, similar to an overdraft, granted for short-term financing, especially working capital requirements

Provided at fixed interest rates upon customer request, similar to fixed property mortgage loans, that are secured against collateral

Auto loan product offering a range of features to customers who intend to purchase domestic motor vehicles with an affordable monthly rental and extended repayment up to seven years

Allows customers to individually or jointly (based on ownership) pledge their fixed deposit/s and obtain loans as needed using one-time registration

Similar to personal loans – mainly for customers who are permanently employed and in need of a quick and painless financial solution

Granted against the collateral of gold – our latest product launched during the previous year

This recently launched product caters to the business community, allowing customers to fulfil their short-and long-term financial requirements

This recently launched product helps customers fulfil their local or overseas educational expenses

This recently introduced non-traditional flexible loan includes features such as substitution of borrower, asset replacement, and flexible repayment system including grace period up to five years

Allows the lease of an item for a specified benefit in the form of a usufruct for a set period in return for a specified consideration with ownership of the item remaining with the Company throughout the facility period, while the customer maintains right of use

Shari'ah compliant product which provides short and medium-term financing for the purchase of commodities/assets, such as the sale of a vehicle/commodity while disclosing the cost and defining and agreeing on a profit

A recent product which is a profit and loss sharing contract based on a partnership in which parties contribute to the financing and management of a Shari'ah compliant project

Value creation activities

>> Augmenting customer experience

Deposits

FD FIXED DEPOSITS

For fixed periods ranging from one month to five years at fixed interest rates with interest payable monthly or at maturity, for Sri Lankan citizens and resident visa holders over 18 years of age

MUDHARABAH ISLAMIC INVESTMENTS

Contractual agreement with an entrepreneur for the purpose of a business venture through which both parties agree on a profit-sharing arrangement

SUPER SAVINGS Savings Account

A regular savings account with a higher rate of interest that provides the deposit holder with an international Visa debit card

Senior CITIZEN Savings Account

Deposit holders above the age of 55 are eligible and receive higher interest rates

FUTURE

A new children's savings products where a fixed amount can be set aside every month on behalf of a child to achieve target amount in two to five years

Senehasa - Minor's Savings Account

Children's savings product with a higher rate of interest. Any citizen of Sri Lanka, who is below the age of 18 years, is eligible. Minimum deposit amount is Rs. 250. To inculcate savings habit in the minds of children

USFOOR ISLAMIC SAVINGS The Little Saver

A unique Islamic savings account for children that offers reasonable returns with the profit calculated monthly and credited to the account

SUPER INVESTMENT PLAN

A new product for customers who wish to set aside a fixed amount of savings every month to achieve a target amount at the end of an agreed period ranging from two to five years

crest saver SAVINGS ACCOUNT

A recently launched savings account for salaried permanent employees of reputed organisations between 18 to 55 years with minimum monthly savings salary remittance of Rs. 1,000.00

SENEHASA Yalu KIDS SAVINGS GIFT SCHEME

Children savings product with gift scheme. This account can be opened by a parent or a legal guardian on behalf of a child below 18 years

Other products

Margin Trading

Licensed under the Securities and Exchange Commission of Sri Lanka, these facilities focus on small and medium investors within retail sector and high net worth individuals and institutions

Factoring

Providing capital solutions, transfer of risk, and sales ledger management, with a dedicated team to manage the receivables, we offer factoring, bill, cheque, and invoice discounting, and discounting for corporate, semi-corporate and SME customers

Value creation activities

Augmenting customer experience <<

GRI 102-11

Product portfolio screening

A detailed precautionary mechanism continues to be in place to address the environmental and social impacts of the structuring and delivery of products. We follow an extensive screening process to factor in the environmental and social consequences of our operations with customers.

Our credit policy clearly defines business and customer types that we can lend to. Policy is periodically reviewed by a team specialised in risk and control under the supervision of the Deputy General Manager – Risk and Control.

Approved credit files are randomly scrutinised on a monthly basis, reasons for discrepancies analysed and corrective actions taken. With every new product we promote paperless processes where possible to reduce our environmental footprint.

Socially and environmentally responsible products

We also undertake a number of specific procedures to mitigate and offset the impact of vehicle emissions on the environment.

We promote green products such as Eco Lease and E-friends to customers to champion the Leasing of green vehicles and the operation of greener businesses respectively.

GRI 418-1

Improving customer relationships and satisfaction levels

In a market where similar products with easily imitable features are proliferating, our efforts to strengthen the bond we share with our customers have never been more important. To do so we have invested in creating an environment where customers feel that they have indeed been heard and their needs attended to. Understanding the customer is the key to building long-lasting and mutually rewarding relationships.

Cybersecurity is a top priority in today's ultra-digitised world where identity theft and data hacking happen all too frequently. Protecting our data, particularly with regards to the customer information that we request for and store, is of paramount importance to the Company. We understand full well the consequences of a breach in data security and customer privacy. While such a violation of trust would be devastating for the customer it would also hugely impact stakeholder confidence in our competence. Further, during 2018/19 no substantiated complaints reported concerning breaches of customer privacy or losses of customer data. Our Information Security Management System is ISO 27001 certified which gives our customers confidence in the quality of our operating systems.

Following ICT policy, we ensure that employees are aware of the importance of protecting information, with our Heads of Departments and Branch Managers taking responsibility for data security and applying industry best practices. We use robust threat and vulnerability assessments and incident tracking against breaches of customer privacy. Data security is also overseen by the Board and the CEO/GM. The DGM – ICT conducts regular evaluations to ensure the security and responsible storage of personal data, recommending system modifications, and enhancements to mitigate technology and information-security risks as needed.

Responding to the customer

While our deep understanding of the customer allows us to provide them with practical products and services such as Gold Loans which cater to their unexpected financing needs, we are also keen to be there for the major milestones of our customers' lives. Doing so means taking every action to thoroughly understand our customers and their requirements – knowledge that has been institutionalised over the years.

Our latest products, from the *Shakthi* Business Loan, the *Shasthra* Educational Loan, and the *Sanasum Piyasa* Home Loan to the two new Children's Savings Accounts – *Senehasa Yaalu* and *Senehasa* Future,and Super Investment Plan for adults, do just that. Currently being rolled out to the branches, these new products and services are a result of the deep understanding we have of our customers, their lifestyles and financing needs, and the solutions they require to secure a brighter future for themselves and their families.

Depending on institutional knowledge alone places us in danger of complacency – a risk we refuse to take. To ensure a quick and efficient method of attending to customer complaints we have initiated the development of a customer care and complaint handling policy. Its goal is to ensure that all customer grievances receive the care and attention they deserve within ten minutes of reaching the Company.

Customer complaints reported

CBSL	7
Financial Ombudsman	28

As part of the ground work for the development of this policy we also streamlined internal processes to reduce errors and delays, eliminate routine work, and allow our employees optimal time to spend on customer service. We also decentralised authority allowing greater autonomy at branch level to allow the provision of more sophisticated customer service.

Rewarding loyalty

About half of our business originates from our existing customer base, attesting to the confidence customers place in the Company's products and services and the trust they place in the integrity of our operations. In an environment where the greater demand is for products and services from the financial services sector, customer loyalty is of even greater value to People's Leasing.

To show our appreciation, we partnered with 22 merchants to introduce the "Gratitude" Loyalty Card to long-standing customers, initially presenting it to over 30,000 from a cross-section of our customer base. The programme consists of three distinct cards – Gold, Platinum, and Silver loyalty cards – to better serve each customer segment. The "Gratitude" Loyalty Card allows our loyal customers the chance

Value creation activities

>> Augmenting customer experience

to obtain special discounts when making transactions relating to vehicles, clothing, furniture, travel, vision care, gold jewellery, vehicle services, vehicle spare parts, and hospitals.

Our employees too, play an important role in generating customer loyalty. Ensuring that our people are driven by the Company's values is another vital factor that differentiates People's Leasing from the competition. This is why we pay the greatest attention to our recruitment process, our training, development, and capacity building programmes and our career development and succession plans. (Please refer pages 112 to 123 to learn more about our employees' role in our business success.) It is our employees' engagement and dedication that drives the loyalty of our customers.

Introducing new facilities through channel migration

From selection to decision-making and purchase, the digitisation of the customer journey has made it so much easier for people to receive customised solutions that suit their needs exactly. Creating an environment where we can make truly personal connections that clearly convey our brand's value is what will differentiate our offering from that of the competition.

Going digital

With the pace of technological developments racing ahead at breakneck speed, People's Leasing is making every effort to stay one step ahead. Our competition in this field does not just come from other players in the market. In this digital era, our customers are also the customers of global giants such as Amazon, eBay and AirBnB. From our point of view, our customer service must not lag. To us this means keeping abreast of the latest technological developments in the business arena.

Advanced analytics is a key differentiator for organisation, allowing better segmentation by client type for targeted marketing campaigns utilising the most appropriate medium. It also allows the strategic employment of marketing and advertising based on new insights into the return on investment.

We are currently in the process of adopting a digitised system to speed up the facility approval process and a digital platform that will securely manage our customer database and provide our employees with customer information at their fingertips. Being aware of the full picture at every touchpoint allows us to better understand our customers, offer solutions that are a perfect match to their needs and also cross-sell other products and services to them. This digital solution promises to greatly improve our customer service and net promoter scores. We are also exploring the possibilities of adopting Artificial Intelligence to assist employees in serving the customer better.

In addition to investing in new technology, we are also investing in new skill sets to compete with the rise of digital and data specialists in our market space. Our in-house experts will soon be responsible for the development of new product innovations and product extensions to meet rising demand and customer expectations. They will also look at ways in which to energise and optimise our business model.

Increasing customer awareness through effective communication

Over the years People's Leasing has relied more on word of mouth publicity rather than advertising, but with rising competition this is no longer an option. Mass media plays a vital role in increasing business and we are focused on targeted, cost-effective marketing communications that ensure that relevant messages get through to key stakeholders.

Increasing digital presence

Demand for broadband data services in Sri Lanka is increasing, driven by 4G adoption and increased smartphone penetration. This combination along with the fact that the market is now moving towards 5G mobile services is expected to drive reasonably strong growth in the local market over the next few years.

While Sri Lanka's Internet and smartphone use has grown significantly in recent years, e-commerce users are still small in numbers and penetration levels unsatisfactory. The international business community, Geneva's International Trade Centre for instance, is calling for an expansion of the country's e-commerce payment facilities beyond the current few by large financial institutions so that more Sri Lankans can get online to transact.

Given these trends, during the year, we invested in the revamp of our website – the central location for a fast-expanding segment of tech-savvy customers and potential customers. We also focused on digital marketing to ensure that our online presence was significant enough to impact our target market. Enhancing our presence on social media we are now active on platforms such as Facebook, YouTube and LinkedIn. With our customers increasingly online, we need to be where they are when they want us.

GRI 417-1 GRI 417-2 GRI 417-3

Communicating within a regulated environment

In the field of marketing we need to work cautiously within the framework of Central Bank (CBSL) rules and regulations on advertising and other public announcements. We ensure that all our marketing communications remain within regulations. During the reporting year, no incidents of non-compliance were reported with regards to any of our marketing communications or products and service information labelling. Further we ensure that we disclose relevant information in terms of product and services in three languages (English, Sinhala and Tamil) for our customers to make informed decisions.

Being one call away

During the year, we also executed a pilot project for implementing a People's Leasing call centre. Through its eventual implementation we hope to improve call quality during peak hours and decrease call abandonment, significantly strengthening our customer service proposition by being one call away at all times.

Despite our increasing presence online the value of a call centre remains clear. It will allow our customers the ability to reach us any time of the day, any day of the week, and 365 days of the year. While work is being done on the necessary infrastructure, we have also begun looking at the necessary cadre to man the call centre and are putting in place a curriculum to ensure that they will be ready to engage as soon as it is launched.

GRI 205-1 GRI 205-2 GRI 205-3

Anti-corruption

People's Leasing subscribes to a Business Code of Ethics which is designed to guide the employees in desisting from unethical business practices. Under the preview of qualified chartered accountants, entire People's Leasing operational units are audited via online records against anti-corruption. Further, Branches are physically audited engaging well trained and experienced field audit staff members against any fraudulent activity. Branches are prioritised according to their grade, feedback reports provided by the respective Zonal Heads and the internal risk assessment independently performed by the Internal Audit team. Internal Audit Department also ensures that Head Office Departments and Branch network is covered at a frequency of two years or less against anti-corruption. To add rigor to these guidelines, we have instituted sound internal controls to prevent improper activities taking place.

In addition, there are mechanisms in place and entire operational units of the Company are audited via line records against anti-corruption to investigate and take corrective action where necessary, if there are complaints or allegations of inappropriate or corrupt practices. Internal Audit Department also ensures that Head Office Departments and Branch Network are covered at a frequency of two years or less against anti-corruption. A formal mechanism to facilitate the sharing of information through the "whistle blower" process, without reprisals to the giver of information, is also in place. There are no training programmes conducted specifically for corruption. However, People's Leasing ensures that the new staff and the existing staff receives comprehensive awareness on policies and procedures related to corruption during other training programmes. Our Internal Auditors, Integrated Risk Management Committee and the Compliance Officer have been given the responsibility of monitoring corrupt practices. Three incidents related to corrupt practices were reported during the year and disciplinary action was taken against the respective individuals.

Looking ahead

As a result of increasing competition in the market, customer loyalty will become increasingly hard to win with customers spoilt for choice. Our current focus on consolidation, with a view to diversifying and differentiating ourselves from the competition, will result in our ability to offer products to match the business and lifestyle needs of our customers, improving systems and processes, keeping abreast of the latest trends and innovations in the market, and focusing on employee distribution, will in turn positively impact customer service. In addition, we will also be launching a new Research and Development Unit under the centralised Marketing Division whose priority will be to explore new products and innovations in customer service.

For the first time in the market we have introduced a new investment scheme, which has already been approved by the Central Bank, and which holds much promise for the future. It allows customers the option to reach a target savings amount by a set date and offers interest that is higher than a savings account.

Value creation activities

Seeing enterprise in action

Achieving execution excellence

Given the fact that our customers are becoming increasingly tech-savvy and able to sample the type of customer service that the giants of the consumer world provide means that they expect no less from us. Not only do our products and services have to anticipate, meet, and exceed the needs of our customers, but we also need to be where the customer is, when they need us. When so much is required of us, we must rise to the occasion or sink into oblivion among a sea of competitors.

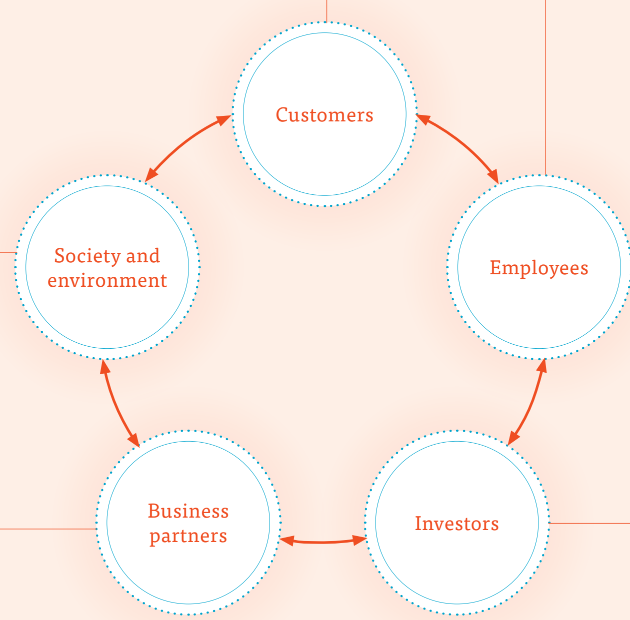
Already, People's Leasing has taken great strides, leading the market with a strong and dependable brand. Maintaining this leadership position, however, means ensuring that our systems and processes are lean, that our vacancies are filled with the best-suited talent, and that our people are motivated and equipped with all they need to shine in pursuit of our common goals.

Our impact on stakeholders

- Direct partnerships with vehicle suppliers
- Upgrade of database servers to enhance customer service

- 99% of our suppliers are local
- We recruit locally with our cadre representative of our reach across the island
- Educating our staff on responsible lending

- Screening of 14,564 of new suppliers
- Diverse supplier base ranging from micro level entities to international corporations



- Sophisticated intranet
- Decision-making Unit to ensure accountability in procurement
- Equal average training time for male and female employees with Rs. 12.90 million invested during the reporting year

- Regular engagement and strong relationships with suppliers, financial service providers, correspondent banks, and local and international financial institutions
- Attracting the best suited talent
- Largely static turnover ratio

Contribution towards Sustainable Development Goals

5 GENDER EQUALITY — Ensuring women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic, and public life

8 DECENT WORK AND ECONOMIC GROWTH — Creating conditions that allow people to have quality jobs that stimulate the economy while not harming the environment

12 RESPONSIBLE CONSUMPTION AND PRODUCTION — Operating on sustainable supply chains, involving everyone from producer to final consumer

Value creation activities

Achieving execution excellence

Improving operational processes

Investing in operational efficiency enhancements

During the year under review, we invested in several essential areas to improve the overall operational efficiency of the Company.

We also invested in a collation of regional performance reviews to encourage and facilitate greater collaboration. Through interdepartmental collaboration we are able to harness the power of multiple teams working seamlessly together to create products or services that customers really want. Through our collaborative culture, we are also able to bring products to the market faster, and as a result the entire Company's ability to create value accelerates.

The training and development of our people was another focus for investment during the year. This helped us to ensure that our employees are able to exceed customer expectations and stay abreast of the changing operating environment, having the necessary tools, skills, and experience to capitalise on the opportunities and help mitigate the risks that arise from the overarching trends. (Refer pages 121 to 123 under Building a competent, engaged and motivated team for more details.)

We also invested in a new internal application to collect and maintain customer data. This database will help us send more focused and targeted customer communications, and enable the respective branch managers and Head Office supervisory bodies to better serve the customer with information at their fingertips and improve the Company's overall ability to cross-sell relevant products and services to the customer. Branch managers can also track the progress of marketing officers in the meeting of their targets too. In addition, if a marketing officer resigns their customer database remains with the Company.

In the pipeline is our goal to minimise the time incurred for the facility approval process. We plan to achieve this goal by digitalising the entire process from general investigation to facility approving stage.

Utilising information and communications technology (ICT)

During the year under review, the role of ICT as a business partner was amplified. In partnership with business lines our ICT Division worked on simplifying customer on-boarding, enhancing productivity and operational efficiency, and standardising service quality. In helping to convert business strategies into reality, this Division also contributed to Company performance helping to develop new products, new modules, and additional features in collaboration with the business lines. Some examples include –

- *Shakthi* Business Loan
- Education Loan
- Housing Loan
- Co-System – new credit evaluation and credit flow
- Online fund transfer module (CEFTS)

This contribution helped enhance overall business volumes, expand the customer portfolio, and improve profitability.

In addition, the ICT Division supported the Company's IT infrastructure, enabling business users to carry out their roles effectively, productively and securely. One of the key innovations that contributed towards this was the introduction of new modules to the core financial application to enhance the business process and to increase efficiency. Some examples include –

- New WHT tax process implementation
- Floating rate loans and leases
- Document tracking for payments
- SLIPS for supplier payments and factoring payments
- Savings gift scheme
- Recovery dash board
- Risk rating process
- Debt collection process

People's Leasing is committed to contributing towards the UN Sustainable Development Goals including efforts to curb climate change (refer page 134). While the Company's business does not significantly impact the environment as much as the manufacturing sector might, it is keen to reduce its environmental footprint. Towards this end the ICT Division developed a new eMemo system to promote a cost-effective, paperless environment.

The revamping of our corporate website in all three languages (Sinhala, Tamil and English) takes us even closer to our target audience. This is what today's customer expects of all its service providers but People's Leasing has been one of the early adopters, ensuring that its customers are able to go online and find the information they require in the language they are most familiar with. The new website is more interactive and its information architecture more intuitive to users.

The database servers of our datacentre were upgraded to the latest IBM power systems servers and storage infrastructure. As a result, our data centre is now able to cater to the exponentially expanding business requirements. At the same time, we also upgraded the software version of our existing database and the platform operating system to the latest versions. Both now provide greater scalability, reliability, security, and efficiency to the entire database infrastructure. For greater security, we also relocated our secondary datacentre to a Tier 3 world standard – with redundant and dual-powered servers, storage, network links, and other IT components.

Another ICT solution introduced during the year was the new voice solution which comprises some of the following features:

- Extension mobility
- Paperless fax solution
- Advanced automated interactive voice response (IVR) solutions
- PC-based advanced operator console for better customer service
- Advanced reporting solution for improved productivity

Value creation activities

>> Achieving execution excellence

The new voice solution laid the foundation for interconnecting all the major branches as a single entity for fast, independent, and reliable communication. It helps us improve customer service, conduct audio-conferencing, upgrade the backup call centre according to our latest business requirements and reduce down time.

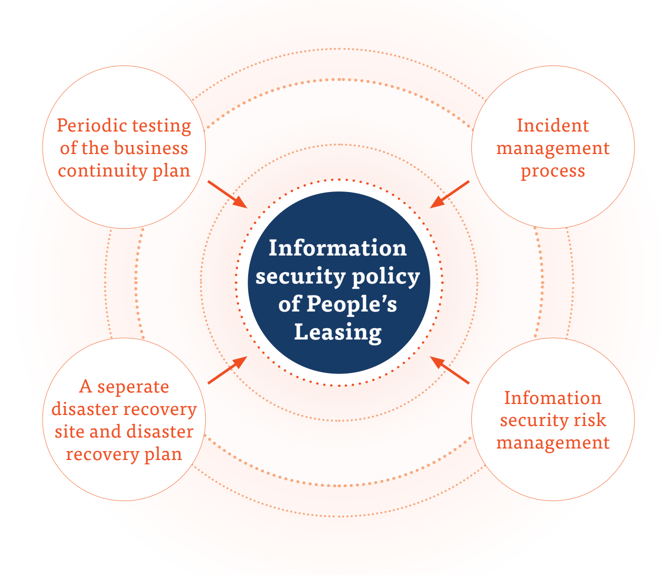
In addition, the following was also a source of intense focus for our ICT Division during the year:

- Research on other fin-tech solutions to improve business operations
- Introduction of new ePay Slip for employees
- Increasing presence on social media platforms

We are also fortified against cyber risks, investing in fire walls and upgrades as necessary. In addition, a well-structured internal control system was implemented among users to limit human error that might lead to data breaches and other cyber risks.

Information security policy

Safeguarding the Company against the unauthorised use of information, especially electronic data, is of paramount importance to us.



One of the key measures taken to achieve this is the implementation of our information security policy, which is designed to protect the confidentiality, integrity, and availability of computer system data from those with malicious intentions.

Our incident management process allows employees to lodge reports to the Chief Information Security Officer about any potential or actual breaches of security.

The Disaster Recovery Plan covers all areas of the Company, including aspects relating to data security with both on-site and off-site backups in secure environments.

The Business Continuity Plan is tested once a year or more in collaboration with the information security team, to ensure data is securely backed up and provisions are adequate for the recovery of operations from any unforeseen adversity.

People's Leasing conducts regular internal security audits. External audits are conducted by Messrs DNV GL of Business Assurance India. We also engage KPMG and PwC to test our computer systems, network and web applications for security vulnerabilities that a hacker could exploit. The Company is ISO 27001 certified.

Putting efficient systems in place

Maintaining the trust and loyalty of our customers and the public in general is of vital importance to us. Their belief in the security and reliability of our systems and processes is a trust that we do not take lightly. Examples of our initiatives in this area include –

- Automating all manual processes in a timely manner
- Implementing a document management system
- Implementing an eMemo system
- Implementing a sophisticated intranet for employees which includes training material, manuals, and policies
- Launching "IntApp" mobile app for marketing employees
- Maintaining a video conferencing facility to enable communication between branch staff and Management and to conduct staff training
- Developing ICT infrastructure such as hands-on training facilities and a virtualised server environment for disaster recovery sites
- Introducing more mobile apps for customers as well as the general public
- Being fully active on social media

Looking ahead

Our new ICT strategy for 2019/20 includes adopting Artificial Intelligence (AI) in to the business process, and enhancing the quality of the client on-boarding process, service in a credit facility, and the recovery process. Using AI to help them, our employees will be able to access customer information at the counter and be prompted on cross-sell and follow up processes. AI systems will check customer algorithms and alert staff to contact customers appropriately and suggest relevant solutions.

In addition, we will explore our options for standardising the credit evaluation process in order to reduce dependency on experienced staff, freeing them to focus on the customer instead. The Company keeps itself abreast of IT developments and where appropriate, subscribes to modifications to existing software.

We will also be looking at new technologies that can be embedded into the system for fraud mitigation and to help us move closer to a paperless environment. Some of our focus areas over the next few years will include –

- Digitalising of manual forms
- Using digital signatures to mitigate frauds
- Capturing customer photos at frontline
- Enhancing the Leads Management Solution through new dashboards
- WIFI zones and WIFI-based voice solution for branches
- Establishing research and development unit at ICT Department to continuously implement the technological innovations

To provide a speedier service for customers, we are also looking at digitalising security documentation. For branches in the region this will mean negating the need to send a customer file to Colombo for approval, greatly reducing processing time.

GRI 308-1 GRI 308-2 GRI 414-1 GRI 414-2

Procuring responsibly and sustainably

We issued our Procurement Manual during the preceding financial year. Available on the employee intranet, this manual is designed to guide the decision-making process relating to purchases. The accompanying General Procurement Guidelines address methods of procurement which are subject to authorisation limits as specified in the approval matrix.

Our Decision-Making Unit (DMU) is responsible for and authorised to approve the procurement of goods and services in line with our approval matrix. The objectives of the procedure, in summary, are to ensure that goods and services that are purchased are –

- Of the quality required
- Received in a timely manner
- Comply with laws and regulations
- The result of a transparent procurement process

It is compulsory for all those participating in the purchasing procedure (as specified in the Manual) to be accountable and to adhere to the principles of confidentiality, desist from corrupt practices, declare any conflicts of interest, and discharge their duties honourably.

Our new suppliers of 14,564 were screened during the year. With respect to environmental and social concerns in the supply chain no negative indications were identified in 2018/19.

Our Property Acquisition and Disposal Policy sets out principles and rules by which the Company will acquire and dispose of property to all interested parties, institutes, and regulatory bodies. It contains the principal elements governing the Company's approach to the management, acquisition, and disposal of land and buildings and its legal interest.

Our Logistics Department located, at the Head Office takes responsibility for major procurements such as vehicles, equipment, ICT Hardware, and Software. Minor procurements are undertaken by each branch.

While our Technical Evaluation Committee selects suppliers, this selection is validated by a tender panel, chaired by the Senior Deputy General Manager – Operations and represented by members of the Management Committee.

GRI 102-9

Selecting suppliers

The supplier selection criterion is based on the following features associated with suppliers and their prior performance:

- Quality standards
- Cost-competitiveness
- On-time delivery
- Reliability
- Adaptability
- Prior industry experience
- Supplier capacity
- Compliance to applicable laws and regulations
- Compliance to relevant licenses, certifications, and standards
- Sustainable practices of sourcing raw materials
- Adherence to environmental and social specifications
- Fair labour management practices

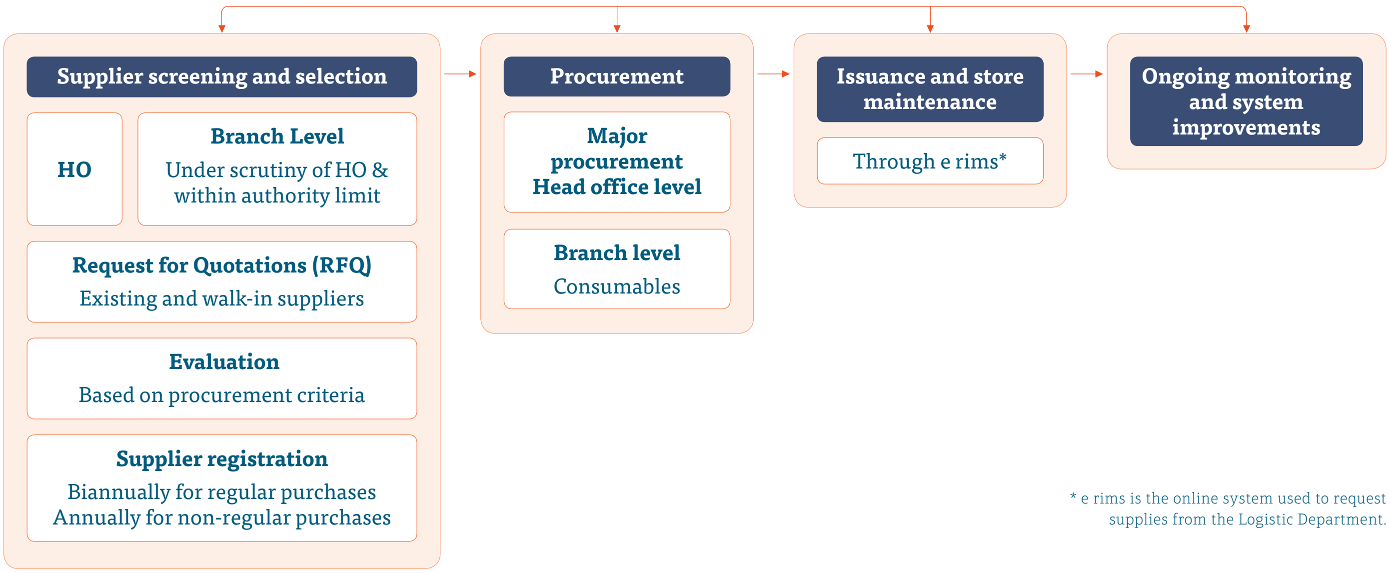
We utilise a three-quotation method for general procurement. Large-scale and specialised procurement is subject to requests for competitive proposals in line with accepted tender procedures. No known violations to the established policy were reported during the reporting year.

Value creation activities

>> Achieving execution excellence

Seeing enterprise in action

Procurement process of business continuity services



* e rims is the online system used to request supplies from the Logistic Department.

GRI 412-3

Monitoring procurement

We monitor the procurement process, in line with good management practices, to ensure efficiency and effectiveness. Supplier performance is measured against previously agreed indicators as stated in each procurement contract. We also evaluate their financial position and make periodic site visits to avoid unpleasant surprises and have early warning of any potential impediments to a supplier's capacity to meet their obligations.

While our business partner contracts and other investment agreements do not include a clause on human rights, through a formal screening, we ensure that suppliers who do not comply are rejected.

GRI 102-10 GRI 204-1

Sourcing locally

When sourcing goods and services, we give priority to suppliers who are based locally and nationally, with nearly 99% of our procurement costs relating to purchases from local suppliers. This benefits the local economy and also reduces our environmental footprint. We only engage overseas suppliers if local suppliers are unable to meet our procurement specifications. During the year under review, less than 1% of procurement costs were incurred from foreign suppliers for the purchase of computer hardware and software.

We deal with a diverse supplier base ranging from micro level entities to international corporations. During the year we dealt with suppliers numbering 29,320. Cumulative payments to suppliers during the year amounted to Rs. 68,475.02 million, compared to Rs. 54,372.35 million over the previous year. Payments for local suppliers are funded through a budget managed at Head Office. Other than the registration of 14,564 new suppliers, no significant change took place in terms of supply chain in 2018/19.

Sourcing internationally

With local suppliers unable to meet our requirements for printing consumables, we entered the "Most Valuable Customer" (MVC) programme with HP (Hewlett-Packard), receiving special privileges and immediate benefits such as discounted prices, loyalty payments, price protection, and enrolment in the HP Planet Partners Programme which aims to provide greater efficiency in recycling print cartridges responsibly. This partnership also provides us with priority access to products when stocks are limited.

GRI 102-9

Engaging and assessing

We regularly engage with our suppliers to ensure they remain encouraged and freely respond to our self-assessment questionnaires on the sustainability of their business practices.

Value creation activities

Achieving execution excellence <<

While maintaining these strict guidelines and processes, we also recognise the importance of strengthening our relationships with suppliers. This has been identified as an urgent need and is one that we will be working on cultivating over the next year and beyond.

	2018/19	2017/18	Change (%)
Active business partners (Nos.)	**29,320**	27,431	6.89
Vehicle suppliers (Nos.)	**28,661**	26,785	7.00
Procurement expenditure (Rs. million)	**68,475.02**	54,372.35	25.94
Local procurement expenditure (Rs. million)	**68,370.36**	54,267.93	25.74
Foreign procurement expenditure (Rs. million)	**104.66**	104.42	0.23

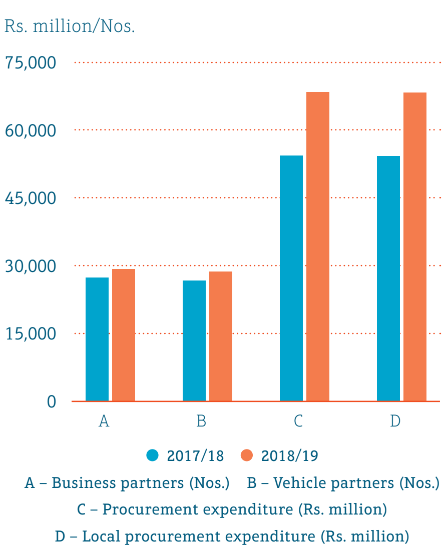
GRI 102-9

Partnering for excellence

With our main product relating to the leasing of motor vehicles, vehicle dealers and suppliers form a major component of our suppliers.

We also value our relationships with financial service providers, correspondent banks, and local and international financial institutions. Our reputation is built upon the trust these organisations have in us through our rigorous adherence to all industry regulations, our commitment to transparency and ethical business practices, and the discharging of our debt obligations in a timely manner.

Procurement expenditure



Joining memberships and associations

We further strengthen our relationships with the business community and our partners by securing memberships in relevant business associations and contributing constructively to the knowledge pool from our own experience garnered over two decades in the field.

These relationships facilitate industry unity and networking, enhance industry standards, and provide opportunities for employees to benefit from activities offered by these organisations.

GRI 102-13

We maintain the following memberships:

- The Leasing Association of Sri Lanka
- The Finance House Association of Sri Lanka
- The Financial Ombudsman Sri Lanka
- Credit Information Bureau of Sri Lanka
- The Association of Margin Providers
- Biodiversity Sri Lanka (Patron Member)

Partnering with vehicle suppliers

Our direct partnerships with vehicle suppliers are an assurance to our customers that we offer them optimum financial solutions in the market.

As at 31 March 2019, our vehicle suppliers numbered 28,661 entities, with our payments to them amounting to Rs. 68,800.57 million in the year under review, compared to Rs. 52,841.34 million over the previous year. This represents 97.55% of our total payments to our suppliers. Of the total suppliers, 755 are corporate suppliers.

To secure mutual benefits, we entered into several strategic partnerships with vehicle dealers and importers. In collaboration with all our branches we conducted promotional activities to secure a solid customer base for the products we offer.

Benefits for our customers through this partnership include –

- Free vehicle registration
- Free revenue license
- Full services for vehicles
- Full tank of fuel for vehicles
- Partial capital settlement
- Discounts on the original price of vehicles
- Promotional items

introduced

Six new products

2018 – Two products

Value creation activities

Achieving execution excellence <<

Major strategic tie-ups

Business partner	Nature of partnership	Key benefits to customer
Associated Motorways Private Limited (AMW)	Re-launch business tie up to promote Datsun RediGo cars to strengthen our position in domestic vehicle sector and expand customer base	• Price discount • Free registration • Full tank of fuel per vehicle
	A new strategic business tie-up to promote Suzuki car range	• Price discount • Considerable warranty period • Free vehicle registration • Free vehicle insurance • Extended repayment period • Partial capital settlement
Indra Traders (Pvt) Ltd.	Further opportunities to deepen focus on Kandy region through existing relationship	• Special interest rate • Free registration • Special insurance package from PI
Diesel and Motor Engineering PLC (DIMO)	Strategic business tie-up to promote TATA tipper range	• Three labour free services • Considerable warranty period • Partial capital settlement
Hayleys Agriculture Holdings Ltd., DIMO and AMW	Strategically enhanced business relationship to promote tractors-based finance facilities	• Free registration • Free insurance • Labour free services • Warranties • Price discounts
Browns Agricultural – Browns & Company PLC	Business tie-up during "*Yala*" harvesting season to promote TAFE & Massey Ferguson tractors	• Free insurance • Free tractor registration • Three labour free services • Considerable Warranty Period • Free Water pump or Mist Sprayer • Free Rotavator or Trailer • Free nine tine tiller
Nawaloka Agri Pvt Ltd.	Business tie-up during "*Maha*" harvesting season to promote Sonalika tractors	• Free insurance • Free registration • Warranty of two years
David Peiris Motor Company (Pvt) Ltd.	Two-day Wheel Clinic to increase overall volume of business on registered and unregistered three wheelers at 28 island-wide service centres	• Technical and maintenance-related assistance other than general promotional activities

Value creation activities

Seeing enterprise in action

>> Achieving execution excellence

Strengthening relationships with other service providers

Prompt payments, cordial relations, regular contact, and recognition for services rendered are at the heart of our relationship building efforts with service providers.

Partnering with financial service providers

Our monitoring mechanism was implemented to ensure that the Company adheres to all agreements with our business partners and meets all obligations. To us this is the root to maintaining sound relationships with our local and international financial service providers over the long term.

A complete list of correspondent banks the Company engages with is found on inner back cover of this Report.

Partnering with business continuity service providers

We pay special attention to those service providers categorised as essential to our ability to conduct operations without risk of interruption. We make certain that payments to them are on time, regular contact is maintained, and all issues relating to sustainability of operations are addressed promptly and satisfactorily.

Partnering with outsourced service providers

Non-core operations, such as security, janitorial, logistics, courier, waste management, tax consultancy, sustainability assurance, and specialised financial advisory services have been outsourced to specialist companies that are able to provide us with cost-effective solutions. A large number of these service providers are local. Preferring to continue long-term relationships with these service providers, we engage with them regularly and provide recognition for their contribution.

During the year, we introduced a policy on Outsourcing of Business Operations. Its purpose is to ensure that the Company enters into cost-effective outsourcing arrangements with service providers who meet our stringent needs. The risks emanating from such arrangements are effectively managed in a timely manner, remaining in line with regulatory and other directions applicable to the NBFI Industry.

Partnering with utility service providers

To strengthen relationships with our utility service providers (of electricity, water, telephone and internet services) and ensure uninterrupted service, we ensure they are paid promptly.

Partnering with other on-going service providers

We also enjoy mutually beneficial relationships with business partners in diverse fields ranging from property and equipment maintenance to systems development, computer hardware and software solutions, fuel, and advertising and promotions.

Looking ahead

Our goals for the near future are to strengthen our existing relationships with our suppliers and secure mutual benefits. We will continue to seek further strategic partnerships in the future.

GRI 202-2

Attracting and retaining the best-suited talent

We operate in a highly competitive market, where the younger generation has aspirations of working in the corner office. Yet in our industry the majority of our business is conducted in the field. This immediately creates an HR conundrum for us. How do we attract and retain the best? A key attraction for employees is the culture of their employer.

All senior managers are locally hired Sri Lankans.

GRI 102-8 GRI 402-1 GRI 404-1 GRI 405-1

Maintaining an inclusive culture

Attracting the best suited talent is no easy task given the current operating environment. The NBFI sector in the country is highly competitive with traditional and new players jostling for market share and customer attention. Yet, to maintain our lead in this environment we need to diversify our products and services and seek out new customer segments. In terms of personnel, such diversification requires the recruitment of experts in new fields we hope to explore.

At People's Leasing, we focus on three aspects of culture –

- Corporate culture – open, transparent, and conducive to collaboration
- Knowledge culture – two decade's worth of learning institutionalised
- Innovation culture – nurturing unorthodox thinking and its application

Our HR strategy is aligned with the Company's corporate strategy and reflects the overarching trends of the operating environment – such as generational differences within the workforce and the growing use of technology. Company policy and the Employee Code of Conduct highlight our emphasis on a culture that treats all our diverse employees with respect.

Any dispute in relation to operations or individual behaviour that is inconsistent with stipulated standards, policies, procedures, and practices is handled formally and transparently in line with the Disciplinary Code.

Value creation activities

Achieving execution excellence <<

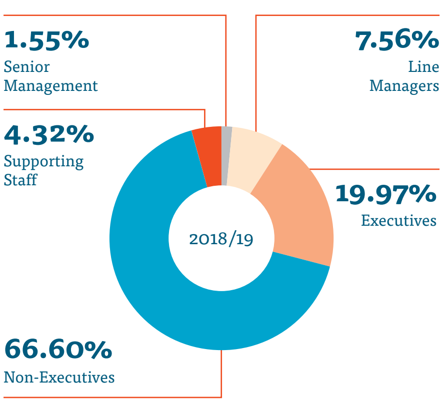
GRI 405-1

The following graphs illustrate the diversity of our cadre:

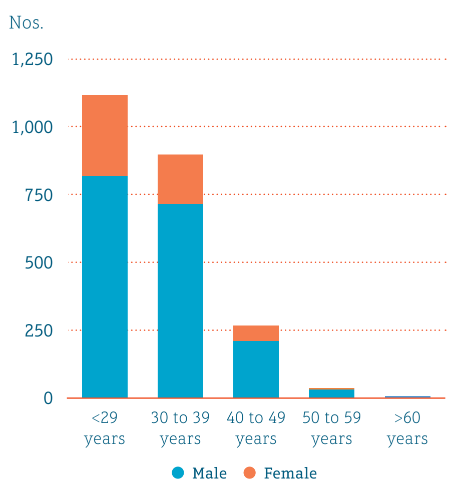
Employee category	Gender	2018/19 Age analysis (Years) > 60	50-59	40-49	30-39	<= 29	Total gender analysis Number	2017/18 Age analysis (Years) > 60	50-59	40-49	30-39	<= 29	Total gender analysis Number
Senior Management	Male	**2**	**11**	**19**	**2**	**–**	34	2	9	20	2	–	33
	Female	**–**	**1**	**1**	**–**	**–**	2	–	1	1	–	–	2
Line Managers	Male	**1**	**7**	**86**	**57**	**–**	151	–	7	69	48	–	124
	Female	**–**	**–**	**13**	**12**	**–**	25	–	–	10	8	–	18
Executives	Male	**1**	**7**	**60**	**275**	**29**	372	1	6	62	228	22	319
	Female	**–**	**1**	**36**	**52**	**4**	93	–	–	33	44	6	83
Non-executives	Male	**1**	**1**	**26**	**349**	**754**	1,131	1	1	19	301	718	1,040
	Female	**1**	**1**	**4**	**118**	**296**	420	–	–	6	110	264	380
Support staff	Male	**–**	**6**	**20**	**35**	**38**	99	–	5	18	29	32	84
	Female	**–**	**1**	**1**	**–**	**–**	2	–	1	1	–	–	2
Total		6	36	266	900	1,121	2,329	4	30	239	770	1,042	2,085

GRI 405-1

Employees by grade



Employees by age and gender



We do not recruit employees on a temporary or part time basis.

All recruits are subject to a period of probation, with those who successfully complete this period being absorbed into the permanent cadre. 85% of all employees are engaged on a permanent basis. 15% of cadre are employed on contract basis.

Value creation activities

>> Achieving execution excellence

Seeing enterprise in action

GRI 102-8

Employee numbers by region

Region	2018/19			2017/18		
	Number of branches/units	**Male**	**Female**	Number of branches/units	Male	Female
Western Province	**73**	**804**	**334**	69	732	308
Central Province	**12**	**164**	**44**	12	144	34
Eastern Province	**9**	**108**	**12**	9	94	11
Northern Province	**7**	**73**	**8**	7	64	8
Southern Province	**16**	**225**	**50**	16	210	37
Sabaragamuwa Province	**9**	**105**	**25**	9	84	26
North Central Province	**7**	**81**	**18**	7	70	16
North Western Province	**11**	**124**	**35**	11	107	29
Uva Province	**6**	**103**	**16**	6	95	16
Total		**1,787**	**542**		1,600	485

Employee concentration – Five-year summary

Region	Number of Employees									
	2018/19		2017/18		2016/17		2015/16		2014/15	
	Total	**New recruits**	Total	New recruits	Total	New recruits	Total	New recruits	Total	New recruits
Central Province	**208**	**46**	178	14	181	35	158	24	148	25
Northern Province	**81**	**22**	72	7	73	19	62	10	57	158
North Central Province	**99**	**25**	86	13	84	27	65	11	60	7
North Western Province	**159**	**39**	136	15	137	35	110	22	103	16
Sabaragamuwa Province	**130**	**28**	110	24	109	29	90	21	76	9
Uva Province	**119**	**24**	111	11	110	20	104	24	91	11
Western Province (Branches)	**678**	**136**	609	62	641	124	557	84	527	82
Western Province (Head Office)	**460**	**64**	431	47	424	34	416	77	356	45
Eastern Province	**120**	**42**	105	24	97	25	91	18	87	13
Southern Province	**275**	**66**	247	23	229	62	181	31	161	35
Total	**2,329**	**492**	2,085	240	2,085	410	1,834	322	1,666	258

Value creation activities

Achieving execution excellence <<

Our employees are as diverse as our customer segments, hailing from across the island.

While our presence spans the entire country, 48.86% of all employees are based in the Western Region. This is representative of the number of branches, customer segmentation and business volumes generated in the region, with the higher numbers in the Western Province representing the concentration of employees at the Head Office, a trend that has been consistent over the past several years.

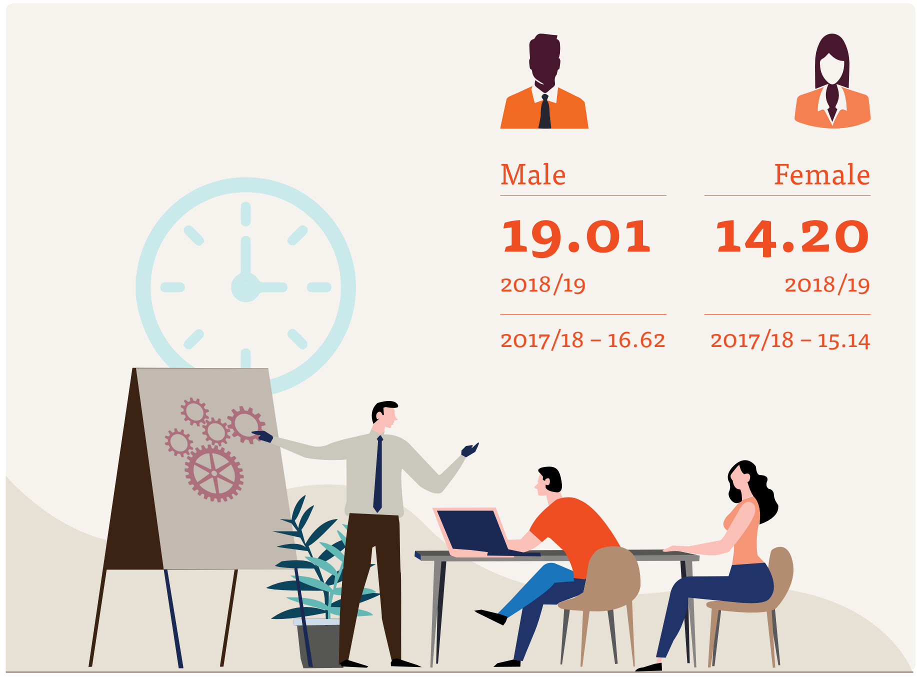
We ensure that communication channels between the Head Office and the branch network remains open and effective so that all our employees can remain well-connected with each other no matter what their geographic location may be. While we communicate notices regarding operational changes to all employees, the notice period of the operational changes may vary depending on the nature of the change required.

Regular methods of employee communication include –

- Intranet
- Staff circulars
- Internal memos
- Emails
- Policies
- Staff meetings

Traditionally the composition of our employees in terms of gender has always been more heavily weighted towards males as females have preferred not to work in the field.

Average Training Hours per Employee



GRI 102-41 GRI 406-1 GRI 408-1 GRI 409-1 GRI 410-1 GRI 412-1 GRI 412-2

Providing equal opportunity and safeguarding human rights

In line with our recruitment policy we ensure that the distribution of employees is representative of the geopolitical and socio-economic strata of the population. All recruitments, transfers, and promotions are based on assessed individual merit. Maintaining our status as an equal opportunity employer, we do not discriminate on grounds of gender, age, race, cultural differences or any other such factors. No incidents of discrimination were reported during the year under review, so no corrective action was required.

Not being a unionised company, People's Leasing is not subject to the terms of collective agreements with its employees. Even so we have proactively built robust employee relationships across the Company.

We ensure that all our people have the freedom of association and expression. The Company is unaware of any instance of this right being denied or being at risk of violation.

During 2018/19, no substantiated complaints were reported in our operations or our supply chain to have a risk of child labour or forced labour.

We did not provide employees with formal training that specifically focused on human rights during the year. Also no formal training on human rights has been provided to our outsourced security personnel but instead, we ensure such training is provided to them by their employer.

We work hard to create an environment where two-way communication is the norm with employees engaged and involved in the decision-making process.

While we do not conduct a formal impact assessment on human rights, our policies and guidelines guard us against violation of human rights in any form.

Value creation activities

>> Achieving execution excellence

Employee composition by ethnicity

Ethnicity	2018/19			
	Male	Female	Total	%
Sinhalese	1,565	511	2,076	89
Tamil	135	21	156	7
Muslim	87	10	97	4
Total	1,787	542	2,329	100

GRI 202-1

Ratio of basic salary to gender

With no minimum wage specifications from the Department of Labour, we adopted pay scales that are in line with the minimum wages standard set by National Minimum Wage of Workers Act No. 03 of 2016 and minimum budgetary allowance set by Budgetary Relief Allowance Act No. 04 of 2016.

GRI 405-2

People's Leasing focuses on achieving a good balance in remuneration in terms of gender. During the reporting year, the male-female average basic salary ratio for employees was [1.00: 0.97] across categories.

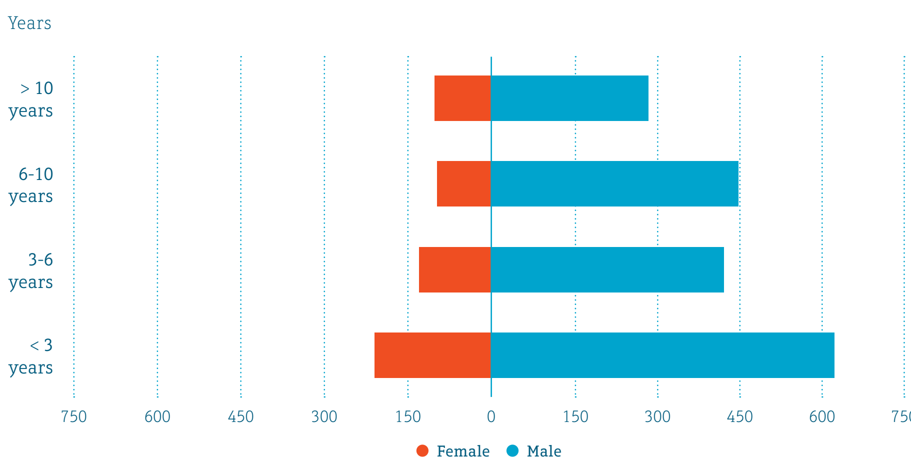
Ratio of basic salary to gender

	2018/19	2017/18	2016/17	2015/16	2014/15
Senior Management					
Male	**1.00**	1.00	1.00	1.00	1.00
Female	**0.71**	0.70	0.68	0.61	0.90
Line managers					
Male	**1.00**	1.00	1.00	1.00	1.00
Female	**0.97**	0.93	0.93	0.88	0.91
Executives					
Male	**1.00**	1.00	1.00	1.00	1.00
Female	**1.14**	1.12	1.14	1.12	1.10
Non-Executives					
Male	**1.00**	1.00	1.00	1.00	1.00
Female	**1.01**	1.01	1.03	1.00	1.10
Support staff					
Male	**1.00**	1.00	1.00	1.00	1.00
Female	**1.11**	1.05	1.04	1.00	1.00
Average salary ratio					
Male	**1.00**	1.00	1.00	1.00	1.00
Female	**0.97**	0.81	0.79	0.75	1.00

Creating a preferred place to work

Creating demand for our employee vacancies, compared to others in the market, means creating a place where people want to return to, one they believe in, and are fully committed to. While we have a large portion of employees with less than three years' experience with us we do have a sizeable population with over 3 to 10 years' experience under their belts. Larger numbers of Senior Managers and line managers too have long years of experience working at People's Leasing.

Service analysis



Value creation activities

Achieving execution excellence <<

GRI 201-3 GRI 401-2 GRI 401-3 GRI 404-3

Rewards and recognition

People's Leasing offers performance based rewards and all employees receive regular performance and career development reviews.

Our rewards scheme plays an important role in retaining talent and comprises both the salary component and the non-monetary component. Monetary benefits consist of salary, bonuses, and allowances. We ensure that all employee EPF, ETF, and gratuity payments are made on time and are in line with relevant laws and regulations. People's Leasing contributes 12% to EPF, 3% to ETF while employees contribute 8% to EPF.

Employees with five or more years of service under their belts are paid a gratuity, on their retirement or resignation, equivalent to half a month's salary for each completed year of service.

Branch competitions are arranged through which qualifying branch employees are rewarded.

All female employees are offered maternity leave in line with the provisions in the Shop and Office Employees Act.

We also provide a range of insurance benefits for permanent employees. Additional benefits made available through our welfare scheme include –

- A concessionary loan scheme for the purchase of vehicles for relevant categories
- A concessionary housing loan scheme
- Reimbursements on the cost of mobile phones
- Death benefits to employees and their immediate family including spouse's family
- Reimbursement of exam fees
- Concessionary rates for a holiday bungalows in Maradana, Maharagama and Bandarawela

The Company advocates a healthy lifestyle, providing the following benefits:

- Medical, accident, and life insurance
- Critical illness fund for illnesses not covered by medical insurance
- Fully-equipped gymnasium at the Head Office
- Awareness programmes and training on health, nutrition, and preventive care of serious diseases

We conduct regular salary surveys to ensure administrative employees enjoy an allowance scheme. We also conduct an annual survey on enhancements to the salary scale of operational staff to ensure remuneration is in line with the inflation rate.

Defined benefit plan obligations:

Benefit	2018/19 Rs. million	2017/18 Rs. million
Salaries and bonus	**2,209.74**	2,003.96
EPF	**163.15**	146.74
ETF	**40.78**	36.69
Overtime	**41.99**	36.99
Leave encashment	**51.43**	48.04
Allowances and incentives	**690.61**	487.79
Casual wages	**4.00**	3.59
Medical insurance	**145.88**	126.74
Gratuity	**90.59**	83.71
Total	**3,438.17**	2,974.25

GRI 403-1 GRI 403-2 GRI 403-3 GRI 403-4

Health and safety

The health and safety of our employees are of paramount importance to us. While the Company recorded two road accidents during work hours, lost days due to these accidents totalled 29, down from 94 in the previous year.

Occupational injuries and health issues

For the year ended	2018/19	2017/18
Road accidents during work hours	**2**	1
Other injuries if any	**–**	–
Lost days recorded due to these accidents	**29**	94

Due to the nature of our business operations their is no high incidence or high risk of disease related to their occupation and furthermore we do not have a formal Health and Safety Committee in action but we do have the following measures in force:

- Building maintenance system with fire safety options
- Fire safety equipment
- Fire drills
- Extensive training for designated fire wardens
- First aid and training for volunteers
- Well-maintained fleet of vehicles

Value creation activities

Seeing enterprise in action

>> Achieving execution excellence

GRI 401-1

Employee turnover

Pitted against the demands of a competitive employee market, our culture and ethos have stood strong, helping to attract the best suited talent. As at 31 March 2019, our employee strength stood at 2,329, an increase of 11.7% over the previous year, reflecting the impact of the restructuring process initiated during the previous year.

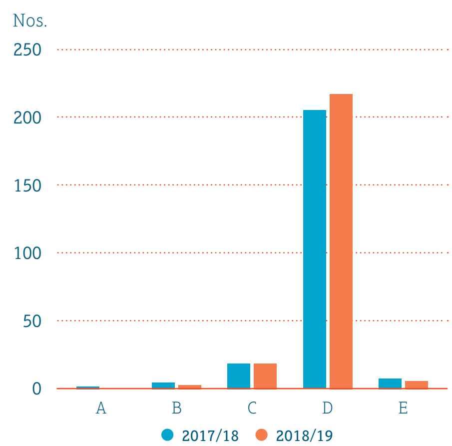
Employee turnover by reason

	2018/19		2017/18	
Province	Male	Female	Male	Female
Resignations	**180**	**64**	192	45
Retirement	–	–	1	–
Deceased	–	–	–	–
Terminations	**1**	**1**	2	–

Employee turnover by grade – Five-year summary

	Number of employees				
Grade	**2018/19**	2017/18	2016/17	2015/16	2014/15
Senior Management	–	2	2	1	1
Line managers	**3**	5	2	–	4
Executives	**19**	19	9	15	23
Non-executives	**218**	206	139	127	136
Supporting staff	**6**	8	3	7	2
Total	**246**	240	155	150	166

Employee turnover by grade

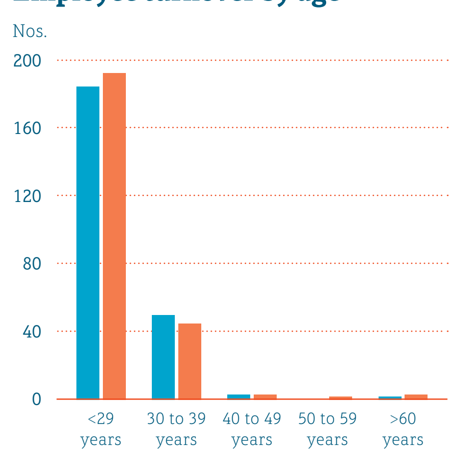


A – Senior Management B – Line managers
C – Executives D – Non-executives E – Supporting staff

Employee turnover by age grade – Five-year summary

	2018/19		2017/18	2016/17	2015/16	2014/15
Age	**Nos.**	**%**	Nos.	Nos.	Nos.	Nos.
<29	**193**	**78.46**	185	118	129	118
30-39	**45**	**18.29**	50	32	18	44
40-49	**3**	**1.22**	3	1	1	3
50-59	**2**	**0.81**	–	1	2	1
>60	**3**	**1.22**	2	3	–	–
Total	**246**	**100**	240	155	150	166

Employee turnover by age



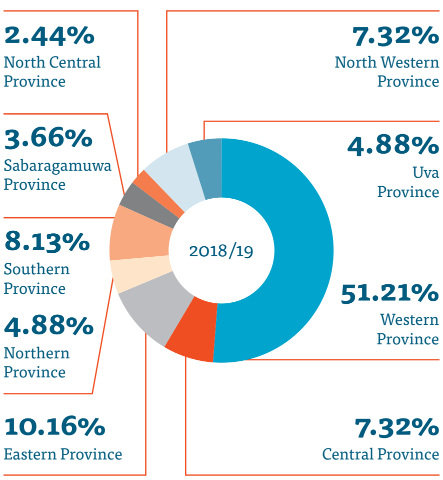
Value creation activities

Achieving execution excellence <<

Employee turnover by province and gender

Region	2018/19 Male	2018/19 Female	2018/19 Total	2017/18 Male	2017/18 Female	2017/18 Total
Western Province	**80**	**46**	**126**	82	36	118
Central Province	**16**	**2**	**18**	15	2	17
Eastern Province	**21**	**4**	**25**	16	–	16
Northern Province	**9**	**3**	**12**	8	–	8
Southern Province	**17**	**3**	**20**	14	1	15
Sabaragamuwa Province	**7**	**2**	**9**	24	–	24
North Central Province	**4**	**2**	**6**	10	3	13
North Western Province	**16**	**2**	**18**	15	2	17
Uva Province	**11**	**1**	**12**	11	1	12
Total	**181**	**65**	**246**	195	45	240

Employee turnover by province



Total resignations stood at 246 versus 240 the previous year, while the turnover ratio remained largely similar at 11.15%, from 11.51% the previous year.

We continued to see a relatively low turnover rate for back office employees, with a higher rate for those in other areas reflecting the value of our training and development in the market. Employees with greater experience and exposure to our professional development programmes are in higher demand and more likely to be approached with tempting offers. Among the younger generation, where speedier career progression is expected, turnover is higher as competitors entice our non-executives with attractive promotions and better prospects.

Key reasons given by employees for resignations during the year include –

- New employment opportunities
- Higher studies
- Migration

GRI 401-3

Employee retention following maternity leave

Female employees returning to work after maternity leave increased from 76.09% to 78.72% during the year under review, reflecting its status as a preferred place to work within the industry.

Value creation activities

Seeing enterprise in action

>> Achieving execution excellence

Retention after maternity leave – Five-year summary

Description	Number of employees 2018/19	2017/18	2016/17	2015/16	2014/15
Entitled for maternity leave	**542**	485	475	422	354
On maternity leave	**47**	46	28	24	33
Returned to work after maternity leave	**37**	35	18	18	26
Employed for the last 12 months after the returning from maternity leave	**23**	20	18	24	28
Retention rate after maternity leave (%)	**50.00**	71.40	75.00	72.73	96.55

Engineering the best-suited corporate structure

Our on-going corporate restructure is designed to lessen the impact of hierarchies within the Company and instead encourage collaboration and constructive dialogue as we march swiftly forward into the future. With our new, flatter organisational structure we are able to maintain a culture where collaboration and open communication is the norm rather than the exception, and people feel valued, listened to and engaged. Such a progressive outlook is another attractive feature of the Company for potential new recruits.

At People's Leasing, our corporate structure continues to promote a performance-driven culture with our people driving innovation and development within the Company. Employee suggestions for improvements are encouraged, valued and have already been acted upon in the form of the Strategic Plan. The knowledge culture that has been built up over the last two decades feeds our employee cadre even as they gain experience, sharpen skills and develop professionally in their chosen fields. It is this ethos that provides us with a unique competitive advantage in the industry.

Our employee retention rate of 88.85% clearly illustrates our ability to retain experienced and knowledgeable people who are more than capable of delivering outstanding service to customers.

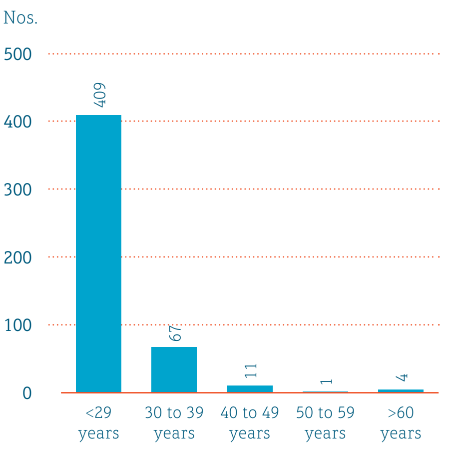
GRI 401-1

Recruiting where necessary

For promotions and vacancies within the Company we always give priority to internal candidates. However, where new knowledge and expertise is required, as we diversify our products and services and explore new customer segments, the Company's culture remains open and inclusive enough to recruit the best-suited talent.

Our new corporate structure provides us with a clear vision for the roles we require to ensure that we maintain our leadership position within the market. Attracting the necessary talent requires the perfect balance between good judgement of the necessary skills and qualifications as well as the personalities that would be the perfect fit for our culture.

Employee recruitment by age group



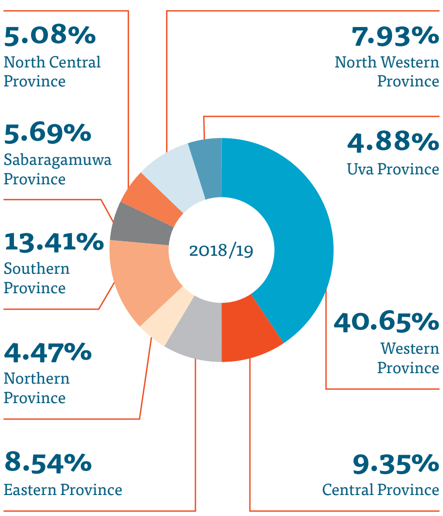
Value creation activities

Achieving execution excellence <<

Employee recruitment by province and gender

Region	2018/19 Male	2018/19 Female	2018/19 Total	2017/18 Male	2017/18 Female	2017/18 Total
Western Province	151	49	200	77	32	109
Central Province	38	8	46	12	2	14
Eastern Province	37	5	42	20	4	24
Northern Province	19	3	22	6	1	7
Southern Province	45	21	66	17	6	23
Sabaragamuwa Province	24	4	28	20	4	24
North Central Province	19	6	25	11	2	13
North Western Province	33	6	39	14	1	15
Uva Province	22	2	24	8	3	11
Total	388	104	492	185	55	240

Employee recruitment by province



Recruitment numbers increased by 105% year on year as a result of the Company's new corporate structure and the clear vision it provides of the required cadre.

GRI 102-16 GRI 102-17

Introducing new recruits to our culture

It is compulsory for all new recruits follow a detailed induction programme which is designed to familiarise them with the Company's operational processes, systems, practices, culture, values and ethics. Our "Employee Handbook" provides additional guidance.

On completion of induction, new recruits are expected to have a sound understanding of –

- The Company profile
- Organisational structure
- HR policy
- Their individual roles and responsibilities
- IT systems
- The policies and practices of the Company
- A brief overview of subsidiary operations

Through an effective induction programme, coaching, and mentoring we ensure that the Company's institutional knowledge is passed on to newer recruits at all levels so that People's Leasing is always fit for the future.

Building a competent, engaged and motivated team

Professional development and career progression provide strong impetus for employee engagement. While employee development is vital to achieve organisational goals and objectives, we also consider it a long-term investment. During the year under review we allocated a budget of Rs. 27.09 million for employee development. As we explore new customer segments and diversify our products and services, capacity building becomes vitally important.

Training requirements are identified by line managers during the annual performance evaluations and sometimes on a needs basis. Employees nominated for professional development are sent for the relevant in-house or external training programmes. The responsibility for developing a multi-skilled workforce is shared among immediate supervisors, heads of departments and branch managers. The process also involves job rotation, and on the job and off the job training.

At the end of each training programme an evaluation is conducted to evaluate outcomes relating to the improvement of skills and competencies, and to gauge return on investment.

Employees are also nominated by Management to attend selected professional institutions to acquire the necessary knowledge and confidence, address skills and performance gaps, and gain the necessary experience to meet future challenges. They are also reimbursed for completing higher studies in relevant fields with the Company investing more than Rs. 1.4 million for continuous professional development during the year under review.

Value creation activities

>> Achieving execution excellence

Seeing enterprise in action

GRI 404-1 GRI 404-2

Training hours and investment

Creating a more business-focused motivated team through training and development is one of the key goals of the HR Division. During the year under review, training hours for employees remained roughly the same while the Company's investment was to Rs. 12.93 million compared to Rs. 17.21 million the previous year as a result of Company's focus on internal training hours. The goal during the year was to provide more tailored training opportunities for employees.

Employee training and development covers a range of subjects including –

- Product knowledge
- Systems and processes
- Operations
- Finance
- ICT and documentation skills
- Marketing investigation and analysis
- Problem solving and decision-making
- Credit and customer evaluation
- Proposal preparation
- Office management and staff-handling
- Leadership skills and decision-making
- Presentation and communication skills
- Customer service

In addition, employees are reimbursed their costs when they obtain professional accreditation and certification from recognised institutes.

GRI 102-17

Handling grievances

We have in place a comprehensive mechanism to address any employee grievances. Staff can do so anonymously or through our open-door policy to any member of the Management. They are provided with guidance and advice or prompt action as the situation demands. Ethical or unlawful behaviour from anyone, including their immediate supervisor is not tolerated and reported directly to the Head of HR or to a member of the Corporate Management Team including the CEO/GM.

Average training hours per employee – by position

Category	Gender	Training programmes (Number)				Total staff trained (Number)	Training hours	Average (Hours)
		Internal	External	Overseas	Total			
Senior Management	Male	12	1	1	14	17	366.00	10.76
	Female	1	–	–	1	1	6.00	3.00
Line management	Male	37	9	3	49	155	3,616.00	23.95
	Female	19	5	–	24	25	441.00	17.64
Executives	Male	56	7	3	66	321	5,226.50	14.05
	Female	29	6	–	35	76	994.50	10.69
Non-executives	Male	76	5	2	83	1,119	24,106.00	21.31
	Female	44	7	–	51	371	6,256.50	14.90
Minor staff	Male	16	–	–	16	23	665.00	6.72
	Female	–	–	–	–	–	–	–
Total	**Male**	197	22	9	228	1,635	33,979.50	19.01
	Female	93	18	–	111	473	7,698.00	14.20
Grand total	**Male + Female**	290	40	9	339	2,108	41,677.50	17.90

During the year, a total of 2,108 employees participated in training programmes up from 1,727 the previous year.

Value creation activities

Achieving execution excellence <<

Our whistle-blower policy is managed by internal audit and is structured to enable employees to anonymously report misdeeds, violations and/or any related concerns.

Engaging employees

During the year, we focused on the following initiatives in order to further motivate our people:

- Introduction of target-based incentives and allowances
- Adjustments to some allowances of managerial-level employees in branches
- Amendments to vehicle loan limits
- Introduction of vehicle maintenance allowance
- Introduction of telephone allowance based on grade
- Amendment to the existing insurance benefits

Going forward, our strategic priorities will include sourcing, providing business-related training and development, and the individual development of employees. Our key focus will continue to be the creation of a performance-based culture across the Company. Our HR Division will also provide Senior Management with analytics to support strategic business decisions and facilitate a Management Development Programme that focuses on succession planning for business-critical roles.

Other employee engagement initiatives implemented during the year include:

- Dress-down Friday to encourage employees to express their individuality
- Compulsory annual leave to ensure work-life balance
- Extended insurance benefits for extended family members
- Comprehensive induction programme for each new hire
- Holiday bungalows and annual departmental trips for work-life balance
- Gym memberships for health and well-being

Looking ahead

Going forward, we will need to continue focusing on sourcing the right talent for the Company. Our current policy is to recruit people with the right attitude and train them to fill the necessary roles within the Company. We will then make every effort to retain such staff – no easy task in the current competitive environment. The nature of our industry is such that we require a large number of employees to be in the field in marketing and sales roles – which are increasingly unattractive to the younger generation who prefer office jobs.

Value creation activities

Promoting efficient resource use

The efficient and effective use of a finance company's resources, entails the disbursement of borrowed funds and the acceptance of collateral as security to protect the integrity of its lendings. The funds available for disbursement, cost the Company more than they would for a bank which avails itself primarily of customer deposits. It is therefore essential that the funds disbursed, not only attract a fair return to the shareholders but are also lent to high quality customers.

This becomes a skilled balancing act, as the typical customer who approaches a finance company is unable or unwilling to approach a bank where they can obtain funds at a more affordable rate.

The performance of People's Leasing under these circumstances may be considered creditable given the volume of business it generates, supported by its capacity to make use of inter-company resources, customers, and avenues to improve the quality of its loan book.

Our impact on stakeholders

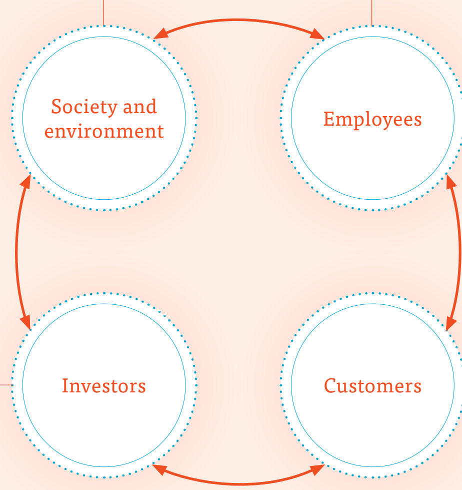
Remaining profitable to be able to create value to society and safeguard the environment

Utilising funds effectively and granting loans accounting for 87.92% of total assets

Increasing the proportion of deposits in the interest-bearing liabilities from 55.60% to 64.54% yoy

Diversifying funding sources with customer deposits (54%), other borrowings (29%), and shareholders' equity (17%)

Final dividend for 2018/19 to be paid as scrip dividend to support future growth plans



Asset and Liability Committee (ALCO) effectively handling liquidity risk management

Introducing short-term lending products and promoting longer term savings accounts to manage maturity mismatches

Attracting customer deposits while moving away from short-term borrowings at variable rates

Contribution towards Sustainable Development Goals

Increased commitment to trade and banking to help increase productivity and reduce unemployment levels

Value creation activities

Promoting efficient resource use

Utilising funds in an effective manner to optimise return versus risk

Utilising the funds mobilised through deposits and other borrowings as well as the free capital, the Company grants loans resulting in a loans and receivables portfolio which accounted for 87.92% of total assets as at 31 March 2019 (87.23% last year) and generated 96.76% (96.41% last year) of the total interest income. With its attendant credit risk, the quality of the loans and receivables portfolio is the most important determinant of the overall asset quality of the Company and has a direct bearing on the profitability of the Company through net interest income and the impairment charge. Hence, the need to manage the lending activity in an effective manner to optimise return versus risk.

Our approach to risk-return trade off

Historically, People's Leasing concentrated on building its business with an emphasis on volume rather than interest rates and margins. However, consequent to the imposition of the Loan to Value Ratios and other macro-prudential decisions of the Government, the Company changed its focus towards improving interest margins and thereby producing increasing returns. In addition, the product mix too changed from a predominantly leasing business to other forms of lending.

The imperative for this change in concentration arose from the need to maintain the Company's position in the market as a top-tier non-bank financial institution. It was felt important that the Company places a greater emphasis on the management of risk to prevent the dilution of its value creation process while holding this position.

In this regard, the Company introduced several short-term products such as fast track, gold loans, and variable rate leases and loans. Introducing variable rate leases and loans as against the previous practice of offering fixed rates on all of our lending products enabled us to mitigate the exposure to interest rate risk.

A conservative risk profile and a moderate risk appetite

The Board of Directors of People's Leasing is responsible for setting the risk appetite of the Company and the responsibility for its implementation is vested in the Integrated Risk Management Committee (IRMC). Under delegated authority of the Board, the IRMC is also responsible for establishing an effective risk appetite framework within the Company.

IRMC is a Board Subcommittee. The Integrated Risk Management Operating Committee (IRMOC) was re-established as a management level committee to further strengthen the risk governance structure. This Committee is accountable to the IRMC.

The risk tolerance levels of the Organisation are constantly measured against a set of key performance indicators for each major risk category with operational performance being closely monitored.

Monitoring the composition of assets and liabilities

Interest earning assets accounted for 94.75% of total assets of the Company as at 31 March 2019 (93.09% last year), which consisted mainly of loans and receivables. On the other hand, interest bearing liabilities dominated by customer deposits accounted for 53.39% of total funding (45.75% last year). It is important to observe that the proportion of deposits from customers in the total funding base has increased in the recent past, while dependence on bank borrowings has declined, providing the operations with access to relatively less expensive funds.

The composition of assets and liabilities of the Company in terms of interest earning and non-interest earning assets and interest bearing and non-interest-bearing liabilities over the past five years is given below. We have been able to maintain the interest earning assets around 94% over the period.

Composition of assets and liabilities – Five-year summary

Assets	**2018/19 %**	2017/18 %	2016/17 %	2015/16 %	2014/15 %
Interest earning	**94.75**	93.09	94.13	93.13	94.62
Non-interest earning	**5.25**	6.91	5.87	6.87	5.38
Total	**100.00**	100.00	100.00	100.00	100.00
Liabilities					
Interest bearing	**95.12**	93.87	94.61	93.20	92.05
Non-interest bearing	**4.88**	6.13	5.39	6.80	7.95
Total	**100.00**	100.00	100.00	100.00	100.00

Value creation activities

>> Promoting efficient resource use

At the same time, as a result of mobilising Rs. 18.6 billion in fixed and savings deposits during the year, the Company has been able to increase the proportion of deposits in the interest-bearing liabilities from 55.60% in 2017/18 to 64.54% as at 31 March 2019.

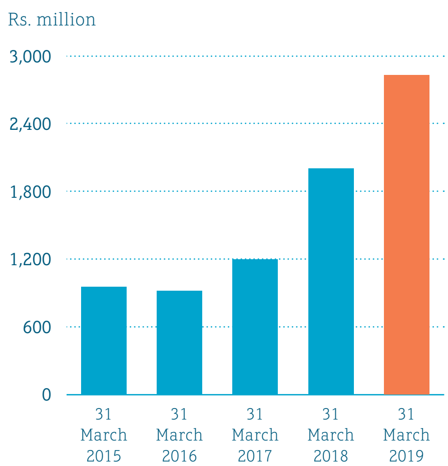
The Company is not planning to make new investments in subsidiaries or significant investments in non-interest earning assets such as property, plant and equipment and intangibles etc.

Improving the composition of risk weighted assets to total assets

People's Leasing's focus on low risk product innovations such as newly introduced Housing Loans and expansion of Gold Loans has impacted favourably on the risk weighting of assets portfolio.

Loans against fixed deposits held by the Company with their lower risk element too has had a positive impact on improving the risk weighted assets and the return on risk weighted assets. The following table shows the growth in loans against fixed deposits over the past five years.

Growth in loans against deposits



Further, when investing its surplus funds, the Company focuses on directing such investments to institutions with higher credit ratings so that such investments attract lower risk weightages for capital adequacy purposes.

Summary of important risk management decisions

The following are some of the important decisions made by the Company during the year with regard to the management of risk:

- Interest rate movements were regularly monitored to ensure that the net interest margin is maintained at an optimum level
- Liquidity of assets was maintained above the regulatory requirements
- Raised long-term funding through a debenture issue which was used to liquidate short-term facilities and to augment the Company's working capital requirements
- Stringent recovery strategies employed to limit the Company's exposure to selected product/asset categories
- Established a separate credit division to evaluate and monitor the granting of credit facilities
- Introduced an internal rating system to enhance the ability of Branch Managers to assess credit applications

Diversifying funding sources while managing liquidity

Profitable and prudent financial intermediation and maturity transformation as well as maintaining liquidity at an optimal level require diversified and stable sources of funding, secured at the least possible cost. Funding sources of the Company broadly comprised customer deposits (53.39%), other borrowings (29.33%) and shareholders' equity (17.28%) as at 31 March 2019. Funding cost which is interest expense accounted for 50.74% of the total interest income for the year (54.30% last year). With its attendant interest rate and liquidity risks and maturity mismatches in a market where long-term funding sources are rare, securing funding too has a direct bearing on the profitability of the Company through net interest income. Hence, the need to manage the funding activity in an effective manner.

Importance of securing stable funding

The Company recognises the need for diversity in funding and mitigation of liquidity risk and therefore, maintains a portfolio of diversified funding sources.

Deposits form the main funding source of the Company today, relegating short-term bank borrowings to the second place in recent years. The Company encourages savings accounts for minors which is a long-term funding source at lower rates. The Company has a focused drive to attracting customer deposits, shifting from short-term borrowings at variable rates and it has helped the Company to avoid the negative impacts of frequent interest rate fluctuations. Further, reliance on long-term bank borrowings has been reduced since the banks became competitors to People's Leasing with the introduction of Loan to Value ratios for lending. Banks now actively promote leasing and consequently the Company no longer enjoys competitive rates on its borrowings from banks. It is therefore important that the Company has been able to significantly grow its deposit base over the past two years.

Value creation activities

Promoting efficient resource use <<

To address maturity mismatches as well as funding gaps, the Company periodically issues Debentures which by their nature, are medium to long-term funds and more closely match the tenures of the Company's loan portfolio.

Funding and liquidity management objectives

The principal objectives of the Company in funding and liquidity management include:

- Compliance with the regulatory requirements
- Honouring withdrawal of customer deposits
- Facilitating uninhibited and smooth operations by meeting other cash commitments efficiently
- Maintaining internal funding and liquidity targets which are more stringent than the regulatory requirements
- Maintaining liquidity at optimum levels to maximise profitability
- Funding future business expansion at an optimum cost
- Supporting credit ratings

Maintaining liquidity at an optimum level

People's Leasing is committed to maintaining adequate levels of liquidity having regard to its objectives and the various developments that may affect market liquidity. The responsibility for liquidity risk management rests with the Asset and Liability Committee (ALCO). The Treasury Department is tasked with day-to-day liquidity management within the parameters set by the ALCO.

Role of ALCO in securing funding and managing liquidity

The objective of ALCO is to formulate the most appropriate strategy for the Company, in terms of the appropriate mix of assets and liabilities taking into account the following:

Expectations of the future and potential consequences of:

- Portfolio mix
- Liquidity management
- Maturity gap between assets and liabilities
- Interest rate sensitivity on profitability
- Foreign exchange exposure
- Pricing of lending and deposits products, and
- Off-balance sheet activities

The Company maintains adequate levels of unutilised facilities to ensure availability of funding for business expansion as well as meeting day-to-day operational cash flow commitments. In addition, the Company has contingency funding arrangements with several financial institutions.

The unutilised funding lines as at 31 March 2019 were as follows:

Funding type	Unutilised amount Rs. million
Money market loans	5,000
Short-term loans	9,885
Overdraft facilities	2,500
Long-term loans	2,000

In addition, ALCO monitors transfer pricing or interest cost allocation to branches and other major business units of the Company. Annual Effective Rate (AER) prescribed by ALCO is applied to the branch current account balance. The branches in turn are expected to compare those rates with the AER rates of fixed deposits and work towards attracting more deposits in line with the Company strategy.

Reducing mismatch in maturities of assets portfolio and the funding base

The Company's main business activities of lending the funds mobilised through deposits from customers or other forms of borrowings involve maturity transformation. However, given the lack of medium and long-term funding in the market, managing maturity of its assets and liabilities and the consequent interest rate risk poses significant challenges to the Company.

In order to address this risk and manage maturity mismatches the Company has taken certain initiatives on both the funding as well as the lending sides. Introduction of short-term lending products such as, "Gold Loans" and "Fast Track Loans" in the recent past while promoting longer term savings accounts such as savings accounts for minors and issuing debentures are some of the examples.

A maturity (current/non-current) analysis of the Company's assets and liabilities as at 31 March 2019 is given in Note 55 to the Financial Statements on page 336 of this Report.

Managing capital for growth and profitability

Central Bank of Sri Lanka has promulgated rules and regulations that require financial institutions to maintain adequate levels of capital in terms of a minimum absolute level as well as capital adequacy ratios having regard to the underlying risks of their on-balance sheet and off-balance sheet assets.

Value creation activities

>> Promoting efficient resource use

Capital management objectives

The principal objectives of the Company in capital management include:

- Compliance with the regulatory requirements
- Efficient allocation of capital for maximising profitability thereby meeting the expectations of investors
- Maintaining internal capital targets which are more stringent than the regulatory requirements
- Supporting future business expansion
- Supporting credit ratings
- Satisfying Basel III capital requirements while bearing the impact of new accounting standards

Capital adequacy of the Company

The capital adequacy levels were revised as set out in the Finance Business Act Directions No. 3 of 2018 which became effective from 1 July 2018. Nevertheless, based on internal capital targets, the Company has been consistently maintaining comfortably higher levels of capital in the past as shown in the table below:

Basel III determinations and the requirements of Sri Lanka Financial Reporting Standard 9 made it necessary that financial institutions have higher levels of regulatory capital. In keeping with the reporting requirements emanating from these industry-wide norms, People's Leasing is happy to inform its stakeholders that these ratios remained well above the sector core capital and total risk weighted capital adequacy ratios of 9.9% and 11.2% respectively.

Dividend policy

The Company has been maintaining a consistent dividend policy over the past years. However, given the growing needs for funds to support the future growth plans, the Company made an important change to its dividend policy this year. Consequently, the Company is planning to pay the forthcoming final dividend for 2018/19 in the form of a scrip dividend instead of a cash pay-out as in the past, thereby augmenting the capital funds.

As at	Tier 1 Ratio		Total Capital Ratio	
	Company %	Requirement %	Company %	Requirement %
31 March 2019	**14.36**	**6.0**	**15.20**	**10.0**
31 March 2018	18.38	5.0	16.46	10.0
31 March 2017	17.56	5.0	16.37	10.0
31 March 2016	19.56	5.0	20.22	10.0
31 March 2015	18.14	5.0	19.04	10.0

New recruits 492

2017/18 – 240

Value creation activities

Embodying responsible stewardship

People's Leasing has been in the business of providing responsible, inclusive financial services for 22 years. We continue our commitment to transform the lives of our stakeholders and society at large. Keenly believing in the importance of responsible stewardship of our planet and people, People's Leasing perseveres to influence its stakeholders – including customers, business partners, employees and local community for good. Our focus is on minimising our impact on the environment while influencing the entire value chain to do the same. Our efforts also include the promotion of greener products in pursuit of environmental protection.

Our impact on stakeholders

Providing inclusive, and sustainable financial solutions for every personal and business milestone in a customer's life

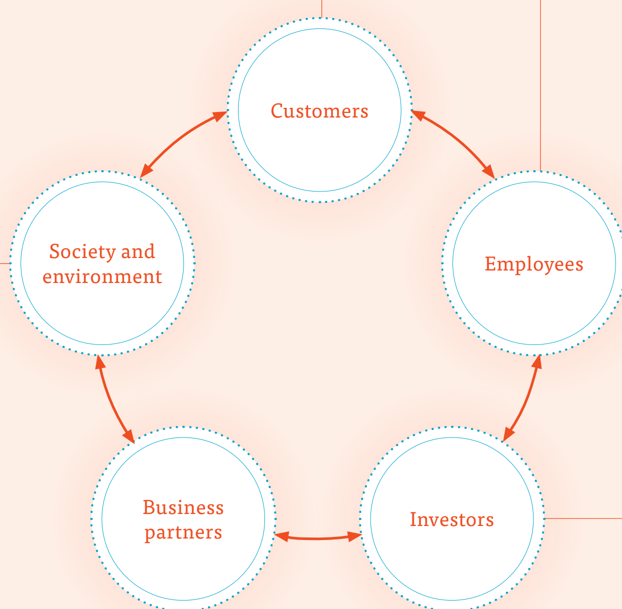
Promoting responsible finance and green finance

Mobilising our resources, expertise, and volunteer spirit to empower local communities and environment

Lending responsibly and promoting sustainable finance to minimise our indirect impact on the environment

Reducing our carbon foot print and our impact on the environment

Investing a minimum of 1% to 2.5% of net profit towards outreach CSR initiatives



Maintaining ethical, open, and transparent business environment

Providing a safe, decent, and inclusive work-place

Maintaining sound corporate governance practices

Remaining committed to the Sustainable Development Goals

Continuing to be an admired responsible corporate citizen

Sourcing responsibly and forging mutually beneficial ethical business relations with like-minded business partners

Promoting responsible sourcing across the value chain

Contribution towards Sustainable Development Goals

1 NO POVERTY – Supporting economic growth through the inclusive provision of sustainable jobs and the promotion of upward mobility

2 ZERO HUNGER – Increasing the agricultural productivity and incomes of small-scale food producers, including through the provision of inclusive financial services

3 GOOD HEALTH AND WELL-BEING – Providing more efficient funding of health systems, improved sanitation and hygiene, and increased access to physicians

4 QUALITY EDUCATION – Investing in educational scholarships, teacher-training workshops, school building and improvement of water and electricity access to schools

13 CLIMATE ACTION – Directing people towards renewable energy and other measures that will reduce emissions and increase adaptation efforts

17 PARTNERSHIPS FOR THE GOALS – Mobilising and sharing knowledge, expertise, technology and financial resources, to support the achievement of the sustainable development goals

Value creation activities

Embodying responsible stewardship

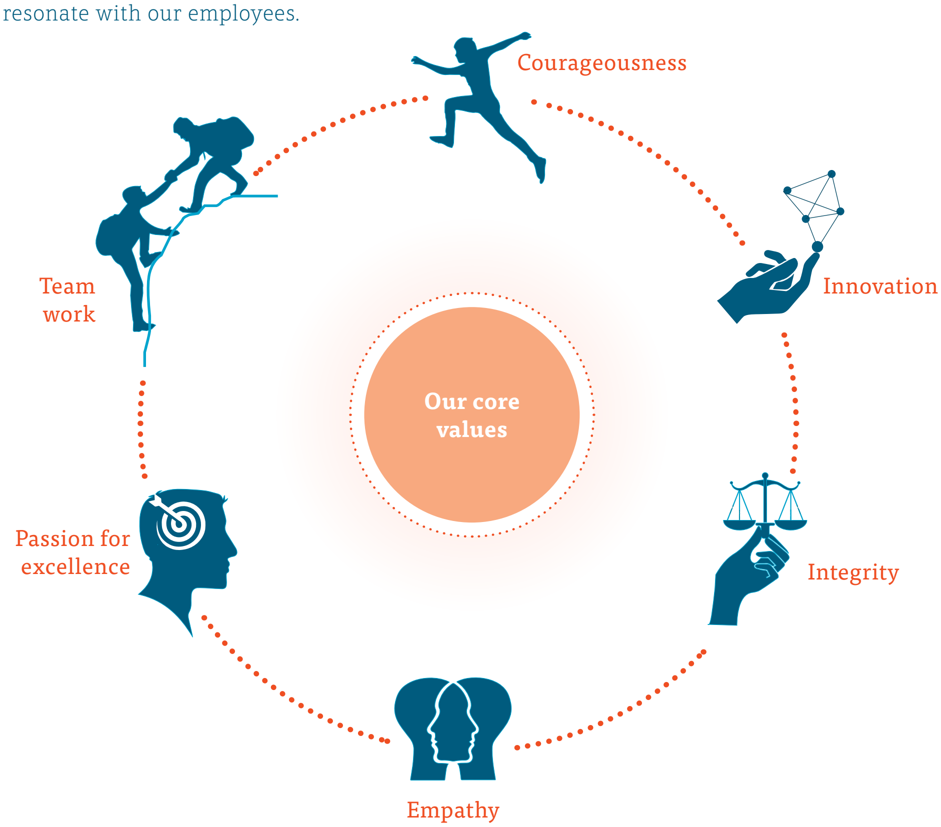
Maintaining ethical, open, and transparent business environment

To ensure the sustainability of our business we follow not just the letter of the law but also the spirit of it. In other words, we rely on our Sustainability Mission, Core Values, Policies, Sustainability Strategy, and Regulations that are clearly communicated to our employees and other stakeholders. We rely on the dedication and commitment of our staff, building on their competencies to be innovative and welcome challenges to sustainability as opportunities to create a sustainable business taking into account future generations and the well-being of the planet.

GRI 102-16

Our core values

While we trust each of our employees to do their part in ensuring that People's Leasing is operated as a responsible business, we have identified six core values that resonate with our employees.



Our sustainability mission

To improve the people's quality of life through quality credit and to be the most admired and trusted, inclusive financial services provider.

Maintaining sound corporate governance practices

Increasingly tighter regulations, deepening public distrust of authority, the intricacy and vitality of our operations, and varied or conflicting stakeholder demands make it essential that enterprises adopt sound, transparent governance practices and issue clear public disclosures. Applying good corporate governance is even more important for a financial services institution. It is for this reason that financial institutions are possibly the world's most highly regulated institutions. Increasingly, stakeholders are beginning to appreciate the impact of good corporate governance in ensuring that People's Leasing is run efficiently and transparently as we strive to meet strategic goals and create value for them.

Our Board of Directors, Senior Management teams and each and every employee play a vital stewardship role based on a corporate governance framework that includes governance structures, processes, systems, and policy frameworks and is centred on the following overarching principles of good governance:

(a) Compliance with the law and commercial legitimacy

(b) Fair treatment of employees and business partners

(c) Responsibility to the environment and the community in which we operate

(d) Probity, integrity, and business ethics in the operational practices

Please refer Corporate Governance on page 38 for more details on the internally and externally driven factors that play a vital role in maintaining a robust governance structure within the Company.

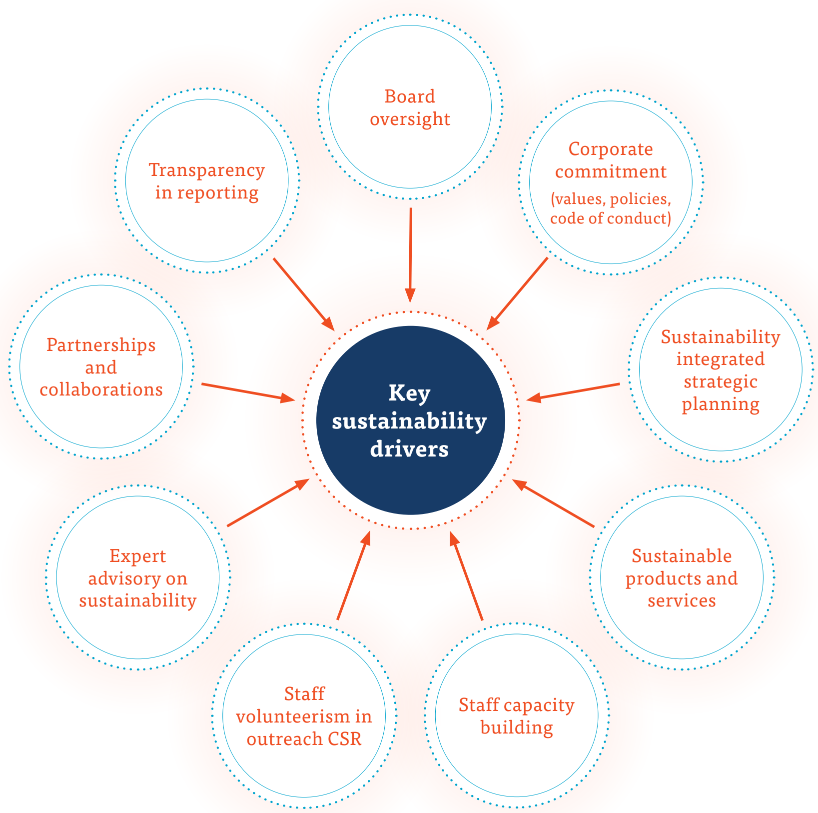
Value creation activities

Seeing enterprise in action

>> Embodying responsible stewardship

Embedding sustainability across our business operations

The following key leverage factors enable People's Leasing to embed sustainability across our business operations and operate as a sustainable business.



Sustainability Approach

Sustainability is embedded in our corporate strategy and we measure our impact beyond financial performance. We measure our carbon footprint with efficiency improvement in mind and implement initiatives that positively impact and empower our local communities and the environment which assures us of the social license to operate.

We understand that sustainability could be further integrated across all business processes, building on our competitive advantage. We anticipate that the ongoing implementation of an Environmental Social Management System (ESMS) and the setting of KPIs will lead to better tracking of KPIs on Environment Social Governance (ESG). These initiatives will contribute towards effective and holistic implementation, monitoring, and evaluation of the sustainable performance of People's Leasing.

Our approach to sustainability is framed through year-round engagement with our prioritised stakeholders. We build strong relationships with each of our stakeholders and respond to their concerns to operate as a responsible corporate citizen.

1. **Strong customer relations** – Providing customised, value added, sustainable finance coupled with digital convenience
2. **Strong business partner relations** – Maintaining strong relationships with business partners to offer best value to our customers
3. **Strong employee relations** – Creating a safe, decent, and progressive workplace
4. **Strong community relations** – Empowering local communities through outreach CSR (corporate social responsibility)
5. **Strong environmental concern** – Minimising our carbon footprint and mitigating climate change through responsible lending

GRI 419-1

Integrating sustainability across stakeholder groups

We are in the business of securing and enhancing the financial well-being of people, businesses and communities. So, for People's Leasing, sustainability extends beyond mere compliance and is in fact aligned and integrated with our corporate purpose.

During 2018/19, no incidents were reported on non-compliance with laws and regulations in social and economic areas.

Seeing enterprise in action

Value creation activities

Embodying responsible stewardship <<

Our customers

We provide responsible, inclusive and sustainable financial solutions for every personal and business milestone in a customer's life, helping to improve livelihoods and enhance quality of life. Our people are empathetic, genuinely looking to advise and help our customers manage their finances and expand their businesses within stipulated regulations. We continue to look for new ways to expand our presence and provide greater accessibility. We advocate for prudent financial management especially in relation to our SME and corporate customers.

Our business partners

We respect the law of the country, industry rules and regulations and business ethics, conducting our operations in accordance with the principles of good corporate governance. We source responsibly and forge mutually beneficial business relations with like-minded individuals and institutions towards the fulfilment of our goals for sustainable growth.

Our employees

We offer a safe, decent and inclusive work-place. Ours is an ethics-led corporate culture which inspires our people to deliver their best and empowers them by safe guarding their human rights, providing healthy work-life balance, and investing in their continuous training and development and career progression. We also provide employment opportunities through local sourcing ensuring that the diversity of our cadre matches the wide range of our customer portfolio.

Our local communities

We understand our operational impact on society and are committed to minimise any negative impact on local communities. We mobilise our resources, expertise, and volunteer spirit to empower local communities by partnering with like-minded institutions. We strive to be a trusted and admired corporate citizen by fulfilling our responsibilities to the communities within which we operate.

Our environment

The nature of our operations does not pose a significant or direct negative impact on society or the environment. Even so, we ensure that our indirect impact is minimal by lending responsibly and promoting sustainable finance. We also mobilise our resources, expertise, and the volunteer spirit of our people for continuous improvement in developing a sustainable business. We focus on reducing our carbon footprint, driving green operations, promoting sustainable finance, and partnering with green-conscious institutions to conserve the environment.

Remaining committed to the United Nations' Sustainable Development Goals (SDGs)

In support of the 17 Sustainable Development Goals (SDGs) declared by the United Nations, we have reviewed the relevance of SDGs to our sustainability strategy and aligned them with our sustainability framework. Accordingly, our employees are educated on the goals and key performance indicators are set, measured, and reported.

Addressing national and local societal priorities to create a sustainable shared value

From declining resources and global warming to unemployment, growing populations matched by increasing levels of consumption have resulted in a range of economic, social and environmental challenges globally and locally. As our contribution to the Nation, People's Leasing is committed to reducing income inequality by offering financial inclusivity. In doing so, we contribute towards the advancement of the following SDGs.

Value creation activities

>> Embodying responsible stewardship

Our major contribution towards the United Nations Sustainable Development Goals

Core (Direct)

1 NO POVERTY

We support financial inclusion and reach out to micro entrepreneurs and SMEs to provide financial assistance to support livelihoods and thereby help improve their living standards.

8 DECENT WORK AND ECONOMIC GROWTH

We provide a decent work environment for our employees, investing in their professional and personal well-being and providing fair remuneration and other benefits. We also invest to create a future ready employee base. We support regional development by creating job opportunities through local sourcing of our staff.

Non-core (Direct)

4 QUALITY EDUCATION

We educate our customers about the importance of financial planning and saving instruments, and promote financial literacy. We also support early childhood development, school education and vocational education by upgrading learning infrastructure, improving the quality of education service providers and offering scholarships for the deserving.

17 PARTNERSHIPS FOR THE GOALS

We strategically partner with the governmental institutions, non-governmental institutions, corporates, community-based organisations, and other institutions in providing inclusive finance and in reaching communities through our outreach CSR initiatives.

Core (Indirect)

2 ZERO HUNGER

By reaching out to micro entrepreneurs and SMEs and making finance accessible, mainly to improve their livelihoods, we improve their quality of living.

10 REDUCED INEQUALITIES

We continue to enhance our operational footprint island-wide being more accessible through the branch network and digital platforms supporting financial inclusion and increasing financial literacy through advocacy when servicing our customers and targeted programmes.

13 CLIMATE ACTION

We offer green products to provide our customers with climate-friendly options. These include Eco Lease – a product that promotes green vehicles, and E-Friends 2 – a concessionary funding line for SMEs to promote more eco-friendly businesses. Our commitment towards a lower carbon footprint and long-term tree planting initiatives contribute towards reducing GHG emissions and thereby global warming.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

We continue to invest in green technology and digital financial services towards less energy and paper use. We also eliminated unproductive paper-based processes and dispose of regular waste and electronic waste in a responsible manner.

Value creation activities

Embodying responsible stewardship <<

Our strategy for outreach CSR

Guided by our sustainability policy, People's Leasing is dedicated to touching the lives of local communities beyond inclusive finance through our outreach CSR. We align our business goals with social and environmental considerations through outreach CSR to achieve business success whilst creating value. Overseen by DGM – Marketing, we strategically implement both strategic CSR and charity initiatives in a manner that is effective and makes a real impact and measurable contribution to the local community and the environment.

Our Sustainability Governance Steering Committee, which includes the Chief Executive Officer/General Manager and respective functional and operational heads, spearheads and reviews sustainability performance. Appointed by the Board of Directors, they have been entrusted with the responsibility of ensuring that People's Leasing meets its short- and medium-term objectives and targets set in relation to outreach CSR.

Institutionalising CSR

Overseen by the DGM – Marketing, the CSR function is centrally institutionalised as CSR Department, consisting of four full-time staff members. Regionally these initiatives are spearheaded by the Heads of our branch network. People's Leasing has secured effective internal systems and processes to ensure that CSR/sustainability initiatives are implemented company-wide effectively and impactfully.

Monitoring and evaluation take place both at branch level, centrally, and through independent impact assessments by third parties. Crucial to the success of these initiatives is the creativity, skills, and active volunteering of employees across the branch network. We also build institutional partnerships to scale-up these initiatives and ensure effective implementation across the island.

GRI 203-1 GRI 203-2 GRI 413-1 GRI 413-2

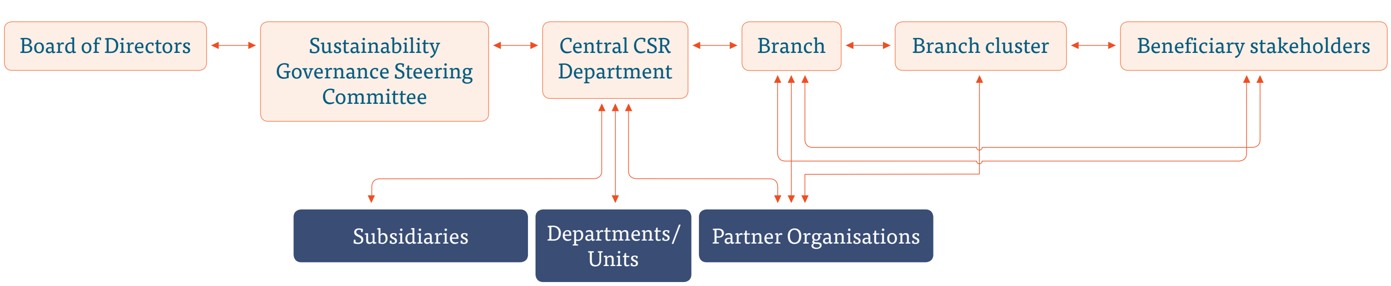
Investment on outreach CSR

As a responsible financial services provider we understand our prime responsibility to promote sustainable finance and our role to make a positive impact when meeting the needs of the community in a manner that is sustainable and fit for the future.

In the same way, we bring our professional administrative skills and resources to bear on our outreach CSR initiatives via our branch network and the CSR Department at Head Office. The Department also monitors the impact of flagship programmes and reports on the progress of related initiatives to the Board.

Since 2014/15, we have been allocating 2.5% of net profit towards CSR initiatives. During the year under review, we invested a total of Rs. 122.23 million in local communities and environment up from Rs. 101.53 million the previous year. As a percentage of profit after tax this amounted to 2.76%. We conducted 155 community-based initiatives for approximately 62,370 beneficiaries from 167 for 161,991 beneficiaries in the previous year. Our employees contributed a total of 6,693 hours volunteer hours, up from 5,800 hours the previous year. We did not provide any financial contribution to any political party. There were no operations with significant actual and potential negative impacts on local communities.

Organisation structure of CSR function



Value creation activities

>> Embodying responsible stewardship

Investment in CSR by mode of implementation

Localised CSR Initiatives
By Branch Network
Rs. 30.8 million (25%)

Localised Charity Initiatives
By Branch Network
Rs. 46.0 million (38%)

Charity Initiatives
By CSR Department
Rs. 17.4 million (14%)

Donations to Charitable Institutions
Rs. 28.0 million (23%)

	2018/19	2017/18
Overall		
Investment on local communities (Rs. million)	**120.29**	99.33
Beneficiaries (Nos.)	**Approx. 62,370 reported**	161,991
Enterprise development and financial literacy building		
Initiatives on enterprise development (Nos.)	**22**	4
Entrepreneurs trained/educated (Nos.)	**1,710**	207
Total investment on entrepreneurship development (Rs. million)	**8.15**	10.31
Promote road safety and improve post-accident care		
Initiatives on road safety (Nos.)	**21**	5
Stakeholders educated on road safety (Nos.)	**5,500**	1,636
Total investment on road safety (Rs. million)	**3.83**	11.95
Uplift education and invest in early childhood development and care		
Initiatives on early childhood development (Nos.)	**118**	98
Investment on Early Childhood Development Centre upgrading (Rs. million)	**8.73**	6.34
Initiatives on school education upliftment (Nos.)	**8**	19
Investment on school education upliftment (Rs. million)	**8.71**	Not specifically tracked
Investment on scholarships (Rs. million)	**17.99**	7.55
Individuals benefited through scholarships (Nos.)	**1,077**	851
Total investment on education and early childhood development (Rs. million)	**11.94**	36.24
Empower local community		
Initiatives on empowerment of local communities (Nos.)	**43**	41
Investment on healthcare (Rs. million)	**27.14**	15.82
Investment on differently-abled (Rs. million)	**13.82**	1.45
Investment on positive community engagement at religious and cultural events (Rs. million)	**13.49**	17.34

Value creation activities

Embodying responsible stewardship <<

Process for implementation of CSR initiatives

1. Identify concerns and limitations of local community based on publicly available statistics, published research and baseline studies.
2. Ensure that stakeholders are identified effectively in consultation with the related government/non-governmental/other institutions and continue dialogue with religious leaders, representatives of Community-Based Organisations (CBOs), customer referrals or members of local communities from planning and implementation to monitoring. During 2018/19, out of our total investment, 78% was implemented with local community engagement to assess their expectations and needs.
3. Assess impact of our operations on local community and environment and how best we could make a positive difference in the society as a responsible inclusive finance provider and invest our financial strength and staff strength to address the concerns and limitations of local community.
4. Explore how best we could pool resources and up-scale our initiatives through strategic partnerships .
5. Implement the pilot project in an easily manageable area with active participation of our branch staff and community representatives.
6. Scale up the initiative upon further customisation as needed and implement with employee volunteerism.
7. Assess the impact on local community with feedback from beneficiaries, partners, and independent reviewers. Grievances of the local community are centrally collected by the CSR Department through the branch network and duly considered in developing new initiatives.
8. Continue to manage the initiative with periodic follow up or ensure a sustainable exit.

Salient infrastructure investments, community engagements and services supported during 2018/19

	Name of Initiative	Duration	Expenditure in 2018/19 Rs. million
Improve patient care, health and well-being at Government hospitals, and related institutions towards a healthier population	Completed presentation of critically required orthopaedic surgical equipment based on the need assessment by the Sri Lanka Orthopaedic Surgeons Association to 15 island-wide accident wards of Government hospitals	One year	12.15
	Continued to refurbish the Accident Service of the Colombo National Hospital	Since 2016	1.51
	Presented a state-of-the-art digital X-ray solution to the Castle Hospital, Colombo to improve patient treatment and care for neonates and expectant mothers	5 months	5.56
	Provided financial assistance for the landscaping of the recreation area for teenagers with mental health problems who undergo residential treatment. Completed the roof foiling of the Rehabilitation Centre of the National Institute of Mental Health, Mulleriyawa	4 months	1.76
	Presented artificial mobility limbs for 111 differently-abled people	2 months	3.32
	Presented critically required medical equipment for the District General Hospital, Negombo	8 months	1.43
	Provided financial assistance to AYATHI Trust Sri Lanka for the establishment of the first National Centre of Excellence to provide total care for differently-abled children	1 week	10.00

Salaries and other benefits

Rs. 3.4 billion

2018 – Rs. 3.0 billion

Seeing enterprise in action

Value creation activities

Embodying responsible stewardship <<

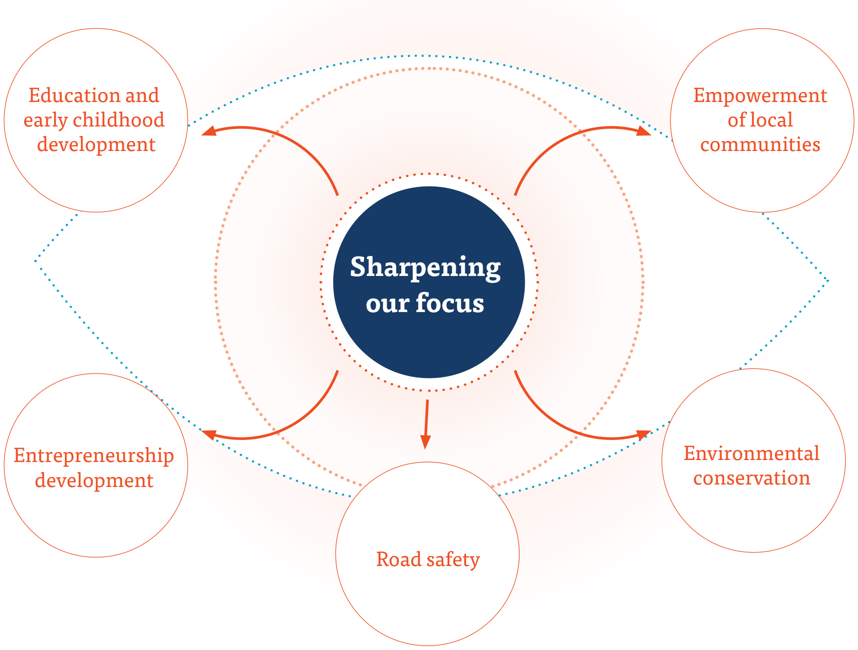
	Name of Initiative	Duration	Expenditure in 2018/19 Rs. million
Improve community infrastructure and access to quality water to control prevalence of CKDu	Installed community-based water plants in CKD prone areas including Nawagaththegama, Mahiyanganaya and Madawachchiya to provide access to quality water for drinking to the community	Nawagaththegama – one month Mahiyanganaya and Madawachchiya – Work in progress	3.91
Welfare for poverty-stricken areas	Donated a "*Janaza*" vehicle for community funerals in Muttur West	Work-in-progress	2.67
Welfare for disaster-affected areas	Provided dry rations and clothing for 1,400 needy households in underprivileged areas during Ramadaan	One month	13.49
	Provided financial assistance for the victims of adverse weather	One month	3.0
Well-being of the community	Improved sanitary facilities for 40 disadvantaged families at Kattankudy and Kandakuliya areas with permanent lavatories benefitting 40 households	Kattankudy 8 months Kandakuliya 5 months	3.42
Enhanced job creation	Supported livelihood empowerment initiative for 16 unemployed females in needy fisher families for the production of batik wear for tourists	24 days	0.45
	Presented 128 standard sewing machines and 30 juki machines to economically disadvantaged women island-wide	One month	4.54
Early childhood development	Up-graded 122 deserving early childhood development centres (preschools) enabling a more child-friendly early learning experience	One year	8.73
Upliftment of education	Presented scholarships to 853 economically disadvantaged school children	Full term – 53 Limited – 800	12.2
	Study packs for 15,000 deserving students in collaboration with a charity institute	One month	6.0
	Auditorium chairs for the newly built auditorium of the Fath Academy	One month	2.63
	20 school traffic warden awareness programmes on road safety benefitting over 5,500 traffic warden students in 434 schools	One year	3.00

Value creation activities

>> Embodying responsible stewardship

Sharpening our focus

While the needs of the local communities within which we operate are many and diverse, we continued to focus on five priority areas that are of strategic relevance to our business operations:



Entrepreneurship development

Despite being the backbone of the Sri Lankan economy, SMEs face many impediments that stunt their long-term growth. To support them, and in turn the economy, we continue to implement a range of initiatives. These include –

- General workshops on entrepreneurship and financial literacy for school leavers, customers, and low income households/ SMEs from local communities
- Scholarships and financial assistance for students of vocational education and for business start-ups
- Specialised workshops on business planning, accounting and taxation, business expansion, and new business development
- Region-specific programmes to provide industry specific skills training

Education and early childhood development

Education

While higher education in Sri Lanka is free, there are many limitations at schools.

We focused on providing a quality learning experience through the following:

- School infrastructure development including the refurbishment of school buildings, access to clean water and better sanitation, and the provision of sports equipment, musical instruments and learning tools
- Awareness sessions for children including leadership communication skills
- Awareness sessions for parents covering effective parenting, cyber awareness, and nutrition

Early childhood development

Ensuring a better future for our country begins with investment in early childhood development. Many of our pre-schools lack basic necessities such as good sanitation and clean water, in addition to basic learning equipment. We focused on initiatives that provide safety and support for pre-schoolers, their parents and teachers. These include –

- Educating pre-school teachers on activity-based lesson planning, aesthetic skills, and child psychology
- Educating parents of pre-school children on effective parenting
- Developing pre-schoolers through art therapy and story-telling sessions
- Refurbishing early childhood development centres (pre-schools) to provide a quality early learning experience

Road safety and post-accident care

There has been an alarming increase in the number of road accidents and People's Leasing continued to invest in promoting responsible road use and improving the quality of post-accident treatment and care.

Promoting road safety awareness among schools traffic wardens

Since 2016, we have been implementing awareness programmes for school road safety wardens. The goal of these programmes is to minimise the occurrence of school-based road accidents and equip school children with knowledge on first aid as a life skill. Awareness sessions were followed by a presentation of road safety gear to strengthen school traffic control units. Twenty programmes were completed benefitting 5,500 traffic wardens from 434 schools.

Investment in uplifting post-accident treatment and care

People's Leasing has been committed to improving post-accident care at hospitals since 2016. The financial year 2018/19 saw the completion of a presentation programme where critically required orthopaedic surgery equipment was donated to improve post-accident care.

Value creation activities

Embodying responsible stewardship <<

People's Leasing also continued to invest in improving the sanitary facilities and minor staff rest rooms of the Accident Service of the Colombo National Hospital. We also undertook the refurbishment of the accident service unit of the Lady Ridgeway Hospital for Children during the year.

Empowerment of local communities

Be it healthcare, other public infrastructure or service development, there is much that can be done to support our customers and community who are in need of these services. Our humanitarian efforts also encompass helping members of the public in times of adverse weather. Our initiatives under this pillar cover –

- Refurbishment for Government hospitals and the supply of essentially required medical equipment and medicine
- Mobile medical camps for customers and community (covering NCDs, HIV/AIDS, chronic kidney disease – CKDu)
- Disaster relief and the provision of essential items and dry rations for the disadvantaged
- Upliftment of sanitary facilities at Government hospitals and public places

Environmental protection

While we support the UN Sustainable Development Goals and make every effort to contribute towards a greener world through our own operations, we also focus on changing hearts and minds in the community.

GRI 103-3

Our environmental strategy

Our four-pillar approach towards environmental responsibility is as follows:

Strategic priorities on environmental conservation

	1	2	3	4
	Promote green consciousness across value chain	**Manage and optimise our direct positive impact on environment**	**Optimise green impact of our products and services**	**Conserve the environment**
Commitment	Develop an environmentally conscious workforce, and supply chain through – • Regular green training/awareness	Reduce carbon footprint through – • Green practices • Efficiency improvement and waste management • Green technology • System improvement	Embed responsible finance as the core of our business through – • Accountable, ethical and transparent financial services • Green financing • Responsible procurement • ESG considerations in credit screening	Improve our conservation efforts through – • Reforestation • Employee volunteering • Educating stakeholders • Supporting environmental research

Value creation activities

>> Embodying responsible stewardship

Seeing enterprise in action

For the financial year	2018/19	2017/18
Overall		
Environment related initiatives (Nos.)	**31**	8
Environment related investment (Rs. million)	**1.94**	2.19
Beneficiaries (Nos.)	**2,150**	3,467
Employee volunteerism (Hours)	**1,075 approx. reported**	268
Pillar 1: Promoting green Consciousness across our value chain		
Green training programmes (Nos.)	**30**	21
Employees trained (Nos.)	**297 approx.**	41
New recruits trained (Nos.)	**492**	264
Pillar 2: Managing and optimising our direct positive impact on the environment		
Paper recycled (Kg)	**6970**	5,004
Energy usage (kWh)	**4,555,556**	5,729,386
Carbon footprint (Tonnes of CO_2 equivalent)	**5,694.89**	7,011.01
Pillar 3: Optimising the green impact of products and services offered by People's Leasing		
Green financing facilities (Nos.)	**2,185**	904
Green financing disbursements (Rs. billion)	**5.48**	2.38
Pillar 4: Conserving the environment		
Trees planted/maintained (Nos.)	**14,625**	6,637
Stakeholders educated on sustainable living (Nos.)	**1,105**	721

Managing and optimising our direct impact on the environment

Our direct environmental impacts are limited to paper, energy, and water consumption and the effective management of waste. To minimise our negative impact on the planet we make an effort to embed green practices within our business and across our networks.

GRI 302-1 GRI 302-2 GRI 302-3 GRI 302-4 GRI 302-5

Managing energy

Our operations are not energy intensive, but we continuously seek ways to reduce consumption. Our main consumption source is electricity, while transportation through our fleet and business-related travel also accounts for a significant portion of our energy consumption.

Due to our commitment to reduce, during the year under review, People's Leasing incurred a decrease in the energy consumption by 0.46×10^{13}. In 2018/19, energy management within and outside People's Leasing is as follows:

Within People's Leasing

		Consumption level (Joules)	
Energy source	Energy type	2018/19	2017/18
Renewable	Electricity	**1.64×10^{13}**	2.06×10^{13}
Non-renewable	Fuel	**0.11×10^{13}**	0.15×10^{13}
Total		**1.75×10^{13}**	2.21×10^{13}
Energy intensity (per employee)		**6.82×10^{9}**	2.21×10^{9}

Outside People's Leasing

Energy source	Energy type	Consumption level (Joules)	
		2018/19	2017/18
Non-renewable	Fuel	**1.7×10^{13}**	8.59×10^{13}
Total		**1.7×10^{13}**	8.59×10^{13}
Energy intensity (per employee)		**6.64×10^{9}**	10.60×10^{9}

Conversion factor

1 kWh electricity = 3.60 x 106 in Joules
1 liter of fuel (Petrol) = 34.46 x 106 in Joules
1 liter of fuel (Diesel) = 38.31 x 106 in Joules

**Since some of the vehicle details are in km basis, 1 km in petrol consumed vehicle was assumed as 0.1 liters and 1 km in diesel consumed vehicle was assumed as 0.17 liters.

We track our carbon footprint according to the globally accepted emissions accounting standard.

Managing water

Water is not a material topic for a financial service provider. In spite of this, as it is a scarce resource and the fact that access to quality drinking is increasingly problematic in Sri Lanka, People's Leasing promotes water conservation across employee, supplier, and customer segments. We cause no harm to natural water bodies or related habitats.

GRI 305-1 GRI 305-2 GRI 305-3 GRI 305-4 GRI 305-5 GRI 305 -6 GRI 305-7

Managing fuel and emissions

Fuel consumption in transportation for our fleet and business related travels has been accounted for under energy consumption. To reduce the fuel usage we always use effective route planning, green vehicles and bulk transportation of materials and where practical plan travel during off-peak hours thus to reduce GHGs avoiding road traffic.

We have 2,185 hybrid and electric vehicles in our portfolio to reduce our indirect impact – transporting material in bulk, and using off peak delivery and route planning to reduce mileage where possible. These strategies also aim to limit fuel consumption and the emission of greenhouse gasses.

GRI 307-1

Environmental compliance

During the year under review, no fines or non-monetary sanctions were reported for non-compliance with environmental laws and regulations.

Waste management

We understand the severity of irresponsible disposal of solid waste and its circumstances on the biodiversity and human health. We practice segregation of waste generated since 2011 with the support of our employees, the respective municipal/urban councils and Central Environmental Authority endorsed third party recycling service providers. Our operations do not release any significant effluents or spills to the environment. Wastewater generated is discharged in line with the guidelines of the National Water Supply and Drainage Board. We have identified ICT based e-waste as a key hazardous waste that is generated during our operations and we responsibly dispose them through periodic e-waste collection campaigns.

GRI 301-1 GRI 301-2 GRI 301-3

Paperless financing

Being a promoter of digital finance through mobile-based and internet-based financing, we have been familiarising our customers with online transactions through "PLC Online" since 2017.

Actual paper consumption at Head Office for the financial year 2018/19 was tracked as 5,228.5kg. We do not significantly use recycled material or do not reclaim our products due to the nature of our operations.

Group-wide carbon footprint assessment

Contributing to positive climate action People's Leasing has identified organisational carbon footprint as a key performance indicator. GHG emissions were tracked from the most material onsite and offsite activities according to the globally accepted emissions accounting standard ISO 14064-1: 2006. In addition to generating carbon removals through long term reforestation/ planting initiatives and recycling efforts (our paper recycling saved 118 fully grown trees and reduced GHG emissions by 6,970 kg of carbon equivalents) , the Company created awareness on the significance of calculating the carbon footprint among the focal officers including the department heads / branch managers and the carbon footprint tracking officers of respective branches and departments to further educate them on the significance of this annual calculation and generate localized GHG management plans to further reduce our carbon footprint in the ensuing years. As for the financial year 2018/19, carbon inventory was prepared for each branch and subsidiary of People's Leasing to understand the GHG emissions generated from our branch network. This initiative is expected to further motivate our employees to be more conscious of their own workstation related emissions and ultimately contribute to the reduction of the whole organisational carbon footprint.

Value creation activities

>> Embodying responsible stewardship

Reporting scope	Emission source	Emission component	General composition of emission scope	Total emissions (tCO_2e) 2018/19	Total emissions (tCO_2e) 2017/18
Scope 1 – Direct emissions	Stationary combustion	Generator fuel	Following gases were considered as applicable; Carbon dioxide (CO_2), Nitrous oxide (N_2O), Methane (CH_4)	**80.69**	62.94
	Mobile combustion	Owned and controlled vehicle fuel consumption		**514.22**	251.21
	Fugitive emissions	A/C refrigerants		**289.96**	220.69
		CO_2 fire extinguisher leakages		**0.04**	0.07
	Scope – 1 total emissions			**884.91**	534.91
Scope 2 – Indirect emissions	Purchased electricity	Electricity consumption	Following gases were considered as applicable; Carbon dioxide(CO_2)	**2,911.62**	3,557.23
	Scope – 2 total emissions			**2,911.62**	3,557.23
Scope – 3 emissions	Employee business travel	Air travel	Following gases were considered as applicable; Carbon dioxide(CO_2), Nitrous oxide(N_2O), Methane(CH_4)	**108.73**	39.07
	Land travel	Rented vehicles for third party		**245.73**	
	Waste Generated during operations	Waste disposal		**37.78**	
	Water usage	Water		**18.32**	
	Employee Commuting	Employee commuting to and from work		**1,487,.80**	13.54
Scope – 3 total emissions				**1,898.36**	2,463.09
Total carbon footprint				**5,694.89**	7,011.01
GHG emission intensity per employee				**2.03**	2.64

Promoting responsible finance and green finance

At People's Leasing we educate new recruits and branch teams on the ethics of responsible lending, not only concerning the capacity to recover but also the social and environmental impact of lending. Both these aspects are assessed before a lending decision is made.

The Central Marketing Unit has launched green products such as Eco Lease – a product that promotes green vehicles, and E-Friends 2 – a concessionary funding line for SMEs to promote more eco-friendly businesses.

Investing in reforestation and planting initiatives

Reforestation and re-planting offer a great opportunity to off-set emissions and mitigate climate change. With the increase of forest cover being a national priority, People's Leasing continued to collaborate with the District Forest Offices in Kanneliya, Udawatta and the Gal Oya Reserve. People's Leasing also implemented localised planting campaigns with the related institutions and stakeholder groups.

GRI 304-1 GRI 304-2 GRI 304-3 GRI 304-4

Bio diversity

Biodiversity being a key component of business sustainability. People's Leasing is also a Patron member of the Biodiversity Sri Lanka since 2013. Our business operations does not have a significant direct impact on biodiversity or endangered or vulnerable species including IUCN red list species or national conservation list species. Further, through our long term reforestation/planting initiatives we are committed to restore/ protect habitats.

Details on Coastal biodiversity conservation can be found online

http://plc2018-19.annualreports.lk/cbc.html

Further, in 2018/19, we did not operate any businesses in or in the vicinity of protected areas of high biodiversity value.

However, we understand that a lending institution could have a negative impact on biodiversity and we educate all levels of our staff on how their individual lending related decisions or activities could negatively impact on biodiversity. We are conscious of the main indirect negative impact caused by us by financing motor vehicles. We strive to be part of the solution by minimising our carbon footprint, innovating and effectively contributing towards conservation. During the year under review, our environmental stewardship was demonstrated through an investment of Rs. 1.94 million through 31 initiatives.

GRI 201-2

Further, although there is no material risk or opportunity associated with the climate change we understand that the impacts of climate change will be intensified gradually. Hence, we promote environmental social governance (ESG) consideration in procurement and lending.

Recognition for sustainability

While our sustainability and corporate social responsibility is the result of our strategy, our work in these areas has not gone unnoticed. During the financial year 2018/19, People's Leasing was recognised as follows:

- **"Best Corporate Citizen Award."** – Recognised as one of the "Ten Best Corporate Citizens" in the country, we were presented with this award by the Ceylon Chamber of Commerce
- **"Best Annual Report Awards – 2018." –** Reflecting our adherence to integrity, transparency, and good governance, we were presented with this award by The Institute of Chartered Accountants of Sri Lanka (CA): Bronze Winner for Corporate Social Responsibility Reporting.
- **CMA Excellence in Integrated Reporting Awards 2018.** – Presented by Certified Management Accountants of Sri Lanka – Special Merit Award for Integrated Thinking
- **"Islamic Finance Forum of South Asia (IFFSA) Awards 2018."** We received the Gold Award for "CSR Project of the Year"
- **"Sri Lanka Islamic Banking and Finance Institutions (SLIBFI) Awards 2018."** – We were presented with the Gold Award in the Social Upliftment category by UTO Edu Consult in conjunction with KPMG

Future outlook

We remain committed to combatting the ill-effects of climate change in order to secure a future that is sustainable for our business and our stakeholders. Increasing sustainability – literacy, conveying relevance, and inspiring all levels of employees are three of our key goals in this area.

We also have plans to integrate sustainability beyond physical impact measurement. We plan to develop sustainability strategies that are cost effective, reduce risk using sustainability metrics-based management systems, and develop proactive strategies for process and product redesign.

Outputs

Goods and services produced as well as changes which are important for the achievement of outcomes.

Growth

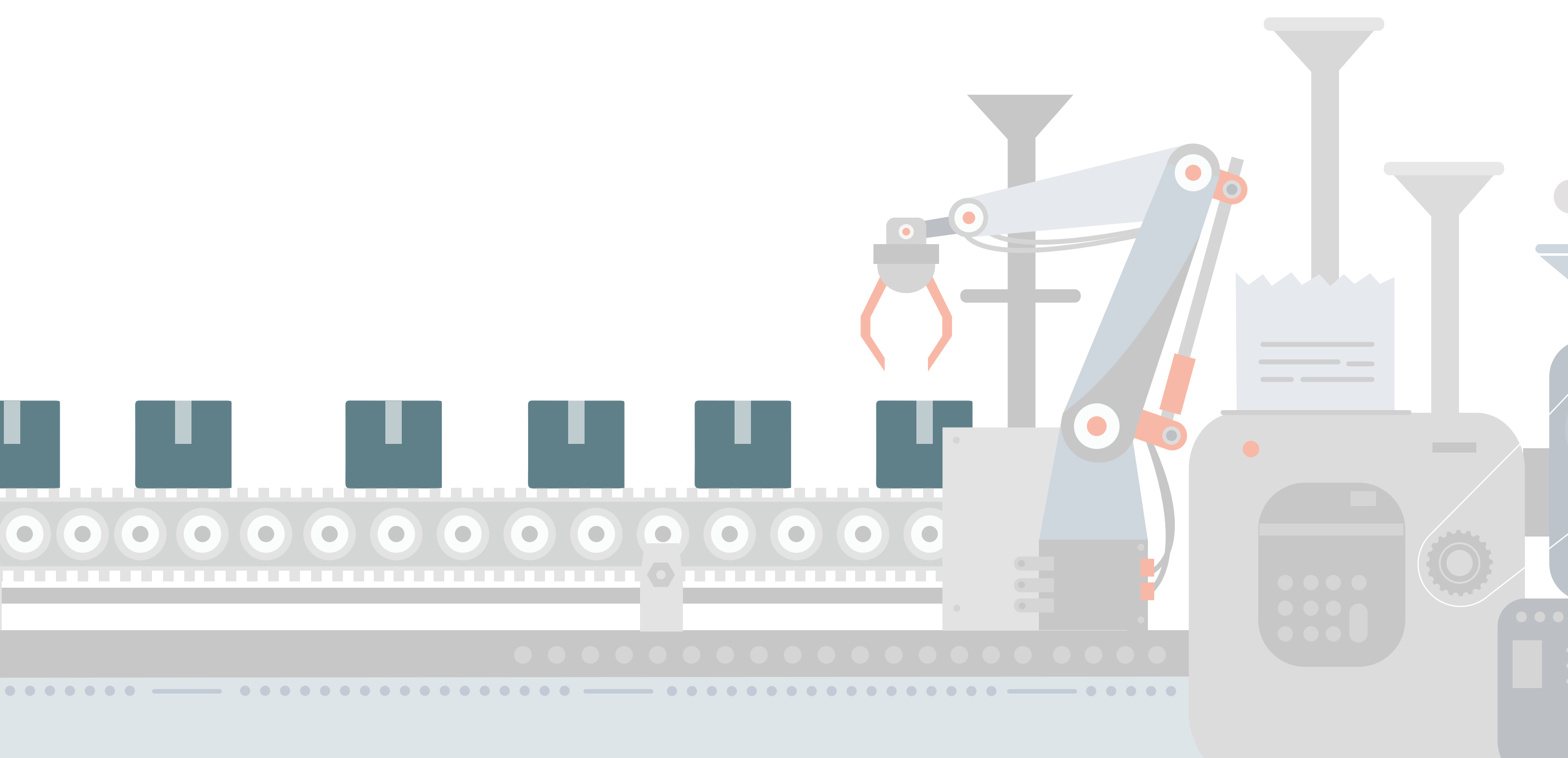
- Gross income of Rs. 32.74 billion
- Profit after Tax of Rs. 4.42 billion
- Total assets of Rs. 172.54 billion
- 15.88% return on equity
- 3.95% return on assets
- Rs. 18.10 net assets per share
- Tier 1 ratio 14.36%
- Total capital ratio 15.20%
- Liquidity coverage ratio of 108.91%
- Interest earning assets to total assets improved to 94.75%

Brand

- Brand value improved to Rs. 8,719 million
- Six new products and one in pipeline
- ICT investment Rs. 90.62 million
- Implemented new system for credit evaluation and credit flow
- 148,698 digital finance sales transactions

Investor

- Dividend payout ratio 44.72%
- Dividend of Rs. 1.25 per share
- Rs. 2.80 earnings per share
- 0.74 times price to Book value
- 4.79 times price earning ratio



Seeing enterprise in action

Outputs

Customer

- Rs. 95.28 billion in total disbursements
- Increase in customer base to 311,135
- Disbursed Rs. 1,374,87 million variable rate leases and loans
- Gold loans disbursements of Rs. 500.27 million
- Roll out products in existing branches
- Future focus on converting 10 high-performing service centres into branches
- Loyalty programme for over 30,000 customers

Business partner

Tie-ups capable of achieving win-win situations to both companies. Major strategic Tie-ups with

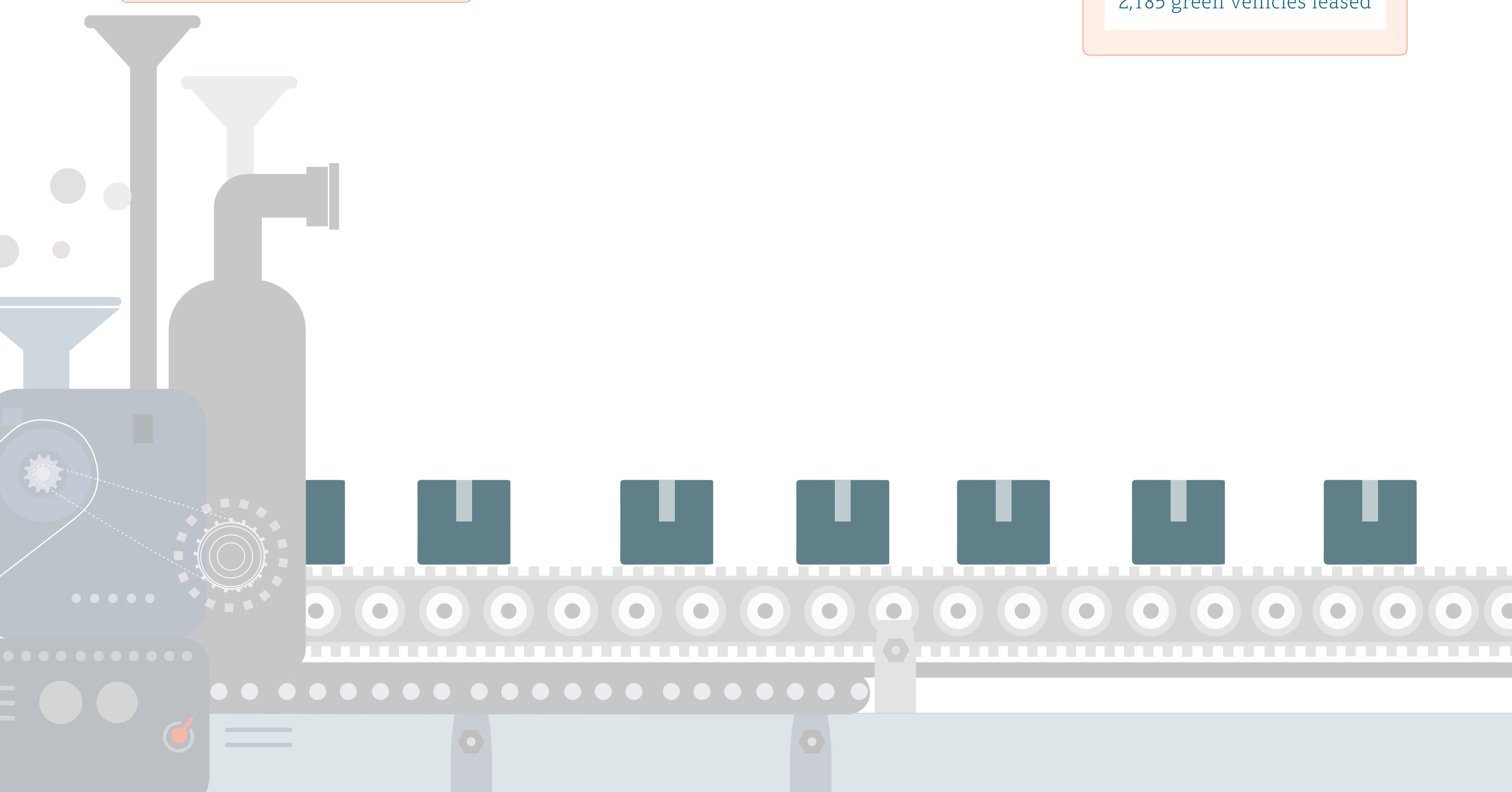
- AMW
- DIMO
- Indra Traders

Employee

- 492 new recruits during the year
- 957 promotions during the year
- Rs. 12.93 million spent on training and development
- Remuneration and benefits amounting to Rs. 3,438.17 million
- 41,678 training hours through 339 training programmes, working out to 17.90 hours per employee

Society and environment

- Invested Rs. 122 million in 155 outreach CSR initiatives
- Invested Rs. 8.7 million to empower 1,710 SMEs through 22 initiatives
- Invested Rs. 11.9 million on education and early childhood development initiatives
- Reduced energy consumption by 0.46x10^{13} through 12 regional awareness programmes educating 270 staff
- Achieved a 18.77% reduction in carbon footprint
- 2,185 green vehicles leased



Outcomes

Value created by the organisation itself and for stakeholders as a consequence of outputs.

Growth in profitability and business volumes leading to stable and sound company

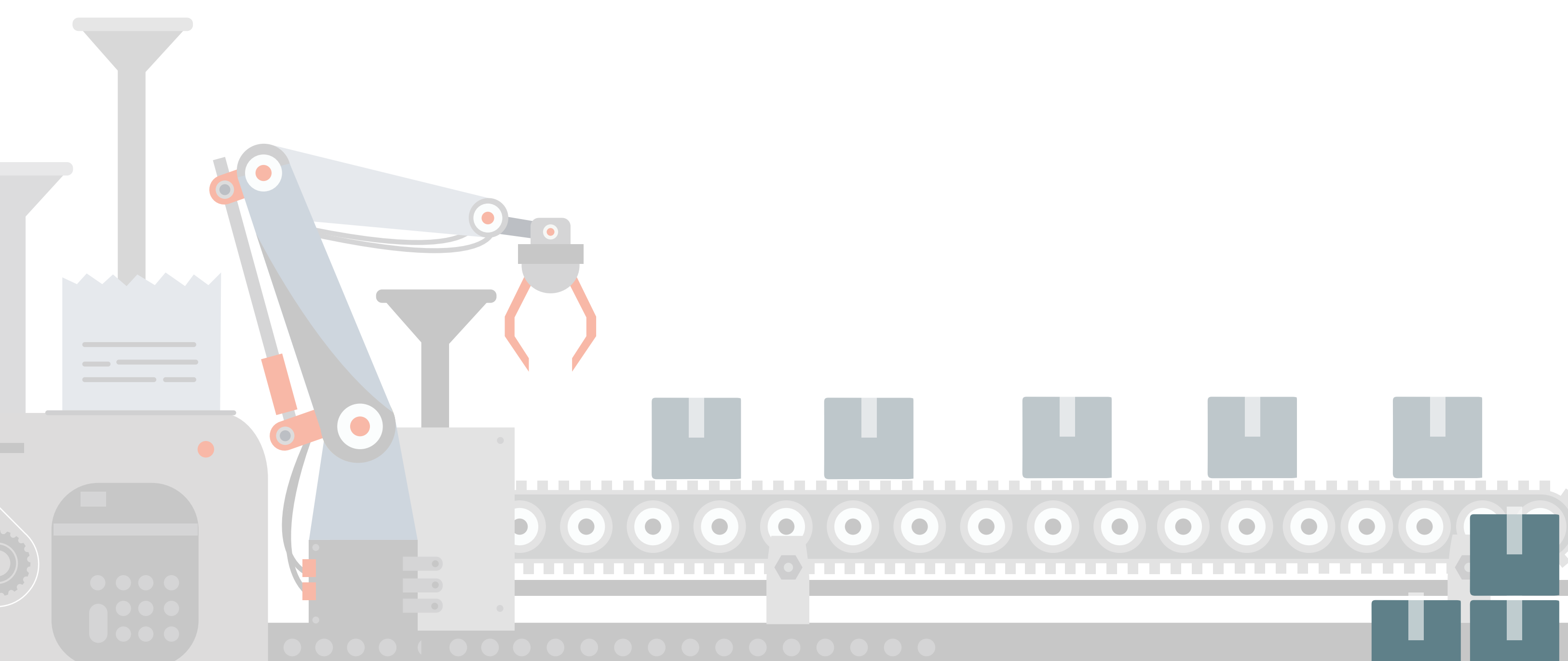
- Sustainable business model
- Optimal liquidity
- Investors taking a long-term view
- Share price appreciation leading to capital gains
- Optimum risk return trade-off
- Improved profitability
- Number one position among all NBFIs in terms of portfolio

Strong brand value and solid market share attracting stakeholder trust

- Transparency
- Secure systems and processes
- Good governance
- Recognition by awarding institutes on several occasions
- A sound internal control system
- CEFTS and SLIPS online fund transferring systems
- Conservative risk profile
- Customer convenience
- Enhanced capability of product innovation and customer centricity
- Enhanced service delivery through streamlined business processes
- Convenience and connectivity
- Facilitated payments and transactions via social media
- Most rated NBFI in Sri Lanka

Strong customer patronage and sustainable competitive advantage through value-added products and service excellence

- Customised products and services
- NPL ratio at 3.91%
- Higher cross sell ratio
- Repeat customer ratio 43%
- Enhanced customer convenience



Seeing enterprise in action

Outcomes

Empowered and committed workforce that strengthens the brand through innovative total solutions

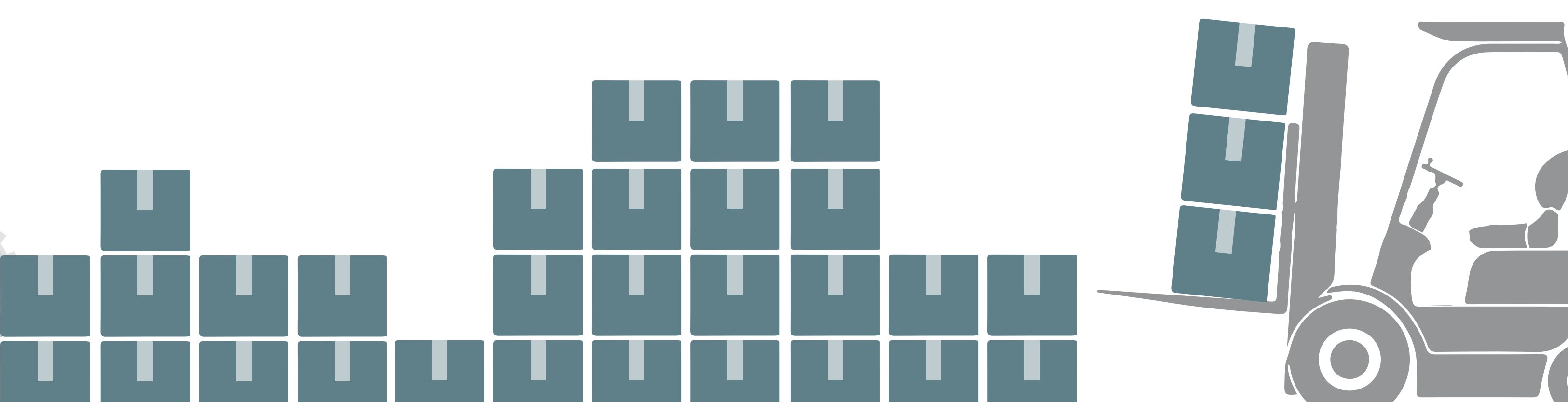
- Employment generation
- 88.85% staff retention
- Productivity – profit per employee Rs. 2 million, assets per employee Rs. 74.08 million
- Operational efficiency – cost to income ratio of 37.81%
- Staff turnover at 11.15%
- Customer centricity
- Innovative products and services
- "Voice" of the Company
- Career progression
- A dependable and responsible work force
- Equal opportunity employer
- Work life balance
- Employee loyalty and satisfaction
- A competent workforce
- A safe, decent and progressive workplace
- Warm and caring customer relationships
- Staff welfare programmes

Reinforced partnerships that contribute towards value creation

- Long-lasting mutually beneficial relationships

Empowered societies through responsible finance and investment on society and environment whilst contributing towards the achievement of SDGs

- Commitment to a sustainable operation
- Empower local communities
- Financial inclusion
- Providing customised, value added, sustainable finance coupled with digital convenience
- Compliance to environmental laws/standards
- Long-term tree planting campaign
- Biodiversity conservation
- Greenhouse gas emissions reduced to 5,694.89 tCO_2 equivalents from 7,011.01 tCO_2
- Employee engagement for enhancing environment saving initiatives
- Reduced energy consumption
- Responsible lending



Impact

Over two decades of providing financial services, we have been able to make a real impact on our stakeholders as evident from the loyal base of investors, satisfied customers, passionate employees, gratified business partners, cordial relationships with the regulators and the positive impact on the society and the environment.

Rs. 9.8 billion paid in dividends, Rs. 12 billion paid to employees, Rs. 270 billion paid to suppliers over the past five years

At a more macro level, the importance of the role played by the financial institutions for the economic, social and environmental development of the country need not be overemphasised. As a financial services intermediary and accounting for 12.05% of the NBFI sector in terms of assets, People's Leasing plays an important role in the financial system of Sri Lanka.

While larger banks have been contributing mostly to the formal sector comprising large and medium scale enterprises, our focus has been mostly on the informal sector comprising SMEs and individuals. This is all the more important given the challenges we face in serving this sector. We face difficulties when evaluating their creditworthiness due to lack of established track records of performance, lack of financial discipline, lack of collaterals to be offered etc. Due to the relatively smaller size of the facilities and constant monitoring required, cost of operations is high.

We have been able to **infuse Rs. 371 billion to entrepreneurs during the past five years** and **keep safe custody of Rs. 88 billion from depositors** as at 31 March 2019. We have **added 281,064 commercial and personal vehicles to the country's vehicle fleet** over the past five years. We have also paid Rs. 20.52 billion of interest payments to senior citizens in the Country. In the process, we have been able to make the allocation of funds efficient from those who save to those who invest. The efficacy of our financial intermediation is evident when loans & receivables account for 87.93% of our assets, deposits account for 51.22% of total liabilities and equity and NII comprises 88.89% of the total operating income.

Success of financial intermediation
- **87.93% of assets in loans**
- **53.39% of funding from deposits**
- **88.89% of income from NII**

On the other hand, funding medium to long-term assets, leasing in particular, in a market with predominantly short-term funding sources depicts the robustness of our maturity transformation.

Besides employing 2,329 Sri Lankans in the Company and helping their dependants, our lending directly contributes to the creation of employment and value addition to the economy when the borrowers invest in productive business ventures and indirectly in the businesses which supply goods and services to the direct borrowers. People's Leasing **paid Rs. 4.38 billion in direct and indirect taxes** to the Government during the year under review (Rs. 19 billion for the past five years) which is deployed for the developmental activities of the country.

Employment
- **Direct employment 2,329**
- **Indirect employment for thousands of Sri Lankans**

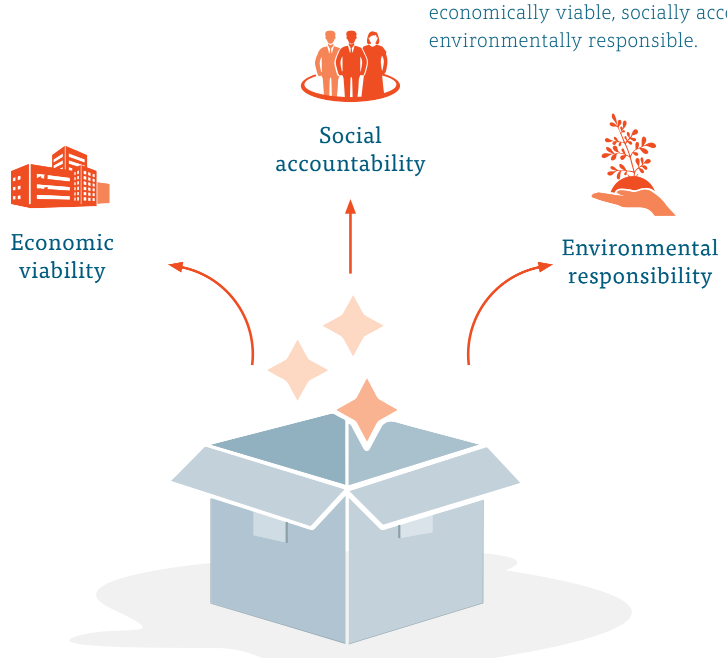
Given the spectrum of the market we serve, we can be proud of our contribution to financial inclusion – bringing unbanked and under-banked Sri Lankans to the formal financial system.

48% depositors hold less than Rs. 500,000 on average, 98.55% borrowers are SMEs and individuals

We have **invested Rs. 561 million in community development projects** over the past five years, which benefited a number of Sri Lankans in general. We have been able to secure the health of 4,160 people in the process. We have emitted 23,111 tCO2e of carbon emissions through our business activities over the past five years, but have taken various measures to reduce this impact. One such initiative is our reforestation efforts which saw 25,742 plants being planted.

Reforestation efforts with 25,742 trees

We on our part will continue to innovate and extensively deploy information technology with a view to make our operations more efficient, improve access to finance and further financial inclusion, lower costs of financial intermediation and augment value proposition to deliver beyond expectations of our stakeholders. This we believe will further the impact we make on the economy, the society and the environment and make us a truly sustainable entity which is economically viable, socially accountable and environmentally responsible.



Investment in CSR intiatives

Rs. 122.23 million

2018 – Rs. 101.53 million

7

Staying on course

Risk management

GRI 102-15

Introduction

As a financial institution, People's Leasing is an intermediary between various stakeholders who directly avail financial services or assist us with the provision of such services. Similarly, the business activities of People's Leasing also lead to transforming maturities of assets and liabilities from short term to long term. These two activities enable People's Leasing to operate at relatively higher levels of gearing relative to the available capital, well beyond the levels at which corporates in other industries operate. It is this gearing that enables the Company to generate reasonable returns to the shareholders (ROE) despite very low levels of return on assets (ROA). However, such high levels of gearing invariably expose the Company to higher levels of risk as well.

In order to mitigate the risks associated with this business model, People's Leasing has set up a sound Integrated Risk Management Framework (IRMF). The focus of the IRMF is to manage our exposures to risk and potential losses and to protect the value of our assets and shield earnings. Apart from the compliance requirements set out by the Central Bank of Sri Lanka and other regulatory authorities, we adopt more stringent and dynamic risk management techniques to face the volatile, uncertain, complex and ambiguous (VUCA) environment.

Integrated risk management framework (IRMF)

IRMF supports the development and implementation of the risk management strategy of the Organisation. IRMF methodically addresses all the aspects relating to identification, assuming, management, control and reporting of material risks associated with all the activities of the Company within a well defined risk appetite.

IRMF provides for integration of risk management in to the culture of the Company. Commitment of the Board and the best practices adopted in a top down approach translate risk strategy in to tactical and operational objectives and assign risk management responsibilities throughout the Organisation.

IRMF sets out –

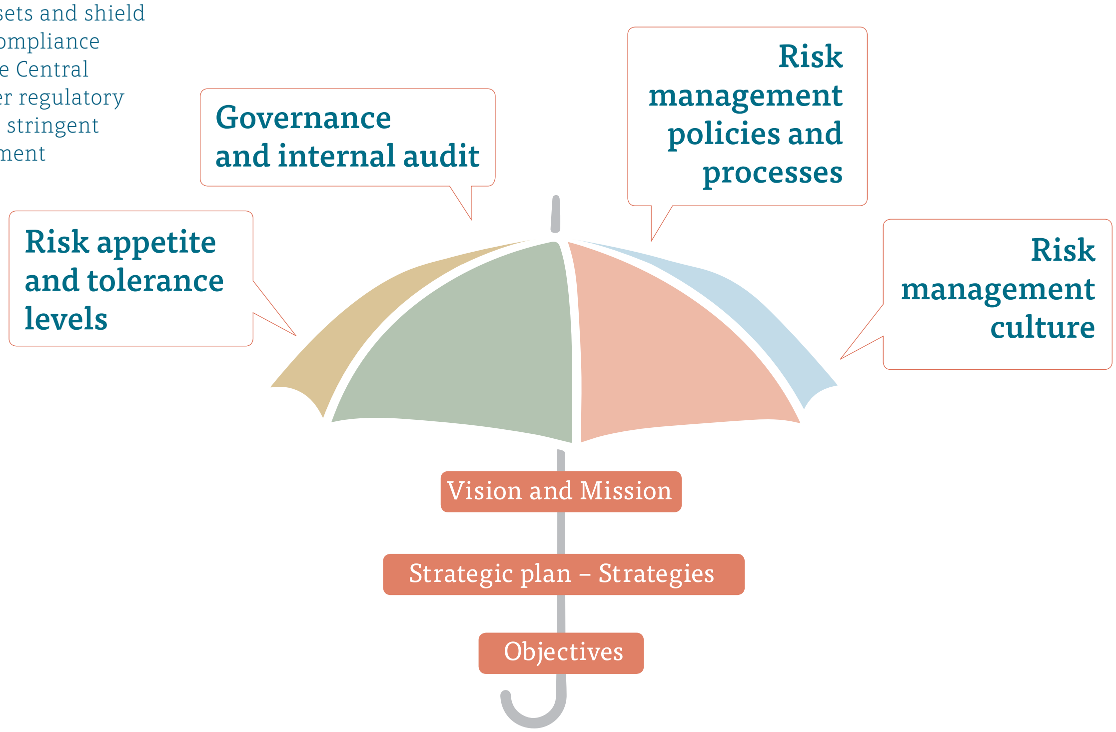
- Principal risks faced by People's Leasing
- Risk appetite
- Roles and responsibilities for risk management
- Risk Committee structure

Principal and emerging risks

Principal/Material risks

IRMF identifies the following principal/material risks in relation to the activities of People's Leasing. As a financial services intermediary, core activities have certain embedded risks which need a dynamic mechanism to identify them in advance.

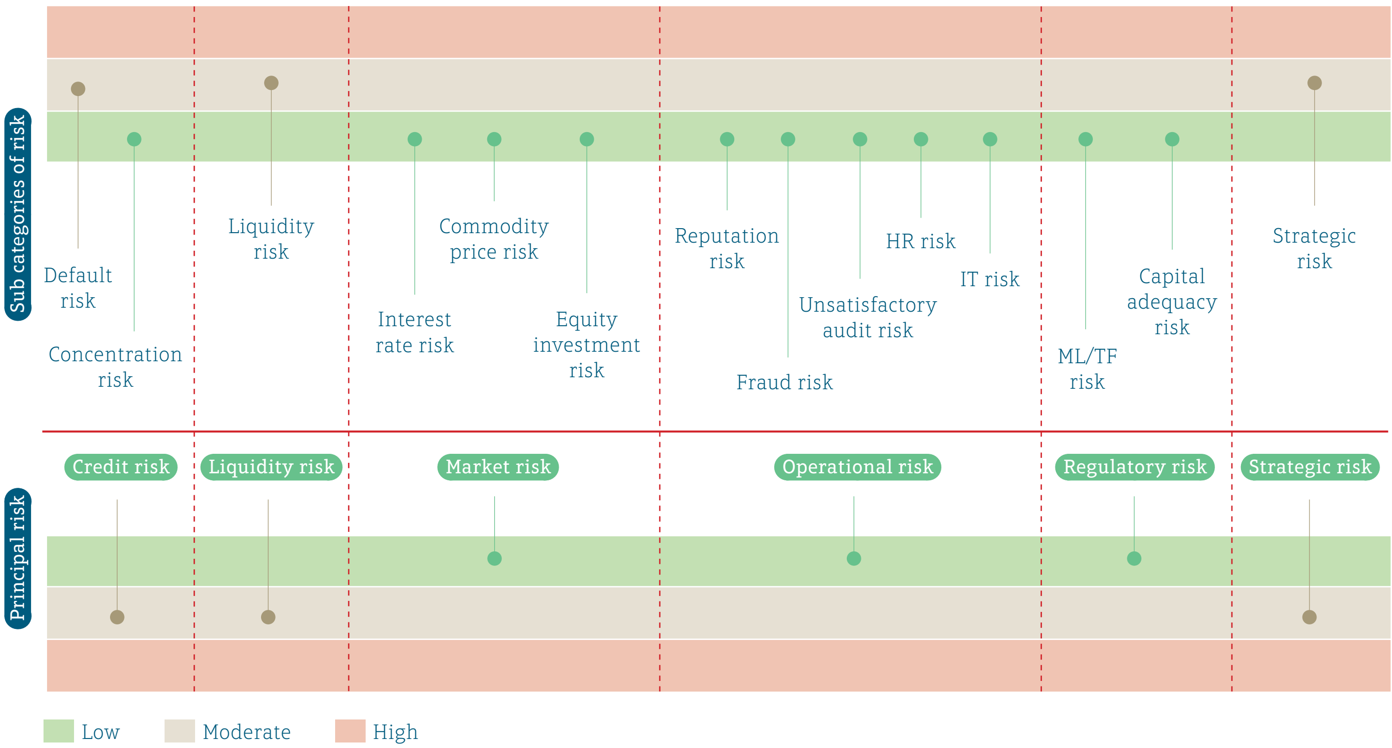
Identification of the material risks which have an impact on executing strategies of the Company is of utmost importance to People's Leasing. Uncertainties in the operating environment at both macro and micro levels seriously impact the financial institutions as they amplify the principal risks and their magnitude is higher for us as the largest NBFI in the Sri Lankan Market place. So, People's Leasing is constantly on alert to these developments and develops and executes strategies to manage risks arising from its core activities.



Staying on course

Risk management

The following diagram depicts the principal risks and subcategories of risks that affected People's Leasing during the financial year 2018/19:



Emerging risks

Besides the conventional risks referred to above, financial institutions are also feeling the impact of several emerging risks arising from certain global and local developments. These include lackluster economic growth, tightening rules, regulations and standards, pervasive trends in information and communication technology, demographic changes, unorthodox competition etc. Some of these risks threaten our conventional intermediary business model and demand us to adapt. Given below is a summary of emerging risks and the actions taken during the financial year 2018/19.

Risk factor	Nature of the impact	Impact for the Company	Precautions taken
Sluggish 3.3% economic growth	Decline in the demand for credit	Sluggish growth in loan book	Managing the margins
	Low disposable income	Deterioration in asset quality and increasing impairment charges	Strengthening recoveries
	Weakening of some of the sectors of the economy	High delinquencies and limited growth opportunities	Introduction of new products Enhanced the scrutiny level at head office level on identified products
Depreciation of the Rupee/USD	Restricts imports	200% LC margins for vehicles leading to less demand for leases	Company focused on registered vehicles
Introduction of new IRD Act	Broadening the WHT base and higher effective tax rate	Lower deposits growth and increase in cash outflows	Effective tax planning and educating customers
Debt repayment levy	Higher effective tax rate and impact on profitability	Declining profitability	Focused on revenue growth and revised budgets
Increasing policy rates	Impact on the affordability of consumer debt and corporate profitability	Higher borrowing costs and declining profitability	Introduction of variable rate products
Collapse of finance companies	Erosion of customer confidence	Lower deposits growth, higher interest costs and declining profitability	Advertising and other activities to promote brand and image and highlighting the strength of credit ratings and the association with the People's Bank
Technological advancements	Challenges to the business model and processes and practices are changing	Competition from fintech solutions and offer of value added services	PLC Online App
Introduction of IFRS 9	Broadening the scope for impairment and more forward looking	Higher impairment provisioning	Tightening credit granting and post sanction monitoring processes

Risk management

Risk appetite and tolerance levels

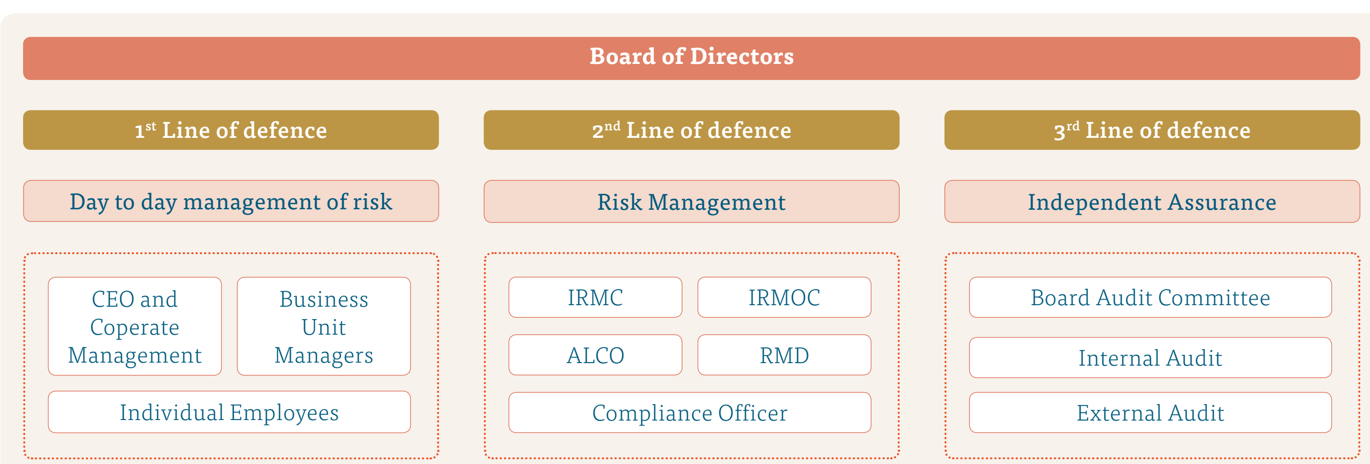
Risk appetite is the level of risk People's Leasing is ready to take when executing its business strategies. IRMC reviews and sets out the maximum risk tolerance levels annually, being responsive to the changes in operating environment and external factors. Risk and Control Department translates risk tolerance levels in to procedures and protocols to ensure that each risk receives adequate attention when making tactical decisions. At the operational level, risk appetite dictates operational limits and boundaries for routine activities.

Category	Risk indicator	Maximum Risk tolerance level	Regulatory limit	**As at 31.03.2019 %**	As at 31.03.2018 %
Credit risk	Non-performing (Gross)	<5%		**3.91**	2.70
	Three months over due	<10%		**7.57**	4.43
	Impairment charges	<1.2%		**0.63**	1.00
Concentration Risk	Single borrower Limit	<Rs. 3.2 Billion	15% capital funds	**complied**	complied
Liquidity Risk	Liquid assets ratio	>100%	100%	**108.90**	117.89
	Maturity mismatch ratio (Up to one year)	>-45%		**-20.04**	-21.55
	Liquid assets to short term liabilities ratio	>30%		**78.19**	74.86
Market risk	Interest rate sensitivity	<6%		**0.37**	0.66
	Interest Rate Re pricing Gap	<20%		**7.43**	11.92
Operational Risk	Frauds detected (value as % of Opex)	<0.5%		**Nil**	Nil
	Unsatisfactory Audits (No. of)	<15%		**Nil**	Nil
Regulatory Risk	Core capital ratio	>6%	6%	**14.36**	18.38
	Total risk weighted capital	>12.5%	10%	**15.20**	16.46
Strategic Risk	Return on Equity	>15%		**15.88**	16.66
	Net interest margin	>7.5%		**9.70**	8.36

Roles and responsibilities for risk management

Risk management at People's Leasing is embedded in to the organisational culture. Changes in the environment identified and communicated to the employees through introduction of new protocols and amendments to the existing protocols. People's Leasing has empowered its staff members to act in a precautionary manner and communicated the reporting structure to report risk factors to the Risk Management Department.

People's Leasing deployed the **three lines of defence** methodology for managing risks of the entity.



Risk management

First Line of Defence

First Line of Defence comprises all the employees assuming risk in the revenue generating and client facing areas of the business and all support services functions such as Treasury, HR Department, Finance Department, Marketing etc.

Roles and Responsibilities of 1st Line of defence

CEO and Corporate Management

- Determine strategic approach to risk and set risk appetite
- Establish the Structure for Risk Management
- Understand the most significant risks to PLC
- Manage organisation

Business Unit Managers

- Build a culture of risk awareness within the organisation.
- Communicate changes in the protocols
- Make sure that risk management policies are implemented
- Communicate feedback on the effectiveness of the implemented policies and areas of improvements

Individual employees

- Understand, accept and implement RM processes
- Report inefficient, unworkable controls
- Cooperate with management

Second Line of Defence

Second line of defence comprises employees of Risks and Compliance functions. Second line of defence sets out policies, procedures and limits for the first line of defence to follow. Setting Risk appetite levels which the first line of defence should act upon is the primary function of this level.

Roles and Responsibilities of 2nd Line of defence

Integrated Risk Manegment Committee (IRMC)

IRMC was setup by the Board by delegating its authorities to develop and oversee Risk Management policies of the company. IRMC functioned as the highest authority in managing the risk of the company. This committee is headed by an Independent Non-Executive Director and includes two other Non-executive directors.

CEO, two SDGMs and DGM risk attended the committee meetings which is held quarterly. As an when required, the other officers have been invited to attend the proceedings.

Assets and Liabilities Committee (ALCO)

This is a management committee which is headed by CEO and attended by the corporate management to mainly look in to the liquidity and interest rate risks of the Company. Apart from this, the Committee looked in to the other day today functions as well.

Integrated Risk Management Operating Committee (IRMOC)

This is Management Level Committee headed by the DGM Risk and Control with the participation of SDGMs operations, DGMs, Chief Managers and Senior Managers and representatives from Risk and Control Department.

Primary objective in revitalizing this committee is to discuss and implement risk mitigation strategies in to the areas of deteriorating credit portfolio and other emerging risks. Apart from this, RCD uses this as a platform to execute guidelines of IRMC and vice versa.

Risk Management Department

- Develop risk management policy and keep it up to date
- Compile risk reports and report to the Board
- Setting up internal risk policies and structures

Third Line of Defence

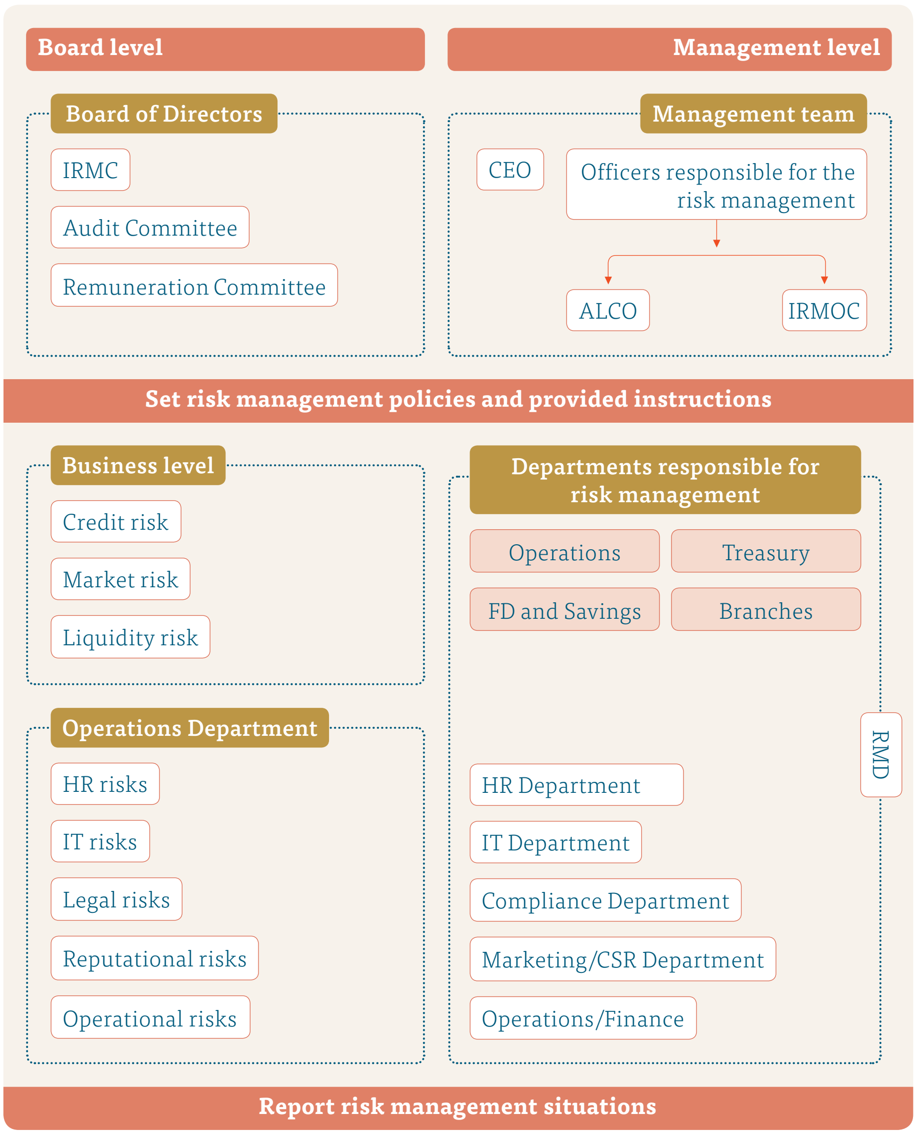
Third line of defence represents the Internal Audit function of the Company. Internal Audit reports the effectiveness and the execution of the internal controls and policies and procedures set by the Company. This includes both the internal controls set by the other divisions and the Risk Management Department.

Although Legal Department reported to the Risk Management Department, they are not part of any of the three lines of defence, but they support all departments in the Company including Risk Management Department.

Risk management

Risk management committees

Risk committees which are appointed by the Board, manage the risk management function via Risk Management Department. Policies and procedures set out by these committees are implemented and monitored via the Risk Management Department.



Principal risk management

Credit risk (CR)

Outline

Credit Risk is the risk arising from failure of the counterparties to honour their financial obligations to the Company in a timely manner. These include principal lent, interest thereon as well as other charges associated therewith. With more than 90% of the assets of the Company representing interest earning assets/ lending portfolio, credit risk accounts for 96% of the total risk weighted assets. Hence, the magnitude of the impact of credit risk arising from deterioration in asset quality can be severe for the Company. As a result, People's Leasing uses robust and dynamic risk management policies and procedures to manage its credit risk. People's Leasing identified two main components of credit risk viz, default risk, and concentration risk.

Credit risk management

Credit Management at People's Leasing consists of two facets:

- Disbursement management process
- Default management process

Disbursement management process

People's Leasing strongly believes that comprehensive and well-articulated credit policy and procedures help overcome high levels of delinquencies. Therefore, People's Leasing has clearly defined credit policies and approval limits for new disbursements and these guide the day-to-day routine operation of credit to minimise default risk and the concentration risk.

Following factors are taken in to consideration by the Company in managing the credit risk:

- Establishing an appropriate credit risk environment
- Operating under a sound credit granting process

Risk management

Establishing an appropriate credit risk environment

The Board of Directors sets out the credit risk strategy of the Company. During the financial year 2018/19, Board approved the credit policy drafted by the risk department of the Company. Risk department reviewed the processes and procedures of the Company in relation to credit risk in consultation with the CEO and two Senior DGMs and performed the relevant changes for the credit strategy with the approval of the Board of Directors.

Two Senior DGMs operations, Zonal heads and Branch heads implemented the set credit strategy in day-to-day operations in relation to disbursements, default management and legal documentation aspects. Further to this, RCD reported the risks associated with the product portfolio to the IRMC during the financial year and incorporated suitable amendments to the policies and procedures of the Company.

Operating under a sound credit granting process

People's Leasing is mainly engaged with the subprime customer base. Hence, the need for stringent credit appraisals to avoid possible losses for the Company cannot be overemphasised.

People's Leasing's credit granting process is mainly decentralised. Major part of the credit originated at the branch level except margin trading and some of the factoring products. The credit proposals are evaluated and processed based on the credit policy and the operational guidelines of the Company. Key functions in the credit life cycle are depicted in the diagram below:

Key aspects in the credit life cycle of People's Leasing —

People's Leasing's risk management policies and procedures make sure that credit risk is managed throughout the life cycle of credit. RCD reviews the process from time to time and effects changes to the policies and procedures with respect to risk exposure limits.

Initial discussion with the marketing officer

- Need identification
- Verbal discussion on repayment capacity

↓

Due diligence by PLC

- Purpose of the facility
- Creditworthiness (CRIB)
- Repayment ability/cash flow
- Type of mortgage

↓

Legal check is carried out by the legal department

- Title of the asset
- Other mortgages

↓

Valuation of the asset

- Independent valuation report on the asset

↓

Loan sanction

- If PLC is convinced credit approval is granted

↓

Formal agreement

- All the terms and conditions are included and the loan agreement is signed

↓

Property registration

- Property is mortgaged or the vehicle is transferred

↓

Disbursement of the loans

- After the payment recommendation loan is disbursed to the customer

Segregation of duties

Independent risk assessment and risk treatment

Delegation of authorities

Segregation of duties

Clear segregation of duties in the credit granting process is a key aspect to manage the credit risk at People's Leasing. Well-articulated credit execution and approval process minimise the risks associated with the credit granting. People's Leasing has allocated lending officers with different perspectives in to the credit approval process and therefore, each perspective is taken in to consideration when disbursing lending facilities.

RCD provides inputs in managing the credit risk throughout the life-cycle of the lending facility.

Independent risk assessment and risk treatment

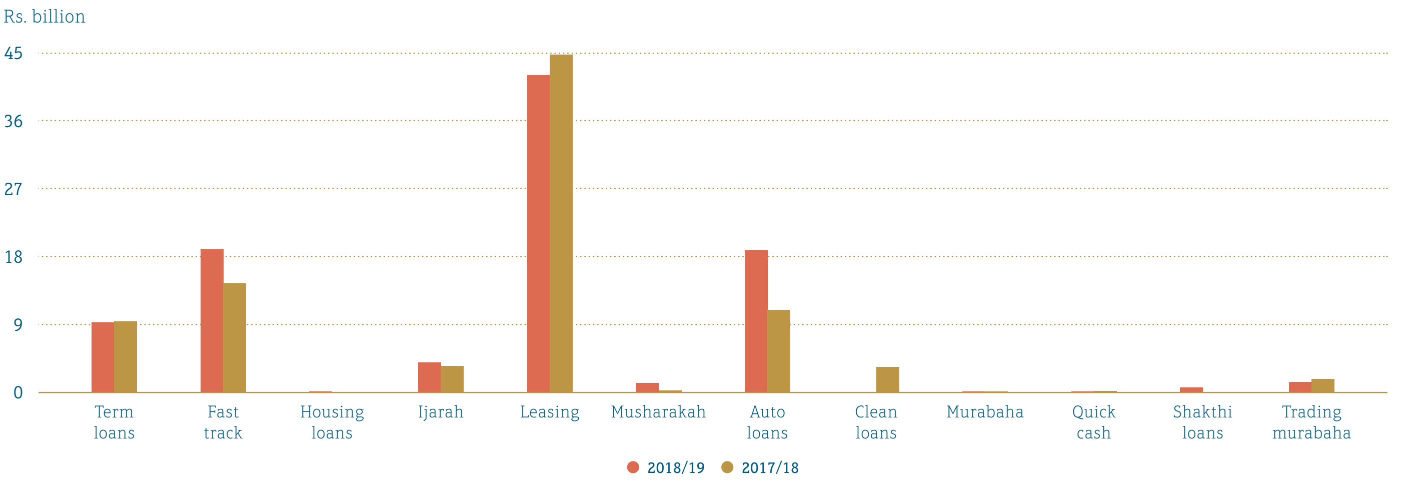
Individual, Corporate and SME facilities are reviewed independently by the different levels based on the disbursement amount of the facility. RCD took part and provided recommendations to the higher approving authorities when the disbursement value exceeded the predefined limits.

Delegation of authorities

Risks of the facilities are verified based on the authority limit assigned to each approving officer ranging from Branch Manager to the SM – Operations, CM – Operations and SDGM – Operations and the CEO. RCD provides credit evaluation throughout the life cycle of the lending facility.

Risk management

Product-wise disbursement



During the year under review, People's Leasing disbursements increased by 8.46% which stood at Rs. 95.29 billion. Leasing remained the main contributor at 44.01% of the total disbursement of the Company. Fast Track disbursements grew by 31.80% which represents 19% of the total disbursements.

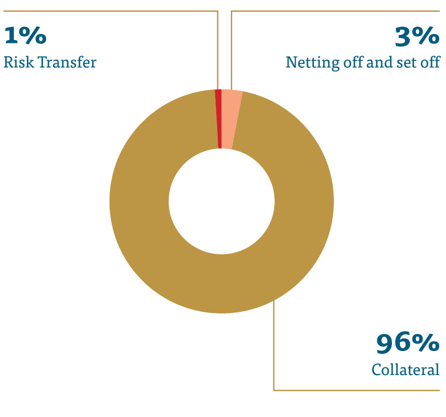
Tougher market conditions due to certain macroprudential developments forced People's Leasing to follow a more stringent credit appraisal mechanism, leading to a marginal growth in disbursements.

Credit risk mitigation methodologies

People's Leasing employed a range of techniques and strategies to mitigate the credit risk of the Company. They included –

- Netting and set-off
- Collateral
- Risk transfer

Credit risk mitigation



Netting and set off

People's Leasing adopted this as an effective form of risk management. During the year under review, following product adopted these methods.

Loans against fixed deposits

– SelfeCash
We granted loans up to 80% of the value of the fixed deposit being held by the Company. At the point the loan value exceeds the fixed deposit value, system automatically identifies them and informs respective fixed deposit officer to settle the loan to avoid any default risk.

– Margin trading
People's Leasing provided margin facilities to purchase shares for the investors. Once the minimum margin requirement falls based on the stipulated standards, People's Leasing sold off the shares and recovered the dues.

– Factoring
Factoring product provides working capital requirements for the businesses. People's Leasing offers factoring, bill discounting, cheque discounting, invoice discounting for corporate, semi-corporate and SME customers. At the point where loan outstanding exceeds 80% of the invoice value People's Leasing sets off the loan amount from the respective debtor or the payee.

Collateral

People's Leasing uses collateral as an effective mode of risk management for the loan portfolio. People's Leasing has the right to call upon the collateral of the counterparty in the event of default. We always make sure that the exposure of a loan is limited to realisation value of the asset at any given point.

- Leases/Ijarah

People's Leasing provides leasing facility for an underlying asset most probably a vehicle or equipment. We keep the legal rights of the assets and have the right to request for the asset at any given point if the counterparty fails to honour the contractual settlements.

- Auto loans/motor loans

These facilities have been secured with underlying motor vehicles. Although we do not obtain the absolute ownership, we ensure that these vehicles are mortgaged to the Company. As a result, at any given point People's Leasing can take necessary measures and own the vehicle to recover the outstanding amount.

Risk management

Risk transfer

A range of instruments including personal guarantees, negotiable documents guarantees, and credit insurance has been used by People's Leasing to transfer the risk of the counterparty.

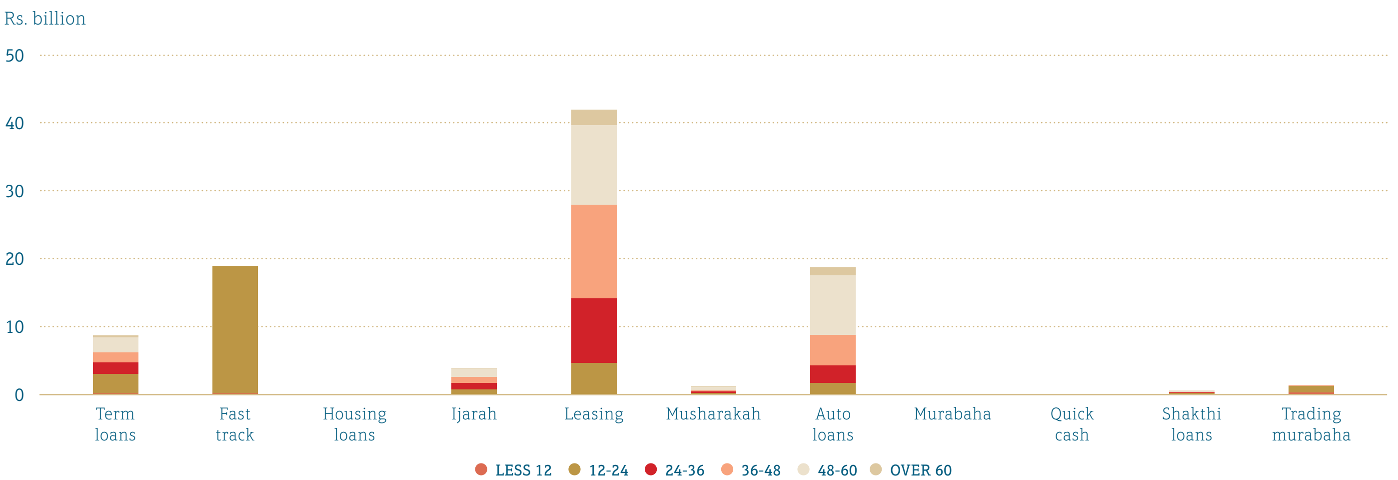
Quick loan is designed for the permanent salaried employees without any collateral. This is similar to personal loan. Two guarantors are compulsory as a security for the disbursement of the loan.

Concentration risk

Concentration risk refers to the level of risk our portfolio is exposed to arising from concentration to a single counterparty, sector, product, geography, or industry. Management of the concentration risk is through diversification of the portfolio throughout sectors, industries, customers, and geographies.

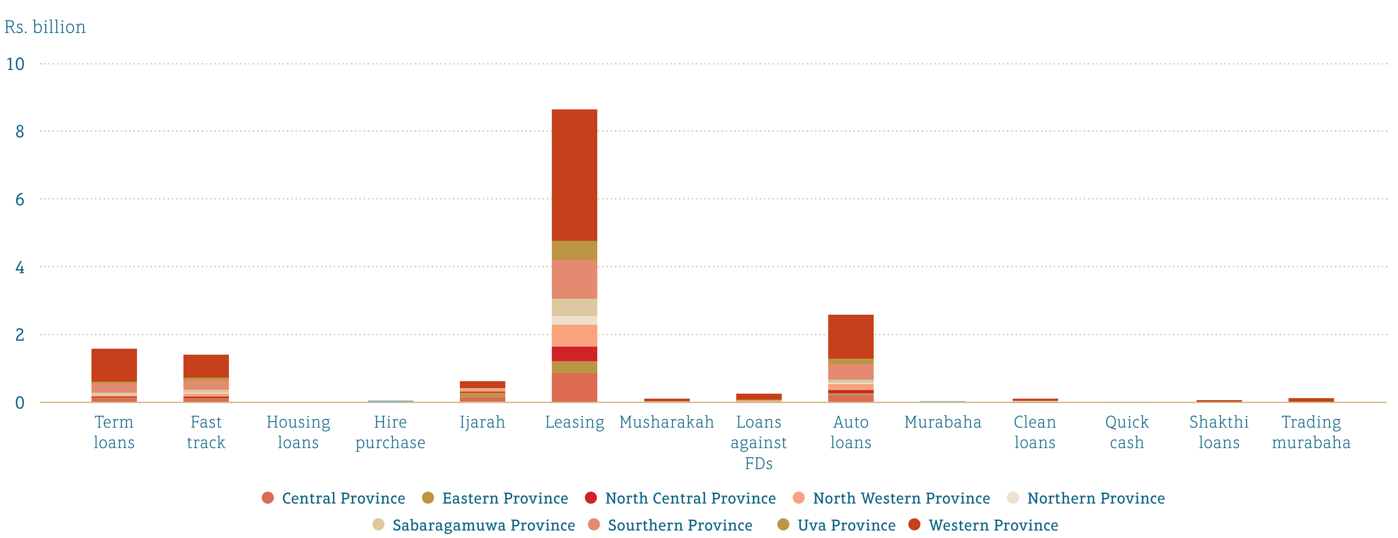
IRMC decides the concentration levels for each industry and the single borrower limits. RCD continuously monitors the exposure levels to the management and the IRMC.

Disbursements of loans and advances product-wise/tenure-wise



Disbursements during the year mainly concentrated within 12 – 60 months maturities, which accounted for around 95% of the total. We introduced products with extended maturities during the financial year. Granting consists of 3.89% concentrated on above 6 years maturities. Fast Track product concentrated around 12 – 24 months maturities simply because this product has been used for the short-term working capital requirements of the customers.

Product-wise/Geography-wise portfolio



Risk management

Our portfolio concentrated mainly on the Western Province and the Leasing product. The Leasing product itself contributed 55% of the portfolio whilst Western Province reflected 47% of the portfolio. RCD closely monitors the security and the Loan to Value Ratio of the Leasing product to minimise the concentration within this product. Diversified portfolio of vehicles, properties, machinery and equipment were taken as collateral and required LTV ratios were maintained.

Default risk (DR)

Default risk is the risk of potential financial loss resulting from the failure of customers/counterparties to meet their debt and contractual obligations.

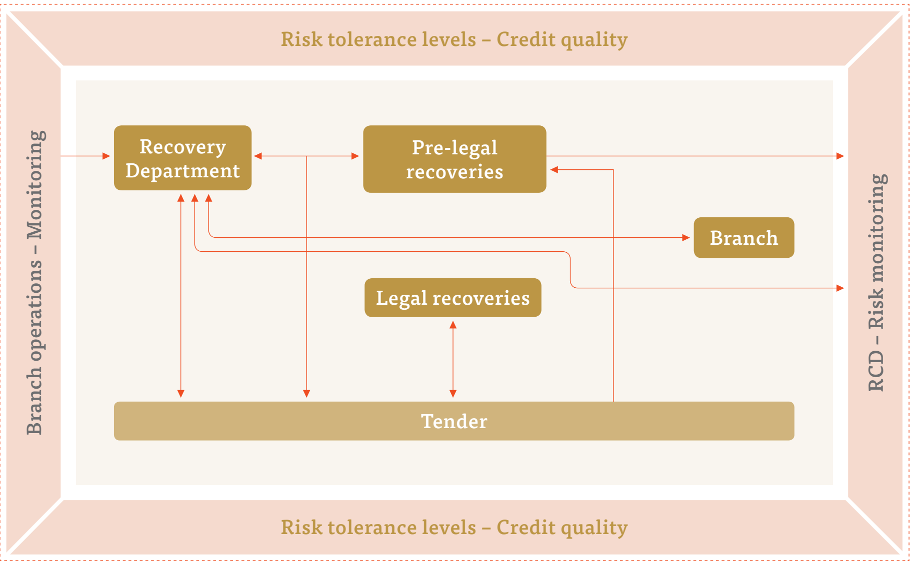
Default management process –

Default risk is the potential financial losses that People's Leasing may incur due to customer or counter parties failure to meet contractual obligations as agreed.

Default management is one of the key aspects in the People's Leasing risk management. We have a dedicated Recovery Department headed by a DGM who is responsible for this aspect. Both the Legal Department and the Risk and Control Department assisted the Recovery Department to manage the defaults during the financial year.

Company has a well organised recovery structure based on three pillars –

- Branch Recovery
- Pre-legal
- Legal

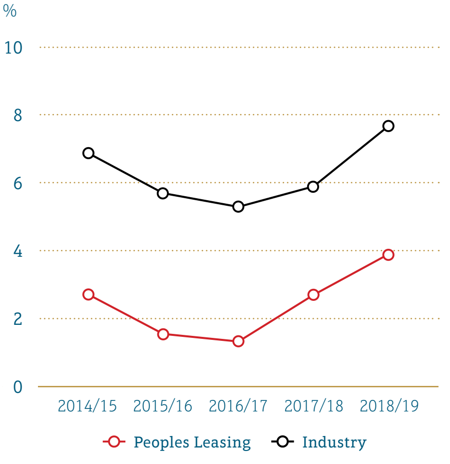


Default risk management and monitoring

Integrated Risk Management Framework of People's Leasing is well equipped and dynamic to absorb the shocks arising from credit. So, out of the total assets, lending portfolio accounted for a major part of the assets base, which exposes People's Leasing to default risk by the counterparties.

In terms of profitability, default provision accounted for 3.51% of the profits during the year under review. The Risk and Control Department of the Company assists the two zones and the Recoveries Department with the assistance of the Legal Department to manage the default risk effectively and efficiently.

Industry vs People's Leasing Non Performing ratio



During the year under review, Industry NP ratio as of 31 December 2018 recorded at 7.70% when compared to 5.9% reported in 2017. However, we managed to record 3.91% NP ratio, well below that of the industry but recorded a growth when compared to 2017, which stood at 2.70%.

The main reasons attributable to this increase are unfavourable weather conditions and slowing down of the economic activities during the year. We adopted a sound credit evaluation process and default management techniques which paved the way to manage the non-performing ratio well below the industry.

An assessment of the credit portfolio based on the Risk tolerance levels set by the IRMC, showed that People's Leasing's risk profile stood at a moderate. RCD monitors the KRIs on a monthly basis to identify the trends in the NP ratio of the Company and communicated them to the Management.

Adoption of the expected loss model

In line with the SLFRS 9 adoption, losses for impaired loans and receivables are recognised promptly when there is objective evidence. Impairment allowances are calculated on an individual and collective basis. Impairment losses are recorded as charges to the Statement of Profit or Loss. The carrying amount of impaired loans and receivables on the Statement of Financial Position is reduced through the use of impairment allowance accounts. Losses expected from future events are not recognised.

Collective impairment allowance is determined based on the following factors:

- Historical loss in portfolios with similar credit risks
- Impact of current economic conditions over the performance of the credit

Individual impairment allowance is determined based on following factors:

- Significance of the customer exposure
- Any signs of objective evidence of loss

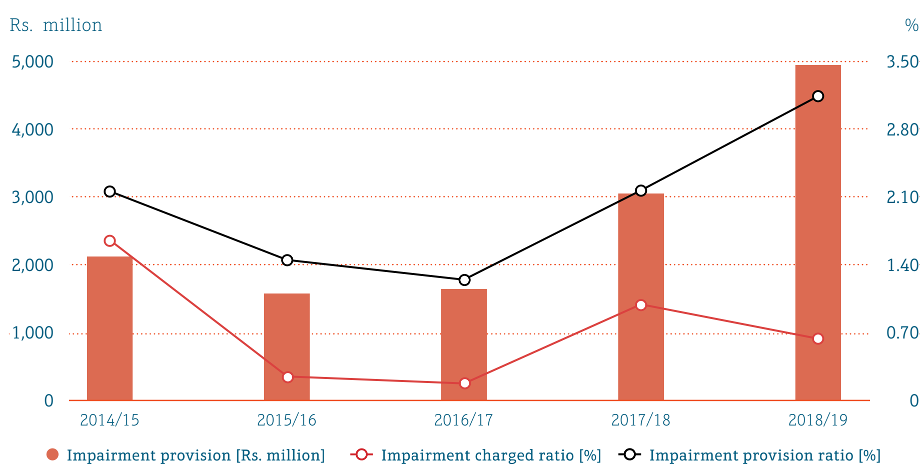
Expected Credit Loss (ECL)

Measurement of ECL involves increased complexity and judgement, including estimation of probabilities of default (PD), loss given default (LDG) and a range of future economic scenarios. Impairment charges will tend to be more volatile and judgemental under SLFRS 9 and will be recognised earlier. Unsecured credit such as clean loans and quick cash are the most impacted.

ECL	Stage 1	Stage 2	Stage 3	Total
Portfolio	114,902	26,640	15,109	156,652
Impairment	782	616	3,547	4,944
Ratio (%)	0.68	2.31	23.47	3.16

Days past due for stages 1, 2 and 3 are 0 to 30 days, 30 to 90 days and above 90 days respectively.

Impairment



During the financial year 2018/19, impairment provision ratio increased by around 1% due to recognising expected losses as well. This had an impact over the impairment charged ratio too. We recorded a Rs. 993.32 million impairment charge although arrears of the Company declined when compared to the previous year.

RCD of the Company performed stress testing and looked into the impact on the profitability and reported to the IRMC while the Recoveries Department took corrective actions.

Impact of increase in the level of loss ratio

Magnitude of shock (%)	10	15	20
Impairment charge to P&L Rs. '000	1,489,981	1,707,009	1,924,036
Increase in impairment charge Rs. '000	424,054	641,081	858,108
Return on assets	3.77	3.64	3.51

Risk management

Market risk (MR)

Market risk refers to the risk of loss arising from the potential adverse changes to the values of the Company's assets and liabilities from the fluctuations in market variables including but not limited to interest rates, equity prices, foreign exchange rates, and commodity prices.

Managing the market risk

Integrated Risk Management Framework contains well-articulated policies and procedures to manage the market risk. Major part of our assets and liabilities are at book balance which represents 99% of the total assets and 100% of the total liabilities. RCD has been reporting to IRMC and the Management based on market risk policies, tolerance limits, and market triggers. Monthly ALCO meetings which are organised to review mainly the interest rate risk reviewed and adjusted the lending and borrowing rates to minimise the possible adverse impact.

Composition of the balance sheet in terms of trading and non-trading portfolio

As at 31 March 2019	Trading book Rs. million	Non-trading book Rs. million
Assets		
Cash and cash equivalents		3,294
Balances with banks		3,405
Financial assets – held for trading	23	–
Loans and receivables	–	151,708
Financial assets – OCI	125	–
Debt instruments	–	8,002
Investment in subsidiary	–	3,213
Investment in associate	–	238
PPE and other assets	–	2,532
Total assets	148	172,393
Liabilities		
Due to banks	–	27,274
Due to customers	–	88,369
Debt securities issued	–	21,275
Other financial liabilities	–	7,020
Shareholders' funds	–	28,603
Total liabilities	–	172,541

The trading book represents the assets held by the Company with the intention of trading whilst the non-trading portfolio represents the assets held without any trading intent. The table below shows People's Leasing's assets which were prone to market risk and assets which did not involve any market risk.

Interest rate risk

The risk that a firm is exposed to capital or income volatility because of interest rate exposures of assets and liabilities. Along with the gradual increase in the interest rates during the year, our interest risk increased slightly. RCD closely monitored and evaluated the magnitude of risk through stress testing and monitoring tolerance levels and reported to the IRMC and the Management.

Staying on course

Risk management

Interest rate sensitivity analysis gap ('000)

The table below depicts the interest rate risk exposure at People's Leasing on its non-trading financial assets and liabilities. Assets and liabilities are at their carrying amounts in the balance sheet categorised in to each band based on the contractual re-pricing point.

Description	On demand	Less than 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years
Financial assets	8,636	25,342	49,023	65,998	19,344	80
Financial liabilities	11,452	35,903	46,535	27,651	15,255	119
Interest rate sensitivity gap	(2815)	(10,562)	2,487	38,346	4,089	(39)

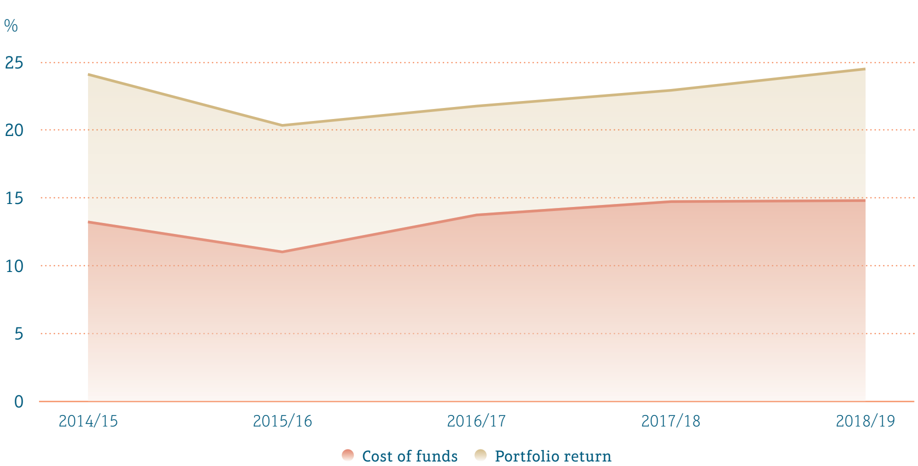
Stress test on NII on the interest rate shock

The table below depicts the magnitude of the impact of the fluctuations in the market rates on the earnings of People's Leasing. Fluctuations in the market rates affected the profitability of the Company and not the market values of the products.

Upward trend in the market interest rates increases the funding cost of the Company, in the areas of fixed deposits and savings as well as funding through debt instruments. Based on the movements in the AWPLR and the predictions and perceptions, RCD performs stress testing and updates the Management and the IRMC about the potential impact.

Impact on NII	**2019**		2018	
Rs. '000	**Increase**	**Decrease**	Increase	Decrease
1%	**(53,540)**	**53,540**	(94,953)	94,953
3%	**(160,619)**	**160,619**	(284,860)	284,860
5%	**(267,698)**	**267,698**	(474,766)	474,766

Interest spread management



We took timely steps to manage the interest spread during the year. RCD provided the necessary guidance to the Management about the trends of the market interest rates and their impact on the profitability through stress testing. ALCO meets monthly and decides the lending and borrowing rates of the Company. The Graph below depicts the portfolio return and the cost of funds during the year. It was evident that People's Leasing took timely steps to manage the profitability by exploiting the fluctuations in the market. People's Leasing introduced variable rate loans to tackle the interest rate risk.

Commodity price risk

This is the uncertainty that adversely impacts the financial results of the company due to change in Gold prices. PLC commenced gold loan facilities to the customers with the aim of providing extended facilities under one roof. RCD closely monitors the fluctuations in the Gold prices in the world market. People's Leasing adopted a LTV on the maximum loan amount which is mainly based on the Gold prices, purity and the weight of gold content.

ALCO will decide the LTV and adjust the loan quantum per gram price. Although exposure is not material in current context, RCD closely monitors the Gold price movements in the market and advises the management accordingly.

Equity price risk

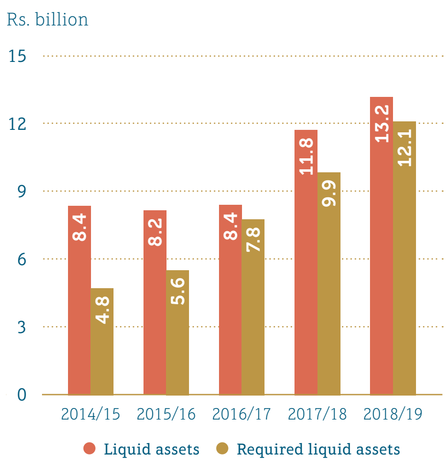
Equity price risk is the risk that the fair value of equities may decrease as a result of changes in levels of equity indices and the value of individual stock. Market exposure of the PLC over the equity interest is negligible. However, ALCO monitored the equity investment values against the stop loss limit. The equity investment portfolio recorded a market value of Rs. 148.83 million as at 31 March 2019 (refer page 366).

Risk management

Liquidity risk

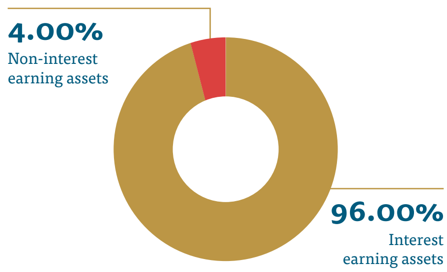
Liquidity risk refers to the inability of a firm to settle its financial obligations, without having to incur major losses. This usually happens due to mismatches in the maturities of assets and liabilities and the inability to convert assets in to cash without incurring losses. People's Leasing maintains its liquidity in excess of regulatory requirements. RCD continuously monitors the liquid assets position of People's Leasing and reports any deviations to the Management.

Liquid assets vs required liquid assets



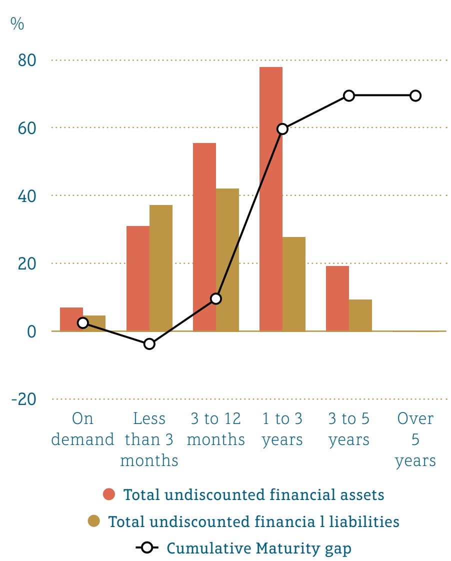
As a financial intermediary, People's Leasing is inherently vulnerable to this risk. This creates a mismatch between assets and liabilities. RCD continuously monitors the maturity mismatches and reports to the ALCO and the IRMC.

Interest earning vs Non-interest earning Assets



As per the graph, 96% of the Company's assets represent interest earning assets with only 4% being in non-interest earning assets. Main component of the non-interest earning assets represents the land and buildings. The Company maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption to cash flows. The Company also has committed lines of credit that it can access to meet liquidity needs in the event of any contingency.

Contractual maturities and the maturity gap

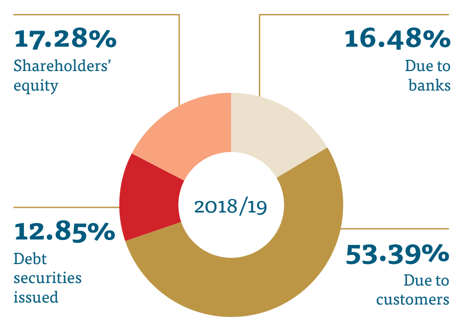


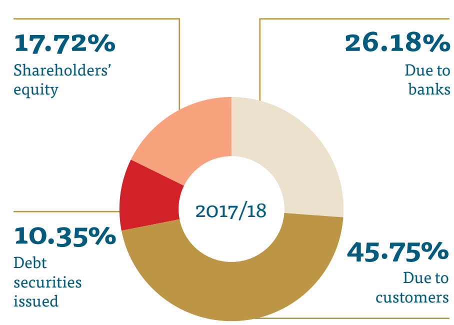
People's Leasing was able to manage the funding requirements for the business cycle with minimal gaps during the year. Except for in the less than three-month bucket, People's Leasing was able to manage the funding with positive liquidity position on the contractual cash flow maturities in all other buckets.

Funding structure

By adopting sound liquidity risk management practices, we were able to monitor and adjust its funding structure in a manner that exerted least pressure on the liquidity position of the Company. During the financial year, People's Leasing mainly focused on long-term fixed deposits and savings, with less focus on bank borrowings. Credit rating plays a critical role in sourcing funds for the Company. People's Leasing managed to retain international rating of B- from Fitch Rating International.

Funding structure





Staying on course

Risk management

People's Leasing funding strategy is more focused on customer deposits. Excess liquidity in the market enabled us to source low cost funding with longer maturities directly from the customers. On the other hand, bank borrowings and the debt securities market preferred shorter tenures due to uncertainties in the market.

Operational risk

The risk of loss to the Company arising from inadequate or failed processes or systems, human factors or due to external events where the root cause was not due to market or credit risks.

Like for any other organisation, operational risks are inherent to People's Leasing as well. Our objective is to manage it in a more cost effective manner or to eliminate those risks wherever possible without affecting the Company. Our operational risk management framework is a set of guidelines issued by the Company to identify, manage and report possible operational risks.

Operational risks at People's Leasing comprise following aspects:

- Physical security and premises
- Data management and information technology
- People-related risks and supplier risks
- Cash management and fraud
- Natural disasters and other external events

Operational risk mitigation

Strong internal control framework

People's Leasing put in place robust and sound internal control framework with well-articulated segregation of duties, policies, procedures. This includes both the IT related controls and manual controls. Audit assignment makes sure the adherence to the laid down policies and procedures. Internal audit, external audit and RCD makes sure the efficiency and effectiveness of internal controls.

Physical security and premises risks

People's Leasing has clear policies and procedures related to the security of its personnel and physical assets. We adopted policy frameworks for property acquisition and disposal during the year under review. Logistic Department of the Company monitors the implementation of these guidelines. The security of the Company has been outsourced to a third party.

Apart from this, People's Leasing operates CCTV, with a policy adopted by Board and operational guidelines and procedures for effective utilisation with the assistance of ICT Department of the Company.

Data management and information technology

Data management and information technology are key aspects in the operational risk management framework at People's Leasing. We have introduced and modified an Information Security Policy to mitigate the growing risks faced by the Company in this regard. Sensitive information related to customers is available within our system. Being one of the largest NBFI in the market, Our core systems and data base of customer information are highly sought after assets. So, operational risk on information technology is an area where we need to focus a lot on.

Well-articulated policies and procedures followed by different authority levels and clear segregation of duties have been implemented by the Company to avoid information loss and financial loss. During the year under review, there were no reported incidents involving loss of data.

Risk management

People-related risks

Set of risks faced by People's Leasing due to employing and managing people. Key functions related to Human Resource Management expose the Company to certain risks, some of which may be regulatory. Since People's Leasing is operating in a highly regulatory industry with a lot of on-site and off-site surveillance by the Central Bank of Sri Lanka, People's Leasing needs to attract and retain the best talent to ensure compliance and undertake its business activities responsibly within the Organisation.

Retained people need to be equipped with latest knowledge about systems, processes and regulatory environment, more importantly, on the customer handling and interactions. This specific area has high correlation to other risk aspects as well. So, People's Leasing maintained a high focus on this aspect.

During the year under review, employee rotation and compulsory leave policy has been introduced to identify possible operational risks and malpractices. Please refer page 112 for HR related reports.

Payment process and fraud related risks

The risks of related to payments may arise from processing delays or effecting payments without appropriate authentication and proper authorisation. Lapses may occur throughout the process from initiation of the payment process to the external settlement. This function is solely handled by the Finance Department of the Company. The payment function has been centralised at the head office but the initiation of the payment may occur at branch level. People's Leasing provided different methods of settlements for the customers such as cash, cheque and SLIPS. People's Leasing has laid down clear segregation of duties and authority levels and approval levels. Payment processing is done at the head office within the Finance Department. Payments are independently verified for their authenticity. The cashier function is held at the branches under the purview of the branch manager, second officer and cash officers. Internal Audit Department carries out ad hoc audits and cash counts to deter and detect malpractices, since People's Leasing has identified the aspects of cash management as a vulnerable area and prone to frauds and malpractices.

Fraud risk identified as financial loss when internal and external parties act dishonestly with the intent of getting undue benefit which may cause losses to the Company or its customers. During the year under review, RCD reported nine incidents of fraud, to the IRMC.

Natural disasters and other external events

Natural disasters and other external events which are beyond the control of the Company and hence, unavoidable may have an impact on the value of its assets. People's Leasing has transferred such risks to insurance companies by adequately insuring all its assets against such events.

In the event of such a situation, People's Leasing has developed a comprehensive Business Continuity Plan in compliance with the professional practices prescribed by the Disaster Recovery Institute International of USA. RCD reviews the implementation plan, operational controls and training to function at a point of disaster. IRMC quarterly reviews the progress.

Regulatory risks

This refers to the potential risks People's Leasing may face due to non-compliance with the applicable legal and regulatory requirements or contractual obligations. This may lead to reprimanding, sanctions or even imposition of penalties for the Company which may in turn adversely impact its business operations and cause financial losses for the Company. People's Leasing has a dedicated department headed by the Senior Manager Compliance who is an Attorney-at-Law. Apart from the Compliance Department, Legal and Finance Departments of the Company too contributed towards compliance function of the Company.

Reputation risk

Reputation risk is the losses that People's Leasing is prone due to actions, transactions, investment or events that will impair the trust, integrity and competence by the customers, clients, counterparties, employees, regulators or the general public.

People's Leasing maintained a controlled culture within the organisation and a code of ethics has been implemented. Any deviation on acting upon them will subject those responsible to disciplinary actions. People's Leasing employees need to act in good faith and maintain integrity in their actions. Marketing department of the Company invested in the CSR activities that benefited the society from whom we earned a considerable portion of our profit. Please refer Embodying Responsible Stewardship section on pages 130 to 145 for further details.

Money laundering and terrorist financing (ML/TF) risks

Money laundering and Terrorist Financing (ML/TF) is considered as a key risk faced by the NBFI Sector in Sri Lanka. Central Bank stipulated rules and guidelines have been issued to the NBFI sector which need to be complied by PLC as well.

Compliance department is closely monitoring any triggering events related to the ML and TF. PLC took measures to screen the Loans and Leases, Fixed deposits and savings in this regard though an automated customer screening and Anti Money laundering applications. During the year under review, no suspicious transactions were reported.

Strategic risk

These are uncertainties or losses arising from fundamental decisions taken by the management in respect of organizational objectives. Essentially at PLC strategic risks are the risks of failing to achieve business objectives.

Board set KPIs for the Company through strategic plan and the Annual budget of the company by aligning Vision, mission of the Company. Board evaluates the company performance based on the set KPIs. RMD closely monitors the developments and reports to the management and the Board on the areas with high risks. So, Board can take corrective actions and put the Company on track if any deviations are noted.

Capital adequacy

Financial intermediaries need to be resilient to the external and internal shocks and hence, sufficient Capital Adequacy is of paramount importance. Regulations have been introduced to avoid non-banking financial institutions failures, to promote stability in the sector, safety and soundness of the system, to prevent systematic disaster and ultimately reduce the losses to the non-banking institution depositors.

New Capital Adequacy Framework for LFCs has been introduced with a view to fostering a strong emphasis on risk management and to encourage improvements in LFCs risk assessment capabilities. People's Leasing recorded a Tier 1 Capital Adequacy Ratio at 14.36%, well above the regulatory requirement of 6% whereas Tier II capital ratio was recorded at 15.20%.

Item	2019 Rs. '000	2018* Rs. '000
Tier 1 capital	**26,517,785**	26,515,109
Total capital	**28,065,758**	23,733,489
Total risk-weighted amount	**184,632,632**	144,222,712
Total risk-weighted amount for credit risk	**163,078,710**	–
risk-weighted amount for operational risk	**21,553,922**	–
Tier 1 ratio (%)	**14.36**	18.38
Total capital ratio (%)	**15.20**	16.46

*Capital adequacy ratio computed and reported based on the previous CBSL guidelines.

Market share in NBFI sector

12.05%

2018 – 11.86%

Staying on course

Evaluating our performance

Managing capital

Being a financial services provider and as a result of the role it played in the establishment and perpetuation of the business, financial capital is a dominant input for our value creation process.

On one hand, we need to generate a return on equity acceptable to the shareholders which can only be done by operating at higher levels of gearing since the return on assets in our industry is inherently lower. On the other hand, given the stewardship role we play, we need to be accountable to the customers whose deposits are used for lending. The underlying activities of financial intermediation and maturity transformation elevate our risk profile compared to players in other industries. As a result, we are subject to stringent and mounting capital requirements, making our operations a capital-intensive business.

In the context, we are cognisant of the need to prudently manage the available capital while balancing the risks undertaken and the returns generated and creating leeway for expansion and growth in the future. We also acknowledge that funding and liquidity is no less important than capital for our sustainability. As a 75% owned subsidiary of the People's Bank, the second largest commercial bank in the country, People's Leasing financial stability and strength need not be overemphasised. Besides a loyal following of shareholders, we have been able to augment our capital over the years through the profitable operation and the prudent dividend policy.

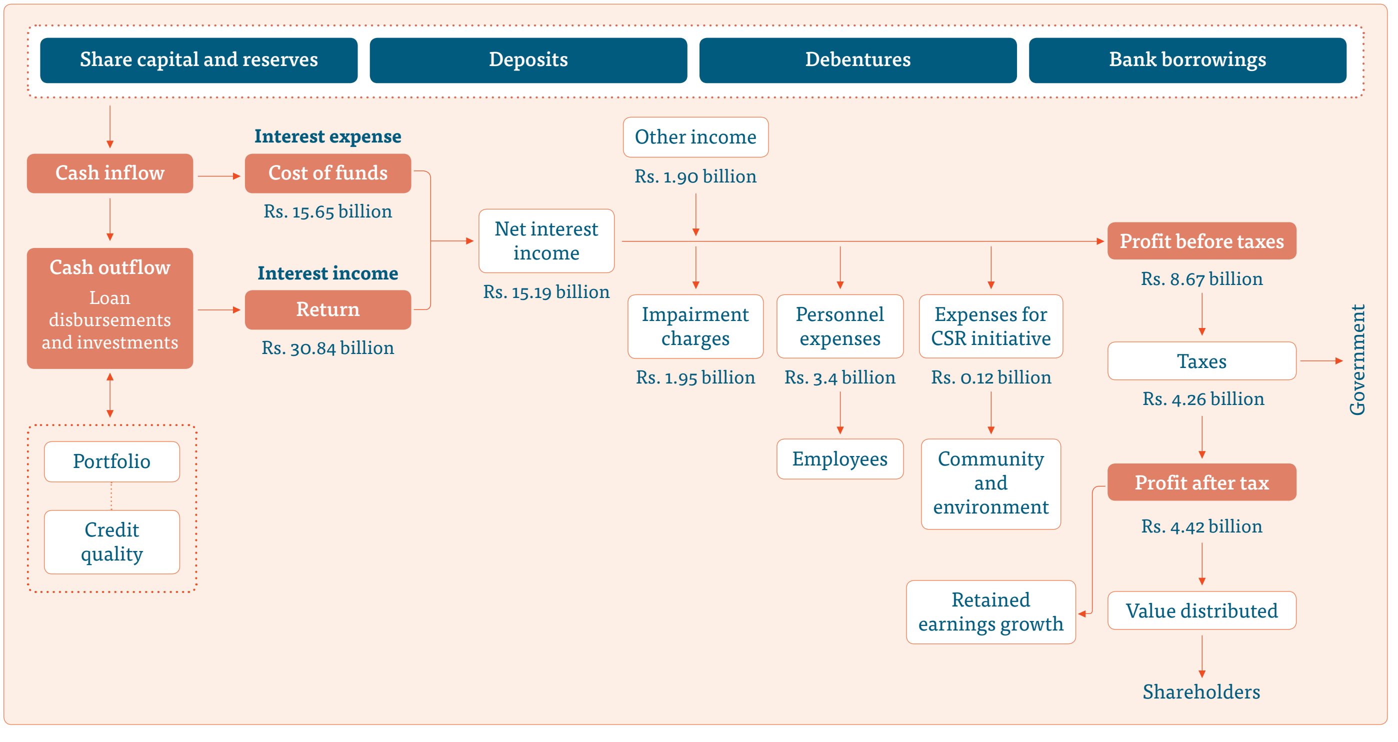
Leveraging the shareholders' funds of Rs. 27.03 billion, People's Leasing has been able to mobilise deposits to the tune of Rs. 69.76 billion and resort to borrowings of further Rs. 55.71 billion, thereby funding a total asset base of Rs. 160.69 billion as at 1 April 2018 with an on-balance sheet gearing of 4.64 times. Corresponding figures as at 31 March 2019 were Rs. 28.60 billion and Rs. 88.37 billion and Rs. 48.55 billion respectively with an on-balance sheet gearing of 4.79 times. This is a reflection of our stability, robustness of our financial intermediation and the financial value we have been able to create in the process.

Summary of our performance

Despite the challenging and complex operating environment, People's Leasing successfully completed the financial year 2018/19 recording its highest ever profit after tax of Rs. 4,416.12 million. This profit was achieved even after accounting for the newly introduced Debt Repayment Levy which resulted an unbudgeted expense of Rs. 436.97 million and the additional impairment charge of Rs. 348.79 million made for the Company's investment in People's Merchant Finance. Political uncertainty coupled with various policy measures taken to curtail vehicle importation resulted lower level of client activity in our leasing business. However, we saw our loan portfolio growing at a faster rate permitting us to secure the largest loans and receivables portfolio in the non-banking financial institutions sector as of the financial year-end. Headline interest income surpassed Rs. 30 billion mark and reached Rs. 30,836.30 million while reflecting 15.47% increment over the interest income recorded in the previous financial year.

Our balance sheet remained strong with the second largest asset base in the NBFI sector of Rs. 172,541.28 million up by 7.37% compared to the last year. Net assets value per share improved to Rs. 18.10 from Rs. 17.11 as at 31 March 2018 demonstrating our commitment to deliver long-term value to our shareholders.

A detailed analysis of our financial performance during the year under review follows:



Evaluating our performance

Staying on course

Statement of profit or loss

For the year ended 31 March	Company 2019 Rs. '000	Company 2018 Rs. '000	Company Change %	Group 2019 Rs. '000	Group 2018 Rs. '000	Group Change %
Gross income	**32,735,639**	28,603,037	14.45	**38,356,205**	33,144,417	15.72
Interest income	**30,836,300**	26,704,635	15.47	**32,234,340**	27,582,045	16.87
Less: interest expense	**15,646,099**	14,500,158	7.90	**15,891,298**	14,626,672	8.65
Net interest income	**15,190,201**	12,204,477	24.46	**16,343,042**	12,955,373	26.15
Net earned premium	**–**	–	–	**4,728,573**	4,053,270	16.66
Fee and commission income	**1,508,952**	1,378,361	9.47	**1,004,297**	819,727	22.52
Net gains/(losses) on financial assets – FVTPL/Held for trading	**(27,887)**	18,987	(246.87)	**(44,351)**	59,910	(174.03)
Net gains/(losses) from derecognision of financial assets	**–**	–	–	**–**	–	–
Other operating income	**418,274**	501,054	(16.52)	**433,346**	629,465	(31.16)
Total operating income	**17,089,540**	14,102,879	21.18	**22,464,907**	18,517,745	21.32
Less: impairment charges for loans and receivables and other losses	**1,586,506**	1,429,971	10.95	**1,708,203**	1,470,062	16.20
Impairment charges for investment in associate	**348,794**	–	100.00	**152,572**	–	100.00
Impairment charges for goodwill	**19,580**	–	100.00	**19,580**	–	100.00
Net operating income	**15,134,660**	12,672,908	19.43	**20,584,552**	17,047,683	20.75
Less: expenses						
Personnel expenses	**3,438,167**	2,974,253	15.60	**4,166,618**	3,391,640	22.85
Depreciation and amortisation	**179,607**	192,506	(6.70)	**302,360**	294,235	2.76
Benefits, claims and underwriting expenditure	**–**	–	–	**3,328,705**	2,776,132	19.90
Other operating expenses	**2,844,419**	2,436,355	16.75	**3,048,420**	2,543,486	19.85
Total operating expenses	**6,462,193**	5,603,114	15.33	**10,846,103**	9,005,493	20.44
Operating profit before taxes on financial services	**8,672,467**	7,069,794	22.67	**9,738,449**	8,042,190	21.09
Less: tax on financial services	**2,087,210**	1,300,122	60.54	**2,117,910**	1,326,916	59.61
Operating profit after taxes on financial services	**6,585,257**	5,769,672	14.14	**7,620,539**	6,715,274	13.48
Share of profit/(loss) of an associate (net of tax)	**–**	–	–	**(33,234)**	(52,942)	37.23
Profit before income tax expense	**6,585,257**	5,769,672	14.14	**7,587,305**	6,662,332	13.88
Less: income tax expense	**2,169,136**	1,460,342	48.54	**2,576,037**	1,644,619	56.63
Profit for the year	**4,416,121**	4,309,330	2.48	**5,011,268**	5,017,713	(0.13)
Profit attributable to –						
Equity holders of the Company	**4,416,121**	4,309,330	2.48	**4,813,578**	4,816,920	(0.07)
Non-controlling interest	**–**	–	–	**197,690**	200,793	(1.55)
Profit for the year	**4,416,121**	4,309,330	2.48	**5,011,268**	5,017,713	(0.13)
Basic/Diluted earnings per ordinary share (Rs.)	**2.80**	2.73	2.56	**3.05**	3.05	–
Dividend per ordinary share (Rs.)	1.25	1.25	–			

Evaluating our performance

Statement of financial position

As at 31 March	Company 2019 Rs. '000	Company 2018 Rs. '000	Company Change %	Group 2019 Rs. '000	Group 2018 Rs. '000	Group Change %
Assets						
Cash and cash equivalents	**3,294,055**	4,412,683	(25.35)	**4,310,595**	4,765,518	(9.55)
Balances with banks and financial institutions	**3,404,533**	4,370,473	(22.10)	**7,375,423**	8,758,715	(15.79)
Financial assets – Fair value through profit or loss/Held for trading	**23,190**	174,736	(86.73)	**72,386**	315,485	(77.06)
Loans and receivables	**151,707,902**	140,165,437	8.23	**156,955,837**	141,915,077	10.60
Insurance and reinsurance receivables	**–**	–	–	**885,395**	406,687	117.71
Financial assets – Fair value other comprehensive income/ Available for sale	**125,651**	219,132	(42.66)	**125,651**	219,132	(42.66)
Debt instrument at amortised cost/Held to maturity	**8,002,625**	4,889,641	63.66	**9,091,945**	6,013,963	51.18
Current tax receivables	**–**	89,849	(100.00)	**–**	89,849	(100.00)
Investments in subsidiaries	**3,213,788**	3,213,788	–	**–**	–	–
Investments in associate	**237,633**	586,427	(59.48)	**237,633**	423,439	(43.88)
Investment property	**–**	134,400	(100.00)	**1,131,596**	1,265,996	(10.62)
Property, plant and equipment	**1,098,286**	1,166,883	(5.88)	**4,017,301**	4,112,715	(2.32)
Goodwill and intangible assets	**324,905**	346,395	(6.20)	**432,340**	452,883	(4.54)
Leasehold property	**84,065**	87,131	(3.52)	**84,065**	87,131	(3.52)
Deferred tax assets	**–**	–	–	**47,584**	28,155	69.01
Other assets	**1,024,644**	833,619	22.92	**1,164,884**	1,301,155	(10.47)
Total assets	**172,541,277**	160,690,594	7.37	**185,932,635**	170,155,900	9.27
Liabilities						
Due to banks	**27,273,933**	39,921,789	(31.68)	**30,475,326**	41,834,394	(27.15)
Due to customers	**88,368,656**	69,763,219	26.67	**88,923,196**	69,377,794	28.17
Debt securities issued	**21,275,031**	15,783,502	34.79	**21,134,040**	15,783,502	33.90
Other financial liabilities	**2,480,377**	4,645,818	(46.61)	**2,464,936**	4,473,552	(44.90)
Insurance liabilities and reinsurance payable	**–**	–	–	**4,880,873**	4,054,586	20.38
Current tax liabilities	**2,238,257**	–	100.00	**2,323,647**	62,673	3,607.57
Deferred tax liabilities	**837,179**	2,275,868	(63.21)	**1,141,973**	2,338,807	(51.17)
Other liabilities	**1,464,489**	1,270,576	15.26	**1,606,686**	1,376,451	16.73
Total liabilities	**143,937,922**	133,660,772	7.69	**152,950,677**	139,301,759	9.80
Equity						
Stated capital	**13,236,073**	13,236,073	–	**13,236,073**	13,236,073	–
Statutory reserve fund	**2,058,219**	1,837,413	12.02	**2,070,667**	1,837,413	12.69
Retained earnings	**13,361,805**	11,502,165	16.17	**15,198,424**	13,167,172	15.43
Other reserves	**(52,742)**	454,171	(111.61)	**207,274**	448,413	(53.78)
Total equity attributable to equity holders of the Company	**28,603,355**	27,029,822	5.82	**30,712,438**	28,689,071	7.05
Non-controlling interest	**–**	–	–	**2,269,520**	2,165,070	4.82
Total equity	**28,603,355**	27,029,822	5.82	**32,981,958**	30,854,141	6.90
Total liabilities and equity	**172,541,277**	160,690,594	7.37	**185,932,635**	170,155,900	9.27
Contingent liabilities and commitments	**7,775,864**	7,470,875	4.08	**7,788,708**	7,623,364	2.17
Net asset value per ordinary share (Rs.)	**18.10**	17.11	5.82	**20.88**	19.53	6.90

Evaluating our performance

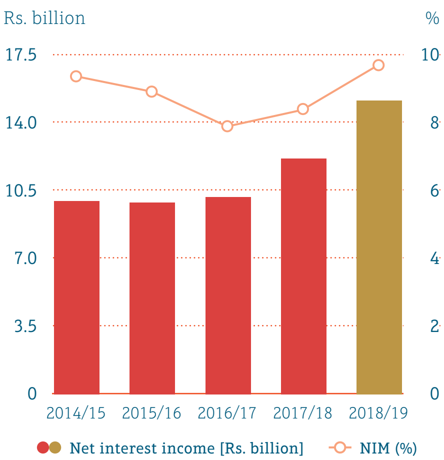
Staying on course

Net interest income

Our top line interest income evidenced a significant year on year growth of 15.47%. Both the average portfolio return which improved from 18.78% in the previous financial year to 20.44% and the average volume of interest-earning assets which increased from Rs. 145,609.06 million in the previous year to Rs. 156,537.20 million in the year under review contributed to this growth.

Interest income generated from the loans and receivables which accounted for 96.76% of the total interest income reflected 15.88% improvement over the interest income recorded in the preceding financial year.

Net interest income and Net interest margin



Whilst achieving a significant improvement in interest income, we managed to curtail the growth in interest expenses to 7.90%. Despite the growth in average interest-bearing liabilities from Rs. 122,224.37 million in the previous year to Rs. 131,193.07 million in the current year, the Company's focus on expanding low cost deposit base against the short-term variable rate bank borrowings limited the growth in the average interest rate on interest-bearing liabilities to 11.93%.

Analysis of growth in interest income

	2018/19 over 2017/18		
	2018/19	2017/18	Growth %
Average interest earning assets (Rs. million)			
Loans and receivables	**145,936.67**	137,110.07	6.44
Other interest earning assets	**10,600.53**	8,498.99	24.73
Total	**156,537.20**	145,609.06	7.51
Interest impact of growth in volume of average interest earning assets (Rs. million)			2,004.21
Average rate of interest (%)			
Loans and receivables	**20.44**	18.78	1.67
Other interest earning assets	**9.44**	11.28	(1.84)
Total	**19.70**	18.34	1.36
Interest impact of increase in average rate of interest on the above (Rs. million)			2,127.45
Growth in interest income for the year over the last year (Rs. million)			4,131.67

Analysis of growth in interest expense

	2018/19 over 2017/18		
	2018/19	2017/18	Growth %
Average interest-bearing liabilities (Rs. million)			
Due to customers	**79,065.94**	57,242.89	38.12
Bank borrowings	**33,597.86**	37,753.10	-11.01
Other interest-bearing liabilities	**18,529.27**	27,228.39	-31.95
Total	**131,193.07**	122,224.37	7.34
Interest impact of growth in volume of average interest-bearing liabilities (Rs. million)			1,064.01
Average rate of interest (%)			
Due to customers	**10.98**	12.16	(1.18)
Bank borrowings	**13.60**	13.37	0.23
Other interest-bearing liabilities	**12.92**	9.15	3.77
Total	**11.93**	11.86	0.06
Interest impact of increase in average rate of interest on the above (Rs. million)			81.94
Growth in interest expense for the year over the last year (Rs. million)			1,145.94

Staying on course

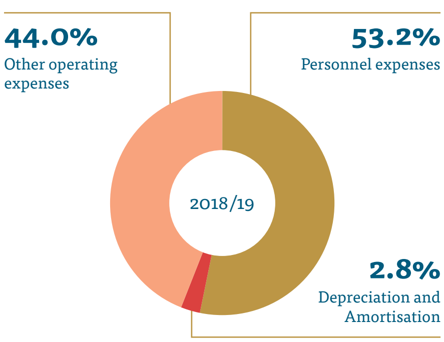
Evaluating our performance

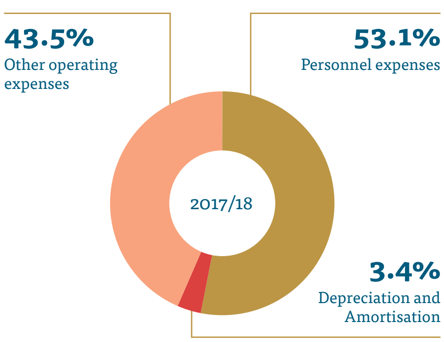
Growth in interest income by 15.47% while curtailing the growth in interest expense to 7.90% and the consequent improvement in the net interest margin (NIM) to 9.70% against 8.36% in 2017/18 contributed to the growth in net interest income of 24.46% to Rs. 15,190.20 million.

Expense management

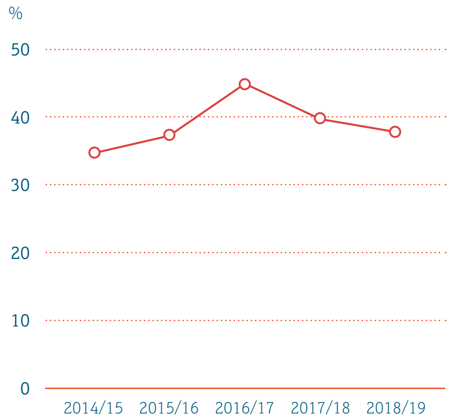
Under a subdued business setting, the Company continued with the consolidation of operations as against the expansion as in previous year to curb any significant improvement in operational expenses. Operating expenses which mainly comprises personnel expenses and other operating expenses grew by 15.33% compared to the last year. However, growth in overall operating expenses to Rs. 6,462.19 million was below the total operating income growth of 21.18% resulting in an improved cost to income ratio of 37.81% compared to 39.73% in financial year 2017/18.

Composition of operating expenses





Cost to income ratio



Responsible tax payer

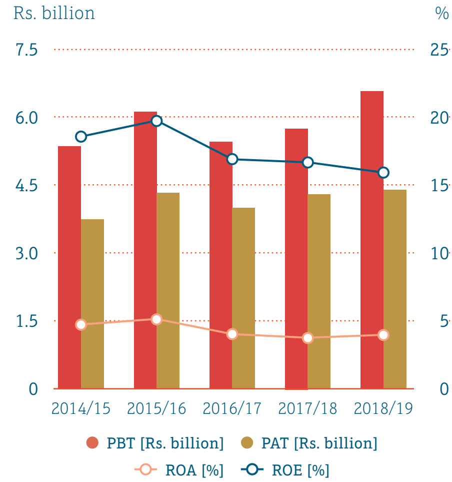
As a responsible corporate citizen, People's Leasing has been paying all corporate taxes in a timely manner. Income tax expense for the year under review amounted to Rs. 2,169.14 million resulting in an effective tax rate of 32.94%. As per the Finance Act No. 35 of 2018 certified on 1 November 2018, the Government introduced a Debt Repayment Levy effective from 1 October 2018 to 31 December 2021 at the rate of 7% on the value addition attributable to the supply of financial services. Accordingly, the Company paid Rs. 436.97 million as debt repayment levy which was not initially budgeted by the Company. As a result, tax on financial services revealed a significant increase of 60.54% over the tax on financial services in 2017/18.

Profitability – PAT and PBT

Amidst a challenging economic and regulatory environment, we recorded the highest ever profit before and after tax up to date of Rs. 6,585.26 million and Rs. 4,416.12 million respectively. This growth was mainly supported by the growth in top line interest income and effective management of interest margins.

Return on Assets (ROA) for the year improved to 3.95% compared to 3.71% recorded in the financial year 2017/18. However, Return on Equity (ROE) for the year amounted to 15.88% reflecting a marginal decrease compared to the preceding year given that the average equity grew at 7.55% compared to growth in profit by 2.48% only.

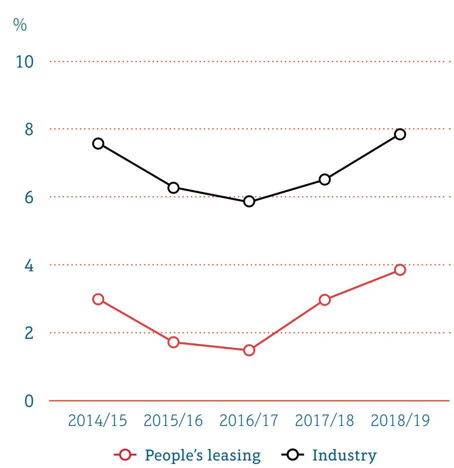
Profitability



Impairment charges and asset quality

During the year under review, our asset quality was under pressure given difficulties faced by customers with the slowdown in economic activities. Against this backdrop, our non-performing advances (NPA) ratio increased to 3.91% as of year end from 2.70% in March 2018, but it still remained well below the industry average ratio of 7.7%.

Non-performing advances ratio



Given the waning recoveries, impairment charges on loans and receivables including disposal losses increased to Rs. 1,586.51 million from Rs. 1,429.97 million in the previous financial year. Transition to SLFRS 9 from LKAS 39 also resulted in an additional impairment charge of Rs. 895.46 million. More details

Evaluating our performance

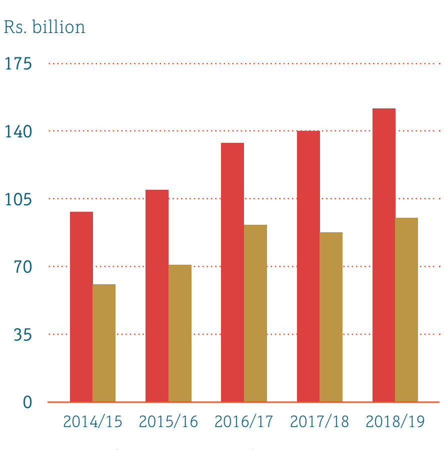
of the transition is presented in Note 4 to the Financial Statements: Transition Disclosure.

Pursuant to the capital infusion to People's Merchant Finance PLC (PMF) by way of a private placement and a rights issue the Company's Investment in PMF was diluted from an associate to and ordinary investment. Accordingly we recognised an additional impairment of Rs. 348.79 million for our investment in PMF as a prudent measure.

Loans and receivables portfolio

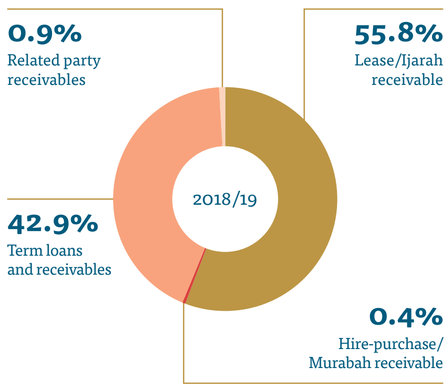
As of the financial year ended 31 March 2019, People's Leasing owned the largest loans and receivables portfolio of the NBFI sector which amounted to Rs. 151,707.90 million. Portfolio was up by 8.23% compared to the portfolio of Rs. 140,165.44 million as at 31 March 2018 on account of the total disbursement of Rs. 95,282.60 million during the year. (Refer page 85 for more details on disbursements). Given the LTV rules imposed on vehicle financing and the policy measures taken to curb excessive demand for vehicle importation, growth of our lease portfolio was limited to 2.08% over the last year, yet remains as the main contributor to the total gross portfolio with a share of 55.81%. However, gross loans portfolio reflected a significant improvement of 23.23% over the previous year and reached Rs. 67,237.44 million. It was the 60.27% increase in gross motor loans portfolio over the last year that mostly supported the growth of total gross loans portfolio. Gold loans portfolio, the newly added to our product bundle recorded a significant growth of 293.81% over the last year and reached Rs. 240.12 million by the year-end.

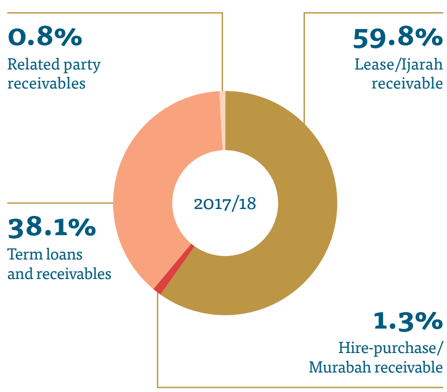
Disbursements vs net portfolio



Performance of factoring, one of our variable rate products was outstanding during the year with the portfolio growing at 68.45% over the portfolio as at 31 March 2018. However, due to the pessimism that prevailed in the capital market throughout the year under review, our margin trading portfolio witnessed a decline to Rs. 2,066.21 million as at 31 March 2019 from Rs. 2,642.18 million at the previous year-end.

Composition of portfolio

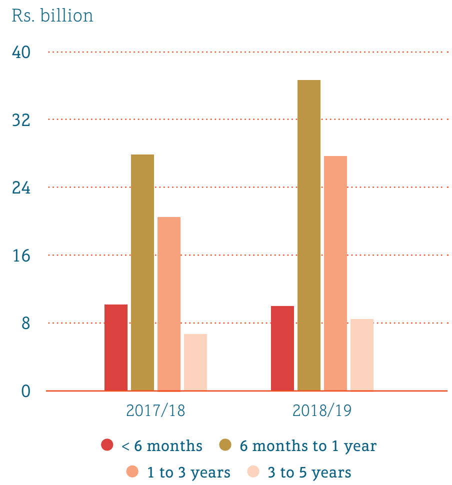




Deposit base

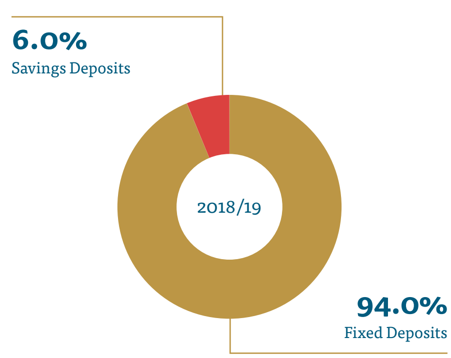
Our deposit base comprises fixed and savings deposits including Islamic deposits mobilised by the Company. Consequent to the shift in funding strategy from reliance on bank borrowings to promoting deposits, our deposit base recorded a robust growth since last financial year permitting us to own the second largest deposit base in the NBFI sector. Total deposit base notched Rs. 88,368.66 million with an increment of 26.67% over the deposit base as at 31 March 2018. With this improvement, deposits now represent 64.54% of our borrowing mix in comparison to 55.60% in last year. However, the Company still encounters with the difficulty in finding deposits with a longer maturity to match with our long-term lending portfolio since the deposit base is more skewed towards maturities between six to twelve months.

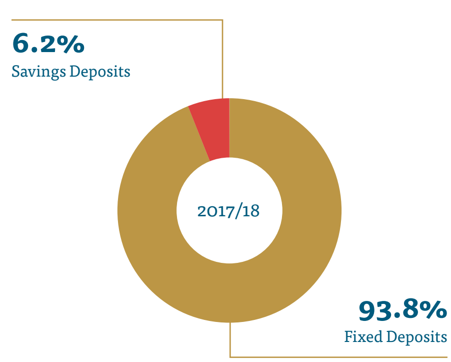
Deposits based on maturity



Our savings base topped Rs. 5 billion mark and reached Rs. 5,335.19 million with a significant improvement of 23.08% over the savings base as at 31 March 2018.

Composition of deposit base





Evaluating our performance

Capital and Liquidity

As of 31 March 2019, total equity comprising stated capital, retained earnings and other reserves amounted to Rs. 28,603.36 million up by 5.82% over the last year. On the back of increased profitability, retained earnings triggered a notable improvement even after paying dividends and transfers to reserves. Our Tier 1 and Total Capital Ratios of 14.36% and 15.20% respectively are well ahead of the new capital adequacy requirements set out in the Finance Business Act Direction No.3 of 2018 and are a reflection of a strong financial position.

	2018/19	2017/18
Tier 1 capital (Rs. million)	**26,517.79**	26,515.11
Total capital (Rs. million)	**28,065.76**	23,733.49
Total risk-weighted amount (Rs. million)	**184,632.63**	144,222.71
Tier I ratio (minimum 6%) (%)	**14.36**	18.38
Total capital ratio (minimum 10%) (%)	**15.20**	16.46

Proposed final dividend for the financial year 2018/19 of Rs. 0.50 per share in the form of a scrip dividend will not have any negative impact on the total equity of the Company.

Whilst focusing on profitability, we ensure that we adhered with the liquidity requirements of the CBSL by maintaining Rs. 13,192.50 million in liquid assets as at 31 March 2019, leading to a ratio of 108.91%.

GRI 201-1

Value generated and distributed

Economic value generated by the Company through its operations was distributed among the employees, providers of capital, the Government and the community whilst retaining a part for the expansion and future growth as follows:

Direct economic value generated and distributed

	2018/19 Rs. million	2017/18 Rs. million
Direct economic value generated		
Interest income	**30,836.30**	26,704.64
Fee and commission income	**1,508.95**	1,378.36
Other operating income	**390.39**	520.04
Economic value generated	**32,735.64**	28,603.04
Economic value distributed:		
To providers of capital		
Dividend to equity holders	**1,974.83**	1,974.83
Interest to borrowings	**6,963.55**	7,539.88
Interest to deposit holders	**8,682.55**	6,960.28
	17,620.93	16,474.99
To employees		
Salaries and other benefits	**3,438.17**	2,974.25
	3,438.17	2,974.25
To Government		
Income tax expense	**3,351.43**	1,101.05
Tax on financial services	**2,087.21**	1,300.12
Other taxes paid	**46.09**	40.09
	5,484.73	2,441.26
To community		
On corporate social responsibility (CSR) and donations	**122.23**	103.70
	122.23	103.70
Operating costs		
Depreciation and amortisation	**179.61**	192.51
Impairment charges for loans and receivables and other losses	**1,586.51**	1,429.97
Impairment charges for investment in associate	**348.79**	–
Impairment charges for goodwill	**19.58**	–
Other operating expenses	**2,767.48**	2,384.07
	4,901.97	4,006.55
Economic value distributed	**31,568.03**	26,000.75
Economic value retained	**1,167.60**	2,602.30

GRI 201-4

During the financial year 2018/19 no financial assistance was received from the Government.

Evaluating our performance

Staying on course

GRI 201-1

Economic value added

Economic value added indicates the surplus value created for the shareholders on their investment.

Economic value added for the year	2018/19 Rs. million	2017/18 Rs. million
Shareholders' funds	**28,603.36**	27,029.82
Add – Accumulated provision for impairment charges	**4,944.34**	3,055.56
Add – Cumulative market building expenses	**885.95**	880.00
	34,433.65	30,965.38
Profit attributable to:		
Shareholders	**4,416.12**	4,309.33
Add : Market building expenses for the year	**324.81**	175.37
Add : Impairment provision	**1,954.88**	1,406.00
Add : Deferred tax charge/(reversal) for the year	**(1,182.29)**	359.30
	5,513.52	6,250.00
Economic cost % (average Treasury Bill rate + 2 % risk premium)	**10.73%**	11.74%
Economic cost	**3,508.66**	3,423.76
Economic value addition	**2,004.86**	2,826.24

Market value added

Despite the growth in core business activities and improvements recorded in profitability, given the gloom that existed in the capital market throughout the year and as witnessed in relation to the market prices of majority of the listed entities, share price of the Company declined during the year causing a decrease in market value added as at 31 March 2019 compared to the last year.

For the year	2018/19 Rs. million	2017/18 Rs. million
Market capitalisation/ market value of equity	**21,170.16**	24,961.83
Less: Shareholders' funds	**28,603.36**	27,029.82
Market value added	**(7,433.20)**	(2,067.99)

Group results overview

People's Leasing Group reported a profit before and after tax of Rs. 7,587.31 million and Rs. 5,011.27 million respectively for the financial year ended 31 March 2019. Despite the increase in tax on financial services specially with the introduction of new debt repayment levy, increasing operating expenses and rise in impairment charges, the Group recorded a 13.88% improvement in profit before tax compared to the last financial year. Snapshot of the performance of each subsidiary is given in our online report.

Key Financial Indicators – People's Leasing Group

	2018/19	2017/18
Indicator		
Return on assets (%)	**4.26**	4.07
Return on equity (%)	**16.21**	17.67
Earnings per share (Rs.)	**3.05**	3.05
Net assets value per share (Rs.)	**19.44**	18.16

Return on Equity

15.88%

2017/18 – 16.66%

★

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PEOPLE'S LEASING

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People's Leasing & Finance PLC

Annual Report 2018/19

We are focused on our core values of economic viability, social accountability, and environmental responsibility.

Our emphasis remains on the journey itself, as much as the destination, as we seek to create moments of happiness.

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How we create value

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Deposit base

Rs. 88.37 billion

2018 – Rs. 69.76 billion

Compliance reports

Corporate governance – Annexes

Compliance with code of best practice on corporate governance

Compliance with the Code of Best Practice (The Code) issued by The Institute of Chartered Accountants of Sri Lanka – 2017

Code reference	Principle and compliance	Status of compliance
The Company		
A	**Directors**	✔
A.1	**The Board** The Board of Directors of People's Leasing & Finance PLC ("the Company") consists of eight eminent professionals from different disciplines who are effective and dedicated to ensuring that the Company achieves its objectives. All Directors possess a range of skills, experience and knowledge complemented with a high sense of integrity and independent judgement to provide leadership to the Company.	
A.1.1	**Conducting regular Board meetings** During the year the Company provided all required information in advance to all Directors of the Board and the Board had 13 meetings for effective execution of their responsibilities. Refer "Board Meeting" in page 46.	✔
A.1.2	**Roles and responsibilities of the Board** The Board's principle responsibilities and duties are defined in the Company's Corporate Governance Charter as summarised in page 44 and are updated to meet the requirements of the Code of Best Practice on Corporate Governance.	✔
A.1.3	**Act in accordance with laws of the country** The Board collectively as well as individually complied with the laws of the country that are applicable to the Company. The Company's Corporate Governance Charter and the Code of Business Conduct and Ethics have been clearly formulated and, approved where procedures are in place for the Directors to seek independent professional advice when deemed necessary.	✔
A.1.4	**Access to services of Company Secretary and removal of Company Secretary** All Directors have access to the Company Secretary who is an Attorney-at-Law by profession. The Board is responsible for the appointment or the removal of the Company Secretary.	✔
A.1.5	**Independent judgement of the Board** The Board works as an effective and cohesive unit that draws on the strengths of each Director without placing undue reliance on any one individual. Thus, all Directors are free to exercise independent judgement in decision-making by the Board on issues of strategy, performance, resource allocation and the conduct of business.	✔
A.1.6	**Dedicate adequate time and effort to Board matters** The Board of the Company met on 13 days and Board subcommittees devoted substantial time (Number of meetings BAC – 10, IRMC – 4, RNC – 6 and RPT – 4) by providing their fullest support for the effective discharge of the Board duties and responsibilities.	✔
A.1.7	**Directors to call for resolutions in the best interest of the Company** In the best interest of the Company, one-third of the Directors can call for a resolution to be presented to the Board. However, there were no such instances in the year under review.	✔
A.1.8	**Induction and training for the Board** Refer "Induction and on-going training" on page 45.	✔
A.2	**Division of business of the Board from the executive responsibility for Management of the Company's business** Refer "Chairman and Chief Executive Officer (CEO) on page 43.	✔
A.3	**Chairman's role in preserving good corporate governance** The Chairman is responsible for leadership of the Board, ensuring its effectiveness on all aspects and facilitating the contribution of all Board members on Board's affairs while preserving good corporate governance. He is also responsible to ensure effective implementation of Board's decisions, provide coherent leadership for the Company and understand the views of the shareholders and other stakeholders. Refer section "Chairman's role" on page 43.	✔

Corporate governance – Annexes

Code reference	Principle and compliance	Status of compliance
A.4	**Availability within the Board those with financial acumen and knowledge** Refer section "Financial Acumen" on page 44.	✔
A.5	**Board balance** **Non-Executive Directors in the Board** During the year 2018/19, the Board comprised soley of Non-Executive Directors (NED) who brings a wealth of knowledge and experience covering a wide spectrum of topics and their views carried a significant weight in the Board's decisions.	✔
	Independence of Non-Executive Directors As per the requirements of the Code, the Board should comprise of five Independent Non-Executive Directors (INED). However during the year under review, the Board comprised of only three INEDs and immediate measure were initiated by the Company to mitigate the same. Accordingly, as of 13 June 2019 the Company's Board comprised of four INEDs.	
	The 4 INED of the Company met the criteria for independence as set out in the Code and are independent of Management and free of business or other relationship that could materially interfere with the exercise of their unfettered and independent judgement.	✔
	Self-declarations were submitted by all NED and based on such annual declaration independence of NEDs are evaluated annually to ensure compliance with the criteria of the Code.	✔
	Alternate Directors and Senior Independent Director No alternate Directors were appointed during the year 2018/19.	✔
	Since the Chairman is not independent, the Company has designated a Non-Executive Director (Mr M P Amirthanayagam) as the Senior Independent Director. The Board-approved the Terms of Reference for the Senior Independent Director by requiring to make himself available for confidential discussions with other Non-Executive Directors who may have concerns which they believe have not been properly considered by the Board as a whole and call a meeting of the Non-Executive Directors if, in his opinion, it is necessary.	✔
	The Senior Independent Director has been present at the Annual General Meeting of the Company where all shareholders are given the opportunity to express their concerns and question the Senior Independent Director on various issues.	✔
	The Directors' concerns pertaining to unresolved matters are discussed and recorded by the Company Secretary in the Board minutes in sufficient detail. Further discussions on these matters are pursued at the next Board meeting with a view to resolving them. However, no such issues arose during the year under review.	✔
A.6	**Supply of information** Refer "Supply of Information" on page 47.	✔
A.7	**Appointment to the Board** Refer "Appointment and Re-election of the Board" on page 44 and Remuneration and Nomination Committee report on page 204.	
A.8	**Re-election** In terms of Article 27 (2) of the Articles of Association of the Company all Directors who have been appointed to the Board during the year retire at the next Annual General Meeting and are eligible for re-election by the shareholders. Although the Non-Executive Directors are not appointed for a specified time period, they are nevertheless subject to re-election at the Annual General Meeting in terms the Articles of Association of the Company and provisions of the Companies Act relating to the removal of a Director. During the year under review, Dr A A S Gulamhusein tendered his resignation from the Board. His letter of resignation was tabled before the Board for discussion and was submitted to the Central Bank of Sri Lanka for approval. Subsequent to obtaining approval from the Central Bank the resignation was accepted and immediate disclosure was made to the public through the Colombo Stock Exchange.	✔
A.9	**Appraisal of Board performance** Refer "Appraisal of Board" on pages 48 and 49.	✔

Corporate governance – Annexes

Code reference	Principle and compliance	Status of compliance
A.10	**Disclosure of information in respect of Directors** As prescribe in the Code the Company disclosed information regarding Directors in the following sections: • "Profile of the Board" on pages 27 and 28. • "Related Party disclosure" notes to the Financial Statement on pages 340 to 344. • "Board Subcommittees" on page 45. • "Attendance at Board and Board Committee meetings" on page 48.	✔
A.11	**Appraisal of Chief Executive Officer (CEO)** Refer "Appraisal of CEO/GM" on page 49.	✔
B	**Directors remunerations**	
B.1	**Remuneration procedure** The Company has established a formal and transparent remuneration procedure in place for developing an effective remuneration policy to avoid potential conflict of interest. The Board has established a Remuneration Committee comprising solely of Non-Executive Directors with a written Terms of Reference. There were no Executive Directors on the Board of the Company during the year 2018/19 and therefore, the necessity to consult the Chairman and/or CEO on their remuneration did not arise.	✔
B.2	**Level and make-up of remuneration** The remuneration framework of the Company is sufficient to motivate and reward performance and complies with regulatory requirements and stakeholder expectations. There were no Executive Directors on the Board of the Company during the year under review and hence the need for attractive packages and performance-related remuneration for such Director is not applicable. Nevertheless, the Board is aware that the remuneration of Executive and Non-Executive Directors should reflect the market expectations and is sufficient enough to attract and retain the quality of personnel needed to run the Company and promote its long-term success. Therefore, the remuneration structure of the Company is reviewed from time to time in comparison to that of peers in the industry. Due to the relatively small size and scale of other companies in the Group, weight is given to the industry comparable when deciding on salary increase levels. However, the Group endeavours to maintain a consistent policy of remuneration across the Board. At present, the Company does not have any share option scheme for the Directors or employees.	✔
B.3	**Disclosure of remuneration** Director's remuneration procedures and disclosure as prescribed in the Code can be seen in the following section in this Annual Report: • "Director and Executive remuneration and benefit" on page 49. • "Related Party disclosure" Note to the Financial Statement on pages 340 to 344. • "Remuneration and Nomination Committee report" on page 204.	✔
C	**Relations with shareholders**	
C.1	**Constructive use of Annual General Meeting (AGM) and conduct of General Meetings** The Board uses an Annual General Meeting to communicate the Group's performance with shareholders and encourages their active participation. Annual Report containing the Notice of Meeting is sent along with the Form of Proxy to the shareholders, 15 working days prior to the date of the AGM as required by the Statute. The Company proposes separate resolutions on each substantially separate issue giving shareholders the opportunity to vote on each such issue separately. The adoption of the Annual Report of the Board of Directors, the Financial Statements of the Company and the Report of the Auditors thereon are considered as a separate resolution. Proxy votes together with the votes of the shareholders present at the AGM are considered by the Company for each resolution.	✔

Corporate governance – Annexes

Compliance reports

Code reference	Principle and compliance	Status of compliance
	The Company records all proxy votes to indicate to the Chairman the level of proxies lodged on each resolution and the number of votes for and against such resolution. '"Votes withheld" are not counted in the calculation of the proportion of the votes for and against resolutions. The Chairman of the Board ensures that the Chairmen of Board subcommittees and the Senior Independent Director are present at the AGM to answer any query by shareholders. The Senior Independent Director and the Chairmen of the Board Subcommittees were present at the previous years AGM held on 29 June 2018 and no queries were raised by the shareholders.	
C.2	**Communication with shareholders** Recognising the importance of two-way communication with its stakeholders, the Board has adopted a comprehensive policy that governs communications with its shareholders and other stakeholders. The Communication Policy is based on four guiding principles, efficiency, transparency, clarity and cultural awareness and feedback. The Communication Policy, which forms an integral part of the Corporate Governance Charter of the Company was reviewed and approved by the Board. The Company Secretary and the Corporate Affairs Division maintains records of all correspondence received from shareholders and direct the same to appropriate channels for resolution. All major issues and concerns of shareholders are referred to the Board. Upon receipt of instructions from the Board or other relevant channel on issues/concerns referred to them as above, the Company Secretary or the Corporate Affairs Division revert to the respective shareholder with an appropriate response. Shareholders can contact the Company Secretary, whose details are given below, on matters relating them, Ms. Lakmini Kottegoda Company Secretary People's Leasing & Finance PLC 1161, Maradana Road Colombo 8 Sri Lanka. Phone: +94 11 263 1103 Fax: +94 11 248 1500 The Senior Independent Director is available to discuss with shareholders any major issues that cannot be resolved through normal channels.	✓
C.3	**Major and material transactions** The Board recognises that strong and transparent disclosure is central to shareholder ability to exercise ownership rights. During the year, there were no major or material transactions engaged in or committed to by the Company as defined by Section 185 the Companies Act No. 01 of 2007.	✓
D	**Accountability and Audit**	
D.1	**Financial and business reporting (The Annual Report)** The Directors are aware of their responsibility to present a balanced and understandable assessment of the Company's financial position, performance, business model, governance structure, risk management, internal controls and challenges, opportunities and prospects. Due care has been exercised to ensure that all statutory requirements are complied within the Annual Report, the publication of Interim Accounts on a timely basis and regulatory reports were filed by the due dates. Prior to approving the Financial Statements covering a particular financial period, the Board obtains the declaration of the CEO and the Chief Financial Officer on their responsibility in respect of financial reporting. The Company has in place a Related Party Transaction (RPT) Policy and it adequately discloses Related Party Transactions. The Code of Business Conduct and Ethics of PLC ('the Code') requires each member of the Board to determine whether he/she has a potential or actual conflict of interests arising from personal relationships, external associations and interest in material matters which may have a bearing on his/her independent judgement. The Code also requires Directors who have such a potential or actual conflict of interests to immediately disclose it to the Board of Directors as soon as he/she becomes aware of it and records thereof are maintained by the Company Secretary in the Interest Register.	✓

Corporate governance – Annexes

Code reference	Principle and compliance	Status of compliance
	Disclosure requirement in the Annual Report as prescribed in the Code are included in following sections: • "Annual Report of the Board of Directors on the Affairs of the Company" on pages 54 to 59. • "Directors' Responsibility for Financial Reporting" on page 213. • "Directors' Statement on Internal Control over Financial Reporting" on page 215. • "Independent Auditor's Report" on pages 219 to 221. • "Plotting our Journey" on pages 74 to 79 and "Seeing enterprise in action" on pages 80 to 152. • "Related Party Transaction Review Committee Report" on page 205. • "Related Party disclosure" Note to the Financial Statement on pages 342 to 346.	
D.2	**Risk management and internal control** The Board is responsible in determining the risk appetite for achieving the strategic objectives of the Company and ensuring that the Company maintains an adequate system of internal control and for reviewing its effectiveness. The Company's internal controls are designed to support the identification, evaluation and management of risks affecting the Group. These cover financial, operational, compliance and information technology controls, as well as risk management policies and mechanisms. Risks and controls are reviewed and monitored regularly for relevance and effectiveness. The Integrated Risk Management Committee (IRMC) and the Board Audit Committee (BAC) assist the Board in this regard. Further, the Company has its own in-house Internal Audit Department. The Internal Audit Department of the Company carries out regular reviews on the risk management measures and internal controls system including internal controls over financial reporting and reports their findings to the Board Audit Committee, who then on behalf of the Board, undertakes a detailed monitoring and reviewing of the said controls and risk management measures. The minutes of the Board Audit Committee meetings together with the Committee's findings on internal controls and risk management functions are submitted at the meetings of the Board of Directors periodically. References: • "Board Audit Committee Report" on pages 202 and 203. • "Integrated Risk Management Committee Report" on pages 206 to 208. • "Directors' Statement on Internal Control over Financial Reporting" on page 215.	✔
D.3	**Audit Committee** The Board Audit Committee assists the Board of Directors in its general oversight of financial reporting, internal controls and functions relating to internal and external audits. The Charter of the Board Audit Committee, which is periodically reviewed and revised with the concurrence of the Board of Directors, clearly defines the Terms of Reference of the Board Audit Committee. The Charter demonstrates that activities of the Board Audit Committee are in line with the Code and the Directions issued by the Central Bank of Sri Lanka. As at 31 March 2019, the Board Audit Committee comprised three Directors, all of whom were Non-Executive Directors. One Director of the Committee was an Independent Non-Executive Director. With Mr Amirthanayagam being an Independent Director with effect from 13 June 2019, the Audit Committee comprised of two Independent Non-Executive Directors. The Chairman of the Board Audit Committee is a Fellow Member of The Institute of Chartered Accountants of Sri Lanka (ICASL) and a Fellow Member of the Chartered Institute of Management Accountants – UK, (FCMA) and has over 33 years of extensive experience in finance and management. The Company's External Auditor for 2018/19, Messrs Ernst & Young, Chartered Accountants has provided a declaration of their independence to the Board Audit Committee in terms of the relevant rules. References: • "Board Audit Committee Report" on pages 202 and 203.	✔
D.4	**Related Party Transaction Review Committee** The Board has approved a Comprehensive Related Party Transaction Policy setting out the procedure to ensure that no "Related party" of the Company as defined in LKAS 24 is given more favourable treatment than that accorded to third parties in the normal course of business. The Company has set up a Related Party Transactions Review Committee to oversee the related party transactions of the Company. As at 31 March 2019, the Related Party Transactions Review Committee comprised three Directors, all of whom were Non-Executive Directors.	✔

Corporate governance – Annexes

Compliance reports

Code reference	Principle and compliance	Status of compliance
	One Director of the Committee was an Independent Non-Executive Director. With Mr Amirthanayagam being an Independent Director with effect from 13 June 2019, the Related Party Transaction Review committee comprised of two Independent Non-Executive Directors. The Related Party Transactions Review Committee operates within clearly defined Terms of Reference approved by the Board. The duties and responsibilities of the Committee as set out in the said Terms of Reference, are in line with the Code and the Directions issued by the Central Bank of Sri Lanka. References: • "Related Party Transaction Review Committee Report" on page 205.	
D.5	**Code of Business Conduct and Ethics** The Company has a strong organisational culture of entrenched values, which forms the cornerstone of its behaviour towards all stakeholders. These values are embodied in a written statement of values, which serves as the Company's Code of Business Conduct and Ethics and is continually reinforced. The Company has in place a comprehensive Code of Business Conduct and Ethics applicable to all Directors and employees of the Company. The Code has been circulated to all the Directors and employees and has been published in the Company's intranet to ensure strict compliance with same. The Code of Business Conduct and Ethics that embodies the corporate values was reviewed and updated in line with recommended best practices. The Board is not aware of any material violations of any of the provisions of the Code of Business Conduct and Ethics by any Director or Key Management Personnel of the Company. The Company has in place an effective mechanism for identification of information that could be perceived as price sensitive information and prompt disclosure of same to the relevant regulatory authorities The Company has in place an established process for monitoring and disclosing related party transactions set out in detail in the Board-approved Related Party Transaction Policy of the Company. Further, the Code of Business Conduct and Ethics entails as part of it, a comprehensive policy and processes governing dealings by the Directors, KMPs and employees in the shares of the Company. References: • "Annual Report of the Board of Directors on the Affairs of the Company" on pages 54 to 59.	✓
D.6	**Corporate Governance Disclosures** The Corporate Governance Report presented in this Annual Report is structured to cover all aspects of Corporate Governance requirements as specified by the Code.	✓
Shareholders		
E	**Institutional investors** The Company is committed to promoting effective and open communication with all shareholders, transparently and regularly in order to facilitate a mutual understanding of the respective objectives of the parties. The Board and the Management strive to be accessible to both institutional and private investors and proactively encourage all shareholders to participate at the Company's Annual General Meeting (AGM). The Annual General Meeting (AGM) is used as a forum to have a structured and objective dialogue with shareholders on matters that are relevant to the general membership. The Company has 298 institutional investors out of 8,961 total investor and they hold 95.14% of voting shares of the Company. The Chairman of the Company is a Director of the Parent Company which has 75% of the Company's ownership. Accordingly, the Chairman affirms that institutional shareholders view can be precisely communicated to the Board. Additionally, the Company has an ongoing programme of dialogue and meetings with institutional shareholders, where a wide range of relevant issues as discussed Disclosure is an essential element of a robust Corporate Governance Framework as it provides the basis for informed decision-making by shareholders, stakeholders and potential investors in relation to capital allocation, corporate transactions and financial performance monitoring. Sufficient attention has been given to the interests of institutional investors and they are at liberty to give due weight when exercising their voting rights on resolutions relating to the Board structure and the composition.	✓

Compliance reports

Corporate governance – Annexes

Code reference	Principle and compliance	Status of compliance
F	**Other investors**	
	The Company places a high degree of importance on maintaining good relationships and communications with institutional investors and private investors alike and ensures that they are kept informed of significant company developments in order to give them the critical information they need to value their investments. Individual shareholders are at liberty to carry out an adequate analysis or seek independent advice on their investing, holding or divesting decisions. Further, as disclosed in the Directors' Statement on page 1 financial projections and statements relating to future events are based on current available information. While we cannot provide any assurances regarding future events, we advise readers to refrain from placing undue reliance on the projected data in making their decisions. Information has not been updated post-publication. General Meetings provide the principal opportunity for the Board to meet investors and for the Chairman to explain the Company's progress and receive questions from its owners, the shareholders Individual shareholders are encouraged to participate at General Meetings and cast their votes.	✓
G	**Internet of things and cybersecurity**	
	The Group's IT policies by which the Company is governed, comprehensively cover IT discipline, use of licensed software, closer monitoring of the usage of the internet, email and mail server and the use of antivirus and firewall servers and software. The functions of the Chief Information Security Officer are delegated to the Head of IT of PLC Group. Risks relating to all IT matters including that arising from cybersecurity are discussed and assessed in detail by the Audit Committee and the Board too dedicates a considerable time to discuss matters relating to cybersecurity and the Head of IT of the Group is present during such discussions. Information Technology Auditors are used whenever they deem that expert advice is required. The review of Information Security was carried out by the External Auditors at the year-end audit.	
H	**Environment, society and governance (ESG)**	
H.1	ESG Reporting	✓
	Corporate sustainability reporting aims to deliver information in such a way that it provides decision-making value to investors, customers, employees and other relevant groups who have a stake in the Company or who are in some way affected by the Company's actions. Environment, Society and Governance (ESG) aspects are considered as an important part of the Company's values and the Board is aware of its responsibility to ensure that such aspects are linked closely with the Company strategy. ESG reporting of the Company is a reflection of how the Company has performed and achieved long-term economic value, assumed corporate responsibility and contributed to sustainable development. Thus, this Annual Report has been prepared in the form of an Integrated Report that covers all sustainability reporting parameters as identified by the Global Reporting Initiative (GRI).	

Corporate governance – Annexes

Compliance reports

Compliance with Listing Rules

Compliance with the Rules 7.6 and 7.10 of Listing Rule – Section 7 (Continuing Listing Requirements) issued by the Colombo Stock Exchange.

Rule No.	Principle and compliance	Status of compliance
7.6	**Contents of Annual Report** Refer page 59 of the Annual Report for Compliance with requirements on the content of the Annual Report.	✔
7.10	**Corporate governance**	
7.10.1	**Two or one third of the Directors, whichever is higher, should be Non-Executive Directors.** The Board of Directors of the Company comprised only Non-Executive Directors.	✔
7.10.2	**Two or one-third of Non-Executive Directors, whichever is higher, should be independent and requirement to submit declarations of independence/non-independence.** The Company had eight Non-Executive Directors as at 31 March 2019, three were Independent Non-Executive Directors. With Mr Amirthanayagam being an Independent Director with effect from 13 June 2019, the Board comprised four Independent Directors. Further, all Non-Executive Directors submitted the requisite declarations during the year under review.	✔
7.10.3	**Names of Independent Directors, basis of determination of independence of Directors outside criteria specified in the Code and disclosure of the résumé of existing and new Directors.** No such determination was required to be made by the Board, as all the Independent Directors of the Company met the specified criteria. Two new Directors were appointed to the Board during the year under review and their résumés were provided to the CSE for dissemination to the public.	✔
7.10.5	**Composition, functions and disclosures in the Annual Report on the Remuneration Committee.** During the year 2018/19, Remuneration and Nomination Committee comprised three Non-Executive Directors who were not independent. With Mr Amirthanayagam being an Independent Director with effect from 13 June 2019, the Remuneration and Nomination Committee comprised of one Independent Director. The Chairman of the Committee was a Non-Executive Director. Refer Remuneration and Nomination Committee Report on page 204.	✘
7.10.6	**Composition, functions and disclosures in the Annual Report on the Audit Committee.** The Audit Committee comprised three Non-Executive Directors of whom one was Independent. With Mr Amirthanayagam being an Independent Director with effect from 13 June 2019, the Audit Committee comprised of two Independent Directors. The Chairman of the Committee was a Non-Executive Director. The Chief Executive Officer attended the Audit Committee meetings by invitation. The Chairman of the Committee is a Fellow Member of The Institute of Chartered Accountants of Sri Lanka and is a Fellow Member of Chartered Management Accountants, UK. Refer Board Audit Committee Report on pages 202 and 203.	✘

Corporate governance – Annexes

Compliance with Finance Companies Direction

Compliance with the Finance Companies (Corporate Governance) Direction No. 3 of 2008 and amendments thereto as specified in Finance Companies (Corporate Governance-Amendment) Direction No. 4 of 2008 and No. 6 of 2013 issued by Central Bank of Sri Lanka.

Rule No.	Principle and compliance	Status of compliance
A	**Responsibilities of the Board of Directors**	✓
2 (1)	**Strengthening the Safety and Soundness of the Company**	
(a)	Approving and overseeing strategic objectives and corporate values The strategic objectives of the Company are predicated on the Vision and Mission Statements of the Company and corporate values are embedded in the Code of Business Conduct and Ethics which have been communicated to employees at all levels. The Board plays an active role in setting the strategic objectives of the Company, ensuring that it focuses on converting the Company's Mission and Vision into action. While the Board has delegated the task of implementing the set goals/objectives to the Management of the Company, the Board constantly monitors and reviews the Company's performance, vis-à-vis targets, being proactive in identifying any setbacks. Refer section on vision and mission on page 12.	✓
(b)	Approving overall business strategy including risk policy and management procedures The Strategic Business Plan of the Company encompasses a comprehensive three-year plan focusing on the Strategic Objectives of the Company and addresses key issues and challenges faced by the Company. The Business Plan includes Strategic Goals set in the form of measurable goals, developed in line with the Board-approved Risk Management Policy, Risk Tolerance and Risk Appetite Statement. The business strategy is regularly reviewed by the Board with updates on the execution thereof by the Management at monthly Board meetings.	✓
(c)	Risk management The Board as a whole remains primarily responsible for the overall risk framework of the Company. Integrated Risk Management Committee, on behalf of the Board, identifies risks and ensures implementation of appropriate systems to manage risks prudently and reports to the Board on a quarterly basis. Refer the Integrated Risk Management Committee Report on pages 206 to 208.	✓
(d)	Communication with stakeholders Recognising the importance of two-way communication with its stakeholders, the Board has adopted a comprehensive policy that governs communications with its shareholders and depositors, creditors, borrowers, suppliers and other related stakeholders.	✓
(e)	Reviewing Internal Control Systems and Management Information Systems (MIS) The Board has the overall responsibility for ensuring that the Company maintains an adequate system of internal control and for reviewing its effectiveness which is undertaken by the Board Audit Committee and findings reported to the Board on a quarterly basis. The Management Information Systems (MIS) are reviewed by the Board for accuracy and integrity of the same through review of MIS Procedure Manual Outline/Guideline of the Company.	✓
(f)	Key Management Personnel (KMP) The Board of Directors, Chief Executive Officer, Deputy General Managers of the Company and the Compliance Officer have been identified and designated as the Key Management Personnel of the Company.	✓
(g)	Authority and responsibility for the Board and Key Management Personnel Principal duties and responsibilities of the Board of Directors and the Chief Executive Officer are set out in detail in the Corporate Governance Charter of the Company. The key functions/responsibilities of the Deputy General Managers (KMPs) have been defined and approved by the Board and included in their respective job descriptions. The respective delegated authority limits of the Chief Executive Officer and the Deputy General Managers have also been defined by the Board.	✓

Corporate governance – Annexes

Compliance reports

Rule No.	Principle and compliance	Status of compliance
(h)	**Oversight of affairs of the Company by KMP** Affairs of the Company are reviewed and discussed by the Board at Board meetings on a monthly basis. At these meetings, Key Management Personnel are represented by the Chief Executive Officer who apprises the Board on the operations and performance of the Company against set targets. Affairs of the Company are also reviewed and discussed by the Senior Management at Management level. Refer section Role and responsibility of the Board in Corporate Governance on page 44.	✔
(i)	**Assess effectiveness of governance practices** The Articles of Association of the Company and the Corporate Governance Charter provide for the general procedure applicable to selection and appointment of Directors of the Company. Presently, the Directors of the Company, other than the Non-Executive Independent Directors, are recommended by the Parent, People's Bank and appointed by the Board in terms of the Articles of Association. The appointments of Key Management Personnel are made by the Board on the recommendation of the Chief Executive Officer. In terms of the Code of Business Conduct and Ethics of the Company, each member of the Board has a responsibility to determine whether he/she has a potential or actual conflict of interest arising from personal relationships, external associations and interest in material matters which may have a bearing on his/her independent judgement. Directors who have an interest in a matter under discussion make a disclosure of his/her interest therein and refrain from engaging themselves in the deliberations on that matter and from voting thereon. Refer managing conflict of interest and ensuring independence on page 45 and Appraisal of Board on page 48.	✔
(j)	**Succession Plan for KMPs** The Board has approved a Succession Plan for Key Management Personnel in October 2018.	✔
(k)	**Regular meetings with KMPs** The Key Management Personnel are represented at monthly meetings of the Board of Directors by the Chief Executive Officer of the Company who apprises the Board of any concerns/critical issues raised by the Key Management Personnel at their meetings. Refer supply of information on page 47	✔
(l)	**Understanding the regulatory environment** The Board is well versed with the Group's values, business, operations, financial affairs, governance framework and strategic position of the Company. Regular updates on changes to relevant legislations, regulations and corporate governance as well as sector developments that could affect the Group and its operations covering a wide spectrum of topics including economic, social and environmental aspects are provided to the Board committees at each meeting and as appropriate, to the full Board. A summary of the contents of the regulatory requirements and relevant ratios are submitted to the Board on a regular basis for their awareness of the Company's standing with regard to regulatory environment.	✔
(m)	**Hiring and oversight of External Auditors** The hiring of the External Auditor is carried out by the Board on the recommendation of the Board Audit Committee. The Board Audit Committee monitors and reviews the External Auditor's independence, objectivity and the effectiveness of the audit process, taking into account the relevant professional and regulatory requirements. Company's External Auditor for 2018/19, Messrs Ernst & Young, Chartered Accountants, has provided a declaration of their independence to the Board Audit Committee in terms of Section 163 (3) of the Companies Act No. 07 of 2007.	✔
2 (2)	**Appointment of the Chairman and CEO and defining and approving their functions and responsibilities** The Board has appointed the Chairman and the Chief Executive Officer. Their roles are separate and have been defined in the Corporate Governance Charter of the Company.	✔
2 (3)	**Obtaining independent professional advice by the Directors** Legal advice was sought by the Directors in connection with laws pertaining to termination of employment.	✔

Corporate governance – Annexes

Rule No.	Principle and compliance	Status of compliance
2 (4)	**Managing conflict of interest** In terms of the Code of Business Conduct and Ethics of the Company, each member of the Board has a responsibility to determine whether he/she has a potential or actual conflict of interests arising from personal relationships, external associations and interest in material matters which may have a bearing on his/her independent judgement. Please refer Managing conflict of interest and ensuring independence.	✓
2 (5)	**Availability of formal schedule of matters specifically reserved for the Board** The Corporate Governance Charter of the Company contains a formal schedule of matters specifically reserved to the Board for its decision.	✓
2 (6)	**Disclosure of probable solvency issues** No such situation has arisen during the year 2018/19. Furthermore, the liquidity position of the Company is reported to the Director of the Department of Supervision of Non-Bank Financial Institutions on a weekly basis.	✓
2 (7)	**Publish Corporate Governance Report on compliance with the Direction in the Annual Report** The Board includes in the Company's Annual Report, an annual corporate governance report setting out the compliance with the Direction. Refer Compliance with Finance Companies Direction on pages 191 to 201	✓
2 (8)	**Self-assessment of Directors** The Board has adopted a scheme of self-assessment to be undertaken by each Director annually, the procedure of which is set out in the Corporate Governance Charter of the Company. Refer Appraisal of Board on page 48	✓
B	**Meetings of the Board**	
3 (1)	**Regular Board meetings** Board meetings are usually held at monthly intervals unless the business exigencies demand the convening of meetings at shorter intervals. The Board met thirteen times for the financial year 2018/19 and obtaining the Boards' consent via circulation was kept to a minimum of four instances.	✓
3 (2)	**Directors to include matters and proposals in the agenda** All Directors are provided an equal opportunity to include proposals for promotion of business and management of risk in the agenda for regular meetings. The procedure applicable to this is set out in the Company's Corporate Governance Charter.	✓
3 (3)	**Notice of Board meetings** The date of the next Board meeting is collectively agreed to by the members present during the previous Board meeting and subsequently communicated to all the members, so as to ensure that at least 7 days' notice is given of a meeting. Reasonable notice is given of any other special Board meeting.	✓
3 (4)	**Attendance of Directors at Board meetings** Directors' attendance at the Thirteen Board meetings held during the year 2018/19 was 91%. No Director has been absent for three consecutive meetings. Refer attendance at Board and Board Committee meetings on page 48.	✓
3 (5)	**Appointment of a Company Secretary** An Attorney-at-law with adequate experience has been appointed by the Board as the Company Secretary. Refer Company Secretary on page 49.	✓
3 (6)	**Delegating responsibility to the Company Secretary** The function of preparing the Agenda for Board meetings has been delegated by the Chairman to the Company Secretary and accordingly, the Company Secretary is responsible for the same.	✓

Corporate governance – Annexes

Compliance reports

Rule No.	Principle and compliance	Status of compliance
3 (7)	**Access to service and advice of Company Secretary** As provided for by the Corporate Governance Charter of the Company, all Directors have access to the Company Secretary who is an Attorney-at-Law by profession.	✓
3 (8)	**Maintenance of minutes of Board meeting** The Company Secretary maintains the minutes of Board meetings with sufficient details and the same is available for inspection by any Director in accordance with the procedure laid down in the Corporate Governance Charter of the Company.	✓
3 (9)	**Recording minutes of Board meetings in sufficient detail** The Company Secretary records the proceedings of the meetings and the decisions taken there at in sufficient detail so as to satisfy all the requirements specified in this rule.	✓
C	**Composition of the Board**	
4 (1)	**Number of Directors on the Board** As at the end of 2018/19, there were eight Directors on the Board thus, complying with the requirement.	✓
4 (2)	**Period of service of a Director** The period of service of all the Directors during 2018/19 was below nine years.	✓
4 (3)	**Appointment, election or nomination of an employee as a Director** The Company does not have any Executive Directors.	✓
4 (4)	**Board balance and criteria for independence** The Board comprised three Non-Executive Independent Directors during the financial year 2018/19 who met the one-fourth criteria for independence as specified in this rule. With Mr Amirthanayagam being an Independent Director with effect from 13 June 2019, the Board comprised of four Independent Directors.	✓
4 (5)	**Alternate Director** No alternate Directors were appointed during the year.	✓
4 (6)	**Skills and experience of Non-Executive Directors to bring an objective judgement** The Board comprises solely Non-Executive Directors who possess academic and professional qualifications in diverse fields. Their mix of skills and business experience is a major contribution to the proper functioning of the Board and its committees. Refer Board of Directors on pages 27 and 28.	✓
4 (7)	**Quorum at Board meetings** Since all of the Directors of the Company during the year 2018/19 were Non-Executive Directors, the required quorum (one-half of Directors being Non-Executive Directors) was met at all meetings of the Board convened for the year.	✓
4 (8)	**Disclosure of Independent Non-Executive Directors, Board composition in corporate governance communications and in the Annual Report** The Independent Non-Executive Directors are identified as such in all corporate communications that contain the names of Directors of the Company.	✓
4 (9)	**Formal and transparent procedure for appointment of new Directors** The Articles of Association of the Company and the Corporate Governance Charter provides for the general procedure applicable to selection and appointment of Directors of the Company. Upon the nominees being found to be "fit and proper" for appointment as Directors of the Company, approval of the Director of Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka is obtained for the same. All appointments made to the Board during the year 2018/19 complied with the above procedure and can be referred on page 44.	✓
4 (10)	**Re-election of Directors appointed to fill a casual vacancy** In terms of Article 27 (2) of the Articles of Association of the Company all Directors, including those appointed to fill casual vacancies, are subject to re-election by shareholders at the first Annual General Meeting following their appointment.	✓

Compliance reports

Corporate governance – Annexes

Rule No.	Principle and compliance	Status of compliance
4 (11)	**Disclosure of resignations/removal of Directors** All resignations/removals and appointments of Directors are informed to the shareholders, with sufficient details, via immediate notification to the Colombo Stock Exchange, after approval for the same has been obtained from the Director of Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka in terms of the applicable regulations.	✓
D	**Fitness and Propriety of Directors**	
5 (1)	**Age of Directors should not exceed 70 years** There are no Directors who are over 70 years of age.	✓
5 (2)	**Holding office in more than 20 companies** There are no Directors who hold office as a Director of more than 20 companies. Please refer Board of Directors on pages 27 and 28.	✓
E	**Delegation of Functions**	
6 (1)	**Delegation of Board functions** In terms of Article 29 (2) of the Articles of Association of the Company, the Board has delegated authority to the Board committees and the Management with clearly defined mandates and authorities, while preserving its accountability.	✓
6 (2)	**Review delegation of Board functions on a periodic basis** The delegation of authority framework is reviewed periodically by the Board to ensure that the limits remain appropriate, taking into account the size of the entity and its specific operational context.	✓
F	**Chairman and the Chief Executive Officer**	
7 (1)	**Separation of roles of Chairman and CEO** The positions of the Chairman and the Chief Executive Officer (CEO) of the Company are separate ensuring the balance of power and authority.	✓
7 (2)	**Designation of an Independent Non-Executive Director as the Senior Director when the Chairman is not an Independent Non-Executive Director** The chairman is considered to be a Non-Independent Director by virtue of the fact that he holds the office of Director of the parent company and Chairman and Director of various subsidiaries of the Company. During the financial year 2018/19 there was no independent non-Executive Director designated as the senior Director. However, immediately after the said non-compliance was brought into the notice of the Company, remedial actions were taken to rectify the said non-compliance. Hence, Mr M P Amirthanayagam, an Independent Non-Executive Director, functions as the Senior Independent Director of the Company with effect from 13 June 2019.	X
7 (3)	**Disclosure of relationship between the Chairman, CEO and members of the Board** As declared by them, there are no relationships whatsoever, including financial, business, family, or other material relationship between the Chairman/CEO and/or other members of the Board which will impair their respective roles. Refer Board of Directors on pages 26 to 28 and Management Team on pages 30 to 34.	✓
7 (4)	**Role of the Chairman** The Corporate Governance Charter of the Company sets out the responsibilities of the Chairman which includes leading the Board and ensuring its effective functioning. Refer Chairman and CEO on page 43.	✓
7 (5)	**Role of Chairman in the preparation of the agenda for Board meetings** The Chairman has delegated the function of preparing the agenda to the Company Secretary.	✓
7 (6)	**Ensure that all Directors are informed adequately and timely of the issues arising at Board meetings** The Chairman ensures, that all Directors are properly briefed on issues arising at Board meetings by submission of the agenda and Board papers with sufficient time for their perusal prior to a meeting	✓

Corporate governance – Annexes

Rule No.	Principle and compliance	Status of compliance
7 (7)	**Encouraging all Directors to make an active contribution to Boards affairs** The Chairman sets the agenda, style and the tone of the Board deliberations and ensures that opinions of all Directors are appropriately considered in decision-making thereby promoting active contribution by the individual Directors to the Board's affairs	✓
7 (8)	**Encourage participation of Non-Executive Directors and relationship between Executive and Non-Executive Directors** The Company does not have any Executive Directors. Nevertheless, the Chairman ensures that a constructive relationship exists between the Board members as a whole by providing an equal opportunity to all Directors to actively participate in the Board's affairs.	✓
7 (9)	**Avoidance of engaging in activities involving direct supervision of KMP or executive duties by the Chairman** The Chairman is a Non-Executive Director who does not get involved directly in any of the executive duties of the Company or the direct supervision of the Key Management Personnel.	✓
7 (10)	**Effective communication with shareholders** The Board attaches considerable importance to the maintenance of constructive relationships with the shareholders and considers the AGM and other General Meetings to be the formal opportunity for dialogue and communication between the Company and the shareholders. To encourage shareholders to communicate their views and to seek assistance in matters that relate to them, a separate function on investor relations has been established at the Senior Management level. Refer Annual General Meeting on page 50.	✓
7 (11)	**Role of Chief Executive Officer** The Chief Executive Officer (CEO), the apex Executive of the Company is delegated by the Board with the authority of detailed planning and implementation of the strategic objectives and policies of the Company and day-to-day operations of the Company in accordance with appropriate risk parameters. The role of the CEO is detailed in the Corporate Governance Charter of the Company. Refer Chairman and CEO on page 43.	✓
G	**Board Appointed Committees**	
8 (1)	**Establishing Board Committees, its functions and reporting** The Company has four Board appointed committees directly reporting to the Board of which four namely, the Board Audit Committee (BAC), Integrated Risk Management Committee (IRMC), Remuneration and Nomination Committee (R and NC) and Related Party Transactions Review Committee (RPTRC) are mandatory subcommittees set up in compliance with the applicable rules and regulations. Each committee has a Secretary that arranges its meetings, maintains minutes, records, and carries out other secretarial functions under the supervision of the Chairmen of the respective committees. Refer the below board committee reports. Board Audit Committee Report on pages 202 and 203 Remuneration and Nomination Committee Report on page 204 Related Party Transaction Review Committee Report on page 205 Integrated Risk Management Committee Report on pages 206 to 208	✓
8 (2)	**Audit Committee**	
(a)	**Chairman of Audit Committee** Mr J P Amaratunga, a Non-Executive Non-Independent Director serves as the Chairman of the Board Audit Committee.	✓
(b)	**Composition of Audit Committee** All three members of the Board Audit Committee are Non-Executive Directors.	✓

Compliance reports

Corporate governance – Annexes

Rule No.	Principle and compliance	Status of compliance
(c)	**Functions of Audit Committee** The Board Audit Committee has at its meetings recommended that Messrs Ernst & Young, Chartered Accountants be reappointed as the External Auditors of the Company for the financial year 2018/19; the implementation of Central Bank guidelines issued to Auditors from time to time; the application of relevant accounting principles and standards; and the Group Audit Fee for the financial year 2018/19. No resignation or dismissal of the Auditor has taken place during the year 2018/19. The term of engagement of the present audit partner who was appointed during the financial year 2018/19, does not exceed five years.	✓
(d)	**Review and monitor External Auditor's independence and objectivity and the effectiveness of audit processes** The Board Audit Committee monitors and reviews the External Auditor's independence, objectivity and the effectiveness of the audit process, taking into account the relevant professional and regulatory requirements. Company's External Auditor for 2018/19, Messrs Ernst & Young, Chartered Accountants has provided a declaration of their independence to the Board Audit Committee in terms of the relevant rules.	✓
(e)	**Provision of non-audit services by External Auditor** The Board Audit Committee with the approval of the Board of Directors has developed and implemented a policy for engagement of External Auditor to provide non-audit services to safeguard the Auditor's independence and objectivity.	✓
(f)	**Determine scope of audit** The Board Audit Committee met with the External Auditors Messrs Ernst & Young, Chartered Accountants during the year under review and discussed their audit plan, nature, and the scope of the audit before the commencement of the annual audit.	✓
(g)	**Review financial information of the Company by the Audit Committee** The Board Audit Committee periodically reviews the financial information of the Company in order to monitor the integrity of the Financial Statements of the Company and other financial disclosures. The Committee has reviewed the Company's Audited and Quarterly Financial Statements before submission thereof to the Board for approval.	✓
(h)	**Discussion of issues, problems and reservations arising from the interim and final audits with the External Auditor** During the year under review, the Board Audit Committee met the External Auditors without the presence of the Key Management Personnel for such purpose.	✓
(i)	**Review of External Auditors' Management Letter and Management's response** During the year, the Board Audit Committee reviewed the External Auditors' Management Letter for the year 2017/18 and the Management's responses thereto.	✓
(j)	**Review of internal audit function** The Board Audit Committee has reviewed and approved the Internal Audit Plan for the financial year 2018/19 presented by the Internal Audit Department prepared based on overall risk assessment and the significant audit observations made during the previous year. This plan also includes the scope, functions, and the resources of the Internal Audit Department. The findings of the internal audits carried out during the year and the evaluation by the Internal Audit Department of the Company's internal controls and compliances were reviewed by the Committee. During the year 2018/19, the Committee assessed the performance of the Internal Audit Department as a whole as well as the performance of the Head of Internal Audit and senior members of the Internal Audit Department.	✓
(k)	**Major findings of internal investigations and Management's response** Based on the reports submitted by the Internal Audit Department, the Board Audit Committee reviews and considers major audit findings and the Management's responses thereto.	✓
(l)	**Participants of Audit Committee meetings** Although the Board Audit Committee does not comprise any Executive Directors, the Committee met with the External Auditors during the year under review.	✓

Corporate governance – Annexes

Compliance reports

Rule No.	Principle and compliance	Status of compliance
(m)	**Authority and resources of the Audit Committee** The Board approved Terms of Reference of the Board Audit Committee mandates explicit authority to the committee to investigate into any matter within its purview and take necessary action thereon.	✓
(n)	**Meetings of Audit Committee** The Board Audit Committee met ten times during the financial year under review.	✓
(o)	**Disclosure in Annual Report** The Board Audit Committee Report details • Activities of the Board Audit Committee during 2018/19 • Number of Board Audit Committee meetings held during the year • Attendance of members at meetings of the Committee Refer Board Audit Committee Report on pages 202 and 203.	✓
(p)	**Recording and maintenance of minutes of meetings** In accordance with the Terms of Reference, Head of Internal Audit functions as the Secretary to the Board Audit Committee and maintains minutes of all Committee meetings in sufficient detail.	✓
(q)	**Whistle-blowing policy and relationship with External Auditors** The Board has adopted a whistle-blower Protection Policy that enables the employees to, in confidence, report violations of laws, rules, regulations, or unethical conduct to the Board Audit Committee. Information routed through the whistle-blower channel is verified carefully and appropriate actions are taken by the Committee. The confidentiality of those reporting violations is maintained and they are not subjected to any discriminatory action. The policy has been published in all three languages in the Company's intranet for information of all employees.	✓
8 (3)	**Integrated Risk Management Committee**	
(a)	**Composition of Integrated Risk Management Committee** The Integrated Risk Management Committee comprises three Non-Executive Directors, Chief Executive Officer/ General Manager, two SDGMs – Operations and DGM – Risk and Control. Head of Internal Audit, Key Risk Owners of subsidiaries and the Compliance Officer attended Integrated Risk Management Committee meetings on invitation.	✓
(b)	**Risk assessment** The Integrated Risk Management Committee assesses all risks, i.e., credit, market, liquidity, operational, and strategic risks through appropriate risk indicators established for the Company and the subsidiary companies. Risk assessment is also carried out on a company basis and the group basis wherever possible. Integrated Risk Management Committee reviews the Risk dash board reports of the Company and its subsidiaries that have commenced commercial operations and takes prompt corrective action(s) to mitigate the negative effects of specific risks, in case such risks are exceeding the established risk tolerance levels.	✓
(c)	**Review adequacy and effectiveness of all executive level committees** Assets and Liabilities Committee (ALCO) of the Company reviews and monitors the liquidity risk and the market risk based on the risk tolerance levels (risk limits) established by the Integrated Risk Management Committee. The Committee makes an annual assessment of the effectiveness of the performance of the ALCO against its scope set out in the Terms of Reference. The Company has established credit authority levels with prescribed credit approval limits to evaluate the customer applications based on the risk and the amount of the facility. Credit approvals which exceed the limit of the Branch Credit Committee are forwarded to the Head Office for consideration. As set out in the Corporate Governance Report, the Branch Committee evaluates Customer credit worthiness prior to forwarding the same. Refer Integrated Risk Management Committee Report on pages 206 to 208.	✓

Corporate governance – Annexes

Rule No.	Principle and compliance	Status of compliance
(d)	**Corrective action to mitigate the effect of risks exceeding the prudent levels decided by the Committee** The Integrated Risk Management Committee has determined risk tolerance levels and each risk category in the risk profile of the Company have been reviewed against those risk tolerance levels by the Committee at their meetings. The Committee has provided required direction where it ascertained that the risk levels have gone beyond the established risk limits.	✓
(e)	**Frequency of meetings** The Integrated Risk Management Committee met four times during the financial year 2018/19.	✓
(f)	**Action against officers for failure to identify specific risks and take prompt corrective action** Risks are identified collectively by the Integrated Risk Management Committee and Assets and Liabilities Committee (ALCO) and such decisions are taken collectively.	✓
(g)	**Submission of risk assessment report to the Board** Risk assessment reports are submitted by the Integrated Risk Management Committee at the Board meeting immediately following the Integrated Risk Management Committee meeting	✓
(h)	**Establish a compliance function** Committee has established a compliance function to assess the Company's compliance with laws, regulations and regulatory guidelines. The compliance function is headed by an Attorney-at-Law in the Senior Managerial cadre who directly reported to the Integrated Risk Management Committee on the Company's compliance with laws, regulations, directions, rules, regulatory guidelines, and internal controls. Refer Compliance Management on pages 35 and 36.	✓
H	**Related Party Transactions**	
9 (2)	**Avoid conflict of interest** The Company has in place a Related Party Transaction (RPT) Policy whereby the categories of persons who shall be considered as "related parties" has been identified. The Code of Business Conduct and Ethics of the Company ("the Code") requires each member of the Board to determine whether he/she has a potential or actual conflict of interests arising from personal relationships, external associations and interest in material matters which may have a bearing on his/her independent judgement. The Code also requires Directors who have such a potential or actual conflict of interests to immediately disclose it to the Board of Directors as soon as he/she becomes aware of it. The Related Party Transactions Review Committee further strengthens the effective management and oversight of related party transactions which can be refereed on page 205.	✓
9 (3)	**Related party transactions covered in the direction** The Related Party Transaction Policy of the Company covers all transactions with related parties irrespective of their nature and value.	✓
9 (4)	**Prohibit engaging in transactions with a related party in a manner that would grant such party "more favourable treatment"** The Board approved Related Party Transaction Policy provides for the procedure to ensure that the Company does not engage in transactions with related parties in a manner that would grant such parties "more favourable treatment" as defined in this rule. This is further supplemented by the existing online preventive system which enables the Company to monitor and report related party transactions and retrieve data thereof throughout the Company's network.	✓

Corporate governance – Annexes

Compliance reports

Rule No.	Principle and compliance	Status of compliance
I	**Disclosures**	
10 (1)	**Disclosure of financial statements** The Board ensured that the annual audited financial statements and periodical financial statements of the Company for the year 2018/19 were prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards The Board ensured that the financial statements referred to in rule 10 (1) (a) above were published in an abridged form in Sinhala, Tamil, and English languages.	✔
10 (2)	**Responsibility of the Board to ensure appropriate disclosure in the Annual Report**	✔
(a)	**A statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures** The Board confirms the preparation of the annual audited financial statements in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures contained in the Statement on Directors' Responsibility for Financial Reporting on page 213 and the Independent Auditors' Report, on pages 217 to 219 of this Report	✔
(b)	**Report on Company's internal control systems** The report of the Board on the effectiveness of the Company's internal control mechanism over financial reporting is contained in the Directors' Statement on Internal Control Over Financial Reporting on page 215 of this Report	✔
(c)	**External Auditor's certification on the effectiveness of the internal control mechanism** The Board has obtained the Assurance Report from the External Auditors on the Internal Control O ver Financial Reporting and the same can be found on page 215 of this Report	✔
(d)	**Details of Directors, including names, transactions with the Company** Details of the Directors can be found on pages 26 to 28 of this Report while the details of their transactions with the Company are disclosed under Note 58 to the Financial Statements on pages 340 to 344.	✔
(e)	**Fees/remuneration paid by the Company to the Directors in aggregate** The details of the remuneration paid to the Board of Directors are disclosed under Note 58 to the Financial Statements on pages 340 to 344	✔
(f)	**Net accommodation outstanding in respect of each category of related parties as a percentage of the Company's capital funds** The details of the total net accommodation in respect of each category of related parties and the net accommodation outstanding in respect of each category of related parties as a percentage of the Company's capital funds are disclosed under Note 58 to the Financial Statements on pages 340 to 344.	✔
(g)	**Aggregate value of remuneration paid to and transactions with KMPs** The details of the aggregate values of remuneration paid by the Company to its Key Management Personnel and the aggregate values of the transactions of the Company with its Key Management Personnel during the financial year 2018/19 are adequately disclosed.	✔
(h)	**Certification of compliance** The details on Company's compliance with prudential requirements, regulations, laws, and internal controls during the year 2018/19 are explained in detail in the Annual Report of the Board of Directors on the Affairs of the Company on pages 54 to 59 and the Corporate Governance Report, on pages 37 to 53 of this Report. Other than to the extent disclosed in this report and the Report of the Directors on the Affairs of the Company referred to above there was no material non- compliance to prudential requirements, regulations, laws, and internal controls during 2018/19 affecting the Company.	✔

Corporate governance – Annexes

Rule No.	Principle and compliance	Status of compliance
(i)	**Non-compliance report** There were no supervisory concerns on lapses in the Company's risk management system or non-compliance with the Finance Business Act and rules and directions thereunder that have been required by the Monetary Board to be disclosed to the public.	✓
(j)	**External Auditors certification of compliance** The External Auditors has performed procedures set out in Sri Lanka Standards on Related Service 4750 issued by The Institute of Chartered Accountants of Sri Lanka (SLSRS 4750), to meet the compliance requirement of the Corporate Governance Directions. Their findings presented in their report addressed to the Board are consistent with the matters disclosed above and did not identify any material inconsistencies to those reported above by the Board. The recommendations made by the Auditors where relevant will be implemented in 2019/20 as done previously.	✓
J	**Transitional Provisions**	
11	**Transitional and other provisions**	✓

Board audit committee report

The composition of the Board audit committee

The Board Audit Committee ("the Committee"), appointed by the Board of Directors of People's Leasing & Finance PLC comprises three Non-Executive Directors.

As of the financial year ended, 31 March 2019, the Board Audit Committee comprised the following Directors:

Mr Jehan P Amaratunge – Chairman

Mr Michael Pradeep Amirthanayagam

Mr Mohamed Anise Mohamed Rizwan

The Chairman of the Committee, Mr Jehan P Amaratunga is a Non-Executive Director, who is a Member of The Institute of Chartered Accountants of Sri Lanka and is a Fellow of Chartered Institute of Management Accountants (UK). He has over 30 years of extensive experience in finance and management. He was also a Member of the Governing Council of The Institute of Chartered Accountants of Sri Lanka.

The profiles of the members are given on pages 27 and 28.

Mr Udesh Gunawardena, the Head of the Internal Audit acts as the Secretary to Board Audit Committee.

Charter of the committee

The Terms of Reference of the Committee are clearly defined in the Charter of the Audit Committee. This process ensures that new development and concerns are adequately addressed. The Committee is responsible to the Board of Directors and reports on its activities regularly. The functions of the Committee are geared to assist the Board of Directors in its general oversight on financial reporting, internal and external audit, and compliance with legal and regulatory requirements and risk management.

The objective and role

The Committee is expected to ensure;

- The integrity of the financial reporting of the Company and the compliance with financial reporting requirements, information requirements of the Company's Act and other related financial reporting regulations.
- The effectiveness of the internal control system and the Company's risk management function
- The Company's ability to continue as a going concern in the foreseeable future
- Independence and performance of the Company's External Auditors
- Performance of the Company's internal audit function
- The Company's compliance with legal and regulatory requirements including the performance of the Company's compliance function

Authority

The Committee has the explicit authority to investigate into any matter, including call any employee to be questioned at a meeting of the Committee, full access to information; and authority to obtain external professional advice, at the Company's expense.

Board audit committee meeting

The Committee held ten meetings during the financial year under review. The attendance of the committee members at the meetings was as follows:

Name of the member	Number of committee meetings held	Number of committee meetings attended
Mr Jehan P Amaratunga	10	10
Mr Michael Pradeep Amirthanayagam	10	10
Mr Mohamed Anise Mohamed Rizwan	10	10

On the invitation of the Committee, any officer of the Company, External Auditors and any outsider may attend all or part of any meeting. The proceedings of the Audit Committee meetings are recorded with adequate details and reported to the Board of Directors.

Summary of activities

Financial reporting

The Committee reviews the financial statements of the Company before submission to the Board, in order to monitor the integrity of the Financial Statements of the Company prepared for disclosure, and the significant financial reporting judgements contained therein. In reviewing the Financial Statements prior to their release, the Committee focuses particularly on: (i) major judgemental areas; (ii) any changes in accounting policies and practices; (iii) significant adjustments arising from the audit; (iv) the going concern assumption; (v) the compliance with relevant accounting standards and other legal requirements.

The Committee assesses the Company's compliance with financial reporting requirements, information requirements of the Companies Act, Finance Business Act and other relevant financial reporting related regulations and requirements.

Compliance reports

Board audit committee report

Internal controls, risk management function, and going concern

The Committee keeps under review the Company's internal controls and risk management systems ensuring the procedures are adequate to meet the requirements of the Sri Lanka Auditing Standards. The Committee also assesses the Company's ability to continue as a going concern in the foreseeable future. The Committee reviewed and approved the Directors' Statement on internal controls system over financial reporting to be included in the Annual Report.

External Audit

The Committee monitors independence and objectivity of the audit processes of external audit in accordance with applicable standards of best practice. The Committee with the approval of the Board of Directors developed and implemented a policy for engagement of External Auditors to provide non-audit services to safeguard the Auditors' independence and objectivity.

The Audit Committee met the External Auditors during the year and discussed the audit proposal and the scope and also provided the opportunity to the External Auditors to discuss the issues, problems, and reservations arising from audits including those matters that may need to be discussed in the absence of Key Management Personnel (KMP).

The Committee also reviewed the External Auditor's Management Letter and Management's responses thereto.

Internal audit

The Committee reviews the adequacy of the scope, functions and resources of the Internal Audit Department, and satisfied itself that the Department has the necessary authority to carry out its work. The Committee also monitors and reviews the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system. The Committee ensured that the internal audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care.

The Committee also reviews and monitors management's responsiveness to the significant audit findings and recommendations of the Internal Auditor.

Oversight on regulatory compliances

The Committee with the assistance of internal audit closely scrutinises the compliance with mandatory statutory requirements and the systems and procedures in place to ensure compliance with such requirements.

Ethics and good governance

The Committee promotes the good governance among the internal audit staff by reviewing the internal audit policy charter and among all staff by introducing the whistle-blower policy.

Highest standards of corporate governance and adherence to the Company's Code of Ethics are ensured. All appropriate procedures are in place to conduct independent investigations into incidents reported through whistle-blowing or identified through other means.

Whistle-blowing and fraud

The Company's whistle-blower policy intends serving a wide-spread informal channel for the corporate fraud risk management. An employee, who observes or notices any improper or illegal activity or unethical practices in the Company or receives credible information of the same, may forthwith report the same to the Board Audit Committee. The policy has been published in all three languages in the Company intranet. The policy guarantees the maintenance of strict confidentiality of the whistle-blowers.

Appointment of the external auditors

The Auditor General by his letter under reference BAF/D/PLF/2018/01 dated 18 January 2019 has informed the Company that, according to Section 55 of the National Audit Act No. 19 of 2018, People's Leasing & Finance PLC falls under the definition of "Auditee entity" of the Auditor General and shall carry out the audit by the Auditor General or any person authorised by the Auditor General.

Auditor General has also informed by the same letter that the necessity does not arise in future to appoint an Auditor at the Annual General Meeting.

Jehan Amaratunga
Chairman
Board Audit Committee

16 May 2019

Remuneration and nomination committee report

The Remuneration Committee of the Company was established on 22 August 2011 and was renamed and duly reconstituted as the Remuneration and Nomination Committee on 6 August 2013.

Composition of the committee

The Remuneration and Nomination Committee is appointed by the Board of Directors of the Company. It is comprised three (3) Non-Executive Directors, out of whom none were Independent Directors. With Mr Amirthanayagam being an Independent Director with effect from 13 June 2019, the Committee comprised of one Independent Director.

The members of the Committee, Mr Jehan Prasanna Amaratunga (Chairman to the Committee) and Mr Michael Pradeep Amirthanayagam and Mr Johnson Anthony Fernando were appointed to the Committee with effect from 8 April 2015.

Brief profiles of the members to the Committee are given on pages 27 and 28 of this Annual Report.

Committee meetings

The Committee held six meetings during the year under review, and the Committee reported directly to the Board. The Chief Executive Officer/GM attended meetings of the Committee by invitation, other than in the instances where matters relating to him have been discussed and the members of the Senior Management were invited to participate in the meetings of the Committee as and when required.

The attendance of the members for the meetings held during the period under review is setout below:

Members	Attendance
Mr J P Amaratunga (Chairman)	5/6
Mr M P Amirthanayagam	6/6
Mr J A Fernando	5/6

Scope of the committee

The Committee advises the Board on selection of members to the Board and assists the Board in ensuring that remuneration arrangements in the Company align reward with performance.

By virtue of the powers vested with the Committee in terms of the Board-approved Terms of Reference (TOR), the Committee reviews the structure, size and composition of the Board and makes recommendations to the Board with regard to any change that needs to be introduced to the Board. The members of the Committee are precluded from participating in decisions relating to their own appointments, under the TOR of the Committee.

Activities of the committee

The Committee acknowledges that the reward strategies and the remuneration structure of the Company should be designed in a manner that attract, motivate and retain high calibre people. As such the Committee has recommended to increase the limit of Staff Supporting Loan Scheme and has revised the existing Vehicle Loans scheme during the period under review. In addition to above, the Committee has revised the variable benefits offered to employees to facilitate business enhancement.

During the period under review, the Committee has reviewed and recommended the appointment of two Independent Directors to the Board, Professor Kennedy Degaulle Gunewardena and Mr N W A M U K K Edward Weerasinge, who with the approval of the Board of Directors and with the approval of the Central Bank of Sri Lanka, were appointed as Non-Executive Independent Directors of the Company.

The Committee identifying the need to maintain a balance between the staff motivation and prevention of undue strain on the performance of the Company, has introduced a formal salary revision methodology for the employees based on their level of meeting expectations.

Recognising the requirement to implement an effective Succession Plan for the Key Management Positions of the Company for uninterrupted business development, the Committee has identified possible successors for the positions of KMPs of the Company. The Succession Plan would be reviewed annually by the Committee taking into consideration the business strategy adopted by the Company and the competitive business environment.

The current Retirement Policy of the Company was reviewed by the Committee during the period under review. While recommending to continue the current Retirement Policy of the Company, the Committee has established an age limit for those who were employed under consultancy basis.

Recognising the key feature of our remuneration policy, to pay for performance, and taking into consideration the overall performance of the Company, the Committee has recommended the bonus payment to employees, subject to the established Policy Guidelines on the payment of bonus for employees based on their individual performance evaluations.

Remuneration and other benefits of Directors

The remuneration of the Non-Executive Directors is decided by the Board. The Non-Executive Directors receive a fixed fee for attending meetings of the Board and its committees. Fees paid to the Non-Executive Directors are neither performance related nor pensionable. There are no contractual arrangements for compensation for loss of office for any of the Directors.

Details of the fees paid to the Directors are given on page 340 of this Annual Report.

Jehan P Amaratunga
Chairman
Remuneration and Nomination Committee

13 June 2019

Compliance reports

Related party transactions review committee report

The Related Party Transactions Review Committee of the Company (Committee) was established by the Board in early 2014 to ensure strict compliance with the rules and regulations governing related party transactions for listed entities.

Composition of the committee

The Committee comprised three (3) Non-Executive Directors appointed by the Board of Directors of the Company out of whom one was an Independent Director. With Mr Amirthanayagam being an Independent Director with effect from 13 June 2019, the Committee comprised of two Independent Directors.

Chairman to the Committee, Mr Michael Pradeep Amirthanayagam, and the members of the Committee Mr Johnson Anthony Fernando and Mr Mohamed Anise Mohamed Rizwan were appointed to the Committee with effect from 8 April 2015.

Brief profiles of the members to the Committee are given on pages 27 and 28 of this Annual Report.

Committee meetings

The Committee met four (4) times during the year under review, and the proceedings were directly reported to the Board. The Chief Executive Officer/GM attended meetings of the Committee by invitation. The attendance of the members for the meetings held during the period under review is set out below:

Members	Attended
Mr M P Amirthanayagam (Chairman)	4/4
Mr J A Fernando	3/4
Mr M A M Rizwan	3/4

Scope of the committee

The Committee mandated by the Terms of Reference (TOR) adopted by the Board of Directors on 25 February 2014, is established for the purpose of reviewing in advance all proposed related party transactions, except for transactions mentioned under Rule 27 of the Code of Best Practices on Related Party Transactions – December 2013.

Accordingly, except for transactions mentioned above, all other related party transactions are required to be reviewed by the Committee either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.

In furtherance of discharging the duties entrusted with the Committee as set out in its' TOR, the Committee adopts policies and procedures to review related party transactions of the Company, and determine whether such related party transactions require the approval of the Board or shareholders of the Company as determined in Rule 13 of the Code, and in such circumstances, the Committee shall take necessary steps to forward same for necessary approvals.

If related party transactions are ongoing, the Committee shall establish guidelines for Senior Management to follow in its' ongoing dealings with the relevant related party. Thereafter, the Committee on an annual basis shall review and assess ongoing relationship with the Committee's guidelines. The Committee ensures that no Director of the Company shall participate in any discussion of a proposed related party transaction for which he is a related party, unless such Director is requested to do so by the Committee for the purpose of providing information concerning the Related Party Transaction Review to the Committee.

The Committee is authorised to recommend the creation of a special committee to review and approve the proposed related party transaction, if there is any potential conflict in any related party transaction. The Committee further ensures that immediate market disclosures and disclosures in the Annual Report as required by the Code are made in a timely and detailed manner.

Summary of activities

In furtherance of establishing a framework to identify the related parties and related party transactions and to set up procedures under which related party transactions should be reviewed, the Committee has recommended to the Board, a Related Party Transaction Manual.

A detailed report on the related party transactions is submitted to the Committee for review periodically, and the Committee after duly reviewing such transactions placed before it, has reported same to the Board of Directors and such transactions are disclosed to the stakeholders through the Company's financial statements.

In accordance with the TOR, Self-declarations are obtained from the Directors and KMPs for identifying parties related to them. Information on related parties gathered through such declarations have been included in the in-bank system, which enables the Company to retrieve data on related party transactions throughout the Company's network.

Related party transactions during 2018/19

During the period under review, there were no non-recurrent or recurrent related party transactions that exceeded the respective thresholds enunciated in the Listing Rules of the Colombo Stock Exchange.

Details of other related party transactions entered into by the Company during the year 2018/19 are disclosed under Note 58 on pages 342 to 344 Financial Statements.

Declaration

The declaration by the Board of Directors that no related party transaction falling within the ambit of the Listing Rules, was entered into by the Company during 2018/19 is contained in pages 343 and 344 of the Annual Report.

M P Amirthanayagam
Chairman
Related Party Transactions Review Committee

13 June 2019

Integrated risk management committee report

The Board of Directors of People's Leasing & Finance PLC which is primarily responsible for the integrated risk management initiatives has delegated its authority to a Board subcommittee, the Integrated Risk Management Committee ("IRMC" or "Committee") to review and assess the adequacy and effectiveness of the risk profile of the Company and the Group, In terms of Section 8 (3) of the Finance Companies (Corporate Governance) Direction No. 3 of 2008.

Terms of reference (TOR)

In compliance with the aforementioned Direction, The TOR clearly set out authority/delegations vested with the Committee, composition, responsibilities, meeting frequency and quorum, reporting and other procedures of the Committee.

In January 2019, the Committee reviewed its TOR and the same was subsequently approved by the Board.

Composition

The IRMC for the financial year 2018/19 comprised the following members and whose profiles are given on pages 27 to 28:

Regular attendees by invitation

- Compliance Officer
- Key Management Personnel from PLC subsidiaries
  - Chief Executive Officer – People's Insurance PLC
  - Technical Consultant – People's Insurance PLC
  - DGM – Marketing – PLC/Head of People's Micro-commerce Ltd.
  - DGM – Recoveries and Administration – PLC/Head of People's Leasing Fleet Management Limited

Ms Akila Samarasinghe – Deputy Manager – Risk and Control functions as the Secretary to the IRMC.

Meetings

The Committee held four (4) quarterly meetings during the year under review. The attendance of the members of the Committee was as follows:

Name	Attended/ eligible to attend
Mr M P Amirthanayagam	4/4
Mr Rasitha Gunawardana	4/4
Mr M A M Rizwan	4/4
Mr A S Ibrahim	4/4
Mr Sanjeewa Bandaranayake	4/4
Mr Lionel Fernando	3/4
Mr Rohan Tennakoon	4/4

Name of the Board subcommittee member	Directorship status	Membership status
Mr M P Amirthanayagam	Non-Executive, Independent Deputy Chairman/Senior Independent Director	Chairman
Mr Rasitha Gunawardana	Non-Executive, Non-Independent Director	Member
Mr M A M Rizwan	Non-Executive, Independent Director	Member
Mr A S Ibrahim (Chief Executive Officer/General Manager)	Non-Director	Member
Mr Sanjeewa Bandaranayake (SDGM – Operations)	Non-Director	Member
Mr Lionel Fernando (SDGM – Operations)	Non-Director	Member
Mr Rohan Tennakoon (DGM – Risk and Control)	Non-Director	Member

Compliance reports

Integrated risk management committee report

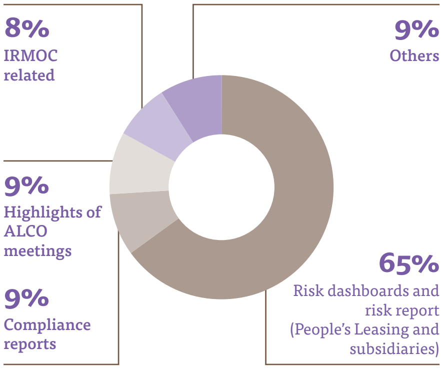
Reporting to the Board

Minutes of the Committee which include the deliberations and conclusions reached were submitted to the subsequent IRMC meeting for the confirmation and adoption. All minutes of the meetings were formally approved by the Committee Chairman. Approved Minutes were also submitted to the Board seeking their views, concurrence and/or specific directions.

Activities

The IRMC effectively assisted the Board of Directors in performing its oversight role in relation to the internal/external risks faced by the Company in carrying out its business operations. All key risks tracked through Key Risk Indicators (KRIs) on a monthly basis are reviewed by the Committee at its quarterly meetings. The IRMC focused on the following activities during the year under review:

Key areas of discussion and time allocated



Strengthening risk governance structure

During the period under review, the Integrated Risk Management Operating Committee (IRMOC) was re-established as a management level committee to further strengthen the risk governance structure of the Company and support the Board, Board subcommittees and Corporate Management to manage the risks associated with the business operations of the Company in an integrated manner. The IRMOC is accountable to the IRMC.

- Reviewed the TOR of IRMOC submitted to the Committee upon the re-establishment of IRMOC and recommended for the Board approval.
- Reviewed the highlights of the IRMOC meetings on a quarterly basis.

Risk appetite and risk tolerance levels

- As part of annual review process, the Committee reviewed the Risk Tolerance Statement in October 2019.
- In reviewing the Risk Tolerance Statement, the factors such as strategic objectives of the Company, changes in macroeconomic environment and regulatory requirements etc., were considered by the Committee.
- Reviewed the risk profile of People's Leasing against those Board-approved risk tolerance levels on a quarterly basis.

Assessment of management level committee

- Reviewed the adequacy and effectiveness of the functions carried out by ALCO by reviewing the annual assessment performed against its TOR.

Credit risk

- Reviewed the portfolio quality covering the following:
  - Non-performing loan analysis based on assets and products
  - Sector-wise credit concentration
  - Compliance with the Single Borrower Limits etc.
- Reviewed the quarterly progress of identified asset categories with high NP ratios for its consistent improvement in the asset quality.
- Reviewed the adequacy of impairment coverage and stress test results performed for credit risk.
- Reviewed the highlights of the IRMOC meeting which include the deliberations carried out with regard to the credit risk.

Liquidity and market risk

- Reviewed the adequacy of liquid assets maintained and the maturity mismatch, sensitivity analysis, interest rate repricing gaps including the stress test results.
- Reviewed the highlight reports of ALCO meetings submitted to the Committee on a quarterly basis in assessing the effectiveness of liquidity and market risk management.

Operational risk

- Reviewed key operational risk indicators established in respect of ICT, Human Resources, Frauds etc.
- Reviewed the progress of Business Continuity Plan Implementation process and the adequacy of disaster recovery plans.

Regulatory and compliance risk

- Reviewed the Company's compliance with the regulatory requirements and monitored against the risk tolerance levels.
- Reviewed the compliance reports submitted by the Compliance Officer to assess the Company's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies in all areas of Company operations.
- Reviewed the adequacy of capital in line with new capital adequacy requirement of Central Bank of Sri Lanka applied with effect from 1 July 2018.

Strategic risk

- Reviewed the effectiveness of strategies implemented in response to the changes in the business environment.
- Reviewed strategic risk indicators against the risk tolerance levels.

Assessing the risk profile of subsidiary companies

During the year under review, in line with the Finance Companies (Corporate Governance) Direction, No. 3 of 2008, Section 8 (3) (b), the following subsidiary companies submitted Risk Dash-board/key risk indicator reports to the IRMC enabling the Committee to review the risk profile of each subsidiary company and the overall risk profile of People's Leasing Group. Highlights of subsidiary company reviews are given below:

- People's Insurance PLC (PI)
  - The Committee reviewed the underwriting quality, investment concentrations together with KRIs of default risk, operational risk, strategic risk, compliance risk on a quarterly basis.

Integrated risk management committee report

  - The Committee reviewed the PI's Compliance to the Risk-Based Capital Model regulated by the Insurance Regulatory Commission of Sri Lanka (formerly known as Insurance Board of Sri Lanka).

- People's Micro-commerce Ltd. (PML)
  - PML involves in the business of providing micro-lending facilities to ensure financial inclusivity of the under privileged, rural and urban population and operates with a different risk profile.
  - The Company's risk profile was quarterly reviewed by the Committee against set risk tolerance limits.
- Other subsidiaries
  - IRMC quarterly reviewed the Risk Dash-board reports and Risk Indicator reports submitted by People's Leasing Fleet Management Limited and People's Leasing Property Development Limited respectively.

The secretary to the committee coordinated with aforementioned subsidiaries of People's Leasing.

Respective officers of subsidiary companies who are participating on invitation briefed the Committee with the relevant information through various risk indicators and additional information.

Others

- Worked closely with the Corporate Management, Senior Management and Key Management Personnel supervising broad risk categories (credit, market, liquidity, operational and strategic risks) and made decisions on behalf of the Board within the framework of the authority and responsibility assigned to the Committee.
- Supervised the procedures of Integrated Risk Management responsibilities pertaining to risk management strategies, policies and processes.
- Recommended corrective action to mitigate the effects of specific risks at levels beyond the risk tolerance levels approved by the Board and on the basis of Company's policies, regulatory and supervisory requirements.

During the year under review, the IRMC extended its support in line with the risk appetite and tolerance framework, in the execution of overall business strategy emphasising the upside and downside risks which can have an impact on the Company.

M P Amirthanayagam
Chairman
Integrated Risk Management Committee

13 June 2019

Reduction in carbon footprint

5,695 tCO_2eq

2018 – 7,011 tCO_2eq

Financial reports

Financial calendar

		2018/19	2019/20
Interim financial statements publication	Q1 ended 30 June	**30 July 2018**	Before 15 August 2019
	Q2 ended 30 September	**26 October 2018**	Before 15 November 2019
	Q3 ended 31 December	**28 January 2019**	Before 15 February 2020
	Q4 ended 31 March	**16 May 2019**	Before 30 May 2020
Financial statements publication	Year ended 31 March 2018	**28 June 2018**	
	Six months ended 30 September 2018	**29 November 2018**	
	Year ended 31 March 2019		Before 30 June 2019
	Six months ending 30 September 2019		Before 31 December 2019
Annual Report publication	Publication of Annual Report	**July 2019**	June 2020
Annual General Meeting	Annual General Meeting	**23rd Annual General Meeting 31 July 2019**	24th Annual General Meeting June 2020
Dividend payment	Interim Dividend		
	Paid for the year ended 31 March 2019	**11 January 2019**	
	Final Dividend		
	Paid for the year 31 March 2018	**10 July 2018**	
	Proposed for the year ended 31 March 2018		August 2019

Financial reports

Directors' responsibility for financial reporting

The responsibility of the Directors, in relation to the Financial Statements of People's Leasing & Finance PLC (the Company) and the Consolidated Financial Statements of the Company and its subsidiaries (the Group) in accordance with the provisions of the Companies Act No. 07 of 2007 is set out in this statement.

The Directors confirm that the Financial Statements of the Company and the Group give a true and fair view of the financial position as at 31 March 2019 and the financial performance for the financial year then ended and place the same before the Annual General Meeting. These Financial Statements comprise:

- Statement of Financial Position
- Statement of Profit or Loss
- Statement of Comprehensive Income
- Statement of Changes in Equity
- Statement of Cash flows
- Notes to the Financial Statements

The Board of Directors accepts responsibility for the integrity and objectivity of the Financial Statements presented in this Annual Report. The Directors confirm that in preparing these Financial Statements:

- The appropriate accounting policies have been selected and applied in a consistent manner, material departures if any, have been disclosed and explained;
- All applicable accounting standards as relevant have been followed; and
- Reasonable and prudent Judgments and estimates have been made.

The Directors of the Company and the Group have responsibility for ensuring that the Company and the Group keeps proper books of accounts of all the transactions as per Sections 150 (1), 151, 152 and 153 (1) and (2) of the Companies Act No. 07 of 2007.

The Directors also ensured that the Company has adequate resources to continue in operation to justify applying the going concern basis in preparing these Financial Statements. Further, the Directors have a responsibility to ensure that the Company maintains sufficient accounting records to disclose, with reasonable accuracy, the financial position of the Company.

The Financial Statements of the Company and the Group have been certified by the Company's Chief Financial Officer, the officer responsible for their preparation as required by Sections 150 (1) (b) and of 152 (1) (b) of the Companies Act No. 07 of 2007. In addition, the Financial Statements of the Company and the Group have been signed by two Directors on Date 13 June 2019 as required by Sections 150 (1) (c) and 152 (1) (c) of the Companies Act No. 07 of 2007 and other regulatory requirements.

In compliance with Section 148 (1) of the Companies Act No. 07 of 2007, the Directors are also responsible for ensuring that proper accounting records which explain the Company's transactions and assist in determining the Company's financial position with reasonable accuracy at any time, are maintained by the Company enabling the preparation of Financial Statements and further enabling the Financial Statements to be readily and properly audited. The Financial Statements for the year 2018/19 prepared and presented in this Annual Report are consistent with the underlying books of accounts and are in conformity with the requirements of Sri Lanka Accounting Standards, Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, Finance Business Act No. 42 of 2011 and Directions issued thereto, Listing Rules of Colombo Stock Exchange, the Code of Best Practice on Corporate Governance issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

Board of Directors review financial reporting system directly at their regular meetings and through Board Audit Committee (BAC), the report of which is given on pages 202 to 203 to ensure that the Company and Group maintain proper books of accounts. Interim Financial Statements published by the Company are also approved by the Board following a review by Board Audit Committee (BAC).

The Directors are also responsible for taking reasonable steps to safeguard assets of the Company and the Group and in this regard to give proper consideration to the establishment of appropriate internal control systems in managing significant risks in the Company and the Group. The "Directors' Statement on Internal Control over Financial Reporting" is given on page 215.

As required under Section 56 (2) of the Companies Act No. 07 of 2007, the Board of Directors wish to confirm that they have authorised the distribution of the interim dividend paid on 11 January 2019 as well as the proposed final dividend after being satisfied the solvency test immediately after such distributions are made in accordance with Section 57 of the Companies Act No. 07 of 2007 and have obtained in respect of dividends paid and proposed and for which the approval is now sought, certificates of solvency from External Auditor.

The Board of Directors also wish to confirm that as required under Sections 166 (1) and 167 (1) of the Companies Act No. 07 of 2007, they have prepared this Annual Report in time and ensured that a copy thereof is sent to the shareholders within the stipulated period of time as required by Rule No. 7.5 (a) and (b) of the Listing Rules of the Colombo Stock Exchange. The Directors also wish to confirm that all shareholders have been treated in an equitable manner in accordance with the original terms of issue.

The Directors are required to prepare the Financial Statements and to provide the Auditor with every opportunity to take whatever steps and undertake whatever inspections they may consider appropriate to enable them to give their audit opinion. The Directors are of the view that they have discharged their responsibilities as set out in this statement. The Company's External Auditors, Messrs Ernst & Young were appointed in terms of the Section 158 of the Companies Act and in accordance with a resolution passed at the last Annual General Meeting and their responsibilities in relation to the Financial Statements are set out in the "Independent Auditors' Report" given on pages 217 to 219.

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company and the Group, all contributions, levies and taxes payable relating to employees of the Company and the Group, and the Government and other statutory bodies that were due in respect of the Company and the Group as at the reporting date have been paid or, where relevant provided for.

Accordingly the Board of Directors are of the view that they have discharged their responsibilities as set out in this statement.

By order of the Board,

Lakmini Kottegoda
Secretary to the Board

13 June 2019

Independent assurance report

EY
Building a better working world

Ernst & Young
Chartered Accountants
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Sri Lanka

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To the Board of Directors of People's Leasing & Finance PLC

Report on the Directors' Statement on Internal Control

We were engaged by the Board of Directors of People's Leasing & Finance PLC (the "Company") to provide assurance on the Directors' Statement on Internal Control over Financial Reporting (the "Statement") included in the Annual Report for the year ended 31 March 2019.

Management's responsibility

Management is responsible for the preparation and presentation of the Statement in accordance with the "Guidance for Directors of License Finance Company/ Finance Leasing Company on the Directors' Statement on Internal Control" issued in compliance with the Section 10 (2) (b) of the Finance Companies (Corporate Governance) Direction No. 3 of 2008/Section 10 (2) (b) of the Finance Leasing (Corporate Governance) Direction No. 4 of 2009, by The Institute of Chartered Accountants of Sri Lanka.

Our independence and quality control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by The Institute of Chartered Accountants of Sri Lanka, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Sri Lanka Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our responsibilities and compliance with SLSAE 3051

Our responsibility is to assess whether the Statement is both supported by the documentation prepared by or for Directors and appropriately reflects the process the Directors have adopted in reviewing the design and effectiveness of the internal control of the Company.

We conducted our engagement in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE) 3051, Assurance Report for License Finance Company/Finance Leasing Company on Directors' Statement on Internal Control, issued by The Institute of Chartered Accountants of Sri Lanka.

This Standard required that we plan and perform procedures to obtain limited assurance about whether Management has prepared, in all material respects, the Statement on Internal Control.

For purpose of this engagement, we are not responsible for updating or reissuing any reports, nor have we, in the course of this engagement, performed an audit or review of the financial information.

Summary of work performed

We conducted our engagement to assess whether the Statement is supported by the documentation prepared by or for Directors; and appropriately reflected the process the Directors have adopted in reviewing the system of internal control over financial reporting of the Company.

The procedures performed were limited primarily to inquiries of the Company personnel and the existence of documentation on a sample basis that supported the process adopted by the Board of Directors.

SLSAE 3051 does not require us to consider whether the Statement covers all risks and controls or to form an opinion on the effectiveness of the Company's risk and control procedures. SLSAE 3051 also does not require us to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the Annual Report will, in fact, remedy the problems.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Company, the event or transaction in respect of which the Statement has been prepared.

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

Our conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the Statement included in the Annual Report is inconsistent with our understanding of the process the Board of Directors has adopted in the review of the design and effectiveness of internal control over financial reporting of the Company.

Ernst & Young

13 June 2019
Colombo

Financial reports

Directors' statement on internal control over financial reporting

Responsibility

In line with the Section 10 (2) (b) of the Finance Companies Direction No. 03 of 2008 as amended by the Finance Companies (Corporate Governance – Amendment) Direction No. 06 of 2013, the Board of Directors present this report on internal control over financial reporting.

The Board of Directors ("the Board") is responsible for the adequacy and effectiveness of the internal control mechanism in place at People's Leasing & Finance PLC ("the Company").

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and this process includes the system of internal control over financial reporting which, regularly reviewed by the Board.

The Board is of the view that the system of internal control over financial reporting in place is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting, and that the preparation of Financial Statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

The Management assists the Board in the implementation of the Board's policies and procedures pertaining to internal control over financial reporting. The Management is in the process of continuously enhancing the documentation of the system of internal control over financial reporting. In assessing the internal control system over financial reporting, identified officers of the Company collated all procedures and controls that are connected with significant accounts and disclosures of the Financial Statements of the Company.

These in turn are being observed and checked by the Internal Audit Department of the Company for suitability of the design and implementation effectiveness, on an on-going basis.

In adopting Sri Lanka Accounting Standards comprising LKAS and SLFRS progressive improvements on processes to comply with requirements of recognition, measurement, classification and disclosure are being made whilst further strengthening of processes will take place pertaining to Financial Statements, risk management disclosures, related party disclosures, and management information system.

Board has given due consideration for the adoption of SLFRS 9 – "Financial Instruments" which was applicable for financial reporting periods. The required modules have been implemented and progressive improvements on processes and controls are being made to strengthen the processes and controls around the Management information systems and report required for validation and compliance in line with SLFRS 9.

Confirmation

Based on the above processes, the Board confirms that the financial reporting system of the Company has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes and has been prepared in accordance with Sri Lanka Accounting Standards and regulatory requirements of the Central Bank of Sri Lanka and the Colombo Stock Exchange.

Review of the statement by external auditor

The External Auditor, Messrs Ernst & Young, has reviewed the above Directors' statement on internal control for the year ended 31 March 2019 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in the review of the design and effectiveness of the internal control system of the Company.

By order of the Board,

J P Amaratunga
Chairman
Board Audit Committee

Hemasiri Fernando
Chairman

M P Amirthanayagam
Deputy Chairman

13 June 2019

Chief Executive Officer's and Chief Financial Officer's responsibility statement

The Financial Statements of People's Leasing & Finance PLC (the Company) and the Consolidated Financial Statements of the Company and its subsidiaries (the Group) as at 31 March 2019 are prepared and presented in conformity with the following requirements:

- Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka;
- Companies Act No. 07 of 2007;
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995;
- Directions issued to Licensed Finance Companies by the Central Bank of Sri Lanka under the Finance Business Act No. 42 of 2011;
- Listing Rules of the Colombo Stock Exchange; and
- Code of Best Practice on Corporate Governance issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

The Group on a quarterly basis presents Interim Financial Statements to its shareholders in compliance with the Listing Rules of the Colombo Stock Exchange.

The Company applied the Sri Lanka Accounting Standard – SLFRS 9 on "Financial Instruments" which replaced the Sri Lanka Accounting Standard LKAS 39 on "Financial Instruments; Recognition and Measurement" with effect from 1 April 2018. The adoption of Sri Lanka Accounting Standard – SLFRS 9 on "Financial Instruments" had a significant impact on the calculation of impairment of financial instruments on an "expected credit loss model" compared to the "incurred credit loss model" which was applied until 31 March 2018. As permitted by the paragraph 7.2.15 of the Sri Lanka Accounting Standard – SLFRS 9, the Company has decided not to restate Financial Statements of prior periods and has recognised the difference between the previous carrying amount under the Sri Lanka Accounting Standard – LKAS 39 and the carrying amount at the beginning of the annual reporting period the Sri Lanka Accounting Standard – SLFRS 9 that includes the date of initial application, in the opening retained earnings as at 1 April 2018 as disclosed in Note 4 on pages 238 to 242. Accordingly, comparative information has not been amended to comply with the current presentation.

The accounting policies used in the preparation of the Financial Statements are appropriate and are consistently applied by the Group. There are no departures from the prescribed Accounting Standards in their adoption. Comparative information has been reclassified wherever necessary to comply with the current presentation and material departures, if any, have been disclosed and explained. Significant accounting policies and estimates that involved a high degree of judgement and complexity were discussed with the Company's External Auditor and the Board Audit Committee.

The Board of Directors and the Management of the Company accept responsibility for the integrity and objectivity of these Financial Statements. The estimates and judgements relating to the Financial Statements were made on a prudent and reasonable basis; in order to ensure that the Financial Statements are reflected in a true and fair manner, the form and substance of transactions and the Company's state of affairs is reasonably presented. We also confirm that the Group has adequate resources to continue in operation and have applied the going concern basis in preparing these Financial Statements.

To ensure this, the Company and the Group has taken proper and sufficient care in installing a system of internal control and accounting records, for safeguarding assets and for preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis.

Internal Audit Department has conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company and the Group were consistently followed. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of internal controls and accounting.

The Board Audit Committee reviewed all of the internal and external audit and inspection programmes, the efficiency of the internal control systems and procedures, the quality of accounting policies and their adherence to statutory and regulatory requirements, the external audit plan and the Management letters and also followed up on any issues raised during the statutory audit, the details of which are given in the "Board Audit Committee Report" on pages 202 and 203 of this Annual Report.

The Financial Statements of the Company and the Group were audited by Messrs Ernst & Young Chartered Accountants and their report is given on page 217 of this Annual Report.

We confirm that:

- the Group has complied with all applicable laws, regulations and prudential requirements, there is no material non-compliance;
- there are no material litigations that are pending against the Group other than those disclosed in Note 52 of the Financial Statements of this Annual Report.

All taxes, duties, levies and all statutory payments by the Group and all contributions, levies and taxes payable on behalf of and in respect of the employees of the Group as at 31 March 2019 have been paid, or where relevant provided for.

A S Ibrahim
Chief Executive Officer

Sanjeewa Bandaranayake
Chief Financial Officer

13 June 2019

Independent auditor's report

Building a better working world

Ernst & Young
Chartered Accountants
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TO THE SHAREHOLDERS OF PEOPLE'S LEASING & FINANCE PLC

Report on the audit of the Consolidated Financial Statements

Opinion

We have audited the Financial Statements of People's Leasing & Finance PLC ("The Company") and Consolidated Financial Statements of the Company and its subsidiaries (the "Group"), which comprise the Statement of Financial Position as at 31 March 2019, and Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and Notes to the Financial Statements, including a summary of significant accounting policies.

In our 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 March 2019, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements of the current period. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Independent auditor's report

Key Audit Matter	How our audit addressed the key audit matter

Allowance for impairment of loans and receivables including Company's transition to SLFRS 9:
Our audit considered impairment for loans and receivables as a key audit matter. The materiality of the reported amounts for loans and receivables (and impairment thereof), the subjectivity associated with management's impairment estimation, complex manual calculations of impairment and transition to Sri Lanka Financial Reporting Standard 9: Financial Instruments (SLFRS 9) underpinned our basis for considering it as a Key Audit Matter.
 	
As at 31 March 2019, loans receivables from (net of impairment) amounted to Rs. 151,707,902 million (Note 25) net of total allowance for impairment of Rs. 4,944,339 million (Note 25.9). This collectively contributed 87.9% to the Company's total assets. The impact on transition to SLFRS 9 on the Company's Financial Statements has been quantified and presented in the Note 4.1 to the Financial Statements.
 	
The allowance for impairment (both specific and collective) of these financial assets is estimated by management. Assumptions used by management in this calculation are inherently judgemental. Note 59.2.7 to the Financial Statements more fully describes the sensitivity of key assumptions.
	To assess the reasonableness of the allowance for impairment, we carried out audit procedures (among others) to obtain sufficient and appropriate audit evidences, that included the following:
	
	- We evaluated the design, effectiveness of key internal controls over estimation of impairment for loans and receivables, which included assessing the level of oversight, identifying occurrence of loss events, review and approval of impairment policies by the Board Audit Committee and management.
	- We test-checked the underlying calculations and data used in such calculations on a sample basis;
	- In addition to the above, focused procedures were performed as follows:
	  • For those individually assessed for impairment: We tested for a sample of loans and receivables where impairment indicators existed, reasonableness of management's forecasts of cash flows to historical patterns of customer repayment. Among other procedures, forecast cash flows arising from collateral (or other source(s) of expected recovery) were verified to source documents and validated the expected the recovery amount.
	  • For those collectively assessed for impairment: we tested the completeness of the underlying information used in the impairment calculations by agreeing details to the source documents and information in IT system and re-performing the calculations.
	  • we also considered reasonableness of macroeconomic and other factors used by management in their judgemental overlays, by comparing them with relevant publicly available data and information sources.
	- By using a set of audit procedures similar to those enumerated above, we validated the quantitative impact of the transition.
	- We assessed the adequacy of the related Financial Statement disclosures as set out in Note 25.

Other information included in the 2018/19 Annual Report

Other information consists of the information included in the Annual Report, other than the Financial Statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 determines 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.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists.

Independent auditor's report

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 internal controls of the Company and the Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

As required by Section 163 (2) of the Companies Act No. 07 of 2007, 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.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2965.

Ernst & Young

13 June 2019
Colombo

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Statement of Profit or Loss

For the year ended 31 March	Note	Page No.	Company 2019 Rs. '000	Company 2018 Rs. '000	Company Change %	Group 2019 Rs. '000	Group 2018 Rs. '000	Group Change %
Gross income	5	243	**32,735,639**	28,603,037	14.45	**38,356,205**	33,144,417	15.72
Interest income	6.1	244	**30,836,300**	26,704,635	15.47	**32,234,340**	27,582,045	16.87
Less: interest expense	6.2	244	**15,646,099**	14,500,158	7.90	**15,891,298**	14,626,672	8.65
Net interest income	6	243	**15,190,201**	12,204,477	24.46	**16,343,042**	12,955,373	26.15
Net earned premium	7	245	**–**	–	–	**4,728,573**	4,053,270	16.66
Fee and commission income	8	246	**1,508,952**	1,378,361	9.47	**1,004,297**	819,727	22.52
Net gains/(losses) on financial assets – FVTPL/Held for trading	9	247	**(27,887)**	18,987	(246.87)	**(44,351)**	59,910	(174.03)
Net gains/(losses) from derecognision of financial assets			**–**	–	–	**–**	–	–
Other operating income	10	247	**418,274**	501,054	(16.52)	**433,346**	629,465	(31.16)
Total operating income			**17,089,540**	14,102,879	21.18	**22,464,907**	18,517,745	21.32
Less: impairment charges for loans and receivables and other losses	11	248	**1,586,506**	1,429,971	10.95	**1,708,203**	1,470,062	16.20
Impairment charges for investment in associate	30	299	**348,794**	–	100.00	**152,572**	–	100.00
Impairment charges for goodwill	33	308	**19,580**	–	100.00	**19,580**	–	100.00
Net operating income			**15,134,660**	12,672,908	19.43	**20,584,552**	17,047,683	20.75
Less: expenses								
Personnel expenses	12	251	**3,438,167**	2,974,253	15.60	**4,166,618**	3,391,640	22.85
Depreciation and amortisation	13	251	**179,607**	192,506	(6.70)	**302,360**	294,235	2.76
Benefits, claims and underwriting expenditure	14	252	**–**	–	–	**3,328,705**	2,776,132	19.90
Other operating expenses	15	253	**2,844,419**	2,436,355	16.75	**3,048,420**	2,543,486	19.85
Total operating expenses			**6,462,193**	5,603,114	15.33	**10,846,103**	9,005,493	20.44
Operating profit before taxes on financial services			**8,672,467**	7,069,794	22.67	**9,738,449**	8,042,190	21.09
Less: tax on financial services	16	253	**2,087,210**	1,300,122	60.54	**2,117,910**	1,326,916	59.61
Operating profit after taxes on financial services			**6,585,257**	5,769,672	14.14	**7,620,539**	6,715,274	13.48
Share of profit/(loss) of an associate (net of tax)	30.1	300	**–**	–	–	**(33,234)**	(52,942)	37.23
Profit before income tax expense			**6,585,257**	5,769,672	14.14	**7,587,305**	6,662,332	13.88
Less: income tax expense	17	254	**2,169,136**	1,460,342	48.54	**2,576,037**	1,644,619	56.63
Profit for the year			**4,416,121**	4,309,330	2.48	**5,011,268**	5,017,713	(0.13)
Profit attributable to –								
Equity holders of the Company			**4,416,121**	4,309,330	2.48	**4,813,578**	4,816,920	(0.07)
Non-controlling interest	48	330	**–**	–	–	**197,690**	200,793	(1.55)
Profit for the year			**4,416,121**	4,309,330	2.48	**5,011,268**	5,017,713	(0.13)
Basic/Diluted earnings per ordinary share (Rs.)	18	257	**2.80**	2.73	2.56	**3.05**	3.05	–
Dividend per ordinary share (Rs.)	19	258	**1.25**	1.25	–			

The Notes appearing on pages 227 to 369 form an integral part of the Financial Statements.

Statement of Comprehensive Income

For the year ended 31 March	Note	Page No.	Company 2019 Rs. '000	Company 2018 Rs. '000	Company Change %	Group 2019 Rs. '000	Group 2018 Rs. '000	Group Change %
Profit for the year			**4,416,121**	4,309,330	2.48	**5,011,268**	5,017,713	(0.13)
Other comprehensive income, net of tax:								
Items to be reclassified to profit or loss in subsequent years (net of tax):								
Cash flow hedges								
Gains/(losses) on derivative financial investments			–	(879)	(100.00)	–	(879)	(100.00)
Net gains/(losses) arising from translating the Financial Statements of the foreign subsidiary	47.5	330	–	–	–	**259,151**	2,828	9,063.76
Financial assets – Available for sale								
Gains/(losses) on remeasuring	47.3	330	–	15,860	(100.00)	–	25,507	(100.00)
Net items to be reclassified to profit or loss in subsequent years			–	14,981	(100.00)	**259,151**	27,456	843.88
Items not to be reclassified to profit or loss in subsequent years (net of tax):								
Net actuarial gains/(losses) on defined benefit plans								
Actuarial gains and losses on retirement benefit obligation	43.1	325	**(17,909)**	(23,554)	(23.97)	**(20,872)**	(24,936)	(16.30)
Deferred tax effect on actuarial gains and losses	42.1	323	**5,670**	6,599	(14.08)	**14,028**	6,623	111.81
Financial assets – Fair value other comprehensive income								
Gains/(losses) on re-measuring	47.4	330	**(99,611)**	–	(100.00)	**(100,290)**	–	(100.00)
Net items not to be reclassified to profit or loss in subsequent years			**(111,850)**	(16,955)	(559.69)	**(107,134)**	(18,313)	(485.02)
Other comprehensive income for the year, net of tax			**(111,850)**	(1,974)	5,566.16	**152,017**	9,143	1,562.66
Total comprehensive income for the year			**4,304,271**	4,307,356	(0.07)	**5,163,285**	5,026,856	2.71
Attributable to:								
Equity holders of the Company			**4,304,271**	4,307,356	(0.07)	**5,164,025**	5,024,881	2.77
Non-controlling interests	48	330	–	–	–	**(740)**	1,975	(137.47)
Total comprehensive income for the year			**4,304,271**	4,307,356	(0.07)	**5,163,285**	5,026,856	2.71

The Notes appearing on pages 227 to 369 form an integral part of the Financial Statements.

Financial reports

Statement of Financial Position

As at 31 March	Note	Page No.	Company 2019 Rs. '000	Company 2018 Rs. '000	Company Change %	Group 2019 Rs. '000	Group 2018 Rs. '000	Group Change %
Assets								
Cash and cash equivalents	22	268	**3,294,055**	4,412,683	(25.35)	**4,310,595**	4,765,518	(9.55)
Balances with banks and financial institutions	23	269	**3,404,533**	4,370,473	(22.10)	**7,375,423**	8,758,715	(15.79)
Financial assets – Fair value through profit or loss/Held for trading	24	269	**23,190**	174,736	(86.73)	**72,386**	315,485	(77.06)
Loans and receivables	25	273	**151,707,902**	140,165,437	8.23	**156,955,837**	141,915,077	10.60
Insurance and reinsurance receivables	26	292	–	–	–	**885,395**	406,687	117.71
Financial assets – Fair value through other comprehensive income/Available for sale	27	294	**125,651**	219,132	(42.66)	**125,651**	219,132	(42.66)
Debt instrument at amortised cost/Held to maturity	28	296	**8,002,625**	4,889,641	63.66	**9,091,945**	6,013,963	51.18
Current tax receivables	41	321	–	89,849	(100.00)	–	89,849	(100.00)
Investments in subsidiaries	29	297	**3,213,788**	3,213,788	–	–	–	–
Investments in associate	30	299	**237,633**	586,427	(59.48)	**237,633**	423,439	(43.88)
Investment property	31	301	–	134,400	(100.00)	**1,131,596**	1,265,996	(10.62)
Property, plant and equipment	32	303	**1,098,286**	1,166,883	(5.88)	**4,017,301**	4,112,715	(2.32)
Goodwill and intangible assets	33	308	**324,905**	346,395	(6.20)	**432,340**	452,883	(4.54)
Leasehold property	34	310	**84,065**	87,131	(3.52)	**84,065**	87,131	(3.52)
Deferred tax assets	42	322	–	–	–	**47,584**	28,155	69.01
Other assets	35	310	**1,024,644**	833,619	22.92	**1,164,884**	1,301,155	(10.47)
Total assets			**172,541,277**	160,690,594	7.37	**185,932,635**	170,155,900	9.27
Liabilities								
Due to banks	36	311	**27,273,933**	39,921,789	(31.68)	**30,475,326**	41,834,394	(27.15)
Due to customers	37	314	**88,368,656**	69,763,219	26.67	**88,923,196**	69,377,794	28.17
Debt securities issued	38	315	**21,275,031**	15,783,502	34.79	**21,134,040**	15,783,502	33.90
Other financial liabilities	39	318	**2,480,377**	4,645,818	(46.61)	**2,464,936**	4,473,552	(44.90)
Insurance liabilities and reinsurance payable	40	318	–	–	–	**4,880,873**	4,054,586	20.38
Current tax liabilities	41	321	**2,238,257**	–	100.00	**2,323,647**	62,673	3,607.57
Deferred tax liabilities	42	322	**837,179**	2,275,868	(63.21)	**1,141,973**	2,338,807	(51.17)
Other liabilities	43	324	**1,464,489**	1,270,576	15.26	**1,606,686**	1,376,451	16.73
Total liabilities			**143,937,922**	133,660,772	7.69	**152,950,677**	139,301,759	9.80
Equity								
Stated capital	44	327	**13,236,073**	13,236,073	–	**13,236,073**	13,236,073	–
Statutory reserve fund	45	328	**2,058,219**	1,837,413	12.02	**2,070,667**	1,837,413	12.69
Retained earnings	46	328	**13,361,805**	11,502,165	16.17	**15,198,424**	13,167,172	15.43
Other reserves	47	329	**(52,742)**	454,171	(111.61)	**207,274**	448,413	(53.78)
Total equity attributable to equity holders of the Company			**28,603,355**	27,029,822	5.82	**30,712,438**	28,689,071	7.05
Non-controlling interest	48	330	–	–	–	**2,269,520**	2,165,070	4.82
Total equity			**28,603,355**	27,029,822	5.82	**32,981,958**	30,854,141	6.90
Total liabilities and equity			**172,541,277**	160,690,594	7.37	**185,932,635**	170,155,900	9.27
Contingent liabilities and commitments	52	332	**7,775,864**	7,470,875	4.08	**7,788,708**	7,623,364	2.17
Net asset value per ordinary share (Rs.)	53	334	**18.10**	17.11	5.82	**20.88**	19.53	6.90

The Notes appearing on pages 227 to 369 form an integral part of the Financial Statements.

We certify that these Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.

Sanjeewa Bandaranayake
Chief Financial Officer

A S Ibrahim
Chief Executive Officer

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

Hemasiri Fernando
Chairman

M P Amirthanayagam
Deputy Chairman

13 June 2019

Statement of Changes in Equity

Company			Other reserves							
	Capital Rs. '000	Reserve fund Rs. '000	General reserve Rs. '000	Tax equalisation reserve Rs. '000	Revaluation reserve Rs. '000	Available-for-sale reserve Rs.'000	Fair value reserve Rs.'000	Cash flow hedge reserve Rs. '000	Retained earnings Rs. '000	Total equity Rs. '000
Balance as at 1 April 2017	13,236,073	1,621,946	300,000	100,000	7,302	31,009	–	879	9,400,084	24,697,293
Total comprehensive income for the year										
Profit/(loss) for the year	–	–	–	–	–	–	–	–	4,309,330	4,309,330
Other comprehensive income (net of tax)	–	–	–	–	–	15,860	–	(879)	(16,955)	(1,974)
Total comprehensive income for the year	–	–	–	–	–	15,860	–	(879)	4,292,375	4,307,356
Transactions with equity holders, recognised directly in equity										
Transfers to reserves	–	215,467	–	–	–	–	–	–	(215,467)	–
Dividend paid – Interim	–	–	–	–	–	–	–	–	(1,184,896)	(1,184,896)
– Final	–	–	–	–	–	–	–	–	(789,931)	(789,931)
Total transactions with equity holders	–	215,467	–	–	–	–	–	–	(2,190,294)	(1,974,827)
Balance as at 31 March 2018	13,236,073	1,837,413	300,000	100,000	7,302	46,869	–	–	11,502,165	27,029,822
Balance as at 1 April 2018	**13,236,073**	**1,837,413**	**300,000**	**100,000**	**7,302**	**46,869**	**–**	**–**	**11,502,165**	**27,029,822**
Recognition of SLFRS 9 expected credit loss those measured at amortised cost	–	–	–	–	–	–		–	(1,006,640)	(1,006,640)
Differed tax on transitional adjustment	–	–	–	–	–	–		–	250,729	250,729
Transfer of AFS reserve to fair value reserve	–	–	–	–	–	(46,869)	46,869	–	–	–
Restated balance as at 1 April 2018	**13,236,073**	**1,837,413**	**300,000**	**100,000**	**7,302**	**–**	**46,869**	**–**	**10,746,254**	**26,273,911**
Total comprehensive income for the year										
Profit/(loss) for the year	–	–	–	–	–	–		–	4,416,121	4,416,121
Other comprehensive income (net of tax)	–	–	–	–	(7,302)	–	(99,611)	–	(4,937)	(111,850)
Total comprehensive income for the year	–	–	–	–	(7,302)	–	(99,611)	–	4,411,184	4,304,271
Transactions with equity holders, recognised directly in equity										
Transfers to reserves	–	220,806	(300,000)	(100,000)	–	–	–	–	179,194	–
Dividend paid – Interim	–	–	–	–	–	–	–	–	(1,184,896)	(1,184,896)
– Final	–	–	–	–	–	–	–	–	(789,931)	(789,931)
Total transactions with equity holders	**–**	**220,806**	**(300,000)**	**(100,000)**	**–**	**–**	**–**	**–**	**(1,795,633)**	**(1,974,827)**
Balance as at 31 March 2019	**13,236,073**	**2,058,219**	**–**	**–**	**–**	**–**	**(52,742)**	**–**	**13,361,805**	**28,603,355**

The Notes appearing on pages 227 to 369 form an integral part of the Financial Statements.

Financial reports

Statement of Changes in Equity

Group			Other reserves									
	Capital Rs. '000	Reserve fund Rs. '000	General reserve Rs. '000	Tax equalisation reserve Rs. '000	Available for-sale reserve Rs. '000	Fair value reserve Rs. '000	Cash flow hedge reserve Rs. '000	Foreign currency translation reserve Rs. '000	Retained earnings Rs. '000	Total Rs. '000	Non-controlling interest Rs. '000	Total equity Rs. '000
Balance as at 1 April 2017	13,236,073	1,621,946	300,000	100,000	20,078	–	879	–	10,560,834	25,839,810	1,084,969	26,924,779
Movement due to change in ownership	–	–	–	–	–	–	–		–	–	989,833	989,833
Total comprehensive income for the year												
Profit/(loss) for the year	–	–	–	–	–	–	–	–	4,816,920	4,816,920	200,793	5,017,713
Other comprehensive income (net of tax)	–	–	–	–	25,507	–	(879)	2,828	(20,288)	7,168	1,975	9,143
Total comprehensive income for the year	–	–	–	–	25,507	–	(879)	2,828	4,796,632	4,824,088	1,192,601	6,016,689
Transactions with equity holders, recognised directly in equity												
Transfers to reserves	–	215,467	–	–	–	–	–	–	(215,467)	–	–	–
Dividend paid – Interim	–	–	–	–	–	–	–	–	(1,184,896)	(1,184,896)	(112,500)	(1,297,396)
– Final	–	–	–	–	–	–	–	–	(789,931)	(789,931)	–	(789,931)
Total transactions with equity holders	–	215,467	–	–	–	–	–	–	(2,190,294)	(1,974,827)	(112,500)	(2,087,327)
Balance as at 31 March 2018	13,236,073	1,837,413	300,000	100,000	45,585	–	–	2,828	13,167,172	28,689,071	2,165,070	30,854,141
Balance as at 1 April 2018	**13,236,073**	**1,837,413**	**300,000**	**100,000**	**45,585**	**–**	**–**	**2,828**	**13,167,172**	**28,689,071**	**2,165,070**	**30,854,141**
Recognition of SLFRS 9 expected credit loss those measured at amortised cost	–	–	–	–	–	–	–	–	(1,066,686)	(1,066,686)	–	(1,066,686)
Differed tax on transitional adjustment	–	–	–	–	–	–	–	–	266,494	266,494	–	266,494
Transfer of AFS reserve to fair value reserve	–	–	–	–	(45,585)	45,585	–	–	–	–	–	–
Restated Balance as at 1 April 2018	**13,236,073**	**1,837,413**	**300,000**	**100,000**	**–**	**45,585**	**–**	**2,828**	**12,366,980**	**27,888,879**	**2,165,070**	**30,053,949**
Capital gain tax	–	–	–	–	–	–	–	–	(167,949)	(167,949)	–	(167,949)
Balance after capital gain tax	13,236,073	1,837,413	300,000	100,000	–	45,585	–	2,828	12,199,031	27,720,930	2,165,070	29,886,000
Total comprehensive income for the year												
Profit/(loss) for the year	–	–	–	–	–	–	–	–	4,813,578	4,813,578	197,690	5,011,268
Other comprehensive income (net of tax)	–	–	–	–	–	(100,290)	–	259,151	(6,104)	152,757	(740)	152,017
Total comprehensive income for the year	–	–	–	–	–	(100,290)	–	259,151	4,807,474	4,966,335	196,950	5,163,285
Transactions with equity holders, recognised directly in equity												
Transfers to reserves	–	233,254	(300,000)	(100,000)	–	–	–	–	166,746	–	–	–
Dividend paid – Interim	–	–	–	–	–	–	–	–	(1,184,896)	(1,184,896)	(92,500)	(1,277,396)
– Final	–	–	–	–	–	–	–	–	(789,931)	(789,931)	–	(789,931)
Total transactions with equity holders	**–**	**233,254**	**(300,000)**	**(100,000)**	**–**	**–**	**–**	**–**	**(1,808,081)**	**(1,974,827)**	**(92,500)**	**(2,067,327)**
Balance as at 31 March 2019	**13,236,073**	**2,070,667**	**–**	**–**	**–**	**(54,705)**	**–**	**261,979**	**15,198,424**	**30,712,438**	**2,269,520**	**32,981,958**

The Notes appearing on pages 227 to 369 form an integral part of the Financial Statements.

Statement of Cash Flows

ACCOUNTING POLICY

The Statement of Cash Flows has been prepared by using the "Indirect Method" of preparing cash flows 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 are comprised of those items as explained in Note 49 to 51 on pages 331 to 332.

			Company		Group	
For the year ended 31 March	Note	Page No.	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Cash flows from operating activities						
Profit before income tax			**6,585,257**	5,769,672	**7,587,305**	6,662,332
Adjustment for:						
Non-cash items included in profits before income tax	49	331	**2,358,912**	1,702,807	**2,411,109**	1,535,280
Change in operating assets	50	331	**(16,346,695)**	(11,688,531)	**(19,792,535)**	(13,308,245)
Change in operating liabilities	51	332	**17,586,705**	25,946,052	**19,674,400**	26,197,830
Share of loss in associate (net of tax)			**–**	–	**33,234**	52,942
Dividend income from investments	10	247	**(388,945)**	(444,503)	**(16,569)**	(26,610)
Interest expense on due to banks	6.2	244	**4,569,420**	5,047,798	**4,857,611**	5,236,146
Interest expense on debt securities issued	6.2	244	**2,394,127**	2,492,085	**2,378,916**	2,475,434
Net unrealised gains/(losses) arising from translating the Financial Statements of foreign subsidiary			**–**	–	**259,151**	2,828
Benefits paid on retirement benefit obligation	43.1	325	**(9,107)**	(19,555)	**(9,242)**	(21,612)
Income tax paid	17.8	257	**(805,705)**	(1,113,050)	**(907,945)**	(1,174,927)
Net cash from/(used in) operating activities			**15,943,969**	27,692,775	**16,475,435**	27,631,398
Cash flows from investing activities						
Purchase of property, plant and equipment	32	303	**(147,667)**	(170,350)	**(257,371)**	(412,263)
Proceeds from the sale of property, plant and equipment			**69,903**	99,468	**102,629**	121,980
Purchase of intangible assets	33	308	**(8,624)**	(36,747)	**(12,195)**	(36,745)
Investment in subsidiaries			**–**	(1,138,788)	**–**	–
Proceeds from the sale of investment property			**141,380**	–	**141,380**	–
Net cash and cash equivalents on acquisition of subsidiary			**–**	–	**–**	(1,107,456)
Dividends received from investments			**246,920**	444,503	**16,569**	26,610
Net cash from/(used in) investing activities			**301,912**	(801,914)	**(8,988)**	(1,407,874)
Cash flows from financing activities						
Proceeds from due to banks	36.1	312	**59,966,000**	56,180,000	**59,966,000**	56,550,481
Repayment of due to banks	36.1	312	**(77,536,350)**	(74,128,659)	**(77,456,806)**	(74,354,816)
Proceeds from issue of debt securities issued	38.1	315	**6,000,000**	–	**5,874,220**	–
Redemption of debt securities issued	38.1	315	**(1,164,060)**	(6,067,727)	**(1,164,060)**	(5,967,727)
Interest paid on debt securities issued	38.1	315	**(1,738,538)**	(2,724,827)	**(1,738,538)**	(2,704,161)
Dividend paid to shareholders			**(1,979,340)**	(1,977,071)	**(1,979,340)**	(1,977,071)
Dividend paid to non-controlling interest			**–**	–	**(92,500)**	(112,500)
Net cash from/(used in) financing activates			**(16,452,288)**	(28,718,284)	**(16,591,024)**	(28,565,794)
Net increase/(decrease) in cash and cash equivalents			**(206,407)**	(1,827,423)	**(124,577)**	(2,342,270)
Cash and cash equivalents at 1 April			**3,147,388**	4,974,811	**3,161,045**	5,503,315
Cash and cash equivalents at 31 March			**2,940,981**	3,147,388	**3,036,468**	3,161,045
Cash and cash equivalents	22	268	**3,294,055**	4,412,683	**4,310,595**	4,765,518
Overdraft	36	311	**(353,074)**	(1,265,295)	**(1,274,127)**	(1,604,473)
Cash and cash equivalents at 31 March			**2,940,981**	3,147,388	**3,036,468**	3,161,045

The Notes appearing on pages 227 to 369 form an integral part of the Financial Statements.

Notes to the financial statements

1 Corporate and group information

1.1 Corporate information

People's Leasing & Finance PLC (the "Company"), is a public limited liability Company incorporated on 2 August 1995 and domiciled in Sri Lanka. It is a licensed finance company under the Finance Business Act No. 42 of 2011. The Company has a primary listing on the Colombo Stock Exchange on 24 November 2011. The Company was re-registered under the Companies Act No. 07 of 2007.

Its registered office and the principal place of the business is at No. 1161, Maradana Road, Colombo 08.

Corporate information is presented in the inner back cover of this Annual Report.

Consolidated financial statements

The Consolidated Financial Statements of the Group for the year ended 31 March 2019 comprise People's Leasing & Finance PLC (Parent Company), its subsidiaries (together referred to as the "Group") and the Group's interest in its associate company.

Parent entity and ultimate parent entity

The Company's parent entity is People's Bank which is a Government-owned entity.

Number of employees

The staff strength of the Company and Group as at 31 March 2019 is 2,329 and 3,232 respectively. (2,085 and 2,806 as at 31 March 2018).

1.2 Group information

Principal activities and nature of operations

Company

People's Leasing & Finance PLC

The principal business activities are providing finance leases, hire purchase assets financing, term loans, Islamic finance, margin trading, share trading, issue of debt instruments, factoring, gold loans and mobilisation of public deposits.

Subsidiaries and associate

Name of the Company	Principal activities	Country of incorporation	Percentage equity interest 2019	Percentage equity interest 2018
Subsidiaries				
People's Leasing Fleet Management Limited	Fleet management, vehicle valuation, sale of vehicles, insurance assessment and vehicles repairing	Sri Lanka	**100**	100
People's Leasing Property Development Limited	Carrying out a mixed development projects and property development activities	Sri Lanka	**100**	100
People's Insurance PLC	Carrying out general insurance business	Sri Lanka	**75**	75
People's Leasing Havelock Properties Limited	Construct and operate an office complex	Sri Lanka	**100**	100
People's Micro-commerce Ltd.	Providing non-bank financial services to low income earners and micro enterprises	Sri Lanka	**100**	100
Lankan Alliance Finance Limited	Providing leasing of movable and immovable properties and provide loans	Bangladesh	**51**	51
Associate				
People's Merchant Finance PLC	Mobilisation of deposits, providing finance leases, term loans, real estate developments, pawning and related services	Sri Lanka	**37.06**	37.06

Notes to the financial statements

There were no significant changes in the nature of the principal activities of the Company and the Group during the financial year under review.

2 Basis of preparation and other significant accounting policies

2.1 Statement of compliance

The Consolidated Financial Statements of the Group and Separate Financial Statements of the Company, as at 31 March 2019 and for the year then ended, have been prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRSs and LKASs), laid down by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), and in compliance with the requirements of the Companies Act No. 07 of 2007, the Finance Business Act No. 42 of 2011, Insurance Industry Act No. 43 of 2000 and the Listing Rules of the Colombo Stock Exchange. These Financial Statements, except for information on cash flows have been prepared following the accrual basis of accounting.

Sri Lanka Accounting Standards are available at www.casrilanka.com

The Group did not adopt any inappropriate accounting treatments, which are not in compliance with the requirements of the SLFRSs and LKASs, regulations governing the preparation and presentation of the Financial Statements.

Details of the Group's General accounting policies followed during the year are given in Note 3 on pages 231 to 237.

2.2 Responsibility for financial statements

The Board of Directors is responsible for these Financial Statements of the Company and the Group as per the provision of the Companies Act No. 07 of 2007 and SLFRSs and LKASs.

The Board of Directors acknowledges their responsibility as set out in the "Annual Report of the Board of Directors on the Affairs of the Company", "Directors' Responsibility for Financial Reporting" and in the certification on the Statement of Financial Position on pages 213 and 223 respectively.

These Financial Statements include the following components:

- a Statement of Profit or Loss and Statement of Comprehensive Income providing the information on the financial performance of the Company and the Group for the year under review (Refer pages 221 and 222);

  a Statement of Financial Position providing the information on the financial position of the Company and the Group as at the year-end (Refer page 223);
- a Statement of Changes in Equity depicting all changes in shareholders' equity during the year under review of the Company and the Group (Refer pages 224 to 225);

  a Statement of Cash Flows providing the information to the users, on the ability of the Company and the Group to generate cash and cash equivalents and the needs of entity to utilise those cash flows (Refer page 226); and
- Notes to the Financial Statements comprising accounting policies and other explanatory information (Refer pages 227 to 369).

2.3 Approval of financial statements by the Board of Directors

The Financial Statements of the Company and the Group for the year ended 31 March 2019 (including comparatives) were approved and authorised for issue on 13 June 2019 in accordance with the resolution of the Board of Directors on 13 June 2019.

2.4 Basis of measurement

The Financial Statements of the Company and the Group have been prepared on the historical cost basis except for the following items in the Statement of Financial Position:

Item	Basis of measurement	Note	Page No.
Financial assets – Fair value through profit or loss/Held for trading	Fair value	24	269
Financial assets – Fair value other comprehensive income/available for sale	Fair value	27	294
Investment property	Fair value	31	301
Retirement benefit obligation	Liability is recognised as the present value of the retirement benefit obligation, plus actuarial gains and losses.	43.1	325

Notes to the financial statements

2.5 Presentation of Financial Statements

The assets and liabilities of the Company and the Group in the Statement of Financial Position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current) is presented in Note 55 (Current/non-current analysis). No adjustments have been made for inflationary factors affecting the Financial Statements.

2.6 Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the Consolidated Statement of Financial Position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the Consolidated Statement of Profit or Loss unless required or permitted by any Accounting Standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

2.7 Functional and presentation currency

The Financial Statements of the Group and the Company are presented in Sri Lankan Rupees (Rs.), which is the currency of primary economic environment, in which the Group operates (Group functional currency).

The information presented in US Dollars in the Section on "supplementary information" on pages 385 and 386 does not form part of the Financial Statements and is made available solely for the information of stakeholders.

2.8 Rounding

The amounts in the Financial Statements have been rounded-off to the nearest Rupees thousands, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard – LKAS 1 – "Presentation of Financial Statements".

2.9 Materiality and aggregation

In compliance with the Sri Lanka Accounting Standard – LKAS 1 – "Presentation of Financial Statements", each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions too are presented separately, unless they are immaterial.

2.10 Significant accounting judgements, estimates and assumptions

The preparation of the Financial Statements of the Company and the Group in conformity with SLFRSs and LKASs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Further, Management is also required to consider key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Actual results may differ from these estimates.

Accounting judgements, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The key significant accounting judgements, estimates and assumptions involving uncertainty are discussed below, whereas the respective carrying amounts of such assets and liabilities are as given in related Notes.

Going concern

The Group's 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 a 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 the going concern basis.

Classification of financial assets and liabilities

Applicable from 1 April 2018

As per SLFRS 9, the Significant Accounting Policies of the Group provides scope for financial assets to be classified and subsequently measured into different categories, namely, at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) based on the following criteria;

- The entity's business model for managing the financial assets as set out in Note 3.4 on page 233.
- The contractual cash flow characteristics of the financial assets as set out in Note 3.4 on page 233.

Applicable up to 31 March 2018

The Significant Accounting Policies of the Group provided scope for assets to be classified at inception into different financial asset categories under certain circumstances as per LKAS 39.

- In classifying financial assets or liabilities at "fair value through profit or loss" (FVTPL), the Group has determined that it has met the criteria for this designation set out in Note 24 on page 269.
- In classifying financial assets as "held to maturity" (HTM), the Group has determined that it has both the positive intention and ability to hold the assets until their maturity date as required by Note 28 on page 296.
- In classifying financial assets as "loans and receivables" (L&R), the Group has determined that it has met the criteria for this designation set out in Notes 22, 23, 25, and 35 on pages 268, 269, 273 and 310.
- In classifying financial assets as "available for sale" (AFS), the Group has determined that all non-derivative financial assets that are designated as AFS or those financial assets not classified as loans and receivables, FVTPL or HTM be classified as AFS as set out in Note 27 on page 294.

Notes to the financial statements

Impairment losses on financial assets

The measurement of impairment losses both under SLFRS 9 and LKAS 39 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses.

The Group/Company assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets are impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an "incurred loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Impairment losses on loans and receivables

Accordingly, the Group reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be provided in the Income Statement. In particular, the Management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss.

These estimates are based on assumptions about a number of actors and hence actual results may differ, resulting in future changes to the impairment allowance made.

Details of the "impairment losses on loans and receivables" are given in Note 25.7 to the Financial Statements.

Impairment charges on financial investments

Financial investments are categorised under amortised cost Subject to Impairment in according with SLFRS 9 – Financial Investment. The Company/Group does not have historical loss experience on debt instruments at amortised cost .Thus the Group considers PDs published by the external sources i.e. – Bloomberg for external credit rating. LGD for debt securities issued by the Government of Sri Lanka in rupees is considered as 0%, and for all other instruments, industry average is considered as LGD.

Credit risk has not increased significantly relating to financial Investments, since initial recognition. Therefore Group did not record Expected credit loss in the financial statements for those investments.

Impairment of FVOCI/ available-for-sale assets

Details of the "impairment of available-for-sale assets" are given in Note 27 to the Financial Statements.

Useful life time of the property, plant and equipment

The Group reviews the residual values, useful lives and methods of depreciation of property, plant and equipment at each reporting date. Judgement of the Management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

Useful lifetime of the intangible assets

Details of the "useful lifetime of the intangible assets" are given in Note 33 to the Financial Statements.

Transfer pricing regulation

The Company is subject to income taxes and other taxes including transfer pricing regulations. Prevailing uncertainties with respect to the interpretation of respective transfer pricing regulations, necessitated using management judgement to determine the impact of transfer pricing regulations. Accordingly critical judgements and estimates were used in applying the regulations in aspects including but not limited to identifying associated undertakings, estimation of the respective arm's length prices and selection of appropriate pricing mechanism. The current tax charge is subject to such judgements. Differences between estimated income tax charge and actual payable may arise as a result of Management's interpretation and application of transfer pricing regulation.

Deferred tax

Details of the "deferred tax" are given in Note 42 to the Financial Statements.

Retirement benefit obligation

Details of the "retirement benefit obligation" are given in Note 43.1 to the Financial Statements.

Valuation of general insurance contract liabilities of subsidiary, People's Insurance PLC

The estimates of general insurance contracts have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred, but not yet reported, at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty. The main assumption underlying estimating the amounts of outstanding claims is the past claims development experience.

Large claims are usually separately addressed, either by being reserved at the face value of loss adjusted estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims, inflation or loss ratios.

2.11 Comparative information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period in the Financial Statements in order to enhance the understanding of the current period's Financial Statements and to enhance the inter period comparability. The presentation and classification of the Financial Statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year. The details of which are given in Note 54 on pages 334 to the Financial Statements.

Notes to the financial statements

The Group/Company has not restated the comparative information for 2018 for financial instruments within the scope of Sri Lanka Accounting Standard – SLFRS 9 on "Financial Instruments" (SLFRS 9). Therefore, the comparative information for 2018 is reported under Sri Lanka Accounting Standard – LKAS 39 on "Financial Instruments: Recognition and Measurement" (LKAS 39) and is not comparable to the information presented for 2019. Differences arising from adoption of SLFRS 9 have been recognised directly in equity as of 1 April 2018 and are disclosed in Note 4 on pages 238 to 242.

3 General accounting policies

3.1 Basis of consolidation

The Consolidated Financial Statements of the Group for the year ended 31 March 2019 include the Company, its subsidiaries and its associate company. The Financial Statements of the Company's subsidiaries and associate are prepared for the same reporting year except for People's Insurance PLC, a subsidiary of People's Leasing & Finance PLC, whose financial year ends on 31 December. For consolidation purpose same reporting year has been used.

3.1.1 Business combination and goodwill

Business combinations are accounted for using the acquisition method as per the requirements of Sri Lanka Accounting Standard – SLFRS 3 – (Business Combinations).

The Group and the Company measure goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquire, less the net recognised amount of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in Statement of Profit or Loss.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net amount of the identifiable assets, liabilities and contingent liabilities acquired.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGUs) or group of CGUs, which are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognised in the Statement of Profit or Loss.

3.1.2 Common control business combination

Common control business combinations are accounted using the guidelines issued under Statement of Recommended Practice (SoRP) – Merger Accounting for Common Control Business Combinations issued by The Institute of Chartered Accountants of Sri Lanka.

3.1.3 Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary any non-controlling interest and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in Statement of Profit or Loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost.

3.1.4 Transactions eliminated on consolidation

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the Consolidated Financial Statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 Foreign currency transactions and balances

All foreign currency transactions are translated into the functional currency which is Sri Lankan Rupees (Rs.) at the spot exchange rate at the date of the transactions were effected. In this regard, the Group's practice is to use the middle rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the spot rate of exchange at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year adjusted for effective interest and payments during the year and the amortised cost in foreign currency translated at the exchange rate at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition. Non-monetary items measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value was determined.

Notes to the financial statements

3.3 Changes in accounting policies

The Group has consistently applied the accounting policies to all periods presented in these Financial Statements, except for the changes arising out of transition to SLFRS 9 – Financial Instruments and SLFRS 7 (revised) – "Financial Instruments: Disclosures" and Sri Lanka Accounting Standard SLFRS 15 – "Revenue from Contracts with Customers" as set out below:

New and amended standards and interpretations In these Financial Statements, the Group has applied SLFRS 9, SLFRS 7 and SLFRS 15, which are effective for the annual reporting periods beginning on or after 1 January 2018, for the first time. The Group has not early adopted any other standard, interpretation or amendment that has been issued but not effective.

3.3.1 SLFRS 9 – "Financial Instruments"

SLFRS 9 issued in December 2014 replaced LKAS 39 and is applicable for annual reporting periods beginning on or after 1 January 2018.

In accordance with the option given in SLFRS 9 not to restate the comparatives, the Group has not restated comparative information for 2018 for financial instruments within the scope of SLFRS 9.

Therefore, comparative information for 2017/18 is reported under LKAS 39 and is not comparable with the information presented for 2018/19. Differences arising from the adoption of SLFRS 9 have been recognised directly in equity as of 1 April 2018 and are disclosed in Note 4 on pages 238 to 242.

3.3.2 Changes to classification and measurement

To determine their classification and measurement category, SLFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' cash flow characteristics.

Classification and measurement categories

As specified in LKAS 39 for financial assets (FVTPL, HTM, L&R and AFS) have been replaced by –

- Financial assets measured at amortised cost
- Financial assets measured at fair value through other comprehensive income
- Financial assets measured at fair value through profit or loss (FVTPL)

FVOCI includes equity instruments measured at fair value through other comprehensive income. Cumulative gains or losses on derecognition of equity instruments measured at FVOCI are not reclassified to profit or loss and transferred directly to retained earnings. SLFRS 9 largely retains the existing requirements in LKAS 39 for the classification of financial liabilities. However, under LKAS 39, all fair value changes of liabilities designated under the fair value option were recognised in profit or loss. Under SLFRS 9 fair value changes are generally presented as follows:

- The amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in other comprehensive income (OCI); and
- The remaining amount of change in the fair value is presented in profit or loss.

The following assessments have been made on the basis of the facts and circumstances that existed at the transition date; i.e. 1 April 2018.

- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
- The designation of certain investments in equity instruments not held for trading as at FVOCI.
- For financial liabilities designated at FVTPL, the determination of whether presenting the effects of changes in the financial liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.

The Group's classification of its financial assets and liabilities is given in Note 20 on pages 258 and 261. The quantitative impact of applying SLFRS 9 as at 1 April 2018 is disclosed in Note 4 on pages 238 to 242.

Changes to the impairment calculation the adoption of SLFRS 9 has fundamentally changed the Group's accounting for loan loss impairments by replacing the incurred loss approach under LKAS 39 with a forwardlooking expected credit loss (ECL) approach. SLFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts but not to equity investments. Under SLFRS 9, credit losses are recognised earlier than under LKAS 39.

The allowance is based on the ECLs associated with the Probability of Default (PD) in the next twelve months unless there has been a significant increase in credit risk since origination. Lifetime expected credit loss is provided for financial assets for which the credit risk has increased significantly from initial recognition and the credit impaired assets subsequent to initial recognition.
If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset.

If a debt security had low credit risk at the date of initial application of SLFRS 9, then the Group has assumed that credit risk on the asset had not increased significantly since its initial recognition.

Details of the Group's impairment method are disclosed in Note 25.7 on pages 284 to 288.

Notes to the financial statements

3.3.3 SLFRS 7 (Revised) – "Financial Instruments: Disclosures"

The Group adopted SLFRS 7 together with SLFRS 9, effective from 1 January 2018. Changes including transition disclosures as shown in Note 4 on pages 238 to 242 together with detailed qualitative and quantitative information about the ECL calculations such as the assumptions and inputs used are disclosed as per the requirements of the Standards in Note 25.7 on pages 284 to 288.

Movements during the year in the ECL allowances are presented in Note 25.9 on page 291.

3.3.4 SLFRS 15 – "Revenue from contracts with customers"

SLFRS 15 replaces revenue recognition guidance, including LKAS 18 – "Revenue", LKAS 11 – "Construction Contracts" and IFRIC 13 – "Customer Loyalty Programmes" and is effective for annual reporting periods beginning on or after 1 April 2018.

SLFRS 15 provides a comprehensive framework for determining whether, how much, and when revenue is recognised. SLFRS 15 requires new qualitative and quantitative disclosure aimed at enabling users of Financial Statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Entities are required to apply five-step model to determine when to recognise revenue and at what amount. The model specifies that revenue is recognised when or as an entity transfers control of goods and services to a customer at the amount at which the entity expects to be entitled.

There is no significant impact on the Financial Statement of the Group and the Company resulting from the application of SLFRS 15.

3.4 Financial instruments – Initial recognition and subsequent measurement

3.4.1 Date of recognition

All financial assets and liabilities except "regular way trades" are initially recognised on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. "regular way trades" means purchases or sales of financial assets that requires delivery of assets within the time frame generally established by regulation or convention in the market place. Those trades are initially recognised on the settlement date.

3.4.2 Classification and subsequent measurement of financial assets

3.4.2.1 After 1 April 2018

From 1 April 2018 as per SLFRS 9, the Group classifies all of its financial assets based on the business model for managing the assets and the assets' contractual terms measured at either –

- Amortised cost
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVTPL)

The subsequent measurement of financial assets depends on their classification.

Up to 31 March 2018 as per LKAS 39, the Group classified its financial assets into one of the following categories:

- Financial assets at fair value through profit or loss (FVTPL), and within this category
  - Held for trading
  - Designated at fair value through profit or loss
- Loans and receivables
- Held to maturity
- Available for sale

Details of the impact on reclassification and measurement from LKAS 39 to SLFRS 9 are disclosed in transition disclosures given in Note 4 on pages 238 to 242.

Business model assessment

With effect from 1 April 2018, the Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level and not assessed on instrument-by-instrument basis because this best reflects the way the business is managed and information is provided to management. The information considered includes –

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

The business model assessment is based on reasonably expected scenarios without taking "worst case" or "stress case" scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Notes to the financial statements

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI test)

As a second step of its classification process the Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

"Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as profit margin.

In contrast, contractual terms that introduce a more than de minimise exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

In assessing whether the contractual cash flows are solely payments of principal and interest on principal amount outstanding, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers –

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Group's claim to cash flows from specified assets; and
- Features that modify consideration of the time value of money.

The Group holds a portfolio of long-term fixed rate loans for which the Group has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Group has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Details on different types of financial assets recognised on the SOFP.

Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortised cost are given in Notes 22,23,25,26, and 35.

Financial assets measured at FVOCI

Financial assets at FVOCI include debt and equity instruments measured at fair value through other comprehensive income. Financial assets measured at FVOCI are given in Notes 27

Financial assets measured at FVTPL

As per SLFRS 9, all financial assets other than those classified at amortised cost or FVOCI are classified as measured at FVTPL. Financial assets at fair value through profit or loss include financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis as they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets and financial assets designated upon initial recognition at fair value through profit or loss which are discussed in Notes 24 below.

Financial assets designated at fair value through profit or loss

As per SLFRS 9 – "Initial Recognition", the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL when such designation eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis.

The Group has not designated any financial assets upon initial recognition as at fair value through profit or loss as at the end of the reporting period.

3.4.2.2 Before 1 April 2018

At inception a financial asset is classified under one of the following categories:

i. Financial Assets at fair value through profit or loss (FVTPL);
   - Financial assets – Held for trading or
   - Financial assets – Designated at fair value through profit or loss
ii. Financial assets – Loans and receivables (L&R);
iii. Financial assets – Held to maturity (HTM); or
iv. Financial assets – Available-for-sale (AFS).

The Group determine the classification of its financial assets at initial recognition. The classification depends on the purpose for which the investments were acquired or originated (i.e. intention) and based on the Group's ability to hold.

The subsequent measurement of financial assets depends on their classification.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets at fair value through profit or loss include financial assets Held for trading and financial assets designated upon initial recognition at fair value through profit or loss.

Notes to the financial statements

Financial assets – Designated at fair value through profit or loss

The Group designates financial assets at fair value through profit or loss in the following circumstances:

- The assets are managed, evaluated and reported internally at fair value;
- The designation eliminates or significantly reduces an accounting mismatch, which would otherwise have arisen; or
- The asset contains an embedded derivative that significantly modifies the cash flows that would otherwise have been required under the contract.

Financial assets designated at fair value through profit or loss is recorded in the Statement of Financial Position at fair value. Changes in fair value are recorded in "net trading income". Interest earned is accrued in 'interest income' using EIR while dividend income is recorded in "other operating income" when the right to receive the payment has been established.

Financial assets – Loans and receivables (L&R)

Details of "financial assets – loans and receivables" are given in Note 25 on pages 273 to 292.

Financial assets – Held to maturity (HTM)

Details of "financial assets – held to maturity" are given in Note 28 on pages 296 and 297.

Financial assets – Available for sale (AFS)

Details of "financial assets – available for sale" are given in Note 27 on pages 294 to 296.

3.4.3 Classification and subsequent measurement of financial liabilities

At the inception the Group and Company determines the classification of its financial liabilities. Accordingly financial liabilities are classified as:

i. Financial liabilities at fair value through profit or loss (FVTPL);
   - Financial liabilities held for trading; or
   - Financial liabilities designated at fair value through profit or loss.

ii. Financial liabilities at amortised cost.

The subsequent measurement of financial liabilities depends on their classification.

3.4.3.1 Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, and changes therein recognised in Statement of Profit or Loss.

Financial liabilities are classified as held for trading if they are acquired principally for the purpose of selling or repurchasing in the near term or holds as a part of a portfolio that is managed together for short-term profit or position taking. This category includes derivative financial instruments entered into by the Company and the Group that are not designated as hedging instruments in hedge relationships as defined by the Sri Lanka Accounting Standard – LKAS 39 – "Financial Instruments: Recognition and Measurement". Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the Statement of Profit or Loss.

3.4.3.2 Financial liabilities at amortised cost

Financial instruments issued by the Group that are not designated at fair value through profit or loss, are classified as liabilities under 'due to banks', 'due to customers', "debt securities issued" and 'other financial liabilities" as appropriate, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares at amortised cost using the EIR method.

After initial recognition, such financial liabilities are substantially measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. The EIR amortisation is included in "interest expenses" in the Statement of Profit or Loss. Gains and losses are recognised in the Statement of Profit or Loss when the liabilities are derecognise as well as through the EIR amortisation process.

The details of the Group's financial liabilities at amortised cost are shown in Note 36 (pages 311), Note 37 (page 314), Note 38 (page 315), Note 39 (page 318) and Note 40 (page 318) to the Financial Statements.

3.4.4 Reclassification of financial instruments

The Group does not reclassify any financial instrument into the "fair value through profit or loss" category after initial recognition. Also the Group does not reclassify any financial instrument out of the "fair value through profit or loss" category if upon initial recognition it was designated as at fair value through profit or loss.

The Group reclassifies non-derivative financial assets out of the "held for trading" category and into the "available for sale", "loans and receivables", or "held to maturity" categories as permitted by the Sri Lanka Accounting Standard – LKAS 39 – "Financial Instruments: Recognition and Measurement". In certain circumstances the Group is also permitted to reclassify financial assets out of the "available for sale" category and into the "loans and receivables", "held for trading" or "held to maturity" category.

Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost.

For a financial asset reclassified out of the "available for sale" category, any previous gain or loss on that asset that has been recognised in equity is amortised to Statement of Profit or Loss over the remaining life of the investment using the effective interest rate (EIR). Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is recycled to the Statement of Profit or Loss.

Notes to the financial statements

The Group may reclassify a non-derivative trading asset out of the "held for trading" category and into the "loans and receivables" category if it meets the definition of loans and receivables and the Group has the intention and ability to hold the financial asset for the foreseeable future or until maturity. If a financial asset is reclassified, and if the Group subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Reclassification is at the election of Management, and is determined on an instrument-by-instrument basis.

3.4.5 Derecognition of financial assets and financial liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when;

- The rights to receive cash flows from the asset which have expired;
- The Group and Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass–through" arrangement; and either:
  - The Group and Company has transferred substantially all the risks and rewards of the asset; or
  - The Group and Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset and consideration received and any cumulative gain or loss that has been recognised in Statement of Comprehensive Income is recognised in Statement of Profit or Loss.

When the Group and Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in Statement of Profit or Loss.

3.4.6 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, therefore, the related assets and liabilities are presented gross in the Statement of Financial Position.

Income and expenses are presented on a net basis only when permitted under LKASs/SLFRSs, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

3.4.7 Determination of fair value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 21.

3.5 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets are reviewed at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing of an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share price for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may have decreased. If such indication exists the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation/

Notes to the financial statements

amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in Statement of Profit or Loss.

3.6 Provisions

Provisions are recognised in the Statement of Financial Position when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation in accordance with the Sri Lanka Accounting Standard – LKAS 37 – "Provision, Contingent Liabilities and Contingent Assets". The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation at that date. The expense relating to any provision is presented in the Statement of Profit or Loss net of any reimbursement.

3.7 Borrowing costs

As per Sri Lanka Accounting Standard – LKAS 23 – "Borrowing Costs", the Group capitalises borrowing costs that are directly attributable to the acquisition, construction or production of qualifying asset as part of the cost of the asset. A qualifying asset is an asset which takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are recognised in the Statement of Profit or Loss in the period in which they occur.

3.8 Current tax

Details of the "income tax expense" are given in Note 17 to the Financial Statements.

3.9 Deferred tax

Details of the "deferred tax" are given in Note 42 to the Financial Statements.

3.10 Crop insurance levy (CIL)

As per the provisions of the Section 14 of the Finance Act No.12 of 2013, the CIL was introduced with effect from 1 April 2013 and is payable to the National Insurance Trust Fund. Currently, the CIL is payable at 1% of the profit after tax.

3.11 Tax on financial services

Details of the 'VAT, NBT and debt repayment levy on financial services are given in Note 16 to the Financial Statements.

3.12 Standards issued but not yet effective

The following Sri Lanka Accounting Standards were issued by The Institute of Chartered Accountants of Sri Lanka but not yet effective as at 31 March 2019. Accordingly these accounting standards have not been applied in the preparation of the Financial Statements for the year ended 31 March 2019.

SLFRS 16 – Leases

SLFRS 16 will replace Sri Lanka Accounting Standard (LKAS 17) – Leases, IFRIC 4 – Determining whether an arrangement contains a lease, SIC 15 – Operating Leases Incentives and SIC 27 – Evaluating the Substance of Transactions Involving the Legal Form of a Lease. SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under LKAS 17. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-ofuse asset. Lessor accounting under SLFRS 16 is substantially unchanged from today's accounting under LKAS 17.

Lessors will continue to classify all leases using the same classification principle as in LKAS 17 and distinguish between two types of leases: operating and finance leases. SLFRS 16 also requires lessees and lessors to make more extensive disclosures than under LKAS 17. SLFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted. Lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. Pending a detailed impact analysis, possible impact from SLFRS 16 is not reasonably estimable as of the reporting date.

Operating lease commitments (payables)

The Group has taken on leased a number of branches under operating leases. These leases have an average life of between five to ten years. Lease agreements include clauses to enable upward revision of the rental payments on a periodic basis to reflect market conditions. These leases have an average life of between one to five years. Future minimum rentals receivables under operating leases are as follows:

	2019 Rs. '000
Less than one year	623,508
Between one to five years	927,203
Over five years	187,443
Total	**1,738,154**

IFRIC interpretation 23 (Uncertainty over income tax treatment)

The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Sri Lanka Accounting Standards – LKAS 12 – Income Tax. IFRIC 23 is effective for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted.

IFRS 17–Insurance contracts

After a very long journey, the International Accounting Standards Board (IASB) issued International Financial Reporting Standard 17 on Insurance Contracts (IFRS 17). This standard will be mandatorily. effective for annual reporting periods beginning on or after 1 January 2022. IFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, and will give user of financial statements a whole new persepective .for the first time,insurers will be on a level footing internationally.

Notes to the financial statements

Financial reports

4 Transition disclosures

4.1 Reconciliation between the carrying amounts under LKAS 39 to the balances reported under SLFRS 9 as at 1 April 2018

The following pages set out the impact of adopting SLFRS 9 on the Statement of Financial Position, and retained earnings including the effect of replacing LKAS 39's incurred credit loss calculations with SLFRS 9's ECLs.

A reconciliation between the carrying amounts under LKAS 39 to the balances reported under SLFRS 9 as of 1 April 2018 is, as follows:

		Company						
		LKAS 39 measurement		Reclassification	Remeasurement		SLFRS 9	
For the year ended 31st March	Note	Category	Amount Rs. '000	Rs. '000	ECL Rs. '000	Other Rs. '000	Amount Rs. '000	Category
Financial assets								
Cash and cash equivalents	A	L&R	4,412,683	–	–	–	4,412,683	AC
Balances with banks and financial institutions	A	L&R	4,370,473	–	–	–	4,370,473	AC
Financial assets – Fair value through profit or loss/Held for trading			–	174,736	–	–	174,736	FVTPL
From: Financial assets – Held for trading		FVTPL	174,736	(174,736)	–	–	–	
Loans and receivables	A/D	L&R	140,165,437	–	(895,459)	(111,181)	139,158,797	AC
Financial assets – Fair value through other comprehensive income/Available for sale			–	219,132	–	–	219,132	FVOCI
From: Financial assets – Available for sale	B	AFS	219,132	(219,132)	–	–	–	
Debt Instrument at amortised cost/ Held to maturity			–	4,889,641	–	–	4,889,641	AC
From: Financial assets – Held to maturity	C	HTM	4,889,641	(4,889,641)	–	–	–	
Other financial assets	A	L&R	145,650	–	–	–	145,650	AC
Total financial assets			154,377,752	–	(895,459)	(111,181)	153,371,112	
Non-financial assets								
Investments in subsidiaries			3,213,788	–	–	–	3,213,788	
Investments in associate			586,427	–	–	–	586,427	
Investment property			134,400	–	–	–	134,400	
Property, plant and equipment			1,166,883	–	–	–	1,166,883	
Goodwill and intangible assets			346,395	–	–	–	346,395	
Current tax receivables			89,849	–	–	–	89,849	
Leasehold property			87,131	–	–	–	87,131	
Other assets			687,969	–	-	-	687,969	
Total non-financial assets			6,312,842	–	-	-	6,312,842	
Total assets			160,690,594	–	(895,459)	(111,181)	159,683,954	

Notes to the financial statements

		Company						
		LKAS 39 measurement		Reclassification	Remeasurement		SLFRS 9	
For the year ended 31st March	Note	Category	Amount Rs. '000	Rs. '000	ECL Rs. '000	Other Rs. '000	Amount Rs. '000	Category
Financial liabilities								
Due to banks		AC	39,921,789	–	–	–	39,921,789	AC
Due to customers		AC	69,763,219	–	–	–	69,763,219	AC
Debt securities issued		AC	15,783,502	–	–	–	15,783,502	AC
Other financial liabilities		AC	4,645,818	–	–	–	4,645,818	AC
Total financial liabilities			130,114,328	–	–	–	130,114,328	
Non-financial liabilities								
Deferred tax liabilities			2,275,868	–	–	(250,729)	2,025,139	
Other liabilities			1,270,576	–	–	–	1,270,576	
Total non-financial liabilities			3,546,444	–	–	(250,729)	3,295,715	
Total liabilities			133,660,772	–	–	(250,729)	133,410,043	
Equity								
Stated capital			13,236,073	–	–	–	13,236,073	
Statutory reserve fund			1,837,413	–	–	–	1,837,413	
Retained earnings			11,502,165	–	(895,459)	139,548	10,746,254	
Other reserves			454,171		–	–	454,171	
Total equity			27,029,822	–	(895,459)	139,548	26,273,911	
Total liabilities and equity			160,690,594	–	(895,459)	(111,181)	159,683,954	

A. As at 1 April 2018, the Company has classified loans and receivables under into amortised cost since these assets are managed within a business model of collecting contractual cash flows.

B. The Company has elected the option to irrevocably designate all its previous AFS equity instruments as equity instruments at FVOCI.

C. As of 1 April 2018, all debt instruments meet the SPPI criterion within its held-to-maturity portfolio. Therefore, it elected to classify all of these instruments as debt instruments measured at amortised cost.

D. Revenue can be recognised only when it is probable that the economic benefit associate with the transaction will flow to the entity. However when uncertainty arises about the recoverability, revenue recognition should be ceased. With the adoption of SLFRS 9 – "Financial Instrument" replacing LKAS 39 "Financial Instrument" during the financial year, Customer default point (Uncertainty about the recoverability) has been change to 90 days past due rather than 6 months past due applied in previous Standards (LKAS 39). Accordingly interest income can be recognised only up to 90 days past due in accordance with SLFRS 9, instead of recognising up to 6 months past due as per the LKAS 39.

Notes to the financial statements

		Group						
		LKAS 39 measurement		Reclassification	Remeasurement		SLFRS 9	
For the year ended 31st March	Note	Category	Amount Rs. '000	Rs. '000	ECL Rs. '000	Other Rs. '000	Amount Rs. '000	Category
Financial assets								
Cash and cash equivalents	A	L&R	4,765,518	–	–	–	4,765,518	AC
Balances with banks and financial institutions	A	L&R	8,758,715	–	–	–	8,758,715	AC
Financial assets – fair value through profit or loss/Held for trading			–	315,485	–	–	315,485	FVTPL
From: Financial assets – Held for trading		FVTPL	315,485	(315,485)	–	–	–	
Loans and receivables	A, D	L&R	141,915,077	–	(944,066)	(122,620)	140,848,391	AC
Insurance and reinsurance receivables	A	L&R	406,687	–	–	–	406,687	AC
Financial assets – Fair value through other comprehensive income/Available for sale			–	(905,190)	–	–	(905,190)	FVOCI
From: Financial assets – Available for sale				(905,190)				
Financial assets – Available for sale	B	AFS	219,132	(219,132)	–	–	–	
To: Financial assets – Fair value through other comprehensive income/Available for sale			–	905,190	–	–	–	
To: Debt instrument at amortised cost/ Held to maturity			–	(1,124,322)	–	–	–	
Debt Instrument at amortised cost/ Held to maturity			–	7,138,285	–	–	7,138,285	AC
From: Financial assets – Available for sale			–	1,124,322	–	–	–	
From: Financial assets – Held to maturity			–	6,013,963	–	–	–	
Financial assets – Held to maturity	C	HTM	6,013,963	(6,013,963)	–	–	–	
To: Debt instrument at amortised cost/ Held to maturity			–	(6,013,963)	–	–	–	
Total financial assets			162,394,577	–	(944,066)	(122,620)	161,327,891	
Non-financial assets								
Investments in subsidiaries			–	–	–	–	–	
Investments in associate			423,439	–	–	–	423,439	
Investment property			1,265,996	–	–	–	1,265,996	
Property, plant and equipment			4,112,715	–	–	–	4,112,715	
Goodwill and intangible assets			452,883	–	–	–	452,883	
Current tax receivables			89,849	–	–	–	89,849	
Leasehold property			87,131	–	–	–	87,131	
Deferred tax assets			28,155	–	–	–	28,155	
Other assets			1,301,155	–	–	–	1,301,155	
Total non-financial assets			7,761,323	–	–	–	7,761,323	
Total assets			170,155,900	–	(944,066)	(122,620)	169,089,214	

Notes to the financial statements

For the year ended 31st March	Note	Group						
		LKAS 39 measurement		Reclassification	Remeasurement		SLFRS 9	
		Category	Amount Rs. '000	Rs. '000	ECL Rs. '000	Other Rs. '000	Amount Rs. '000	Category
Financial liabilities								
Due to banks		AC	41,834,394	–	–	–	41,834,394	AC
Due to customers		AC	69,377,794	–	–	–	69,377,794	AC
Debt securities issued		AC	15,783,502	–	–	–	15,783,502	AC
Other financial liabilities		AC	4,473,552	–	–	–	4,473,552	AC
Total financial liabilities		AC	131,469,242	–	–	–	131,469,242	AC
Non-financial liabilities								
Insurance liabilities and reinsurance payable			4,054,586	–	–	–	4,054,586	
Current tax liabilities			62,673	–	–	–	62,673	
Deferred tax liabilities			2,338,807	–	–	(266,494)	2,072,313	
Other liabilities			1,376,451	–	–	–	1,376,451	
Total non-financial liabilities			7,832,517	–	–	(266,494)	7,566,023	
Total liabilities			139,301,759	–	–	(266,494)	139,035,265	
Equity								
Stated capital			13,236,073	–	–	–	13,236,073	
Statutory reserve fund			1,837,413	–	–	–	1,837,413	
Retained earnings			13,167,172		(944,066)	143,874	12,366,980	
Other reserves			448,413	–	–	–	448,413	
Total equity attributable to equity holders of the Company			28,689,071	–	(944,066)	143,874	27,888,879	
Non-controlling interest			2,165,070	–	–	–	2,165,070	
Total equity			30,854,141	–	(944,066)	143,874	30,053,949	
Total liabilities and equity			170,155,900	–	(944,066)	(122,620)	169,089,214	

A. As at 1 April 2018, the Group has classified loans and receivables under into amortised cost since these assets are managed within a business model of collecting contractual cash flows.

B. The Group has elected the option to irrevocably designate all its previous AFS equity instruments as equity instruments at FVOCI.

C. As of 1 April 2018, all debt instruments meet the SPPI criterion within its held-to-maturity portfolio and available for sale. Therefore, it elected to classify all of these instruments as debt instruments measured at amortised cost.

D. Revenue can be recognised only when it is probable that the economic benefit associate with the transaction will flow to the entity. However when uncertainty arise about the recoverability, revenue recognition should be ceased. With the adoption of SLFRS 9 – "Financial Instrument" replacing LKAS 39 – "Financial Instrument" during the financial year, Customer default point (Uncertainty about the recoverability) has been change to 90 days past due rather than 6 months past due applied in previous Standards (LKAS 39). Accordingly interest income can be recognised only up to 90 days past due in accordance with SLFRS 9, instead of recognising up to 6 months past due as per the LKAS 39.

Notes to the financial statements

4.2 Impact of transition to SLFRS 9 on reserves and retained earnings

The impact of transition to SLFRS 9 – "Reserves and Retained Earnings" is, as follows:

For the year ended 31 March	Company Rs. '000	Group Rs. '000
Available-for-sale reserve		
Closing balance under LKAS 39 as at 31 March 2018 (A)	46,869	45,585
Transferring AFS reserve to fair value reserve	(46,869)	(45,585)
Opening balance under SLFRS 9 as at 1 April 2018 (B)	–	–
Impact of adoption of SLFRS 9 on available for reserve (C=B-A)	(46,869)	(45,585)
Fair value reserve		
Closing balance under LKAS 39 as at 31 March 2018 (D)	–	–
Transferring AFS reserve to fair value reserve	46,869	45,585
Opening balance under SLFRS 9 as at 1 April 2018 (E)	46,869	45,585
Impact of adoption of SLFRS 9 – Available for reserve (F=E-D)	46,869	45,585
Retained earnings		
Closing balance under LKAS 39 as at 31 March 2018 (G)	11,502,165	13,167,172
Recognition of SLFRS 9 expected credit loss those measured at amortised cost	(1,006,640)	(1,066,686)
Differed tax on traditional adjustment	250,729	266,494
Opening balance under SLFRS 9 as at 1 April 2018 (H)	10,746,254	12,366,980
Impact of adoption of SLFRS 9 on retained earnings (I=H-G)	(755,911)	(800,192)
Total change in equity due to adopting SLFRS 9 (C+F+I)	(755,911)	(800,192)

4.3 Impact of transition to SLFRS 9 – "Impairment"

The following note reconciles the aggregate opening impairment provision allowances under LKAS 39 to the ECL allowances under SLFRS 9.

	Impairment under LKAS 39 as at 31 March 2018 Rs. '000	Remeasurement Rs. '000	ECLs under SLFRS 9 as at 1 April 2018 Rs. '000
Company			
Impairment allowance for loans and receivables as per LKAS 39/ Financial assets at amortised cost under SLFRS 9	3,055,560	895,459	3,951,019
Total impairment	3,055,560	895,459	3,951,019
Group			
Impairment allowance for loans and receivables as per LKAS 39/ Financial assets at amortised cost under SLFRS 9	3,233,329	944,066	4,177,395
Total impairment	3,233,329	944,066	4,177,395

Notes to the financial statements

5 Gross income

ACCOUNTING POLICY

Income is recognised to the extent that it is probable that the economic benefits will flow to the Company/Group and revenue can be reliably measured. The specific recognition criteria, for each type of income, given under the respective income notes.

For the year ended 31 March	Note	Page No.	Company 2019 Rs. '000	Company 2018 Rs. '000	Group 2019 Rs. '000	Group 2018 Rs. '000
Interest income	6.1	244	**30,836,300**	26,704,635	**32,234,340**	27,582,045
Net earned premium			**–**	–	**4,728,573**	4,053,270
Fee and commission income	8	246	**1,508,952**	1,378,361	**1,004,297**	819,727
Net gains/(losses) on financial assets – FVTPL/Held for trading	9	247	**(27,887)**	18,987	**(44,351)**	59,910
Other operating income	10	247	**418,274**	501,054	**433,346**	629,465
Total			**32,735,639**	28,603,037	**38,356,205**	33,144,417

6 Net interest income

ACCOUNTING POLICY

Recognition of income and expenses

Income is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Interest income and expenses

For all financial instruments measured at amortised cost, interest income or expense is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. 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 EIR, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as "interest income" for financial assets and "interest expense" for financial liabilities. However, for a reclassified financial asset for which the Company subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Under both SLFRS 9 and LKAS 39, interest income and interest expense are recorded using the effective interest rate method for all financial assets measured at amortised cost and all financial liabilities measured at amortised cost respectively.

Revenue can be recognised only when it is probable that the economic benefit associate with the transaction will flow to the entity. However when uncertainty arise about the recoverability, revenue recognition should be ceased. With the adoption of SLFRS 9 –"Financial instrument" replacing LKAS 39 "financial instrument" during the financial year, Customer default point (uncertainty about the recoverability) has been change to 90 days past due rather than 6 months past due applied in previous standards(LKAS 39). Accordingly interest income can be recognised only up to 90 days past due in accordance with SLFRS 9, instead of recognising up to 6 months past due as per the LKAS 39.

Interest on overdue rentals

Interests from overdue rentals have been accounted for on a cash received basis.

Notes to the financial statements

For the year ended 31 March	Note	Page No.	Company		Group	
			2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Interest income	6.1	244	**30,836,300**	26,704,635	**32,234,340**	27,582,045
Interest expenses	6.2	244	**15,646,099**	14,500,158	**15,891,298**	14,626,672
Net interest income			**15,190,201**	12,204,477	**16,343,042**	12,955,373

6.1 Interest income

For the year ended 31 March	Note	Page No.	Company		Group	
			2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Cash and cash equivalents			**27,906**	91,536	**57,654**	121,284
Balances with banks and financial institutions			**355,787**	405,770	**485,967**	544,619
Loans and receivables	6.1.1	244	**29,835,673**	25,746,323	**30,765,517**	26,196,854
Financial assets – Available for sale			**–**	–	**–**	258,282
Debt instrument at amortised cost/Held to maturity			**616,934**	461,006	**925,202**	461,006
Total interest income			**30,836,300**	26,704,635	**32,234,340**	27,582,045

6.1.1 Interest income – Loans and receivables

For the year ended 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Lease/Ijarah receivable	**17,887,342**	15,344,028	**17,887,448**	15,345,781
Hire purchase/Murabah receivable	**146,178**	537,729	**806,600**	993,833
Term loans and receivables	**11,802,153**	9,864,566	**12,071,469**	9,857,240
Total	**29,835,673**	25,746,323	**30,765,517**	26,196,854

6.2 Interest expenses

For the year ended 31 March	Note	Page No.	Company		Group	
			2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Due to banks	6.2.1	245	**4,569,420**	5,047,798	**4,857,611**	5,236,146
Due to customers	6.2.1	245	**8,682,552**	6,960,275	**8,654,771**	6,915,092
Debt securities issued	6.2.1	245	**2,394,127**	2,492,085	**2,378,916**	2,475,434
Total interest expenses			**15,646,099**	14,500,158	**15,891,298**	14,626,672

Notes to the financial statements

6.2.1 Interest expenses – Product-wise

For the year ended 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Due to banks				
Interest on bank overdraft	**74,473**	18,188	**102,062**	40,259
Interest on short-term loans	**1,770,898**	894,808	**1,770,901**	895,039
Interest on term loans	**1,525,581**	2,407,846	**1,786,180**	2,573,892
Interest on securitisation loans	**1,198,468**	1,726,956	**1,198,468**	1,726,956
Subtotal	**4,569,420**	5,047,798	**4,857,611**	5,236,146
Due to customers				
Interest cost on deposits	**8,682,552**	6,960,275	**8,654,771**	6,915,092
Debt securities issued				
Interest on debentures	**2,394,127**	2,490,573	**2,378,916**	2,473,922
Interest on commercial papers	**–**	1,512	**–**	1,512
Subtotal	**2,394,127**	2,492,085	**2,378,916**	2,475,434
Total interest expenses	**15,646,099**	14,500,158	**15,891,298**	14,626,672

7 Net earned premium

ACCOUNTING POLICY

Product classification of insurance and investment contracts

SLFRS 4 – "Insurance Contracts", requires contracts written by insurer to be classified as either "insurance contracts" or "investment contracts" depending in the level of insurance risk transferred.

Insurance contracts are those contracts when the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders, if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk by comparing benefits paid with benefits payable, if the insured event did not occur. Insurance contracts can also transfer financial risk.

Investment contracts are those contracts that transfer significant financial risk, and no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variables, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

All the products sold by the Company are insurance contracts and therefore classified as insurance contracts under SLFRS 4 – "Insurance Contracts". Thus, the Company does not have any investment contracts within its product portfolio as at the reporting date.

Revenue recognition of gross written premium

Gross written premium (GWP) represents the premium charged by the Company to underwrite risks. GWP is accounted on accrual basis.

Gross written premium comprises the total premiums received/receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy commences.

Rebates that form part of the premium rate, such as no claim rebates are deducted from GWP.

Notes to the financial statements

Insurance – Revenue recognition gross written premium

Non-life insurance gross written premium comprises the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy commences.

Reinsurance premium

Non-life gross reinsurance premium written comprises the total premium payable for the whole cover provided by contracts entered into the period and are recognised on the date on which the policy incepts. Premium includes any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Unearned premium reserve

Unearned premium reserve represents the portion of the premium written in the year but relating to the unexpired term of coverage. Unearned premiums are calculated on the 365 basis.

Unearned reinsurance premium reserve

Unearned reinsurance premium is the proportion of premium written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies.

	Company		Group	
For the year ended 31 March	**2019 Rs. '000**	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Gross written premium	–	–	**5,666,450**	4,827,258
Less: Premium ceded to reinsurers	–	–	**525,790**	436,032
Less: Change in reserve unearned premium	–	–	**412,087**	337,956
Total	–	–	**4,728,573**	4,053,270

8 Fee and commission income

ACCOUNTING POLICY

Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. Commission income is recognised on accrual basis. Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the documents and inspection of vehicle are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

	Company		Group	
For the year ended 31 March	**2019 Rs. '000**	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Service charges	**620,031**	522,058	**197,171**	132,692
Other fees and commission	**888,921**	856,303	**807,126**	687,035
Total	**1,508,952**	1,378,361	**1,004,297**	819,727

9 Net gains/(losses) on financial assets – FVTPL/Held for trading

ACCOUNTING POLICY

This comprise all gains and losses from changes in fair value including realised and unrealised fair value changes for financial assets "held for trading".

For the year ended 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Net gain/(loss) on financial assets – FVTPL/held for trading				
Net mark-to-market (losses)/gains	**(24,915)**	(799)	**(57,981)**	23,522
Net capital gains/(losses)	**(2,972)**	19,786	**13,630**	36,388
Total	**(27,887)**	18,987	**(44,351)**	59,910

10 Other operating income

ACCOUNTING POLICY

Other operating income includes income earned on other sources, which are not directly related to the normal operations of the Group is recognised on accrual basis.

Dividend income

Dividend income is recognised when the right to receive the payment is established.

Net trading income from sale of vehicles

Revenue from the sale of imported vehicles is recognised when the significant risks and rewards of ownership of the vehicles have transferred to the buyer, usually on dispatch of the vehicles.

Operating lease income

Income arising on operating leases is accounted for on a straight-line basis over the lease terms on ongoing leases and is recorded in the Statement of Profit or Loss in other operating income.

Bad debts recovered

Recovery of amounts written off as bad and doubtful debts is recognised on a cash basis.

Gain or losses on disposal of property, plant and equipment

Gains or losses resulting from the disposal of property, plant and equipment are accounted for on cash basis in the Statement of Profit or Loss, in the period in which the sale occurs.

Hiring income

Hiring income from vehicle on hire is recognised in the Statement of Profit or Loss based on the agreement entered between the owner and hirer for the year.

Other income

Other income is recognised on an accrual basis.

Notes to the financial statements

For the year ended 31 March	Company 2019 Rs. '000	Company 2018 Rs. '000	Group 2019 Rs. '000	Group 2018 Rs. '000
Gain on sale of property, plant and equipment	**19,645**	20,162	**26,625**	20,162
Hiring income	**–**	–	**26,888**	31,446
Operating leases income	**–**	–	**23,074**	15,577
Rent income from investment property	**–**	–	**92,884**	61,897
Net trading income from sale of vehicles	**2,704**	2,858	**3,575**	2,858
Dividend income from – FVOCI/Available-for-sale	**10,508**	13,530	**10,508**	13,530
– Subsidiaries	**375,766**	423,227	**–**	–
– Financial assets – FVTPL/Held for trading	**2,671**	7,746	**6,061**	13,080
Gain/(Loss) on sale of investment properties	**6,980**	–	**6,980**	–
Other income	**–**	33,531	**236,751**	470,915
Total	**418,274**	501,054	**433,346**	629,465

11 Impairment charges for loans and receivables and other losses

ACCOUNTING POLICY

The Company and the Group recognise the changes in the impairment provisions for loans and receivables which are assessed as per the Sri Lanka Accounting Standard LKAS 39 – "Financial Instruments: Recognition and Measurement" and SLFRS 9 "Financial Instruments" for the year 2018 and 2019 respectively. The methodology adopted by the Company and the Group is explained in Note 25.8 to these Financial Statements.

Loss on disposal of collaterals including write-offs

Loans and receivables (and the related impairment allowance accounts) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans and receivables are secured, this is generally after receipt of any proceeds from the realisation of security.

For the year ended 31 March	Note	Page No.	Company 2019 Rs. '000	Company 2018 Rs. '000	Group 2019 Rs. '000	Group 2018 Rs. '000
Impairment on loans and receivables:						
Individual impairment	11.3/11.4	250	**194,262**	67,006	**194,262**	56,163
Collective impairment	11.3/11.4	250	**799,059**	1,338,957	**905,371**	1,386,301
Other receivable			**–**	–	**15,385**	3,590
Loss on disposal of collaterals including write-offs			**728,458**	186,293	**728,458**	186,293
Recovery of written off debts/disposal loss			**(135,273)**	(162,285)	**(135,273)**	(162,285)
Total	11.1/11.2	249	**1,586,506**	1,429,971	**1,708,203**	1,470,062

11.1 Impairment charge/(reversal) for loans and other losses (detailed breakdown) – Company

For the year ended 31 March	2019			
	Disposal loss/Write-offs (net of recovery) Rs. '000	**Charge Rs. '000**	**(Reversal) Rs. '000**	**Net amount Rs. '000**
Lease/Ijarah receivable	**402,752**	**1,207,248**	**(822,963)**	**787,037**
Hire purchase/Murabah receivable	**38,955**	**26,602**	**(75,634)**	**(10,077)**
Term loans and receivables	**151,478**	**1,747,012**	**(1,088,944)**	**809,546**
Total	**593,185**	**2,980,862**	**(1,987,541)**	**1,586,506**

For the year ended 31 March	2018			
	Disposal loss/Write-offs (net of recovery) Rs. '000	Charge Rs. '000	(Reversal) Rs. '000	Net amount Rs. '000
Lease/Ijarah receivable	69,412	620,341	(448,332)	241,421
Hire purchase/Murabah receivable	(25,781)	29,689	(72,605)	(68,697)
Term loans and receivables	(19,623)	1,621,995	(345,125)	1,257,247
Total	24,008	2,272,025	(866,062)	1,429,971

11.2 Impairment charge/(reversal) for loans and other losses (detailed breakdown) – Group

For the year ended 31 March	2019			
	Disposal loss/Write-offs (net of recovery) Rs. '000	**Charge Rs. '000**	**(Reversal) Rs. '000**	**Net amount Rs. '000**
Lease/Ijarah receivable	**402,752**	**1,207,248**	**(822,962)**	**787,038**
Hire purchase/Murabah receivable	**38,955**	**26,602**	**(11,982)**	**53,575**
Term loans and receivables	**151,478**	**1,853,324**	**(1,152,597)**	**852,205**
Other receivable	**–**	**15,385**	**–**	**15,385**
Total	**593,185**	**3,102,559**	**(1,987,541)**	**1,708,203**

For the year ended 31 March	2018			
	Disposal loss/Write-offs (net of recovery) Rs. '000	Charge Rs. '000	(Reversal) Rs. '000	Net amount Rs. '000
Lease/Ijarah receivable	69,412	620,341	(448,332)	241,421
Hire purchase/Murabah receivable	(25,781)	29,689	(56,603)	(52,695)
Term loans and receivables	(19,623)	1,658,496	(361,127)	1,277,746
Other receivable	–	3,590	–	3,590
Total	24,008	2,312,116	(866,062)	1,470,062

Notes to the financial statements

11.3 Impairment charge to the income statement – Company

For the year ended 31 March	2019			
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Financial assets at amortised cost – Loans and advances				
Individual impairment	–	–	194,262	194,262
Collective impairment	49,497	172,842	576,720	799,059
Total	49,497	172,842	770,982	993,321

For the year ended 31 March	2018			
	Specific Rs. '000	Collective (Individually not significant exposures) Rs. '000	Collective (Incurred but not yet identified) Rs. '000	Total Rs. '000
Lease/Ijarah receivable	(64,749)	236,809	(51)	172,009
Hire purchase/Murabah receivable	(7)	(42,909)	–	(42,916)
Term loans and receivables	131,762	1,151,126	(6,018)	1,276,870
Total	67,006	1,345,026	(6,069)	1,405,963

11.4 Impairment charge to the income statement – Group

For the year ended 31 March	2019			
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Financial assets at amortised cost – Loans and advances				
Individual impairment	–	–	194,262	194,262
Collective impairment	71,080	200,328	633,963	905,371
Total	71,080	200,328	828,225	1,099,633

For the year ended 31 March	2018			
	Specific Rs. '000	Collective (Individually not significant exposures) Rs. '000	Collective (Incurred but not yet identified) Rs. '000	Total Rs. '000
Lease/Ijarah receivable	(64,749)	236,809	(51)	172,009
Hire purchase/Murabah receivable	(7)	(26,907)	–	(26,914)
Term loans and receivables	131,762	1,171,625	(6,018)	1,297,369
Total	67,006	1,381,527	(6,069)	1,442,464

12 Personnel expenses

ACCOUNTING POLICY

Personnel expenses include salaries and bonus, terminal benefit charges and other related expenses. The provision for bonus is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made on the amount of the obligation.

Employees are eligible for Employees' Provident Fund (EPF) contribution and Employees' Trust Fund (ETF) contributions in accordance with the respective statutes and regulations.

Retirement benefit obligation is recognised in the Statement of Profit or Loss based on an actuarial valuation carried out for the gratuity liability in accordance with Sri Lanka Accounting Standard – LKAS 19 – "Employee Benefits".

			Company		Group	
For the year ended 31 March	Note	Page No.	**2019 Rs. '000**	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Remuneration			**3,143,641**	2,707,112	**3,814,774**	3,082,119
Employee benefit – Defined contribution plans – EPF			**163,148**	146,744	**200,849**	170,772
Employee benefit – Defined contribution plans – ETF			**40,784**	36,687	**49,660**	45,563
Employee benefit – Retirement benefit obligation – Gratuity	43.1	325	**90,594**	83,710	**101,335**	93,186
Total			**3,438,167**	2,974,253	**4,166,618**	3,391,640

13 Depreciation and amortisation

Depreciation

Depreciation is recognised in Statement of Profit or Loss on a straight–line basis over the estimated useful lives of each part of an item of property, plant and equipment since this method most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Land is not depreciated.

The estimated useful lives are as follows:

Class of asset	Percentage per annum %	Period years
Freehold buildings	2	50
Improvement of leasehold property	25	4
Motor vehicles	12.5-20	5-8
Computer hardware	20	5
Office equipments	10-20	5-10
Furniture and fittings	20	5

The above rates are consistently used by all the Group entities. The depreciation rates are determined separately for each significant part of an item of property, plant and equipment and commence to depreciate when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is derecognised. Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

All classes of property, plant and equipment together with the reconciliation of carrying amounts and accumulated depreciation at the beginning and at the end of the year are given in Note 32 on pages 303 to 308.

Notes to the financial statements

Amortisation of intangible assets

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful economic lives at the rates as specified below:

Class of asset	Percentage per annum %	Period years
Computer software	20	5

The unamortised balances of intangible assets with finite lives are reviewed for impairment annually and whenever there is an indication for impairment and recognised in Statement of Profit or Loss to the extent that they are no longer probable of being recovered from the expected future benefits.

All classes of intangible assets together with the reconciliation of carrying amounts and accumulated amortisation at the beginning and at the end of the year are given in Note 33 on pages 308 and 309.

			Company		Group	
	Note	Page No.	**2019 Rs. '000**	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Deprecation of property, plant and equipment	32	303	**166,006**	178,905	**286,193**	278,342
Amortisation of intangible assets	33	308	**10,535**	10,535	**13,101**	12,827
Amortisation of leasehold property	34	310	**3,066**	3,066	**3,066**	3,066
Total			**179,607**	192,506	**302,360**	294,235

14 Benefits, claims and underwriting expenditure

ACCOUNTING POLICY

Recognition of gross claims

Gross claims for non-life insurance include all claims occurring during the year, whether reported or not, related external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries and any adjustments to claims outstanding from previous years. Claims outstanding are assessed by review of individual claim files and estimating changes in the ultimate cost of settling claims.

Claims expenses and liabilities for outstanding claims are recognised in respect of direct insurance business. The liability covers claims reported but not yet paid, incurred but not reported claims (IBNR) and the anticipated direct and indirect costs of settling those claims. The provision in respect of IBNR is actuarially valued on a quarterly basis to ensure a more realistic estimation of the future liability based on past experience and trends.

While the Directors consider that the provision for claims is fairly stated on the basis of information currently available, the ultimate liability will vary as a result of subsequent information and events. This may result in adjustment to the amounts provided. Such amounts are reflected in the Financial Statements for that period. The methods used and the estimates made are reviewed regularly.

Recognition of reinsurance claims

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

Claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business.

Notes to the financial statements

For the year ended 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Net benefits and claims	**–**	–	**2,851,334**	2,360,649
Underwritings and net acquisition costs	**–**	–	**477,371**	415,483
Total	**–**	–	**3,328,705**	2,776,132

15 Other operating expenses

ACCOUNTING POLICY

Other operating expenses are recognised in the Statement of Profit or Loss on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the Statement of Profit or Loss in arriving at the profit for the year.

Crop insurance levy (CIL)

As per the provisions of the Section 14 of the Finance Act No. 12 of 2013, the CIL was introduced with effect from 1 April 2013 and is payable to the National Insurance Trust Fund. Currently, the CIL is payable at 1% of the profit after tax.

Directors' emoluments

Directors' emoluments include fees paid to Non-Executive Directors.

For the year ended 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Directors' emoluments	**9,315**	8,392	**16,564**	17,100
Auditors' remunerations	**7,458**	6,988	**12,573**	10,693
Non-audit fees to auditors	**5,730**	4,354	**6,711**	6,666
Professional fees	**28,697**	13,169	**47,480**	19,798
Advertising expenses	**48,450**	46,482	**66,993**	106,328
Legal fees	**19,531**	13,585	**19,845**	13,585
Deposits insurance premium	**106,232**	81,009	**106,232**	81,009
Crop insurance levy	**46,094**	40,092	**46,094**	40,092
Office administration and establishment expenses	**2,572,912**	2,222,284	**2,728,928**	2,248,215
Total	**2,844,419**	2,436,355	**3,048,420**	2,543,486

16 Tax on financial services

ACCOUNTING POLICY

VAT on financial services

VAT on financial services is calculated in accordance with Value Added Tax (VAT) Act No. 14 of 2002 and subsequent amendments thereto. The value base for the computation of value added tax on financial services is calculated by adjusting the economic depreciation computed on rates prescribed by the Department of Inland Revenue to the accounting profit before income tax and emoluments payable. Emoluments payable include cash benefits, non-cash benefits including terminal benefits. VAT rate applied for the current financial year is 15% (2018 – 15%).

Notes to the financial statements

NBT on financial services

NBT on financial services is calculated in accordance with nation building tax (NBT) Act No. 9 of 2009 and subsequent amendments thereto with effect from 1 January 2014. NBT on financial services is calculated as 2% of the value addition used for the purpose of VAT on financial services.

Debt repayment levy (DRL) on financial services

As per the Finance Act No. 35 of 2018, with effect from 1 October 2018, DRL of 7% was introduced on the value addition attributable to the supply of financial services by each financial institution. DRL is chargeable on the same base used for calculation of VAT on financial services as explained in Note 14 above. The amount of DRL charged in determining the profit or loss for the period is given below:

	Company		Group	
For the year ended 31 March	**2019 Rs. '000**	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
VAT on financial services	**1,462,311**	1,150,185	**1,489,818**	1,173,786
NBT on financial services	**187,929**	149,937	**191,122**	153,130
Debt repayment levy	**436,970**	–	**436,970**	–
Total	**2,087,210**	1,300,122	**2,117,910**	1,326,916

17 Income tax expense

ACCOUNTING POLICY

This Note also includes the major components of tax expense, the effective tax rates and a reconciliation between the profit before tax and tax expense, as required by the Sri Lanka Accounting Standard – LKAS 12 – "Income Taxes". As per Sri Lanka Accounting Standard – LKAS 12 – "Income Taxes", tat expense is the aggregate amount included in determination of profit or loss for the period in respect of current and deferred taxation.

Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Accordingly, provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and the amendments thereto, and the Inland Revenue Act No. 24 of 2017, effective from 1 April 2018 at the rates specified below.

Deferred taxation

Detailed disclosure of accounting policies and estimate of deferred tax is available in Note 42 to the Financial Statements.

Company			Tax rate	
	Note	Page No.	**2019 (%)**	2018 (%)
People's Leasing & Finance PLC			**28**	28
People's Leasing Fleet Management Limited			**28**	28
People's Micro-commerce Ltd.			**28**	28
People's Insurance PLC	17.1	255	**14 – 28**	14
People's Leasing Property Development Limited	17.2	255	**10 – 28**	10 – 28
People's Leasing Havelock Properties Limited	17.3	255	**Exempt**	Exempt
Lankan Alliance Finance Limited	17.4	255	**42.50**	42.50

Notes to the financial statements

17.1 People's Insurance PLC

According to the Inland Revenue Act No. 10 of 2006 and subsequent amendments thereto, any company which is liable to pay income tax at the rate of 28%, lists its shares on the Colombo Stock Exchange (CSE) by way of a minimum initial public offering (IPO) through which not less than 20% of its shares is issued to the general public on or before 1 April 2017, the income tax rate will be reduced by 50% for the year of assessment in which the such shares are listed and for another two years of assessment, provided that such company after listing continues to maintain a minimum public float of 20%.

Accordingly, 25% of the shares of the Company was offered and issued to the general public by way of an IPO in December 2015 and shares of the Company were listed on the CSE in January 2016. As at 31 December 2016, the public float of the Company's shares was 24.94% while the Company was liable for income tax at 28% (before the tax reduction). Hence, the Company was considered eligible for the 50% tax reduction as per the said Act, during the reporting period and income tax was calculated at 14% for nine months ended 31 December 2018 and balance three months 28%. (2018 – 14%).

17.2 People's Leasing Property Development Limited

Pursuant to the agreement dated 3 December 2008 entered into by People's Leasing Property Development Limited with the Board of Investment under Section 17 of the Board of Investment Law, for the business of setting up and operating a mixed development project, the Inland Revenue Act relating to the imposition, payment and recovery of income tax shall not apply for a period of five years reckoned from the year in which the Company makes profit or any year of assessment not later than two years reckoned from the date of commencement of its commercial operations whichever is earliest. The Company is eligible for a 10% concessionary tax rate for a period of two years immediately succeeding the last date of tax exemption period and a 20% concessionary tax rate after the expiration of the 10% concessionary tax period. Non-BOI income is liable for normal rate of 28%.

17.3 People's Leasing Havelock Properties Limited

Pursuant to the agreement dated 16 December 2010 entered into by People's Leasing Havelock Properties Limited with the Board of Investment under Section 17 of the Board of Investment Law, for the business of setting up and operating a mixed development project, the Inland Revenue Act relating to the imposition, payment and recovery of income tax shall not apply for a period of five years reckoned from the year in which the Company makes profit or any year of assessment not later than two years reckoned from the date of commencement of its commercial operations whichever is the earliest. The Company is eligible for a 10% concessionary tax rate for a period of 2 years immediately succeeding the last date of tax exemption period and a 20% concessionary tax rate after the expiration of the 10% concessionary tax period.

17.4 Lankan Alliance Finance Limited

According to Bangladesh income tax ordinance, 1984 and amendments made thereto, tax rate applicable for Lankan Alliance Finance Limited is 42.5%.

			Company		Group	
For the year ended 31 March	Note	Page No.	**2019 Rs. '000**	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Statement of profit or loss						
Current income tax charge	17.5	256	**3,351,426**	1,101,046	**3,511,778**	1,276,638
Deferred tax (reversal)/Charge for the year	42	322	**(1,182,290)**	359,296	**(935,741)**	367,981
Income tax expense recognised in Statement of Profit or Loss			**2,169,136**	1,460,342	**2,576,037**	1,644,619
Statement of comprehensive income						
Deferred tax charge/(reversal) for the year	42	322	**(5,670)**	6,599	**14,028**	6,623
Income tax charge/(reversal) recognised in Statement of Comprehensive Income			**(5,670)**	6,599	**14,028**	6,623
Effective tax rate (excluding deferred tax) (%)			**50.89**	19.08	**46.28**	19.16
Effective tax rate (%)			**32.94**	25.31	**33.95**	24.69

Notes to the financial statements

17.5 Reconciliation of accounting profit and taxable income

For the year ended 31 March	Note	Page No.	Company 2019 Rs. '000	Company 2018 Rs. '000	Group 2019 Rs. '000	Group 2018 Rs. '000
Profit as per Statement of Profit or Loss			**6,585,257**	5,769,672	**7,587,305**	6,662,332
Add: Disallowable expenses			**3,698,709**	3,471,886	**4,001,348**	3,694,203
Add: Lease capital recoverable			**20,165,037**	22,481,511	**20,165,037**	22,481,511
Less: Allowable expenses			**17,770,847**	26,898,108	**18,386,164**	27,165,966
Less: Exempted/Allowable income			**385,267**	520,784	**451,848**	734,142
Statutory income			**12,292,889**	4,304,177	**12,915,678**	4,937,938
Less: Tax losses utilised during the year	17.6	256	**–**	–	**30,556**	13,492
Assessable income			**12,292,889**	4,304,177	**12,885,122**	4,924,446
Taxable income			**12,292,889**	4,304,177	**12,885,122**	4,924,446
At the effective income tax rate	17.7	256	**3,442,009**	1,205,168	**3,601,824**	1,380,894
(Over)/under provision – previous years			**(90,583)**	(104,122)	**(90,046)**	(104,256)
Current tax on profits for the year			**3,351,426**	1,101,046	**3,511,778**	1,276,638
Deferred tax charged/(reversal) for the year	42	322	**(1,182,290)**	359,296	**(935,741)**	367,981
Tax expense for the year			**2,169,136**	1,460,342	**2,576,037**	1,644,619

17.6 Tax losses brought forward and utilised during the year

For the year ended 31 March	Company 2019 Rs. '000	Company 2018 Rs. '000	Group 2019 Rs. '000	Group 2018 Rs. '000
Tax losses brought forward	**–**	–	**136,145**	117,137
Addition during the year	**–**	–	**–**	32,500
Tax losses utilised during the year	**–**	–	**(30,556)**	(13,492)
Tax losses not utilised and carried forward	**–**	–	**105,589**	136,145

17.7 Income tax expense at the statutory income

For the year ended 31 March	Company 2019 Rs. '000	Company 2018 Rs. '000	Group 2019 Rs. '000	Group 2018 Rs. '000
People's Leasing & Finance PLC	**3,442,009**	1,205,168	**3,442,009**	1,205,168
People's Leasing Fleet Management Limited	**–**	–	**9,642**	19,288
People's Micro-commerce Ltd.	**–**	–	**22,691**	25,460
People's Insurance PLC	**–**	–	**103,245**	96,652
People's Leasing Property Development Limited	**–**	–	**4,112**	33,469
People's Leasing Havelock Properties Limited	**–**	–	**–**	–
Lankan Alliance Finance Limited	**–**	–	**20,125**	857
Total income tax at the effective rate	**3,442,009**	1,205,168	**3,601,824**	1,380,894

Notes to the financial statements

17.8 Summary of the taxes paid during the year

For the year ended 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Direct taxes				
Income tax	**805,705**	1,113,050	**907,945**	1,174,927
Value added tax on financial services	**1,383,392**	1,042,004	**1,412,620**	1,065,961
Nation building tax on financial services	**184,632**	138,552	**218,014**	141,803
Crop insurance levy	**45,344**	37,557	**53,938**	45,591
Economic service charge	**196,063**	277,769	**235,961**	282,395
Debt repayment levy	**326,916**	–	**326,916**	–
Total direct taxes	**2,942,052**	2,608,932	**3,155,394**	2,710,677
Indirect taxes (collected and paid)				
Value added tax	**348,864**	476,573	**1,100,517**	1,098,896
Nation building tax	**31,373**	25,609	**167,120**	140,864
Stamp duty	**260,520**	262,742	**267,539**	269,383
Withholding tax on dividend and interest	**665,306**	207,025	**714,362**	250,963
PAYE tax	**128,338**	107,204	**139,929**	114,097
Total indirect taxes	**1,434,401**	1,079,153	**2,389,467**	1,874,203
Total taxes paid during the financial year	**4,376,453**	3,688,085	**5,544,861**	4,584,880

18 Basic/Diluted earnings per share (EPS)

ACCOUNTING POLICY

Basic earning per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

Basic earnings per share is calculated by dividing the net profit for the year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year, as per Sri Lanka Accounting Standard – LKAS 33 – "Earnings per Share".

For the year ended 31 March	Company		Group	
	2019	2018	**2019**	2018
Profit attributable to equity holders of the Company (Rs.)	**4,416,121,280**	4,309,329,577	**4,813,577,186**	4,816,917,885
Weighted average number of ordinary shares	**1,579,862,482**	1,579,862,482	**1,579,862,482**	1,579,862,482
Basic/Diluted earnings per ordinary share (Rs.)	**2.80**	2.73	**3.05**	3.05

Notes to the financial statements

19 Dividend per ordinary share

For the year ended 31 March	Company 2019	Company 2018
Ordinary shares		
Out of dividend received (Rs.)	**392,767,335**	416,591,385
Out of normal profits (Rs.)	**1,582,060,768**	1,558,236,718
Total cash dividend paid (Rs.)	**1,974,828,103**	1,974,828,103
Cash dividend paid (Rs.) – Interim	**1,184,896,862**	1,184,896,862
– Final	**789,931,241**	789,931,241
Total cash dividend paid (Rs.)	**1,974,828,103**	1,974,828,103
Weighted average number of ordinary shares	**1,579,862,482**	1,579,862,482
Dividend per ordinary share (Rs.)	**1.25**	1.25

A final dividend of Rs. 0.50 per share was paid for the year 2017/18 in July 2018. An interim dividend of Rs. 0.75 per share was paid in December 2018 to the ordinary shareholders of the Company for the year 2018/19 (interim dividend 2017/18 – Rs. 0.75) A final dividend of Rs. 0.50 per share has been proposed by the Board of Directors for the year 2018/19 to be approved at the Annual General Meeting. However, no provision is made for this proposed dividend in these Financial Statements in accordance with LKAS 10 – "Events after reporting period".

20 Analysis of financial instruments by measurement basis

ACCOUNTING POLICY

Financial instruments are measured on an ongoing basis either at fair value or at amortised cost. The summary of significant accounting policies describes how each category of financial instruments is measured and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of the financial instruments by category as defined in Sri Lanka Accounting Standard – LKAS 39 – "Financial Instruments: Recognition and Measurement" under the heading of the Statement of Financial Position.

20.1 Company

As at 31 March 2019	Note	Page No.	Financial instruments recognised through profit or loss (FVTPL) Rs. '000	Financial instruments at amortised cost (AC) Rs. '000	Financial instruments at fair value through other comprehensive income (FVOCI) Rs. '000	Total Rs. '000
Assets						
Cash and cash equivalents	22	268	–	3,294,055	–	3,294,055
Balances with banks and financial institutions	23	269	–	3,404,533	–	3,404,533
Financial assets – Fair value through profit or loss	24	269	23,190	–	–	23,190
Loans and receivables	25	273	–	151,707,902	–	151,707,902
Financial assets – Fair value through other comprehensive income	27	294	–	–	125,651	125,651
Debt instrument at amortised cost	28	296	–	8,002,625	–	8,002,625
Other financial assets	35	310	–	143,817	–	143,817
Total financial assets			23,190	166,552,932	125,651	166,701,773

Notes to the financial statements

As at 31 March 2019	Note	Page No.	Financial instruments recognised through profit or loss (FVTPL) Rs. '000	Financial instruments at amortised cost (AC) Rs. '000	Total Rs. '000
Liabilities					
Due to banks	36	311	–	**27,273,933**	**27,273,933**
Due to customers	37	314	–	**88,368,656**	**88,368,656**
Debt securities issued	38	315	–	**21,275,031**	**21,275,031**
Other financial liabilities	39	318	–	**2,480,377**	**2,480,377**
Total financial liabilities			–	**139,397,997**	**139,397,997**

20.2 Company

As at 31 March 2018	Note	Page No.	FVTPL Rs. '000	HTM Rs. '000	L & R Rs. '000	AFS Rs. '000	Total Rs. '000
Assets							
Cash and cash equivalents	22	268	–	–	4,412,683	–	4,412,683
Balances with banks and financial institutions	23	269	–	–	4,370,473	–	4,370,473
Financial assets – Held for trading	24	269	174,736	–	–	–	174,736
Loans and receivables	25	273	–	–	140,165,437	–	140,165,437
Financial assets – Available for sale	27	294	–	–	–	219,132	219,132
Debt instrument at amortised cost/ Held to maturity	28	296	–	4,889,641	–	–	4,889,641
Other financial assets	35	310	–	–	145,650	–	145,650
Total financial assets			174,736	4,889,641	149,094,243	219,132	154,377,752

As at 31 March 2018	Note	Page No.	FVTPL Rs. '000	Other amortised cost Rs. '000	Total Rs. '000
Liabilities					
Due to banks	36	311	–	39,921,789	39,921,789
Due to customers	37	314	–	69,763,219	69,763,219
Debt securities issued	38	315	–	15,783,502	15,783,502
Other financial liabilities	39	318	–	4,645,818	4,645,818
Total financial liabilities			–	130,114,328	130,114,328

Notes to the financial statements

20.3 Group

As at 31 March 2019	Note	Page No.	Financial instruments recognised through profit or loss (FVTPL) Rs. '000	Financial instruments at amortised cost (AC) Rs. '000	Financial instruments at fair value through other comprehensive income (FVOCI) Rs. '000	Total Rs. '000
Assets						
Cash and cash equivalents	22	268	–	4,310,595	–	4,310,595
Balances with banks and financial institutions	23	269	–	7,375,423	–	7,375,423
Financial assets – Fair value through profit or loss	24	269	72,386	–	–	72,386
Loans and receivables	25	273	–	156,955,837	–	156,955,837
Insurance and reinsurance receivables	26	292	885,395	–	–	885,395
Financial assets – Fair value through other Comprehensive income	27	294	–	–	125,651	125,651
Debt instrument at amortised cost	28	296	–	9,091,945	–	9,091,945
Total financial assets			957,781	177,733,800	125,651	178,817,232

As at 31 March 2019	Note	Page No.	Financial instruments recognised through profit or loss (FVTPL) Rs. '000	Financial instruments at amortised cost (AC) Rs. '000	Total Rs. '000
Liabilities					
Due to banks	36	311	–	30,475,326	30,475,326
Due to customers	37	314	–	88,923,196	88,923,196
Debt securities issued	38	315	–	21,134,040	21,134,040
Other financial liabilities	39	318	–	2,464,936	2,464,936
Insurance liabilities and reinsurance payable	40	318	–	4,880,873	4,880,873
Total financial liabilities			–	147,878,371	147,878,371

20.4 Group

As at 31 March 2018	Note	Page No.	FVTPL Rs. '000	HTM Rs. '000	L & R Rs. '000	AFS Rs. '000	Total Rs. '000
Assets							
Cash and cash equivalents	22	268	–	–	4,765,518	–	4,765,518
Balances with banks and financial institutions	23	269	–	–	8,758,715	–	8,758,715
Financial assets – Held for trading	24	269	315,485	–	–	–	315,485
Loans and receivables	25	273	–	–	141,915,077	–	141,915,077
Insurance and reinsurance receivables	26	292	–	–	406,687	–	406,687
Financial assets – Available for sale	27	294	–	–	–	219,132	219,132
Debt instrument at amortised cost/ Held to maturity	28	296	–	6,013,963	–	–	6,013,963
Total financial assets			315,485	6,013,963	155,845,997	219,132	162,394,577

As at 31 March 2018	Note	Page No.	FVTPL Rs. '000	Other amortised cost Rs. '000	Total Rs. '000
Liabilities					
Due to banks	36	311	–	41,834,394	41,834,394
Due to customers	37	314	–	69,377,794	69,377,794
Debt securities issued	38	315	–	15,783,502	15,783,502
Other financial liabilities	39	318	–	4,473,552	4,473,552
Insurance liabilities and reinsurance payable	40	318	–	4,054,586	4,054,586
Total financial liabilities			–	135,523,828	135,523,828

FVTPL: Fair value through profit or loss HTM: Held to maturity L & R: Loans and receivables AFS: Available for sale

21 Fair value of assets and liabilities

ACCOUNTING POLICY

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

21.1 Financial assets at fair value through other comprehensive income/Available for sale

Available-for-sale financial assets valued using valuation techniques or pricing models primarily consist of quoted investment securities. These quoted investment securities are valued using quoted market price in an active market of each securities.

21.2 Financial assets at fair value through profit or loss/Held for trading

Held-for-trading financial assets valued using valuation techniques primarily consist of quoted investments. These quoted assets are valued using quoted market price in an active market of each securities.

21.3 Financial assets and liabilities carried at amortised cost

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated based on the Discounted Cash Flow approach. This approach employs the current market interest rates of similar financial instruments as a significant unobservable input in measuring the fair value and hence it is categorised under level 3 in the fair value hierarchy.

Notes to the financial statements

21.4 Property, plant and equipment disclosed at fair value

Freehold land and buildings are disclosed at revalued amount, being their fair value at the revaluation date less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

21.5 Valuation model

For all financial instruments where fair values are determined by referring to externally quoted prices or observable pricing inputs to models, independent price determination or validation is obtained. In an inactive market, direct observation of a traded price may not be possible. In these circumstances, the Company uses alternative market information to validate the financial instrument's fair value, with greater weight given to information that is considered to be more relevant and reliable.

Valuation framework

The Company has an established control framework with respect to the measurement of fair values of trading and investment operations and all other significant assets and liabilities. Specific controls include;

- Periodic (daily, monthly or quarterly) reviewing of fair value measurements against observable market data.
- Periodic (at least annually) reviewing of fair value measurement models against changes in market conditions, significant judgements and assumptions.

21.6 Determination of fair value and fair value hierarchy

The Group 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

The following table shows an analysis of assets and liabilities recorded/disclosed at fair value by level of the fair value hierarchy:

			Company				
As at 31 March 2019	Note	Page No.	Date of Valuation	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000
Financial assets							
Financial assets – Fair value other comprehensive income/Available for sale							
Equity securities	27	294	31.3.2019	125,651	–	–	125,651
Subtotal				125,651	–	–	125,651
Financial assets – Fair value through profit or loss/Held for trading							
Quoted equity securities	24	269	31.3.2019	23,190	–	–	23,190
Subtotal				23,190	–	–	23,190
Total				148,841	–	–	148,841
Non-financial assets disclosed at fair value							
Freehold land and buildings (Included under property, plant and equipment)	32.4	307		–	–	795,585	795,585
Total				–	–	795,585	795,585

Notes to the financial statements

As at 31 March 2018	Note	Page No.	Company				
			Date of Valuation	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000
Financial assets							
Financial assets – Available for sale							
Equity securities	27	294	31.3.2018	219,132	–	–	219,132
Subtotal				219,132	–	–	219,132
Financial assets – Held for trading							
Quoted investments	24	269	31.3.2018	174,736	–	–	174,736
Subtotal				174,736	–	–	174,736
Non-financial assets – Investment property							
Lands and buildings	31	301	31.3.2018	–	–	134,400	134,400
Subtotal				–	–	134,400	134,400
Total				393,868	–	134,400	528,268
Non-financial assets disclosed at fair value							
Freehold lands and buildings (Included under property, plant and equipment)	32.4	307		–	–	979,985	979,985
Total				–	–	979,985	979,985

The following table shows an analysis of assets and liabilities recorded/disclosed at fair value by level of the fair value hierarchy:

As at 31 March 2019	Note	Page No.	Group				
			Date of Valuation	**Level 1 Rs. '000**	**Level 2 Rs. '000**	**Level 3 Rs. '000**	**Total Rs. '000**
Financial assets							
Financial assets – Fair value other comprehensive income/Available for sale							
Equity securities	27	294	**31.03.2019**	**125,651**	**–**	**–**	**125,651**
Subtotal				**125,651**	**–**	**–**	**125,651**
Financial assets – Fair value through profit or loss/Held for trading							
Quoted investments	24	269	**31.03.2019**	**72,386**	**–**	**–**	**72,386**
Subtotal				**72,386**	**–**	**–**	**72,386**
Non-financial assets – Investment property							
Land and building	31	301	**31.03.2019**	**–**	**–**	**1,131,596**	**1,131,596**
Subtotal				**–**	**–**	**1,131,596**	**1,131,596**
Total				**198,037**	**–**	**1,131,596**	**1,329,633**
Non-financial assets disclosed at fair value							
Freehold land and buildings (Included under property, plant and equipment)	32.4	307		**–**	**–**	**5,695,585**	**5,695,585**
Total				**–**	**–**	**5,695,585**	**5,695,585**

Notes to the financial statements

As at 31 March 2018	Note	Page No.	Group Date of Valuation	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000
Financial assets							
Financial assets – Available for sale							
Equity securities	27	294	31.3.2018	219,132	–	–	219,132
Subtotal				219,132	–	–	219,132
Financial assets – Held for trading							
Quoted investments	24	269	31.3.2018	315,485	–	–	315,485
Subtotal				315,485	–	–	315,485
Non-financial assets – Investment property							
Land and building	31	301	31.3.2018	–	–	1,265,996	1,265,996
Subtotal				–	–	1,265,996	1,265,996
Total				534,617	–	1,265,996	1,800,613
Non-financial assets disclosed at fair value							
Freehold land and buildings (Included under property, plant and equipment)	32.4	307		–	–	5,668,485	5,668,485
Total				–	–	5,668,485	5,668,485

There were no material transfers between level 1 and level 2 during the 2018 and 2019. Valuation was carried out for lands and buildings by professionally qualified independent valuer in compliance with Sri Lanka Accounting Standard – SLFRS 13 – Fair Value Measurement.

The following table show total fair value gains/losses recognised in Statement of Profit or Loss during the year relating to assets and liabilities held at the respective year ended.

For the year ended 31 March	Company **2019 Rs. '000**	Company 2018 Rs. '000	Group **2019 Rs. '000**	Group 2018 Rs. '000
Financial assets				
Financial assets – FVTPL/Held for trading				
Quoted investments	**(27,887)**	18,987	**(44,351)**	59,910
Total	**(27,887)**	18,987	**(44,351)**	59,910

Notes to the financial statements

Level 3 fair value measurement

Reconciliation

The following note shows a reconciliation from the beginning balances to the ending balances of fair value measurements in level 3 of the fair value hierarchy:

			Company			Group		
	Note	Page No.	Investment property Rs. '000	Freehold land and buildings Rs. '000	Total Rs. '000	Investment property Rs. '000	Freehold land and buildings Rs. '000	Total Rs. '000
Balance as at 1 April 2017			100,800	845,585	946,385	–	4,034,885	4,034,885
Additions			–	–	–	–	1,407,285	1,407,285
Disposals/transfers			–	–	–	924,922	(924,922)	–
Total gains/(losses) recognised in profit or loss:								
Fair value recognised during the year			33,600	–	33,600	311,422	–	311,422
Depreciation of buildings			–	(706)	(706)	–	(45,943)	(45,943)
Fair value disclosed during the year			–	706	706	29,652	(68,816)	(39,164)
Balance as at 31 March 2018	32.4	307	134,400	845,585	979,985	1,265,996	4,402,489	5,668,485
Balance as at 1 April 2018			134,400	845,585	979,985	1,265,996	4,402,489	5,668,485
Additions			–	–		–	–	–
Disposals/transfers			(134,400)	(52,000)	(186,400)	(134,400)	(52,000)	(186,400)
Total gains/(losses) recognised in profit or loss:								
Fair value recognised during the year			–	–	–	–	–	–
Depreciation of buildings			–	(430)	(430)	–	(60,368)	(60,368)
Fair value disclosed during the year			–	2,430	2,430	–	273,868	273,868
Balance as at 31 March 2019	32.4	307	–	795,585	795,585	1,131,596	4,563,989	5,695,585

Unobservable inputs used in measuring fair value

The table below sets out information about significant unobservable inputs used at 31 March 2019 and 31 March 2018 in measuring non-financial instruments categorised as level 3 in the fair value hierarchy:

Type of instrument	Date of valuation	Fair value Rs. '000	Valuation technique	Significant unobservable inputs	Weighted average range of estimates for unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Company						
As at 31 March 2019						
Property, plant and equipment						
Freehold lands	**31.12.2016**	**920,731**	**MCM**	**Estimated price per perch**	**Rs. 50,000 – 4,300,000**	*
Freehold buildings	**31.12.2016**	**59,254**	**MCM**	**Estimated price per sq. ft.**	**Rs. 500 – 4,000**	*
			Income basis	**Estimated rental value per sq. ft.**	**Rs. 20 – 60**	*
As at 31 March 2018						
Investment property						
Freehold lands	31.03.2018	134,400	MCM	Estimated price per perch	Rs. 600,000	*
Property, plant and equipment						
Freehold lands	31.12.2016	920,731	MCM	Estimated price per perch	Rs. 50,000 – 4,300,000	*
Freehold buildings	31.12.2016	59,254	MCM	Estimated price per sq. ft.	Rs. 500 – 4,000	*
			Income basis	Estimated rental value per sq. ft.	Rs. 20 – 60	*

Notes to the financial statements

Type of instrument	Date of valuation	Fair value Rs. '000	Valuation technique	Significant unobservable inputs	Weighted average range of estimates for unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Group						
As at 31 March 2019						
Investment property						
Freehold lands	31.12.2018	1,131,596	MCM	Estimated price per perch	Rs. 600,000 – 13,000,000	*
			MCM	Estimated price per sq. ft.	Rs. 200 – 300	*
			Income basis	Estimated rental value per sq. ft.	Rs. 14,500	*
Property, plant and equipment						
Freehold lands	31.12.2018	3,705,731	MCM	Estimated price per perch	Rs. 50,000 – 13,000,000	*
Freehold buildings	31.12.2018	2,174,254	MCM	Estimated price per sq. ft.	Rs. 500 – 11,000	*
			Income basis	Estimated rental value per sq. ft.	Rs. 15 – 250	*
As at 31 March 2018						
Investment Property						
Freehold lands	31.3.2018	1,132,109	MCM	Estimated price per perch	Rs. 600,000 – 13,000,000	*
			MCM	Estimated price per sq. ft.	Rs. 200 – 300	*
			Income basis	Estimated rental value per sq. ft.	Rs. 14,500	*
As at 31 March 2018						
Property, plant and equipment						
Freehold land	31.12.2016	3,134,899	MCM	Estimated price per perch	Rs. 50,000 – 10,000,000	*
Freehold buildings	31.12.2016	2,533,586	MCM	Estimated price per sq. ft.	Rs. 500 – 11,000	*
			Income basis	Estimated rental value per sq. ft.	Rs. 15 – 250	*

MCM: Market comparable method.
* Significant increases/(decreases) in any of these inputs in isolation would result in a significantly higher/(lower) fair value.

21.7 Fair value of assets and liabilities not carried at fair value

Set out below is a comparison, by class, of the caring amount and fair values of the Group's/Company's financial instruments that are not carried at fair value in the Financial Statements. This table does not include the fair value of non-financial assets and non-financial liabilities.

Company	2019					2018				
As at 31 March	**Level 1 Rs. '000**	**Level 2 Rs. '000**	**Level 3 Rs. '000**	**Total fair value Rs. '000**	**Carrying amount Rs. '000**	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total fair value Rs. '000	Carrying amount Rs. '000
Financial assets										
Cash and cash equivalents	–	3,294,055	–	3,294,055	3,294,055	–	4,412,683	–	4,412,683	4,412,683
Balances with banks and financial institutions	–	3,399,296	–	3,399,296	3,404,533	–	4,374,837	–	4,374,837	4,370,473
Loans and receivables	–	145,848,234	–	145,848,234	151,707,902	–	136,508,924		136,508,924	140,165,437
Debt instrument at amortised cost/ held to maturity	–	8,007,001	–	8,007,001	8,002,625	–	4,886,099	–	4,886,099	4,889,641
Other financial assets	–	143,817	–	143,817	143,817	–	145,650	–	145,650	145,650
Total	–	160,692,403	–	160,692,403	166,552,932	–	150,328,193	–	150,328,193	153,983,884

Notes to the financial statements

Company As at 31 March	2019 Level 1 Rs. '000	2019 Level 2 Rs. '000	2019 Level 3 Rs. '000	2019 Total fair value Rs. '000	2019 Carrying amount Rs. '000	2018 Level 1 Rs. '000	2018 Level 2 Rs. '000	2018 Level 3 Rs. '000	2018 Total fair value Rs. '000	2018 Carrying amount Rs. '000
Financial liabilities										
Due to banks	–	27,260,329	–	27,260,329	27,273,933	–	36,739,187	–	36,739,187	39,921,789
Due to customers	–	87,918,010	–	87,918,010	88,368,656	–	69,777,391	–	69,777,391	69,763,219
Debt securities issued	–	20,824,768	–	20,824,768	21,275,031	–	15,529,882	–	15,529,882	15,783,502
Other financial liabilities	–	2,480,377	–	2,480,377	2,480,377	–	4,645,818	–	4,645,818	4,649,249
Total	–	138,483,484	–	138,483,484	139,397,997	–	126,692,278	–	126,692,278	130,117,759

Group As at 31 March	2019 Level 1 Rs. '000	2019 Level 2 Rs. '000	2019 Level 3 Rs. '000	2019 Total fair value Rs. '000	2019 Carrying amount Rs. '000	2018 Level 1 Rs. '000	2018 Level 2 Rs. '000	2018 Level 3 Rs. '000	2018 Total fair value Rs. '000	2018 Carrying amount Rs. '000
Financial assets										
Cash and cash equivalents	–	4,310,595	–	4,310,595	4,310,595	–	4,765,518	–	4,765,518	4,765,518
Balances with banks and financial institutions	–	6,824,241	–	6,824,241	7,375,423	–	8,763,079	–	8,763,079	8,758,715
Loans and receivables	–	149,755,909	–	149,755,909	156,955,837	–	138,612,002	–	138,612,002	141,915,077
Insurance and reinsurance receivables	–	885,395	–	885,395	885,395	–	406,687	–	406,687	406,687
Debt instrument at amortised cost/Held to maturity	–	9,096,321	–	8,007,001	9,091,945	–	6,010,421	–	6,010,421	6,013,963
Total	–	170,872,461	–	169,783,141	178,619,195	–	158,557,707	–	158,557,707	161,859,960
Financial liabilities										
Due to banks	–	30,118,093	–	30,118,093	30,475,326	–	38,651,792	–	38,651,792	41,834,394
Due to customers	–	87,486,543	–	87,486,543	88,923,196	–	69,641,190	–	69,641,190	69,377,794
Debt securities issued	–	20,683,777	–	20,683,777	21,134,040	–	15,419,211	–	15,419,211	15,783,502
Other financial liabilities	–	2,464,936	–	2,464,936	2,464,936	–	4,473,552	–	4,473,552	4,475,471
Insurance liabilities and reinsurance payable	–	81,065	–	81,065	81,065	–	72,117	–	72,117	72,117
Total	–	140,834,414	–	140,834,414	143,078,563	–	128,257,862	–	128,257,862	131,543,278

Fair value of financial assets and liabilities not carried at fair value

The valuation techniques used to establish the Group's fair values are consistent with those used to calculate the fair values of financial instruments carried at fair value. The fair values calculated are for disclosure purposes only and do not have any impact on the Group's reported financial performance or position. The fair values calculated by the Group may be different from the actual amount that will be received/paid on the settlement or maturity of the financial instrument. As certain categories of financial instruments are not traded there is a significant level of management judgement involved in calculating the fair values.

Notes to the financial statements

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:

Balances with banks and financial institutions

For financial assets and financial liabilities that have a short term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to demand deposits, and savings accounts without a specific maturity.

Loans and receivables

The fair value of loans and advances to customers with a maturity of less than one year generally approximates the carrying value, subject to any significant movement in credit spreads. The estimated fair value of loans and advances with maturity of more than one year represents the discounted amount of future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

Due to customers

The estimated fair value of deposits with no maturity period (savings deposits) is the amount repayable on demand. The estimated fair value of fixed interest bearing deposits (fixed deposits) without quoted market prices is based on discounting cash flows using the prevailing market rates for debts with a similar risk and remaining maturity.

Due to banks and debt securities issued

Variable rate is a fair measure which reflects market movements. Hence the carrying value represents the fair value of the variable rate instruments.

The fair value of fixed rate borrowings with a maturity of less than one year generally approximates the carrying value, subject to any significant movement in credit spreads. The estimated fair value of fixed rates borrowing with maturity of more than one year represents the discounted amount of future cash flows expected to be paid. Expected cash flows are discounted at current market rates to determine fair value.

22 Cash and cash equivalents

ACCOUNTING POLICY

Cash and cash equivalents include cash in hand, placements with banks and loans at call and at short notice that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. They are brought to Financial Statements at their face values or the gross values, where appropriate. There were no cash and cash equivalents held by the Group companies that were not available for use by the Group.

Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position.

Securities purchased under reverse repurchase agreements

Securities purchased under agreements to re-sell at a specified future date are recognised in the Statement of Financial Position. The consideration paid, including accrued interest, is recorded in the Statement of Financial Position, within "cash and cash equivalents", reflecting the transaction's economic substance as a loan by the Group. The difference between the purchase and resale prices is recorded in "interest income" and is accrued over the life of the agreement using the EIR.

			Company		Group	
As at 31 March	Note	Page No.	**2019 Rs. '000**	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Cash in hand			**861,562**	667,263	**890,748**	692,079
Balance with banks	22.1	269	**2,065,523**	3,578,608	**2,760,312**	3,852,983
Savings deposits with banks			**60,563**	58,719	**60,639**	58,841
Savings deposits in foreign currency			**4,859**	4,211	**4,859**	4,211
Securities under reverse repurchase agreements			**301,548**	103,882	**594,037**	157,404
Total			**3,294,055**	4,412,683	**4,310,595**	4,765,518

22.1 Balance with banks

As at 31 March	Company 2019 Rs. '000	Company 2018 Rs. '000	Group 2019 Rs. '000	Group 2018 Rs. '000
Local banks	**2,065,523**	3,578,608	**2,760,312**	3,842,121
Foreign banks	–	–	–	10,862
Total	**2,065,523**	3,578,608	**2,760,312**	3,852,983

23 Balances with banks and financial institutions

ACCOUNTING POLICY

Balances with banks and financial institutions include fixed deposits and deposits in foreign currency. Balances with banks and financial institutions are carried at amortised cost in the Statement of Financial Position.

As at 31 March	Company 2019 Rs. '000	Company 2018 Rs. '000	Group 2019 Rs. '000	Group 2018 Rs. '000
Fixed deposits				
Local currency	**3,404,533**	4,370,473	**7,365,148**	8,753,342
Foreign currency	–	–	**10,275**	5,373
Total	**3,404,533**	4,370,473	**7,375,423**	8,758,715
Fair value	**3,399,296**	4,374,837	**6,824,241**	8,763,079

24 Financial assets – Fair value through profit or loss/held for trading

ACCOUNTING POLICY

After 1 April 2018

The Group classifies financial assets as financial assets recognised through profit or loss (FVTPL) when they have been purchased primarily for short-term profit making through trading activities. FVTPL are recorded and measured at fair value and changes in fair value are recognised in the net gains/(losses) on financial assets – FVTPL/held-for-trading in the Statement of Profit or Loss.

SLFRS 9 requires financial instruments to be classified based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. FVTPL include quoted equity securities that have been acquired principally for short-term profit making and are recorded at fair value using the market prices published by the Colombo Stock Exchange.

Further as per SLFRS 9, financial assets recognised through profit or loss includes all financial assets other than those classified under FVOCI and amortised cost.

Before 1 April 2018

Financial assets are classified as FVTPL held for trading if they are acquired principally for the purpose of selling or repurchasing in the near term or holds as a part of a portfolio that is managed together for short-term profit or position taking. Financial assets held for trading are recorded in the Statement of Financial Position at fair value. Changes in fair value are recognised in "net trading income".

Dividend income or expense is recorded in "net trading income" according to the terms of the contract, or when the right to receive the payment has been established.

The Group evaluates its portfolio of assets held for trading, to determine if the intention to sell them in the near future is still appropriate. When the Group can not sell these financial assets due to inactive markets and the management intention to sell them in the foreseeable future significant changes, the Group may choose to reclassify these financial assets. Financial assets held for trading measure the fair value using the prices obtained from Colombo Stock Exchanges.

Notes to the financial statements

As at 31 March	Note	Page No.	Company		Group	
			2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Quoted equity securities	24.1	270	**23,190**	174,736	**72,386**	315,485
Total			**23,190**	174,736	**72,386**	315,485

24.1 Quoted equity securities

As at 31 March	Company					
	2019			2018		
	Number of Shares	**Total cost Rs. '000**	**Market value Rs. '000**	Number of shares	Total cost Rs. '000	Market value Rs. '000
Bank, Finance and Insurance						
Nations Trust Bank PLC	–	–	–	403,084	26,684	32,529
Commercial Bank of Ceylon PLC – Voting	–	–	–	220,887	22,468	29,996
Commercial Bank of Ceylon PLC – Non-voting	**111,984**	**9,653**	**9,407**	109,887	9,464	11,428
Seylan Bank PLC – Voting	**80,381**	**6,236**	**5,048**	78,462	6,101	6,811
Seylan Bank PLC – Non-voting	**103,909**	**3,554**	**3,730**	118,324	4,002	6,520
Subtotal		**19,443**	**18,185**		68,719	87,284
Beverage food and tobacco						
Distilleries Company of Sri Lanka PLC	–	–	–	29,629	220	220
Subtotal		–	–		220	220
Diversified holdings						
Aitken Spence PLC	–	–	–	82,800	16,287	4,190
John Keells Holdings PLC	–	–	–	363,010	64,713	57,935
Melstacorp PLC	–	–	–	100,000	3,033	5,820
Hayleys PLC	–	–	–	3,800	1,249	763
Vallibel One PLC	**350,000**	**8,769**	**5,005**	350,000	8,769	7,910
Subtotal		**8,769**	**5,005**		94,051	76,618
Manufacturing						
Tokyo Cement Company (Lanka) PLC – Non-voting	–	–	–	132,000	4,906	6,072
Subtotal		–	–		4,906	6,072
Hotels and travels						
John Keells Hotels PLC	–	–	–	100,000	2,001	930
Subtotal		–	–		2,001	930
Power and energy						
Mackwoods energy PLC	–	–	–	100,000	1,400	210
LVL Energy Funds Limited	–	–	–	343,600	3,436	3,402
Subtotal		–	–		4,836	3,612
Total		**28,212**	**23,190**		174,733	174,736
Mark to market gains/(losses)		**(5,022)**			3	
Market value of equity securities		**23,190**			174,736	

Notes to the financial statements

As at 31 March	Group					
	2019			2018		
	Number of shares	Total cost Rs. '000	Market value Rs. '000	Number of shares	Total cost Rs. '000	Market value Rs. '000
Bank, finance and insurance						
Nations Trust Bank PLC	–	–	–	403,084	26,684	32,529
Commercial Bank of Ceylon PLC – Voting	–	–	–	455,373	47,100	61,840
Commercial Bank of Ceylon PLC – Non-voting	194,604	16,619	16,347	191,128	16,283	19,877
National Development Bank PLC	–	–	–	65,378	9,304	8,702
Seylan Bank PLC – Voting	80,381	6,236	5,048	78,462	6,101	6,811
Seylan Bank PLC – Non-voting	103,909	3,554	3,730	118,324	4,002	6,520
Subtotal	–	26,409	25,125	–	109,474	136,279
Beverage food and tobacco						
Distilleries Company of Sri Lanka PLC	14,814	110	215	44,443	405	569
Subtotal	–	110	215	–	405	569
Construction and engineering						
Access Engineering PLC	–	–	–	137,620	3,532	2,821
Subtotal	–	–	–	–	3,532	2,821
Diversified holdings						
Aitken Spence PLC	–	–	–	82,800	16,287	4,190
John Keells Holdings PLC	237,500	37,363	37,050	701,082	117,898	111,893
Melstacorp PLC	50,000	1,693	1,800	150,000	4,726	8,730
Hayleys PLC	–	–	–	3,800	1,249	763
Vallibel One PLC	350,000	8,769	5,005	350,000	8,769	7,910
Sunshine Holdings PLC	50,921	2,825	2,393	50,500	2,800	2,833
Subtotal	–	50,650	46,248	–	151,729	136,319
Chemicals and pharmaceuticals						
CIC Holdings PLC – Non-voting	–	–	–	87,000	6,740	3,524
Subtotal	–	–	–	–	6,740	3,524
Manufacturing						
Tokyo Cement Company (Lanka) PLC – Non-voting	–	–	–	132,000	4,906	6,072
Tokyo Cement Company (Lanka) PLC – Voting	–	–	–	50,000	3,605	2,700
Textured Jersey Lanka PLC	–	–	–	174,983	7,201	5,582
Kelani Cables PLC	11,833	1,492	798	20,000	2,522	1,860
Royal Ceramics Lanka PLC	–	–	–	30,000	3,750	3,162
Subtotal	–	1,492	798	–	21,984	19,376
Hotels and travels						
John Keells Hotels PLC	–	–	–	100,000	2,001	930
Subtotal	–	–	–	–	2,001	930
Motors						
United Motors Lanka PLC	–	–	–	50,000	5,000	3,800
Subtotal	–	–	–	–	5,000	3,800

Notes to the financial statements

As at 31 March	2019			2018		
	Number of shares	Total cost Rs. '000	Market value Rs. '000	Number of shares	Total cost Rs. '000	Market value Rs. '000
Power and energy						
Mackwoods Energy PLC	–	–	–	100,000	1,400	210
LVL Energy Funds Limited	–	–	–	991,700	9,917	9,818
Subtotal	–	–	–	–	11,317	10,028
Land and property						
Overseas Realty (Ceylon) PLC	–	–	–	101,594	2,257	1,839
Subtotal	–	–	–	–	2,257	1,839
Total	–	78,661	72,386	–	314,439	315,485
Mark to market gains/(losses)	–	(6,275)	–	–	1,046	–
Market value of equity securities	–	72,386	–	–	315,485	–

24.2 Industry/sector composition of equity securities – Company and Group

Company

Industry/Sector

As at 31 March	2019			2018		
	Total cost Rs. '000	Market value Rs. '000	%	Total cost Rs. '000	Market value Rs. '000	%
Bank, finance and insurance	19,443	18,185	78.42	68,719	87,284	49.95
Beverage food and tobacco	–	–	–	220	220	0.13
Diversified holdings	8,769	5,005	21.58	94,051	76,618	43.85
Manufacturing	–	–	–	4,906	6,072	3.47
Hotels and travels	–	–	–	2,001	930	0.53
Power and energy	–	–	–	4,836	3,612	2.07
Subtotal	28,212	23,190	100.00	174,733	174,736	100.00
Mark to market gains/(losses)	(5,022)			3		
Market value of equity securities	23,190			174,736		

Notes to the financial statements

Group

As at 31 March	2019			2018		
	Total cost Rs. '000	**Market value Rs. '000**	**%**	Total cost Rs. '000	Market value Rs. '000	%
Bank, finance and insurance	**26,409**	**25,125**	**34.71**	109,474	136,279	43.20
Beverage food and tobacco	**110**	**215**	**0.30**	405	569	0.18
Construction and engineering	–	–	–	3,532	2,821	0.89
Diversified holdings	**50,650**	**46,248**	**63.89**	151,729	136,319	43.21
Chemicals and pharmaceuticals	–	–	–	6,740	3,524	1.12
Manufacturing	**1,492**	**798**	**1.10**	21,984	19,376	6.14
Hotels and travels	–	–	–	2,001	930	0.29
Motors	–	–	–	5,000	3,800	1.20
Power and energy	–	–	–	11,317	10,028	3.18
Land and property	–	–	–	2,257	1,839	0.58
Subtotal	**78,661**	**72,386**	**100.00**	314,439	315,485	100.00
Mark to market gains/(losses)	**(6,275)**			1,046		
Market value of equity securities	**72,386**			315,485		

Sensitivity analysis of financial assets – FVTPL/Held for trading is given in Note 59.4.3 on page 366.

25 Loans and receivables

ACCOUNTING POLICY

Financial assets classified as loans and receivables include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the Company and the Group intend to sell immediately or in the near term and those that upon initial recognition, designates as at fair value through profit or loss;
- Those that the Group and Company, upon initial recognition, designates as available-for-sale
- Those for which the Group and Company may not recover substantially all of its initial investment, other than because of credit deterioration

"Loans and receivables" are measured at amortised cost using the EIR, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in "interest income" in the Statement of Profit or Loss. The losses arising from impairment are recognised in the Statement of Profit or Loss in "impairment charges for loans and receivables and other losses".

Lease

The determination of whether an arrangement is a lease or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group/Company as a lessee

Leases that do not transfer to the Group/Company substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the Statement of Profit or Loss on a straight line basis over the lease term. Contingent rental payable is recognised as an expense in the period in which they are incurred.

Notes to the financial statements

Company/Group as a lessor

Leases where the Group/Company does not transfer substantially all of the risk and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Receivables on lease, hire purchase and islamic finance

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

"Day 1" difference for staff loans

All staff loans granted at below market interest rates were recognised at fair value. The difference between the fair value and the amount disbursed were treated as "day 1" difference and amortised as staff cost over the loan period by using effective interest rate (EIR). The staff loans were subsequently measured at amortised costs. Refer Note 35.2 on page 311.

Renegotiated loans and receivables

Where possible, the Group/Company seeks to restructure loans and receivables rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans and receivables to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to any criteria are met and that future payments are likely to occur. The loans and receivables continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR.

Reversals of impairment

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the excess is written back by reducing the loan impairment allowance account accordingly. The write-back is recognised in the Statement of Profit or Loss.

Written off of loans and receivables

Loans and receivables are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

			Company		Group	
As at 31 March	Note	Page No.	**2019 Rs. '000**	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Loans and receivables	25.1.2	275	**156,652,241**	143,220,997	**162,232,865**	145,148,406
Less: Individual impairment charges	25.8	289	**476,668**	299,005	**476,668**	299,005
Less: Collective impairment charges	25.8	289	**4,467,671**	2,756,555	**4,800,360**	2,934,324
Net loans and receivables			**151,707,902**	140,165,437	**156,955,837**	141,915,077

25.1 Analysis

25.1.1 Analysis by stage wise

As at 31 March	Company 2019 Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Loans and receivables	114,902,936	26,640,116	15,109,189	156,652,241
Less: Individual impairment charges	–	–	476,668	476,668
Less: Collective impairment charges	694,115	683,712	3,089,844	4,467,671
Net loans and receivables	114,208,821	25,956,404	11,542,677	151,707,902

As at 31 March	Group 2019 Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Loans and receivables	118,132,252	28,664,656	15,435,957	162,232,865
Less: Individual impairment charges	–	–	476,668	476,668
Less: Collective impairment charges	739,818	730,193	3,330,349	4,800,360
Net loans and receivables	117,392,434	27,934,463	11,628,940	156,955,837

25.1.2 Analysis by product

As at 31 March	Note	Page No.	Company 2019 Rs. '000	Company 2018 Rs. '000	Group 2019 Rs. '000	Group 2018 Rs. '000
By product						
Lease/Ijarah receivables	25.5.1/25.6.1	279/282	**87,421,571**	85,641,613	**87,421,571**	85,641,613
Hire purchase/Murabaha receivables	25.5.2/25.6.2	280/283	**658,758**	1,855,777	**2,872,618**	3,544,922
Term loans and receivables	25.5.3/25.6.3	281/284	**67,237,439**	54,564,223	**69,849,575**	54,430,339
Related party receivables	25.2	276	**1,334,473**	1,159,384	–	–
Debentures	25.3	277	–	–	**2,089,101**	1,531,532
Gross total			**156,652,241**	143,220,997	**162,232,865**	145,148,406
Fair value			**145,848,234**	136,508,924	**149,755,909**	138,612,002

Notes to the financial statements

25.1.3 Analysis by currency

As at 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Sri Lankan Rupee	156,652,241	143,220,997	159,697,153	145,148,406
Bangladesh Taka	–	–	2,535,712	–
Gross total	156,652,241	143,220,997	162,232,865	145,148,406

25.1.4 Analysis by industry

As at 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Agriculture, forestry and fishing	23,499,008	13,427,361	23,949,702	13,795,345
Arts, entertainment and recreation	580,392	105,087	580,392	105,087
Construction and infrastructure development	12,008,983	9,764,353	11,204,000	9,793,555
Consumption	9,085,088	10,814,879	9,090,948	10,814,879
Education	1,671,124	940,019	1,671,124	940,019
Financial services	4,360,893	4,082,839	6,192,526	4,082,839
Health care, social services and support services	33,836,250	36,492,409	33,836,250	36,492,409
Information technology and communication	1,193,537	724,522	1,193,537	724,522
Manufacturing	8,172,219	5,025,955	10,665,019	5,312,929
Professional, scientific and technical activities	3,926,506	1,007,239	4,896,861	1,724,107
Tourism	3,727,500	2,206,673	3,735,748	2,211,677
Transportation and storage	31,528,810	25,548,094	31,553,217	25,562,730
Wholesale and retail trade	18,754,628	12,646,499	19,183,358	13,010,028
Others	4,307,303	20,435,068	4,480,183	20,578,280
Gross total	156,652,241	143,220,997	162,232,865	145,148,406

Geographical distribution of loans and receivables is given in Note 59.2.2 on page 348.

25.2 Related party receivables

As at 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
People's Leasing Property Development Limited	553,289	568,182	–	–
People's Leasing Fleet Management Limited	7,244	6,181	–	–
People's Leasing Havelock Properties Limited	710,399	529,203	–	–
People's Micro-commerce Ltd.	11,039	6,488	–	–
People's Insurance PLC	25,347	22,175	–	–
Lankan Alliance Finance Limited	27,155	27,155	–	–
Total	1,334,473	1,159,384	–	–

Notes to the financial statements

25.3 Debentures

			Group			
			2019		2018	
	Rate (%)	Maturity date	Number of debentures	Carrying value Rs. '000	Number of debentures Rs. '000	Carrying value Rs. '000
Sampath Bank PLC	8.25	14 December 2019	**1,250**	**127,471**	298	30,742
	9.90	18 November 2019	**500**	**51,787**	298	30,741
	12.50	20 March 2023	**1,000**	**100,401**	1,250	139,310
	13.90	24 February 2024	**1,000**	**101,111**	500	51,779
National Development Bank PLC	9.40	24 June 2020	**283**	**24,122**	283	22,335
	13.95	30 March 2024	**2,000**	**200,000**	76	7,809
DFCC Bank PLC	9.40	10 June 2020	**332**	**35,758**	332	35,754
	12.75	9 November 2023	**1,000**	**104,961**	1,000	100,391
	13.00	29 March 2025	**845**	**95,477**	1,000	105,058
	13.50	28 March 2024	**1,000**	**100,107**	–	–
Seylan Bank PLC	12.85	29 March 2023	**750**	**79,856**	1,000	102,156
MTD Walkers PLC	11.75	30 September 2019	**255**	**26,954**	500	52,446
Commercial Credit and Finance PLC	10.40	10 December 2020	**1,000**	**103,160**	1,000	103,160
Sanasa Development Bank PLC	10.30	31 December 2020	**500**	**51,266**	500	51,266
Commercial Bank PLC	10.75	8 March 2021	**2,000**	**201,324**	2,000	201,324
	12.00	27 October 2021	**422**	**44,331**	422	44,331
	12.00	22 July 2023	**882**	**90,106**	–	–
Hatton National Bank PLC	11.25	28 March 2021	**2,000**	**222,529**	2,000	222,674
	13.00	1 November 2023	**193**	**20,332**	193	20,332
Nations Trust Bank PLC	12.65	8 November 2021	**2,000**	**209,921**	193	209,924
Hayleys PLC	12.50	31 July 2023	**1,000**	**101,978**	2,000	–
Subtotal				**2,092,952**	–	1,531,532
Less: Allowance for expected credit losses				**(3,851)**		–
Total				**2,089,101**		1,531,532

Total allowance for expected credit loss stemmed from 12 months ECL since all investments under this category are investment grade instruments.

Notes to the financial statements

25.4 Movement in gross loan and receivables during the year (Under SLFRS 9)

Movement in gross loan and receivables 2018/19

	Company			
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Gross carrying amount as at 1 April 2018	110,019,522	23,482,126	9,608,168	143,109,816
New assets originated or purchased	65,685,458	10,985,274	4,308,201	80,978,933
Assets derecognised or repaid (excluding write-offs)	(47,840,377)	(13,738,418)	(5,623,070)	(67,201,865)
Transfers to Stage 1	5,455,678	(4,855,785)	(599,893)	–
Transfers to Stage 2	(13,313,887)	14,013,387	(699,500)	–
Transfers to Stage 3	(5,103,458)	(3,246,467)	8,349,925	–
Amounts written-off	–	–	(234,643)	(234,643)
Gross carrying amount as at 31 March 2019	**114,902,936**	**26,640,117**	**15,109,188**	**156,652,241**

Movement in gross loan and receivables 2018/19

	Group			
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Gross carrying amount as at 1 April 2018	111,408,727	23,776,549	9,848,209	145,033,485
New assets originated or purchased	68,379,992	12,782,885	4,336,959	85,499,836
Assets derecognised or repaid (excluding write-offs)	(48,430,522)	(13,931,656)	(5,702,630)	(68,064,808)
Transfers to Stage 1	5,531,116	(4,928,543)	(602,573)	–
Transfers to Stage 2	(13,573,641)	14,277,396	(703,755)	–
Transfers to Stage 3	(5,183,423)	(3,311,973)	8,495,396	–
Amounts written-off	–	–	(235,648)	(235,648)
Gross carrying amount as at 31 March 2019	**118,132,249**	**28,664,658**	**15,435,958**	**162,232,865**

Notes to the financial statements

25.5 Contractual maturity analysis – Company

25.5.1 Lease/Ijarah receivable

As at 31 March	Company							
	2019				2018			
	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Gross rentals receivable	48,270,858	66,192,475	13,460	114,476,793	44,578,860	66,395,475	13,289	110,987,624
Less: Unearned income	13,679,885	13,367,602	1,085	27,048,572	12,147,855	13,188,944	179	25,336,978
Net rentals receivable	34,590,973	52,824,873	12,375	87,428,221	32,431,005	53,206,531	13,110	85,650,646
Less: Rentals received in advance				6,650				9,033
Lease/Ijarah receivable before impairment provision				87,421,571				85,641,613
Less: Allowance for impairment losses								
Individual Impairment								
Stage 1				–				–
Stage 2				–				–
Stage 3				18,262				–
Total individual impairment				18,262				18,064
Collective Impairment								
Stage 1				321,797				–
Stage 2				423,058				–
Stage 3				955,927				–
Total collective impairment				1,700,782				890,587
Total net receivable	34,590,973	52,824,873	12,375	85,702,527	32,431,005	53,206,531	13,110	84,732,962

Notes to the financial statements

25.5.2 Hire purchase/Murabaha receivable

As at 31 March	Company							
	2019				2018			
	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Gross rentals receivable	563,360	155,331	–	718,691	1,441,834	610,897	–	2,052,731
Less: Unearned income	49,702	9,668	–	59,370	146,764	49,432	–	196,196
Net rentals receivable	513,658	145,663	–	659,321	1,295,070	561,465	–	1,856,535
Less: Rentals received in advance				564				758
Hire purchase/Murabah receivable before impairment provision				658,757				1,855,777
Less: Allowance for impairment losses								
Individual impairment								
Stage 1				–				–
Stage 2				–				–
Stage 3				–				–
Total individual impairment				–				–
Collective impairment								
Stage 1				465				–
Stage 2				1,707				–
Stage 3				74,307				–
Total collective impairment				76,479				118,152
Total net receivable	513,658	145,663	–	582,278	1,295,070	561,465	–	1,737,625

Notes to the financial statements

25.5.3 Term loan and receivables

As at 31 March	Company							
	2019				2018			
	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Motor loans	**8,690,223**	**17,023,423**	**182,818**	**25,896,464**	4,784,211	11,374,007	113	16,158,331
Short and medium loans	**6,543,609**	**8,817,709**	**18,859**	**15,380,177**	6,650,863	8,363,437	4,169	15,018,469
Clean basis loan stock	**816,318**	**187,574**	**–**	**1,003,892**	2,311,910	118,966	–	2,430,876
Self ecash loan	**1,842,811**	**703,154**	**–**	**2,545,965**	1,114,203	508,468		1,622,671
Fast track loan	**9,480,471**	**4,074,708**	**181,583**	**13,736,762**	8,266,546	3,622,317	–	11,888,863
Trading murabaha	**1,030,619**	**244,884**	**–**	**1,275,503**	1,278,572	397,935		1,676,507
Musharakah	**298,416**	**751,343**	**1,033**	**1,050,792**	26,433	125,906	–	152,339
Factoring receivable	**2,755,551**	**–**	**–**	**2,755,551**	1,635,866	–	–	1,635,866
Margin trading	**2,066,214**	**–**	**–**	**2,066,214**	2,642,181	–	–	2,642,181
Staff loans	**24,786**	**624,026**	**37,993**	**686,805**	67,140	395,990	22,286	485,416
Sundry loans	**841,892**	**–**	**–**	**841,892**	856,918	–	–	856,918
Less: Prepaid rentals	**2,577**	**–**	**–**	**2,577**	4,214	–	–	4,214
Loan receivable before impairment provision	**34,388,333**	**32,426,821**	**422,286**	**67,237,440**	29,630,629	24,907,026	26,568	54,564,223
Less: Allowance for impairment losses								
Individual impairment								
Stage 1				**–**				–
Stage 2				**–**				–
Stage 3				**458,406**				–
Total individual impairment				**458,406**				280,941
Collective impairment								
Stage 1				**371,853**				–
Stage 2				**258,945**				–
Stage 3				**2,059,612**				–
Total collective impairment				**2,690,410**				1,747,816
Total net receivable	**34,388,333**	**32,426,821**	**422,286**	**64,088,624**	29,630,629	24,907,026	26,568	52,535,466

Notes to the financial statements

25.6 Contractual maturity analysis – Group

25.6.1 Lease/Ijarah receivable

As at 31 March	Group							
	2019				2018			
	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Gross rentals receivable	52,895,752	61,568,240	12,801	114,476,793	48,578,429	62,397,347	11,848	110,987,624
Less: Unearned income	14,639,416	12,408,082	1,074	27,048,572	12,951,348	12,385,474	156	25,336,978
Net rentals receivable	38,256,336	49,160,158	11,727	87,428,221	35,627,081	50,011,873	11,692	85,650,646
Less: Rentals received in advance				6,650				9,033
Lease/Ijarah receivable before impairment provision				87,421,571				85,641,613
Less: Allowance for impairment losses								
Individual impairment								
Stage 1				–				–
Stage 2				–				–
Stage 3				18,262				–
Total individual impairment				18,262				18,064
Collective impairment								
Stage 1				321,797				–
Stage 2				423,058				–
Stage 3				955,927				–
Total collective impairment				1,700,782				890,587
Total net receivable	38,256,336	49,160,158	11,727	85,702,527	35,627,081	50,011,873	11,692	84,732,962

Notes to the financial statements

25.6.2 Hire purchase/Murabah receivable

As at 31 March	Group							
	2019				2018			
	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Gross rentals receivable	3,627,512	155,331	–	3,782,843	3,777,780	610,897	–	4,388,677
Less: Unearned income	899,993	9,668	–	909,661	793,565	49,432	–	842,997
Net rentals receivable	2,727,519	145,663	–	2,873,182	2,984,215	561,465	–	3,545,680
Less: Rentals received in advance				564				758
Hire purchase/Murabah receivable before impairment provision				2,872,618				3,544,922
Less: Allowance for impairment losses								
Individual impairment								
Stage 1				–				–
Stage 2				–				–
Stage 3				–				–
Total individual impairment				–				–
Collective impairment								
Stage 1				34,114				–
Stage 2				31,194				–
Stage 3				138,675				–
Total collective impairment				203,983				161,769
Total net receivable	2,727,519	145,663	–	2,668,635	2,984,215	561,465	–	3,383,153

Notes to the financial statements

25.6.3 Term-loan and receivables

As at 31 March	Group							
	2019				2018			
	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Motor loans	**8,690,223**	**17,023,423**	**182,818**	**25,896,464**	4,784,211	11,374,007	113	16,158,331
Short and medium loans	**9,092,311**	**8,817,709**	**18,859**	**17,928,879**	6,479,522	8,363,437	4,169	14,847,128
Clean basis loan stock	**816,318**	**187,574**	**–**	**1,003,892**	2,311,910	118,966	–	2,430,876
Self ecash loan	**1,842,811**	**703,154**	**–**	**2,545,965**	1,114,203	508,468	–	1,622,671
Fast track loan	**9,480,471**	**4,074,708**	**181,583**	**13,736,762**	8,266,546	3,622,317	–	11,888,863
Trading murabah	**1,030,619**	**244,884**	**–**	**1,275,503**	1,278,572	397,935	–	1,676,507
Musharakah	**298,416**	**751,343**	**1,033**	**1,050,792**	26,433	125,906	–	152,339
Factoring receivable	**2,755,551**	**–**	**–**	**2,755,551**	1,635,866	–	–	1,635,866
Margin trading	**2,066,214**	**–**	**–**	**2,066,214**	2,642,181	–	–	2,642,181
Staff loans	**88,219**	**624,026**	**37,993**	**750,238**	104,597	395,990	22,286	522,873
Sundry loans	**841,892**	**–**	**–**	**841,892**	856,918	–	–	856,918
Less: Prepaid rentals	**2,577**	**–**	**–**	**2,577**	4,214	–	–	4,214
Loan receivable before impairment provision	**37,000,468**	**32,426,821**	**422,286**	**69,849,575**	29,496,745	24,907,026	26,568	54,430,339
Less: Prepaid rentals								
Stage 1				**–**				–
Stage 2				**–**				–
Stage 3				**458,406**				–
Total individual impairment				**458,406**				280,941
Collective impairment								
Stage 1				**383,906**				–
Stage 2				**275,939**				–
Stage 3				**2,235,750**				–
Total collective impairment				**2,895,595**				1,881,968
Total net receivable	**37,000,468**	**32,426,821**	**422,286**	**66,495,574**	29,496,745	24,907,026	26,568	52,267,430

25.7 Impairment allowance for loans and receivable to customers

ACCOUNTING POLICY

After 1 April 2018

As per SLFRS 9, the Group records an allowance for expected credit losses for loans and advances.

Individual impairment

The Group will separately assess significant customer exposure to determine where there are any signs of impairment. Loans with objective evidence of loss have been classified as Stage 3. Loans with a individually significant amount but not impaired will be collectively assessed for impairment in stage 1 or stage 2 according to the below specified criteria to determine whether significant credit deterioration has occurred since its inception.

Basis of calculating individual impairment is not changed with the adoption of SLFRS 9. Refer page 288 for detail note on individually assessed loans and receivables.

Collective impairment

A collective impairment provision is established for –

- groups of homogeneous loans and advances that are not considered individually significant; and
- groups of assets that are individually significant but that were not found to be individually impaired.

As per SLFRS 9, the Group's expected credit loss (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include –

- The Group's criteria for qualitatively assessing whether there has been a significant increase in credit risk and if so allowances for financial assets measured on a life time expected credit loss (LTECL) basis;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various statistical formulas and the choice of inputs;
- Determination of associations between macroeconomic inputs, such as GDP growth, inflation, interest rates, exchange rates and unemployment and the effect on probability of default (PDs), exposure at default (EAD) and loss given default (LGD);
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

The Group has established a policy to perform an assessment of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. SLFRS 9 outlines a "three-stage" model for impairment based on changes in credit quality since initial recognition.

Stage 1

Loans and receivables that is not originally credit-impaired on initial recognition is classified in Stage 1. Financial instruments in Stage 1 have their ECL measured at an amount equal to the proportion of lifetime expected credit losses (LTECL) that result from default events possible within next 12 months (12M ECL).

Stage 2

If a significant increase in credit risk (SICR) since origination is identified, it is moved to Stage 2 and the Group records an allowance for LTECL.

Stage 3

If a loan is credit impaired, it is moved to Stage 3 and the Group recognises an allowance for LTECL, with probability of default at 100%.

Significant increase in credit risk

When determining whether the risk of default on financial instruments has increased significantly since the initial recognition, the Group will consider reasonable and supportable information that is relevant and available without excessive cost or effort. This includes quantitative and qualitative information analysis based on the Group's historical experience and expert credit assessment, including forward-looking information.

The Group considers an exposure to have significantly increased credit risk when contractual payments of a customer are more than 30 days past due in accordance with the rebutable presumption in SLFRS 9.

The Group individually reviews at each reporting date, loans and advances above a predefined threshold to identify whether the credit risk has increased significantly since origination, before an exposure is in default.

Definition of default and credit impaired assets

The Group considers loans and advances to other customers be defaulted when:

1. The borrower is unlikely to pay its obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
2. The borrower becomes 90 days past due on its contractual payments.

The Group computes ECL using three main components; a probability of default (PD), a loss given default (LGD), and the exposure at default (EAD) under the collective assessment. These parameters are generally derived from internally developed statistical models and historical data are then adjusted to reflect forward-looking information.

Notes to the financial statements

1. PD – The probability of default represents the likelihood of a borrower defaulting on its financial obligation (as per "definition of default and credit impaired" above) either over the next 12 months (12mPD) or over the remaining lifetime (Lifetime PD) of the obligation.

   Two types of PDs are used for calculating ECLs:

   - 12 months PDs – This is the estimated probability of default occurring within the next 12 months (or over the remaining life of the financial instrument if that is less than 12 months). This is used to calculate 12 months ECLs.
   - Lifetime PDs – This is the estimated probability of a default occurring over the remaining life of the financial instrument. This is used to calculate lifetime ECLs for "Stage 2" and "Stage 3" exposures

2. Loss given default ("LGD") – This is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD.
3. Exposure at default ("EAD") – This is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.
4. Discount rate – This is used to discount an expected loss to a present value at the reporting date using the effective interest rate (EIR) at initial recognition.
5. Economic factor adjustment (EFA) – When incorporate forward looking information, an entity should consider forecasted macroeconomic factors to assessing the expected credit loss.

Forward-looking information

The Group incorporates forward-looking information into both its assessment as to whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Group also obtained experienced credit judgement to formulate a base case and a worst case scenario. The base case represents a most-likely outcome and is aligned with information used by the Group for strategic planning and budgeting. The Group has identified and documented key drivers of credit risk both quantitative and qualitative for various portfolio segments. Quantitative economic factors are based on economic data and forecasts published by CBSL and supranational organisations such as IMF.

Quantitative drivers of credit risk	Qualitative drivers of credit risk
Interest rate (AWPLR)	Status of industry business
GDP growth	Regulatory impact
Rate of inflation	Government policies
Unemployment rate	
Exchange rate	

Revolving facilities

The Company offers a revolving facilities and calculates only the 12 months ECL (12mECL) allowance on these facilities. The EAD is arrived by taking the maximum of either sanction limit adjusted for credit conversion factor (CCF) and the gross carrying amount of the loan (utilised amount). EAD of Stage 3 contracts are limited to the gross carrying amount which is the utilised amount since the Group freeze the limits of those contracts up to the utilised amount. The expected 12 months default probabilities are applied to EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

Before 1 April 2018

As per LKAS 39, the collective provision for groups of homogeneous loans is established using statistical methods (such as, net flow rate methodology, risk migration analysis) or, a formula approach based on historical loss rate experience, using the statistical analysis of historical data on delinquency to estimate the amount of loss. Management applies judgement to ensure that the estimate of loss arrived at, on the basis of historical information is appropriately adjusted to reflect the economic conditions and portfolio factors as at the reporting date. The loss rates are regularly reviewed against actual loss experience.

In assessing the need for collective impairment, Management considers factors such as credit quality (for example, loan to collateral ratio, level of restructured performing loans), portfolio size, concentrations and economic factors. To estimate the required allowance, assumptions are made to define how inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions (including policy rates, inflation, growth in gross domestic product, sovereign rating etc.).

The accuracy of the provision depends on the model assumptions and parameters used in determining the collective provision.

Incurred but not yet identified impairment

Individually assessed loans and receivables for which no evidence of loss has been specifically identified on an individual basis are grouped together according to their credit risk characteristics for the purpose of calculating an estimated collective loss. This reflects impairment losses that the Group has incurred as a result of events occurring before the reporting date, which the Group and Company are not able to identify on an individual loan basis, and that can be reliably estimated. These losses will only be individually identified in the future. As soon as information becomes available which identifies losses on individual loans within the Group, those loans and receivables are removed from the Group and assessed on an individual basis for impairment.

The collective impairment allowance is determined after taking into account:

- Historical loss experience in portfolios of similar credit risk; and
- Management's experienced judgement as to whether current economic and credit conditions are such that the actual level of inherent losses at the reporting date is likely to be greater or less than that suggested by historical experience.

Loans and receivables are grouped into ranges according to the number of days in arrears and statistical analysis is used to estimate the likelihood that loans and receivables in each range will progress through the various stages of delinquency, and ultimately prove irrecoverable.

Current economic conditions and portfolio risk factors are also evaluated when calculating the appropriate level of allowance required to cover the inherent loss. These additional macro and portfolio risk factors may include –

- Recent lending portfolio growth and product mix
- Unemployment rates, gross domestic production (GDP) growth, inflation
- Exchange rates, interest rates
- Changes in laws and regulations

Loans and receivables

Losses for impaired loans and receivables are recognised promptly when there is objective evidence has occurred. Impairment allowances are calculated on individual and collective basis. Impairment losses are recorded as charges to the Statement of Profit or Loss. The carrying amount of impaired loans and receivables on the Statement of Financial Position is reduced through the use of impairment allowance accounts. Losses expected from future events are not recognised.

Notes to the financial statements

Individually assessed loans and receivables

For all loans and receivables that are considered individually significant, the Company and Group assesses on a case-by-case basis at each reporting date whether there is any objective evidence that a loan is impaired. The criteria used to determine that there is such objective evidence include –

- Known cash flow difficulties experienced by the borrower;
- Past due contractual payments of either principal or interest;
- Breach of covenants or conditions;
- The probability that the borrower will enter bankruptcy or other financial realisation; and
- A significant downgrading in credit rating by an external credit rating agency.

For those loans and receivables where objective evidence of impairment exists, impairment losses are determined considering the following factors:

- Company's aggregate exposure to the customer;
- The viability of the customer's business model and their capacity to trade successfully out of financial difficulties and generate sufficient cash flow to service debt obligations;
- The amount and timing of expected receipts and recoveries;
- The extent of other creditors' commitments ranking ahead of, or *pari-passu* with, the Company and the likelihood of other creditors continuing to support the Company;
- The complexity of determining the aggregate amount and ranking of all creditor claims and the extent to which legal and insurance uncertainties are evident;
- The realisable value of security (or other credit mitigates) and likelihood of successful repossession;
- The likely deduction of any costs involved in recovery of amounts outstanding;
- The ability of the borrower to obtain, and make payments in, the currency of the loan if not denominated in local currency; and
- The likely dividend available on liquidation or bankruptcy.

Impairment losses are calculated by discounting the expected future cash flows of loans and receivables at its original effective interest rate and comparing the resultant present value with the loans and receivables current carrying amount. The impairment allowances on individually significant accounts are reviewed more regularly when circumstances require. This normally encompasses re-assessment of the enforceability of any collateral held and the timing and amount of actual and anticipated receipts. Individually assessed impairment allowances are only released when there is reasonable and objective evidence of a reduction in the established loss estimate.

Collectively assessed loans and receivables

Impairment is assessed on a collective basis to cover losses which have been incurred but have not yet been identified on loans and receivables subject to individual assessment.

Impairment charges for loans and receivable

The Group and Company reviews its individually significant loans and receivables including rental receivable at each Statement of Financial Position date to assess whether an impairment loss should be recorded in the Statement of Profit or Loss. In particular, management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and receivables including rental receivable that have been assessed individually and found not to be impaired and all individually insignificant loans and receivables are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the loan portfolio (such as levels of arrears, characteristic of assets, etc.), and judgements on the effect of concentrations of risks and economic data (including levels of unemployment, real estate prices indices, country risk and the performance of different individual groups).

Notes to the financial statements

25.8 Movement in Individual and collective impairment charges during the year

A reconciliation of the allowance for impairment losses for loans and receivables, by class, is as follows:

	Company								
	Lease Rs. '000	Hire purchase Rs. '000	Ijarah Rs. '000	Term loans Rs. '000	Refinance loans Rs. '000	Murabah Rs. '000	Trading murabah Rs. '000	Factoring Rs. '000	Total Rs. '000
As at 1 April 2017	720,089	154,278	16,553	695,927	5,395	6,790	15,925	34,640	1,649,597
Charge/(Reversal) for the year	167,301	(42,861)	4,708	1,160,953	18,392	(55)	62,730	34,795	1,405,963
As at 31 March 2018	887,390	111,417	21,261	1,856,880	23,787	6,735	78,655	69,435	3,055,560
Individual impairment	18,064	–	–	257,436	13,012	–	–	10,493	299,005
Collective impairment	869,326	111,417	21,261	1,599,444	10,775	6,735	78,655	58,942	2,756,555
	887,390	111,417	21,261	1,856,880	23,787	6,735	78,655	69,435	3,055,560
As at 1 April 2018	**887,390**	**111,417**	**21,261**	**1,856,880**	**23,787**	**6,735**	**78,655**	**69,435**	**3,055,560**
Recognition of SLFRS 9 ECL	**357,817**	**(1,223)**	**68,290**	**354,583**	**4,198**	**8,582**	**30,513**	**72,699**	**895,459**
As at 1 April 2018 – Restated	**1,245,207**	**110,194**	**89,551**	**2,211,463**	**27,985**	**15,317**	**109,168**	**142,134**	**3,951,019**
Charge/(Reversal) for the year	**381,372**	**(37,581)**	**2,914**	**603,803**	**(13,779)**	**(11,451)**	**20,440**	**47,602**	**993,320**
At 31 March 2019	**1,626,579**	**72,613**	**92,465**	**2,815,266**	**14,206**	**3,866**	**129,608**	**189,736**	**4,944,339**
Individual impairment									
Stage 1	–	–	–	–	–	–	–	–	–
Stage 2	–	–	–	–	–	–	–	–	–
Stage 3	18,262	–	–	458,032	374	–	–	–	476,668
Total Individual impairment	18,262	–	–	458,032	374	–	–	–	476,668
Collective impairment									
Stage 1	309,694	226	12,103	175,176	102	239	6,839	189,736	694,115
Stage 2	399,124	1,109	23,934	254,802	25	598	4,118	–	683,710
Stage 3	899,499	71,278	56,428	1,927,256	13,705	3,029	118,651	–	3,089,846
Total Collective impairment	1,608,317	72,613	92,465	2,357,234	13,832	3,866	129,608	189,736	4,467,671
Total	**1,626,579**	**72,613**	**92,465**	**2,815,266**	**14,206**	**3,866**	**129,608**	**189,736**	**4,944,339**

Notes to the financial statements

	Group								
	Lease Rs. '000	Hire purchase Rs. '000	Ijarah Rs. '000	Term loans Rs. '000	Refinance loans Rs. '000	Murabah Rs. '000	Trading murabah Rs. '000	Factoring Rs. '000	Total Rs. '000
As at 1 April 2017	720,089	181,893	16,553	809,580	5,395	6,790	15,925	34,640	1,790,865
Charge/(Reversal) for the year	167,301	(26,859)	4,708	1,181,452	18,392	(55)	62,730	34,795	1,442,464
As at 31 March 2018	887,390	155,034	21,261	1,991,032	23,787	6,735	78,655	69,435	3,233,329
Individual impairment	18,064	–	–	257,436	13,012	–	–	10,493	299,005
Collective impairment	869,326	155,034	21,261	1,733,596	10,775	6,735	78,655	58,942	2,934,324
	887,390	155,034	21,261	1,991,032	23,787	6,735	78,655	69,435	3,233,329
As at 1 April 2018	**887,390**	**155,034**	**21,261**	**1,991,032**	**23,787**	**6,735**	**78,655**	**69,435**	**3,233,329**
Recognition of SLFRS 9 ECL	**357,817**	**19,012**	**68,290**	**382,955**	**4,198**	**8,582**	**30,513**	**72,699**	**944,066**
As at 1 April 2018 – Restated	**1,245,207**	**174,046**	**89,551**	**2,373,987**	**27,985**	**15,317**	**109,168**	**142,134**	**4,177,395**
Charge/(Reversal) for the year	**381,372**	**26,071**	**2,914**	**646,464**	**(13,779)**	**(11,451)**	**20,440**	**47,602**	**1,099,633**
At 31 March 2019	**1,626,579**	**200,117**	**92,465**	**3,020,451**	**14,206**	**3,866**	**129,608**	**189,736**	**5,277,028**
Individual impairment									
Stage 1	–	–	–	–	–	–	–	–	–
Stage 2	–	–	–	–	–	–	–	–	–
Stage 3	18,262	–	–	458,032	374	–	–	–	476,668
Total Individual impairment	18,262	–	–	458,032	374	–	–	–	476,668
Collective impairment									
Stage 1	309,694	33,875	12,103	187,229	102	239	6,839	189,736	739,817
Stage 2	399,124	30,596	23,934	271,796	25	598	4,118	–	730,191
Stage 3	899,499	135,646	56,428	2,103,394	13,705	3,029	118,651	–	3,330,352
Total Collective impairment	1,608,317	200,117	92,465	2,562,419	13,832	3,866	129,608	189,736	4,800,360
Total	**1,626,579**	**200,117**	**92,465**	**3,020,451**	**14,206**	**3,866**	**129,608**	**189,736**	**5,277,028**

25.9 Movement in provision for impairment during the year (Under SLFRS 9)

Movement in impairment 2018/19

	Company			
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
ECL allowance as at 1 April 2018 under SLFRS 9	701,532	504,372	2,745,115	3,951,019
New assets originated or purchased	310,260	339,228	523,652	1,173,140
Assets derecognised or repaid (excluding write-offs)	(197,681)	(255,547)	(995,542)	(1,448,770)
Transfers to Stage 1	181,385	(92,245)	(89,140)	–
Transfers to Stage 2	(87,319)	182,440	(95,121)	–
Transfers to Stage 3	(51,192)	(102,055)	153,247	–
Impact on year end ECL of exposures transferred between stages during the year	(166,445)	102,047	1,516,426	1,452,028
Changes to models and inputs used for ECL calculations	3,575	5,470	33,910	42,955
Amounts written-off	–	–	(226,033)	(226,033)
Balance as at 31 March 2019	**694,115**	**683,710**	**3,566,514**	**4,944,339**

Movement in impairment 2018/19

	Group			
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
ECL allowance as at 1 April 2018 under SLFRS 9	716,351	523,368	2,937,676	4,177,395
New assets originated or purchased	422,584	286,608	514,679	1,223,871
Assets derecognised or repaid (excluding write-offs)	(195,508)	(247,795)	(1,024,462)	(1,467,765)
Transfers to Stage 1	186,909	(97,029)	(89,880)	–
Transfers to Stage 2	(91,306)	187,659	(96,353)	–
Transfers to Stage 3	(54,187)	(107,441)	161,628	–
Impact on year end ECL of exposures transferred between stages during the year	(149,220)	119,072	1,579,576	1,549,428
Changes to models and inputs used for ECL calculations	(8,009)	(2,122)	30,264	20,133
Amounts written-off	–	–	(226,033)	(226,033)
Balance as at 31 March 2019	**739,817**	**730,191**	**3,807,020**	**5,277,028**

25.10 Movement in provision for individual and collective impairment during the year (Under LKAS 39)

25.10.1 Movement in provision for individual impairment 2017/18

	Company		Group	
As at 31 March	**2019 Rs. '000**	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Balance as at 1 April	–	231,999	–	242,842
Charge/(write-back) to the Statement of Profit or Loss	–	67,006	–	56,163
Balance as at 31 March	–	299,005	–	299,005

Notes to the financial statements

25.10.2 Movement in provision for collective impairment 2017/18

As at 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Balance as at 1 April	–	1,417,598	–	1,548,023
Charge/(write-back) to the Statement of Profit or Loss	–	1,338,957	–	1,386,301
Balance as at 31 March	–	2,756,555	–	2,934,324

Sensitivity analysis of impairment provision is given in Note 59.2.7 on page 354.

26 Insurance and reinsurance receivables

ACCOUNTING POLICY

The Group cedes insurance risk to reinsurers in the normal course of business. Reinsurance receivables represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

After 1 April 2018

According to the characteristics relating to reinsurance receivables, the instruments qualify the contractual cash flow characteristic test (SPPI test) as the return solely represent capital and interest. Even though there were no interest charge for reinsurance receivables, they satisfy the SPPI test as they are considered to be short term and credit risk doesn't exist to charge interest. Upon completion of the SPPI test, the management elected the business model of hold to collect the contractual cash flows and measure the instrument at amortised cost as these are short term in nature. Since these are short-term balances without a financing component, the amortised cost will be equal to carrying value.

Before 1 April 2018

Reinsurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable.

Gains or losses on buying reinsurance are recognised in the Statement of Profit or Loss immediately at the date of purchase and are not amortised.

Reinsurance assets are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in the Statement of Profit or Loss.

Assessment of impairment of reinsurance receivables

After 1 April 2018

The Group recognises loss allowances on reinsurance receivables measured at amortised cost. The Group measures loss allowance at an amount equal to lifetime, except financial investments that are determined to have low credit risk at the reporting date.

Before 1 April 2018

Based on the Board of Directors assessment, no impairment loss was recorded for the year ended 31 March 2018.

Notes to the financial statements

Insurance receivables

After 1 April 2018

Insurance receivables satisfy the contractual cash flow characteristic test (SPPI test) as the return solely represent capital and interest. Even though there were no interest charge for insurance receivables, they satisfy the SPPI test as they are considered to be short term and credit risk doesn't exist to charge interest. Upon completion of the SPPI test, the management elected the business model of hold to collect the contractual cash flows and measure the instrument at amortised cost as these are short term in nature. Since these are short-term balances without a financing component, amortised cost will be equal to carrying value.

Before 1 April 2018

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration receivable. Subsequent to the initial recognition, insurance receivables are measured at amortised cost. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the Statement of Profit or Loss.

Insurance receivables are derecognised when the de-recognition criteria for financial assets have been met.

Assessment of impairment of insurance receivables

After 1 April 2018

The Group assessed the impairment provision based on the ECL method. The analysis of the impairment provision under three categories provided below:

Before 1 April 2018

The Board of Directors has assessed potential impairment loss of insurance receivables as at 31 March 2018. Based on the assessment, it was concluded that there is no requirement for an additional impairment loss provision other than amounts provided.

Insurance – Product classification

Insurance contracts are those contracts when the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders, if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable, if the insured event did not occur. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

Reinsurance

The Group cedes insurance risk in the normal course of business of People's Insurance PLC. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in the Statement of Profit or Loss.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Premiums and claims are presented on a gross basis for ceded reinsurance.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expired or when the contract is transferred to another party.

Notes to the financial statements

Reinsurance receivables

Reinsurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the Statement of Profit or Loss.

Insurance receivables

Premium receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the Statement of Profit or Loss.

Deferred expenses

Deferred acquisition costs (DAC)

The costs of acquiring new businesses including commission, underwriting, marketing and policy issue expenses, which vary with and directly related to production of new businesses, are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred. Subsequent to initial recognition, deferred acquisition costs (DAC) for non-life insurance is amortised over the period on the basis unearned premium reserve (UPR) is amortised.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period and are treated as a change in an accounting estimate.

DAC are derecognised when the related contracts are either expired or cancelled.

Reinsurance commissions

Commissions receivable on outwards reinsurance contracts are deferred and amortised on a straight line basis over the term of the expected premiums payable.

As at 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Reinsurance receivables	–	–	481,559	163,211
Insurance receivables	–	–	403,836	243,476
Total	–	–	885,395	406,687

27 Financial assets – fair value through other comprehensive income/Available for sale

ACCOUNTING POLICY

Before 1 April 2018

Available-for-sale financial assets include equity investments and debt 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. Debt securities in this category are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in response to changes in the market conditions.

The Group and Company has not designated any loans or receivables as available for sale.

After initial measurement, available-for-sale financial assets are subsequently measured at fair value.

Unrealised gains and losses are recognised directly in equity (other comprehensive income) in the "available-for-sale reserve". When the investment is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the Statement of Profit or Loss in "other operating income". Where the Group/Company holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. Interest earned whilst holding available-for-sale financial assets is reported as interest income using the effective interest rate (EIR).

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Dividends earned whilst holding available-for-sale financial assets are recognised in the Statement of Profit or Loss as "other operating income" when the right of the payment has been established. The losses arising from impairment of such investments are recognised in the Statement of Profit or Loss in "impairment charges for loans and receivables and other losses" and removed from the "available-for-sale reserve".

After 1 April 2018

Upon initial recognition, the Company elects to classify irrevocably some of its equity investments held for strategic purpose, as equity instruments at FVOCI when they meet the definition of equity under SLFRS 9 – "Financial Instruments" and are not FVTPL. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit or loss instead directly transferred to retained earnings at the time of derecognition. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established. Equity instruments at FVOCI are not subject to an impairment assessment.

These instruments comprise quoted and unquoted shares that had been previously classified as available for sale under LKAS 39.

Unrealised gains and losses were recognised in equity through OCI in the "fair value reserve". When these financial investments were disposed, the cumulative gain or loss previously recognised in fair value reserve transferred to retained earnings. Dividend earned while holding financial assets – FVOCI were recognised in the income statement as "operating income" when the right to receive the payment had been established.

			Company		Group	
As at 31 March	Note	Page No.	**2019 Rs. '000**	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Equity securities	27.1	295	**125,651**	219,132	**125,651**	219,132
Total			**125,651**	219,132	**125,651**	219,132

27.1 Equity securities – Company and Group

As at 31 March			2019			2018		
	Note	Page No.	**Number of shares**	**Cost of investment Rs. '000**	**Market value Rs. '000**	Number of shares	Cost of investment Rs. '000	Market value Rs. '000
Quoted investments								
Sanasa Development Bank PLC			**2,094,012**	**203,382**	**125,641**	2,036,446	197,253	219,122
				203,382	**125,641**		197,253	219,122
Unquoted investments								
Credit Information Bureau of Sri Lanka	27.2	296	**100**	**10**	**10**	100	10	10
City Finance Corporation Limited	27.4	296	**50,000,000**	**50,000**	**–**	50,000,000	50,000	–
Total				**253,392**	**125,651**		247,263	219,132

Notes to the financial statements

27.2 Reconciliation of fair value measurement for unquoted equity securities under level 3 hierarchy

As at 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Balance as at 1 April	**10**	10	**10**	10
Remeasurement recognised in OCI	–	–	–	–
Balance as at 31 March	**10**	10	**10**	10

27.3 Movements in available-for-sale reserve

As at 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Balance as at 1 April	**46,869**	31,009	**45,585**	20,078
Transfer to fair value reserve	**(46,869)**	–	**(45,585)**	–
Gain/(loss) on remeasuring	–	15,860	–	25,507
Balance as at 31 March	–	46,869	–	45,585

27.4 City Finance Corporation Limited

As at 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Investment in City Finance Corporation Limited	**50,000**	50,000	**50,000**	50,000
Less: Impairment provision	**50,000**	50,000	**50,000**	50,000
Balance as at 31 March	–	–	–	–

Sensitivity analysis of financial assets – FVOCI/Available for sale is given in Note 59.4.3 on page 366.

28 Debt instrument at amortised cost/held to maturity

ACCOUNTING POLICY

Before 1 April 2018

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Group and Company has the intention and ability to hold to maturity. After initial measurement, held-to-maturity financial assets are subsequently measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortisation is included in "interest income" in the Statement of Profit or Loss. The losses arising from impairment of such investments are recognised in the Statement of Profit or Loss in "impairment charges for loans and receivables and other losses".

If the Group were to sell or reclassify more than an insignificant amount of held-to-maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would be reclassified as available for sale. Furthermore, the Group would be prohibited from classifying any financial asset as held to maturity during the following two years.

Impairment of held-to-maturity financial assets

An impairment loss in respect of held-to-maturity financial assets measured at amortised cost is calculated as the difference between its carrying amount and the present value of estimated future cash flows discounted at the asset's original EIR and is recognised in Statement of Profit or Loss. Interest on impaired assets continues to be recognised through the unwinding of discount. When a subsequent event caused the amount of impairment loss to decrease, the decrease in impairment loss is reversed through Statement of Profit or Loss.

After 1 April 2018

As per SLFRS 9 – "Financial Investments" are measured at amortised cost if it meets both of the following conditions and is not designated at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, these are subsequently measured at amortised cost (gross carrying amount using the EIR, less provision for impairment). Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in "interest income" while the losses arising from impairment are recognised in "impairment charges for loans and other losses" in the Income Statement.

	Company		Group	
As at 31 March	**2019 Rs. '000**	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Treasury bills	**7,976,782**	4,864,258	**9,066,102**	5,988,580
Treasury bonds	**25,843**	25,383	**25,843**	25,383
Total	**8,002,625**	4,889,641	**9,091,945**	6,013,963
Fair value	**8,007,001**	4,886,099	**9,096,321**	6,010,421

29 Investments in subsidiaries

ACCOUNTING POLICY

Investments in subsidiaries are stated at cost, net of any impairment losses which are charged to the Statement of Profit or Loss in the Company's Financial Statements and it is in accordance with the Sri Lanka Accounting Standard – LKAS 27 on "Consolidated and Separate Financial Statements".

Subsidiaries are entities that are controlled by the Group/Company. Subsidiaries are consolidated from the date on which control is transferred to the Company and continue to be consolidated until the date when such control ceases. The Company is presumed to control an investee when it is exposed, or has right, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Intra-group balances and transactions, income, expenses and any unrealised gains arising from intra-group transactions are eliminated in full in preparing the Consolidated Financial Statements.

Non-controlling interests represent the portion of profit or loss and net assets of subsidiaries not owned, directly or indirectly, by the Company.

Non-controlling interests are presented separately in the Consolidated Statement of Profit or Loss and within equity in the Consolidated Statement of Financial Position, but separate from parent shareholders' equity. Any losses applicable to the non-controlling interests are allocated against the interests of the non-controlling interest even if this results in a deficit balance. Acquisitions of non-controlling interests are accounted for using the parent entity extension method, whereby the difference between the consideration and the fair value of the share of the net assets acquired is recognised as equity.

A list of subsidiaries with there principal activities are given in the Note 1.2.

Notes to the financial statements

As at 31 March	2019			2018		
	Holding %	Cost Rs. '000	Directors'/ market valuation Rs. '000	Holding %	Cost Rs. '000	Directors'/ market valuation Rs. '000
Company						
People's Leasing Fleet Management Limited	**100.00**	**175,000**	**300,728**	100.00	175,000	294,296
People's Leasing Property Development Limited	**100.00**	**550,000**	**991,679**	100.00	550,000	1,073,975
People's Leasing Havelock Properties Limited	**100.00**	**600,000**	**492,817**	100.00	600,000	571,580
People's Micro-commerce Ltd.	**100.00**	**150,000**	**212,983**	100.00	150,000	227,316
People's Insurance PLC	**75.00**	**600,000**	**2,955,000**	75.00	600,000	2,261,894
Lankan Alliance Finance Limited	**51.00**	**1,138,788**	**1,213,996**	51.00	1,138,788	1,040,807
Total		**3,213,788**	**6,167,203**		3,213,788	5,469,868

Subsidiaries are not quoted in the Colombo Stock Exchange except People's Insurance PLC. The Directors' valuation of investment in subsidiaries has been carried out on net asset basis. People's Insurance PLC has been valued at market value basis.

The following table summaries the on formation relating to the Company's subsidiary that has a material non-controlling interest (NCI).

For the year ended 31 March	2019			2018		
	People's Insurance PLC	Lankan Alliance Finance Limited	Total	People's Insurance PLC	Lankan Alliance Finance Limited	Total
Non-controlling interest (NCI) percentage (%)	**25**	**49**		25	49	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Net operating income	**5,609,003**	**278,774**	**5,887,777**	4,920,502	36,751	4,957,253
Less: Operating expenses	**4,803,207**	**190,662**	**4,993,869**	4,056,794	17,991	4,074,785
Profit before income tax	**805,796**	**88,112**	**893,908**	863,708	18,760	882,468
Less: Income tax expense	**148,287**	**20,125**	**168,412**	95,625	857	96,482
Profit after income tax	**657,509**	**67,987**	**725,496**	768,083	17,903	785,986
Profit allocated to non-controlling interest (NCI)	**164,376**	**33,314**	**197,690**	192,021	8,772	200,793

Notes to the financial statements

As at 31 March	2019			2018		
	People's Insurance PLC Rs. '000	**Lankan Alliance Finance Limited Rs. '000**	**Total Rs. '000**	People's Insurance PLC Rs. '000	Lankan Alliance Finance Limited Rs. '000	Total Rs. '000
Cash and cash equivalents	**946,851**	**23,759**	**970,610**	313,648	10,948	324,596
Balances with banks and financial institutions	**3,269,112**	**1,084,919**	**4,354,031**	2,660,287	2,023,265	4,683,552
Loans and receivables	**2,282,413**	**2,572,618**	**4,855,031**	1,658,288	–	1,658,288
Insurance and reinsurance receivables	**1,491,238**	**–**	**1,491,238**	1,015,106	–	1,015,106
Financial assets – Fair value other comprehensive income/Available for sale	**1,089,320**	**–**	**1,089,320**	1,124,322	–	1,124,322
Property, plant and equipment and intangible assets	**83,660**	**28,335**	**111,995**	89,545	21,786	111,331
Other assets	**462,525**	**106,558**	**569,083**	816,608	52,946	869,554
Total assets	**9,625,119**	**3,816,189**	**13,441,308**	7,677,804	2,108,945	9,786,749
Due to banks	**611,013**	**343,629**	**954,642**	106,944	–	106,944
Due to customers	**–**	**1,014,310**	**1,014,310**	–	–	–
Other financial liabilities	**617,231**	**77,866**	**695,097**	341,690	70,974	412,664
Other liabilities	**156,933**	**–**	**156,933**	97,628	–	97,628
Insurance liabilities and reinsurance payable	**4,944,373**	**–**	**4,944,373**	4,115,681	–	4,115,681
Total liabilities	**6,329,550**	**1,435,805**	**7,765,355**	4,661,943	70,974	4,732,917
Net assets value	**3,295,569**	**2,380,385**	**5,675,954**	3,015,861	2,037,971	5,053,832
Carrying amount of non-controlling interest (NCI)	**823,892**	**1,166,389**	**1,990,281**	753,965	998,606	1,752,571
Cash flows from operating activities	**309,713**	**(1,417,299)**	**(1,107,586)**	1,102,330	2,245	1,104,575
Cash flows from investing activities	**(426,258)**	**(20,243)**	**(446,501)**	765,376	(16,531)	748,845
Cash flows from financing activities	**(21,023)**	**1,012,138**	**991,115**	(350,000)	(490)	(350,490)
Net increase in cash and cash equivalents	**(137,568)**	**(425,404)**	**(562,972)**	1,517,706	(14,776)	1,502,930

30 Investments in associate

ACCOUNTING POLICY

Investment in associate is accounted for at cost in the Company's Financial Statements and under the equity method in the Consolidated Financial Statements.

Under the equity method, the investment in associate is initially accounted for at cost and the carrying amount is adjusted for post-acquisition changes in the Company's share of net assets of the associate, less any impairment in the Company's net investment in associate.

Associate is an entity in which the Company has significant influence, but no control over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20% or more of the voting power of another entity.

Investment in associate is accounted for using the equity method and is recognised initially at cost in terms of the Sri Lanka Accounting Standard – LKAS 28 – "Investments in Associates and Joint Ventures". Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised but is subjected to impairment test. The Company's investments include goodwill identified on acquisition, net of any accumulated impairment losses.

The Consolidated Financial Statements include the Company's share of the income and expenses and equity movements of the Associate, after adjustments being made to align the accounting policies with those of the Group from the date that significant influence effectively commences until the date that significant influence effectively ceases.

Notes to the financial statements

When the Company's share of losses exceeds its interest in the associate, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Company has an obligation or made payments on behalf of the Associate. If the associate subsequently reports profits, the Company resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Profit and losses resulting from transactions between the Company and the Associate are eliminated to the extent of the interest in the associate. The Company discontinues the use of the equity method from the date that it ceases to have significant influence over an associate and accounts for the investment cost in accordance with the Sri Lanka Accounting Standard LKAS 39 – "Financial Instruments: Recognition and Measurement".

30.1 Details of associate

	Holding		Company		Group	
As at 31 March	**2019 %**	2018 %	**2019 Rs. '000**	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Quoted equity securities						
People's Merchant Finance PLC (25,014,002 ordinary shares)	37.06	37.06	**237,633**	586,427	**237,633**	423,439
Total			**237,633**	586,427	**237,633**	423,439

	Company		Group	
As at 31 March	**2019 Rs. '000**	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Reconciliation of summarised financial information				
Cost of investment	**586,427**	586,427	**586,427**	586,427
Share of loss applicable to the Group				
Share of (loss) up to 1 April	**–**	–	**(162,988)**	(110,046)
Total share recognised during the year				
(Loss) for the year recognised in Statement of Profit or Loss, net of tax	**–**	–	**(33,234)**	(52,942)
Impairment for the year recognised in Statement of Profit or Loss	**(348,794)**	–	**(152,572)**	–
Total	**237,633**	586,427	**237,633**	423,439

People's Merchant Finance PLC

Pursuant to a direction issued by the Monetory Board of the Central Bank of Sri Lanka to amalgamate People's Merchant Finance PLC with People's Leasing & Finance PLC ("the Company"), the Company made an announcement thereon to the Colombo Stock Exchange on 29 July 2016.

Further to disclosure dated 10 May 2018, Board of Directors of People's Merchant Finance PLC has resolved to proceed with a capital infusion by way of a private placement and right issue as disclosed on 10 January 2019. Accordingly, the proposed amalgamation of People's Merchant Finance PLC and People's Leasing & Finance PLC as disclosed in prior announcements will not take place.

Forming an integral part of its restructuring exercise, People's Merchant Finance PLC (PMF) has successfully secured a new investor for recapitalisation purposes. Whilst the new capital infusion is expected to take place in the near term, it will inevitably reduce the Company's influencing stake from 37.06% to less than 20.00% on conclusion. The said transaction is currently pending other formalities.

Impairment loss on People's Merchant Finance PLC

During 2018/19, the Company recognised an impairment loss of Rs. 348,793,939 pertaining to its investment in People's Merchant Finance PLC on the basis of its carrying value exceeding the estimated recoverable amount. The recoverable amount being the higher of its fair value less cost of disposal and value in use. In this context, it must be pointed out that the fair value of the said investment was derived based on the purchase consideration per share as agreed to with the prospective investor.

Notes to the financial statements

30.2 Summarised financial information of associate

Summarised financial information to carrying amount of the interest in associate recognised in the Consolidated Financial Statements is as follows:

For the year ended 31 March	People's Merchant Finance PLC – 37.06% 2019 Rs. '000	People's Merchant Finance PLC – 37.06% 2018 Rs. '000
Ownership interest		
Net operating income	**191,294**	94,056
Less: Operating expenses	**280,976**	236,920
Loss before tax	**(89,682)**	(142,864)
Less: Income tax expense	–	–
Loss after tax	**(89,682)**	(142,864)
Share of results of equity accounted investee recognised in statement of profit or loss	**(33,234)**	(52,942)

As at 31 March	People's Merchant Finance PLC – 37.06% 2019 Rs. '000	People's Merchant Finance PLC – 37.06% 2018 Rs. '000
Ownership interest		
Total assets	**2,901,471**	2,938,139
Total liabilities	**2,750,028**	2,717,234
Net assets	**151,443**	220,905
Group's share of net assets	**56,120**	81,861

31 Investment property

ACCOUNTING POLICY

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are initially recognised at cost. Subsequent to initial recognition the investment properties are stated at fair values, which reflect market conditions at the Statement of Financial Position date. Gains or losses arising from changes in fair value are included in the Statement of Profit or Loss in the year in which they arise.

Where Group companies occupy a significant portion of the investment property of a subsidiary, such investment properties are treated as property, plant and equipment in the Consolidated Financial Statements, and accounted for as per Sri Lanka Accounting Standard – LKAS 16 – "Property, Plant and Equipment".

Derecognition

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the Statement of Profit or Loss in the year of retirement or disposal.

Subsequent transfers to/from investment property

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party or completion of construction or development.

Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

Notes to the financial statements

For a transfer from investment property to owner-occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Company as an owner-occupied property becomes an investment property, the Company, accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the Statement of Profit or Loss. When the Company completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the Statement of Profit or Loss.

Fair value of investment property

Investment property of the Company and the Group is reflected at fair value. When current market prices of similar assets are available, such evidences are considered in estimating fair values of these assets. In the absence of such information, the Company and the Group determines within a reasonable fair value estimates, amounts that can be attributed as fair values, taking into consideration of the discounted cash flow projections based on the estimates, derived from the evidence such as current market rents for similar properties and using discount rates that reflect uncertainty in the amount and timing of cash flows.

Determining fair value

External and independent valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the investment property portfolio every year. In financial periods within that period the fair value is determined by the Board of Directors.

The fair values are based on market values, being the estimated amount for which a property could be sold in an orderly transaction between market participants at the measurement date.

Investment property leased within the Group

Any property leased out to parent or subsidiary is considered as owner-occupied from the perspective of the Group and adjustments are made for consolidation purposes.

Owner-occupied properties and investment property

In determining if a property qualifies as investment property the Company/Group makes a judgement whether the property generates independent cash flows rather than cash flows that are attributable not only to the property but also other assets. Judgement is also applied in determining if ancillary services are significant, so that a property does not qualify as investment property.

	Company		Group	
As at 31 March	**2019 Rs. '000**	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Balance as at 1 April	**134,400**	100,800	**1,265,996**	–
Gain from fair value adjustment	–	33,600	–	311,422
Adjustment due to change in intention	–	–	–	29,652
Sale of investment property	**(134,400)**		**(134,400)**	–
Transfer during the year	–	–	–	924,922
Balance as at 31 March	–	134,400	**1,131,596**	1,265,996

Land and building at Nos. 7 and 9, Havelock Road, Colombo 7 is rented to People's Bank, People's Insurance PLC and People's Leasing and Finance PLC by the People's Leasing Havelock Properties Limited during the year. In the Group Financial Statements, such property have separated and part rented to People's Bank has been classified as investment property to the Group. Basis for the separation is based on the number of Sq.ft. rented.

The Company carries investment property at market value. Market valuation of the above investment property was carried out as at 31 December 2018 by Mr K T D Tissera, FRICS (Eng), who is Independent Valuer not connected with the Company.

Rent income recoginised in respect to the above investment property is disclosed in Note 10.

32 Property, plant and equipment

ACCOUNTING POLICY

Basis of recognition

Property, plant and equipment are tangible items that are held for servicing or for administrative purposes and are expected to be used during more than one year.

Property, plant and equipment is recognised if it is probable that future economic benefits associated with the asset will flow to the Group and cost of the asset can be measured reliably.

Basis of measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and cost incurred subsequently to add to or replace a part of it. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring at the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as a part of computer equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The Company and the Group apply the cost model to property, plant and equipment and record at cost of purchase or construction together with any incidental expenses thereon less accumulated depreciation and any accumulated impairment losses.

Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The cost of day-to-day servicing of property, plant and equipment are charged to the Statement of Profit or Loss as incurred.

Repairs and maintenance

Repairs and maintenance are charged to the Statement of Profit or Loss during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the assets, when it is probable that future economic benefits in excess of the most recently assessed standard of performance of the existing assets will flow to the Company and the Group and the renovation replaces an identifiable part of the asset. Major renovations are depreciated during the remaining useful life of the related asset.

Capital work-in-progress

These are expenses of a capital nature directly incurred in the construction of buildings, major plant and machinery and system development, awaiting capitalisation. These are stated in the Statement of Financial Position at cost.

Derecognition

Property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in "other operating income" in the Statement of Profit or Loss in the year the asset is derecognised.

Depreciation

Depreciation is recognised in Statement of Profit or Loss on a straight–line basis over the estimated useful lives of each part of an item of property, plant and equipment since this method most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Land is not depreciated.

Notes to the financial statements

The estimated useful lives are as follows:

Class of asset	% per annum	Period
Freehold buildings	2	50 years
Improvement of leasehold property	25	4 years
Motor vehicles	12.5-20	5-8 years
Computer hardware	20	5 years
Office equipment	10-20	5-10 years
Furnitures and fittings	20	5 years

The above rates are consistently used by all the Group entities. The depreciation rates are determined separately for each significant part of an item of property, plant and equipment and commence to depreciate when it is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is derecognised. Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

Useful lives of property, plant and equipment

The Group and Company depreciates the property, plant and equipment, using the straight-line method, over their estimated useful lives after taking into account of their estimated residual values. The estimated useful life reflects Management's estimate of the period that the Group and Company intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual value reflects Management's estimated amount that the Group/Company would currently obtain from the disposal of the asset, after deducting the estimated costs of disposal, as if the asset were already of the age and in the condition expected at the end of its useful life. Changes in the expected level of usage and technological developments could affect the economics, useful lives and the residual values of these assets which could then consequentially impact future depreciation charges.

32.1 Property, plant and equipment – Company

	Freehold land and buildings Rs. '000	Improvement of leasehold properties Rs. '000	Motor vehicles Rs. '000	Computer hardware Rs. '000	Office equipment Rs. '000	Furniture and fittings Rs. '000	Total Rs. '000
Cost							
Balance as at 1 April 2018	619,181	56,872	209,752	629,512	611,767	420,360	2,547,444
Additions	–	–	1,321	81,996	47,971	16,379	147,667
Disposals	(52,000)	–	(1,564)	(2,052)	(4,341)	(1,268)	(61,225)
Balance as at 31 March 2019	567,181	56,872	209,509	709,456	655,397	435,471	2,633,886
Less: Accumulated depreciation							
Balance as at 1 April 2018	3,232	56,754	62,548	470,057	441,729	346,241	1,380,561
Charge for the year	430	20	12,897	58,417	65,154	29,088	166,006
Disposals	(1,260)	–	(938)	(3,307)	(4,303)	(1,159)	(10,967)
Balance as at 31 March 2019	2,402	56,774	74,507	525,167	502,580	374,170	1,535,600
Net book value as at 31 March 2019	564,779	98	135,002	184,289	152,817	61,301	1,098,286

Notes to the financial statements

	Freehold land and buildings Rs. '000	Improvement of leasehold properties Rs. '000	Motor vehicles Rs. '000	Computer hardware Rs. '000	Office equipment Rs. '000	Furniture and fittings Rs. '000	Total Rs. '000
Cost							
Balance as at 1 April 2017	683,660	56,872	227,385	544,967	550,174	397,780	2,460,838
Additions	–	–	172	84,647	62,629	22,902	170,350
Disposals	(64,479)	–	(17,805)	(102)	(1,036)	(322)	(83,744)
Balance as at 31 March 2018	619,181	56,872	209,752	629,512	611,767	420,360	2,547,444
Less: Accumulated depreciation			–				
Balance as at 1 April 2017	2,526	56,717	51,935	418,500	365,122	311,294	1,206,094
Charge for the year	706	37	13,783	51,627	77,644	35,108	178,905
Disposals	–	–	(3,170)	(70)	(1,037)	(161)	(4,438)
Balance as at 31 March 2018	3,232	56,754	62,548	470,057	441,729	346,241	1,380,561
Net book value as at 31 March 2018	615,949	118	147,204	159,455	170,038	74,119	1,166,883

32.2 Property, plant and equipment – Group

	Freehold land and buildings Rs. '000	**Improvement of leasehold properties Rs. '000**	**Motor vehicles Rs. '000**	**Computer hardware Rs. '000**	**Office equipment Rs. '000**	**Furniture and fittings Rs. '000**	**Total Rs. '000**
Cost							
Balance as at 1 April 2018	**3,259,486**	**58,583**	**587,694**	**700,364**	**881,733**	**497,551**	**5,985,411**
Additions	–	–	**71,849**	**106,661**	**57,345**	**21,516**	**257,371**
Disposals	**(52,000)**	–	**(48,776)**	**(2,052)**	**(5,598)**	**(1,268)**	**(109,694)**
Transfers	**6,513**	–	–	**6,185**	**6,105**	**(12,290)**	**6,513**
Exchange rate variance	–	–	–	**1,019**	**798**	**1,900**	**3,717**
Balance as at 31 March 2019	**3,213,999**	**58,583**	**610,767**	**812,177**	**940,383**	**507,409**	**6,143,318**
Less: Accumulated depreciation							
Balance as at 1 April 2018	**198,283**	**57,231**	**157,911**	**517,911**	**574,236**	**367,124**	**1,872,696**
Charge for the year	**60,368**	**20**	**41,105**	**70,030**	**74,375**	**40,295**	**286,193**
Disposals	**(1,260)**	–	**(22,423)**	**(3,307)**	**(5,560)**	**(1,140)**	**(33,690)**
Transfers	–	–	–	**1,133**	**1,512**	**(2,645)**	–
Exchange rate variance	–	–	–	**198**	**244**	**376**	**818**
Balance as at 31 March 2019	**257,391**	**57,251**	**176,593**	**585,965**	**644,807**	**404,010**	**2,126,017**
Net book value as at 31 March 2019	**2,956,608**	**1,332**	**434,174**	**226,212**	**295,576**	**103,399**	**4,017,301**

Notes to the financial statements

	Freehold land and buildings Rs. '000	Improvement of leasehold properties Rs. '000	Motor vehicles Rs. '000	Computer hardware Rs. '000	Office equipment Rs. '000	Furniture and fittings Rs. '000	Work-in-progress Rs. '000	Total Rs. '000
Cost								
Balance as at 1 April 2017	2,841,602	58,583	588,436	612,507	805,106	417,001	1,327,085	6,650,320
Additions	–	–	81,275	94,295	77,847	64,450	94,396	412,263
Additions due to acquisition of subsidiary	–	–	–	–	–	19,979	–	19,979
Disposals	(64,479)	–	(82,017)	(6,438)	(1,220)	(7,437)	(14,196)	(175,787)
Transfers/adjustments	482,363	–	–	–	–	–	(1,407,285)	(924,922)
Exchange rate variance	–	–	–	–	–	3,558	–	3,558
Balance as at 31 March 2018	3,259,486	58,583	587,694	700,364	881,733	497,551	–	5,985,411
Less: Accumulated depreciation								
Balance as at 1 April 2017	152,340	57,194	145,133	462,374	490,067	327,654	–	1,634,762
Charge for the year	45,943	37	42,497	61,901	85,390	42,574	–	278,342
Additions due to acquisition of subsidiary	–	–	–	–	–	3,526	–	3,526
Disposals	–	–	(29,719)	(6,364)	(1,221)	(7,013)	–	(44,317)
Exchange rate variance	–	–	–	–	–	383	–	383
Balance as at 31 March 2018	198,283	57,231	157,911	517,911	574,236	367,124	–	1,872,696
Net book value as at 31 March 2018	3,061,203	1,352	429,783	182,453	307,497	130,427	–	4,112,715

32.3 Fully-depreciated property, plant and equipment

The initial cost of fully-depreciated property, plant and equipment, which are still in use as at reporting date is as follows:

As at 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Improvement of leasehold properties	**53,282**	54,624	**53,282**	54,624
Motor vehicles	**37,444**	28,241	**38,520**	51,818
Computer hardware	**400,378**	357,737	**434,734**	381,263
Office equipment	**285,671**	267,334	**312,322**	287,137
Furniture and fittings	**308,748**	298,765	**320,293**	305,877
Total	**1,085,523**	1,006,701	**1,159,151**	1,080,719

Notes to the financial statements

32.4 Group freehold land and buildings

Location	Address	Date of valuation	Method of valuation	Land extent (perches)	Building area (Sq.Ft)	2019 Cost Rs. '000	2019 Revaluation Rs. '000	2018 Revaluation Rs. '000
People's Leasing & Finance PLC								
Vehicle yards								
Makola	No. 496, Makola North, Makola	31.12.2016	MCM	90	11,600	**7,632**	**45,000**	45,000
Mabima	No. 225/D, Nayagala Road, Heiyantuduwa, Mabima	31.12.2016	MCM	330.75	820	**21,722**	**68,000**	68,000
Meegahamulla	Kandepalla, Beligamuwa, Galewala	31.12.2016	MCM	260	1,836	**27,558**	**13,754**	13,754
Monaragala	No. 10, Pothuvil Road, Monaragala	31.12.2016	MCM	125.9	1,376	**41,056**	**45,000**	45,000
Administrative purpose								
Bandarawela	No. 35/2D, Welimada Road, Bandarawela	31.12.2016	MCM	8.3	5,194	**31,257**	**40,000**	40,000
Jaffna	No. 10, Mahathma Gandhi Road, Jaffna	31.12.2016	MCM	44.72	–	**45,764**	**155,063**	155,063
Boralesgamuwa*	No. 81, Old Kesbewa Road, Diulpitiya, Boralesgamuwa	31.12.2016	MCM	42	13,366	**52,000**	-	50,000
Hokandara*	No. 414, Wellangiriya, Singhapura, Hokandara	31.03.2017	MCM	224	–	**71,148**	-	134,400
Matara	No. 367, Anagarika Dharmapala Mawatha, Matara	31.12.2016	MCM	40	–	**93,599**	**100,000**	100,000
Kandy	No. 296, Senanayaka Road, Kandy	31.12.2016	MCM	47.1	–	**142,711**	**154,575**	154,575
Anuradhapura	No. 50, Maithripala Senanayake Road, Anuradhapura	31.12.2016	MCM	40.51		**155,882**	**174,193**	174,193
Subtotal						**690,329**	**795,585**	979,985
People's Leasing Property Development Limited								
Borella	No. 1,161, Maradana Road, Colombo 08	31.12.2018	MCM	104.9	127,621	**1,532,414**	**2,300,000**	2,088,500
Subtotal						**1,532,414**	**2,300,000**	2,088,500
People's Leasing Havelock Properties Limited								
Colombo 05	No. 07, Havelock Road, Colombo 05	31.12.2018	MCM	111.45	84,024	**1,984,619**	**2,600,000**	2,600,000
Subtotal						**1,984,619**	**2,600,000**	2,600,000
Total						**4,207,362**	**5,695,585**	5,668,485

MCM: Market Comparable Method
* This land were sold during the financial year.

Market valuation of the above land and buildings was carried out by Mr K T D Tissera, FRICS (Eng), who is independent valuer not connected with the Company. Investment Method, Contractor's Test Method and Comparison Method have been used for the valuation. Freehold land and buildings of the Company are considered under Level 3 of fair value hierarchy.

Temporarily idle property, plant and equipment

There were no property, plant and equipment of the Company/Group idle as at 31 March 2019 and 31 March 2018.

Property, plant and equipment retired from active use

There were no property, plant and equipment of the Company/Group retired from active use as at 31 March 2019 and 31 March 2018.

Title restriction on property, plant and equipment

There were no restriction on the title of property, plant and equipment of the Company/Group as at 31 March 2019 and 31 March 2018.

Property, plant and equipment pledged as security for liabilities

There were no items of property, plant and equipment of the Company/Group pledged as securities for liabilities other than disclosed in Note 57 (asset pledged) to the Financial Statements.

Notes to the financial statements

Compensation from third parties for items of property, plant and equipment

There were no compensation received during the year from third parties for items of property, plant and equipment of the Company/ Group that were impaired, lost or given up (2018: Nil).

Unobservable inputs used in measuring fair value

Significant unobservable input used in measuring non-financial assets categorised as Level 3 in fair value hierarchy disclosed in to Note 21.6 to the Financial Statements.

33 Goodwill and intangible assets

ACCOUNTING POLICY

The Group's intangible assets include the goodwill and customer list which were acquired in business combination and value of computer software.

Basis of recognition

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Company/Group in accordance with the Sri Lanka Accounting Standard – LKAS 38 – "Intangible Assets".

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are stated in the Statement of Financial Position at cost less any accumulated amortisation and any accumulated impairment losses if any.

Subsequent expenditure

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Useful economic lives, amortisation and impairment

The useful economic lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and they are treated as changes in accounting estimates in accordance with LKAS 8. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Profit or Loss in the expense category consistent with the function of the intangible asset.

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful economic lives at the rates as specified below:

Class of asset	% per annum	Period
Computer software	20	5 years

The unamortised balances of intangible assets with finite lives are reviewed for impairment annually and whenever there is an indication for impairment and recognised in Statement of Profit or Loss to the extent that they are no longer probable of being recovered from the expected future benefits.

Goodwill that arises upon the acquisition of subsidiary is included in intangible assets. Goodwill is initially measured at cost. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss in such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted investee.

Goodwill with infinite useful lives are assessed for impairment annually. The assessment of infinite life is reviewed annually to determine whether the infinite life continues to be supportable.

Notes to the financial statements

Derecognition

Intangible assets are derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the Statement of Profit or Loss in the year the asset is derecognised.

	Company			Group		
	Computer software Rs. '000	Goodwill Rs. '000	Total Rs. '000	Computer software Rs. '000	Goodwill Rs. '000	Total Rs. '000
Cost						
Balance as at 1 April 2018	176,170	308,545	484,715	194,533	417,099	611,632
Additions	8,624	–	8,624	12,195	–	12,195
Exchange rate variance	–	–	–	37	–	37
Balance as at 31 March 2019	**184,794**	**308,545**	**493,339**	**206,765**	**417,099**	**623,864**
Less: Accumulated amortisation						
Balance as at 1 April 2018	138,320	–	138,320	158,749	–	158,749
Amortisation	10,534	–	10,534	13,101	–	13,101
Impairment	–	19,580	19,580	–	19,580	19,580
Exchange rate variance	–	–	–	94	–	94
Balance as at 31 March 2019	**148,854**	**19,580**	**168,434**	**171,944**	**19,580**	**191,524**
Net book value as at 31 March 2019	**35,940**	**288,965**	**324,905**	**34,821**	**397,519**	**432,340**

	Company			Group		
	Computer software Rs. '000	Goodwill Rs. '000	Total Rs. '000	Computer software Rs. '000	Goodwill Rs. '000	Total Rs. '000
Cost						
Balance as at 1 April 2017	139,423	308,545	447,968	157,788	308,545	466,333
Additions	36,747	–	36,747	36,745	108,554	145,299
Balance as at 31 March 2018	176,170	308,545	484,715	194,533	417,099	611,632
Less: Accumulated amortisation						
Balance as at 1 April 2017	127,785	–	127,785	145,922	–	145,922
Amortisation	10,535	–	10,535	12,827	–	12,827
Balance as at 31 March 2018	138,320	–	138,320	158,749	–	158,749
Net book value as at 31 March 2018	37,850	308,545	346,395	35,784	417,099	452,883

Intangible assets include fully-amortised software amounting to Rs. 127,667,967 as at 31 March 2019 (Rs. 100,625,192 – 31 March 2018), which are still in use as at the reporting date.

Impairment tests for goodwill

The Group undertakes an annual test for impairment, based on value in use computation using cash flow projections based on financial budgets approved by the Senior Management. The discount rate of 18.86% and the projected growth rate of 5% are the key assumptions used for this purpose. The discount rate was estimated based on an average percentage of cost of equity of the Company. Management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of the units to exceed their recoverable amount.

There were no restrictions existed on the title of the intangible assets of the Group/Company as at the reporting date. Further, there were no items pledged as securities for liabilities. There were no capitalised borrowing costs related to the acquisition of intangible assets during the year 2018/19.

Notes to the financial statements

34 Leasehold property

ACCOUNTING POLICY

Prepaid lease rentals paid to acquire land use rights are amortised over the lease term in accordance with the pattern of benefits provided. Leasehold property comprising of land use rights and is amortised on a straight line basis over the remaining lease term.

As at 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Cost				
Balance as at 1 April	**91,985**	91,985	**91,985**	91,985
Additions	**–**	–	**–**	–
Balance as at 31 March	**91,985**	91,985	**91,985**	91,985
(Less): Accumulated amortisation				
Balance as at 1 April	**4,854**	1,788	**4,854**	1,788
Amortisation	**3,066**	3,066	**3,066**	3,066
Balance as at 31 March	**7,920**	4,854	**7,920**	4,854
Net book value at 31 March	**84,065**	87,131	**84,065**	87,131

Leasehold property consists of the property situated at Park Road, Nuwara Eliya acquired in the year 2016. The leasehold land is for 30-year and is being amortised over a period of 30 years commencing from 1 September 2016.

35 Other assets

ACCOUNTING POLICY

The Company and the Group classify all their other assets as other financial assets and other non-financial assets. Other non-financial assets mainly comprises advance payments, VAT recoverable, inventory and sundry receivables. Advance payments are carried at historical cost.

Unsold vehicles at the reporting date are valued at the lower of cost and net realisable value, after making due allowances for obsolete and slow moving items. Net realisable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost necessary to make the sale.

Other inventory materials at reporting date are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

As at 31 March	Note	Page No.	Company		Group	
			2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Other financial assets			**143,817**	145,650	**–**	–
Non-financial assets	35.1	311	**880,827**	687,969	**1,164,884**	1,301,155
Total			**1,024,644**	833,619	**1,164,884**	1,301,155

Notes to the financial statements

35.1 Non-financial assets

As at 31 March	Note	Page No.	Company 2019 Rs. '000	Company 2018 Rs. '000	Group 2019 Rs. '000	Group 2018 Rs. '000
Advance payments			**242,023**	236,506	**213,488**	382,303
Inventories			**26,881**	17,894	**37,125**	25,631
Prepaid expense			**110,847**	90,272	**123,577**	100,862
Unamortised cost on staff loans (Day 1 difference)	35.2	311	**128,906**	81,441	**129,509**	83,165
Differed expenses			**–**	–	**221,842**	197,802
Other receivables			**372,170**	261,856	**439,343**	511,392
Total			**880,827**	687,969	**1,164,884**	1,301,155

35.2 Unamortised cost on staff loans (Day 1 difference)

As at 31 March	Company 2019 Rs. '000	Company 2018 Rs. '000	Group 2019 Rs. '000	Group 2018 Rs. '000
Balance as at 1 April	**81,441**	56,721	**83,165**	59,751
Charge for the year	**47,465**	24,720	**46,344**	23,414
Balance as at 31 March	**128,906**	81,441	**129,509**	83,165

36 Due to banks

ACCOUNTING POLICY

Due to banks include bank overdrafts and long-term and short-term loans obtained from banks. Subsequent to initial recognition, these are measured at their amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. The EIR amortisation is included in "interest expenses" in the Statement of Profit or Loss. Gains and losses are recognised in the Statement of Profit or Loss when the liabilities are derecognise as well as through the EIR amortisation process.

As at 31 March	Company 2019 Rs.'000	Company 2018 Rs.'000	Group 2019 Rs.'000	Group 2018 Rs.'000
Overdraft	**353,074**	1,265,295	**1,274,127**	1,604,473
Short-term loans	**11,344,182**	10,254,514	**11,687,811**	10,254,514
Long-term loans	**6,401,039**	17,903,759	**8,337,750**	19,477,186
Asset-backed securities	**9,175,638**	10,498,221	**9,175,638**	10,498,221
Total	**27,273,933**	39,921,789	**30,475,326**	41,834,394
Fair value	**27,260,329**	36,739,187	**30,118,093**	38,651,792

Notes to the financial statements

36.1 Movement of due to Banks

As at 31 March	Company 2019 Rs. '000	Company 2018 Rs. '000	Group 2019 Rs. '000	Group 2018 Rs. '000
Balance as at 1 April	**39,921,789**	51,557,355	**41,834,394**	52,798,110
Amount borrowed during the year	**59,966,000**	56,180,000	**59,966,000**	56,550,481
Repayments during the year	**(77,536,350)**	(74,128,659)	**(77,456,806)**	(74,354,816)
Interest expenses during the year	**4,569,420**	5,047,798	**4,857,611**	5,236,146
Subtotal	**26,920,859**	38,656,494	**29,201,199**	40,229,921
Overdrafts	**353,074**	1,265,295	**1,274,127**	1,604,473
Balance as at 31 March	**27,273,933**	39,921,789	**30,475,326**	41,834,394

36.2 Long-term loan details

Name of the borrower	Granted date	Facility amount Rs. '000	Period	Interest rate %	Security status
Commercial Bank PLC	14.07.2015	2,000,000	4 years	7.25-10.5	Secured
Commercial Bank PLC	08.09.2016	1,000,000	4 years	14.00	Secured
Sampath Bank PLC	31.12.2014	2,000,000	5 years	7.00-8.5	Secured
Axis Bank	27.03.2017	150,000	4 years	AWPLR+1.25	Secured
Axis Bank	27.03.2017	250,000	4 years	AWPLR+1.25	Secured
People's Bank	26.05.2015	4,250,000	4 years	8.50	Secured
People's Bank	27.11.2015	2,000,000	4 years	10.00	Secured
People's Bank	15.03.2016	2,000,000	4 years	AWPLR+1.75	Secured
People's Bank	02.06.2016	2,500,000	4 years	6monthSLIBOR+1.75	Secured
Bank of Ceylon	07.07.2016	3,000,000	4 years	11.50	Secured
RAK Bank/Standard Chartered Bank	27.04.2017	5,355,000	3 years	13.50	Secured
MCB Bank	26.09.2017	500,000	4 years	AWPLR+1.5	Secured

Asset-backed securities

Name of the borrower	Granted date	Facility amount Rs. '000	Period	Interest rate* %	Security status
Bank of Ceylon	30.09.2016	2,146,200	4 years	15.98	Secured
Deutsche Bank PLC	03.07.2015	3,000,000	4 years	10.68	Secured
Deutsche Bank PLC	28.10.2016	1,769,900	4 years	13.30	Secured
Deutsche Bank PLC	25.02.2016	4,250,700	4 years	11.53	Secured
Hatton National Bank PLC	29.06.2018	2,000,000	5 years	12.27	Secured
Hatton National Bank PLC	13.03.2019	2,000,000	5 years	13.08	Secured
People's Bank	18.08.2016	3,000,000	4 years	13.90	Secured
People's Bank	09.02.2018	1,000,000	2 years	11.71	Secured
People's Bank	10.09.2018	2,000,000	2 years	13.35	Secured

* The interest rate for each securitisation is given as the weighted average interest rate.

Details of the securities disclosed in Note 57 – "Asset pledged" to the Financial Statements.

36.3.1 Contractual maturity analysis of dues to Bank – Company

As at 31 March	2019			
	Within 1 year Rs. '000	**1-5 years Rs. '000**	**Over 5 years Rs. '000**	**Total Rs. '000**
Overdrafts	**353,074**	–	–	**353,074**
Short-term loans	**11,344,182**	–	–	**11,344,182**
Long-term loans	**5,137,102**	**1,263,937**	–	**6,401,039**
Asset backed securities	**4,246,088**	**4,929,550**	–	**9,175,638**
Total	**21,080,446**	**6,193,487**	–	**27,273,933**

As at 31 March	2018			
	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Overdrafts	1,265,295	–	–	1,265,295
Short-term loans	10,254,514	–	–	10,254,514
Long-term loans	11,573,236	6,330,523	–	17,903,759
Asset backed securities	7,530,288	2,967,933	–	10,498,221
Total	30,623,333	9,298,456	–	39,921,789

36.3.2 Contractual maturity analysis of dues to Bank – Group

As at 31 March	2019			
	Within 1 year Rs. '000	**1-5 years Rs. '000**	**Over 5 years Rs. '000**	**Total Rs. '000**
Overdrafts	**1,274,127**	–	–	**1,274,127**
Short-term loans	**11,687,811**	–	–	**11,687,811**
Long-term loans	**4,211,827**	**4,125,923**	–	**8,337,750**
Asset backed securities	**4,246,088**	**4,929,550**	–	**9,175,638**
Total	**21,419,853**	**9,055,473**	–	**30,475,326**

As at 31 March	2018			
	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Overdrafts	1,604,473	–	–	1,604,473
Short-term loans	10,254,514	–	–	10,254,514
Long-term loans	11,993,359	7,483,827	–	19,477,186
Asset backed securities	7,530,288	2,967,933	–	10,498,221
Total	31,382,634	10,451,760	–	41,834,394

Notes to the financial statements

37 Due to customers

ACCOUNTING POLICY

Due to customers include fixed deposits and savings deposits. Subsequent to initial recognition, these are measured at their amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. The EIR amortisation is included in "interest expenses" in the Statement of Profit or Loss. Gains and losses are recognised in the Statement of Profit or Loss when the liabilities are derecognised.

As at 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Fixed deposits	**83,033,465**	65,428,595	**83,608,860**	65,072,264
Savings deposits	**5,335,191**	4,334,624	**5,314,336**	4,305,530
Total	**88,368,656**	69,763,219	**88,923,196**	69,377,794
Fair value	**87,918,010**	69,777,391	**87,486,543**	69,641,190

37.1 Contractual maturity analysis of dues to customers – Company

As at 31 March	2019			
	Within 1 year Rs. '000	**1-5 years Rs. '000**	**Over 5 years Rs. '000**	**Total Rs. '000**
Fixed deposits	**62,819,140**	**20,214,325**	**–**	**83,033,465**
Savings deposits	**5,166,435**	**49,237**	**119,519**	**5,335,191**
Total	**67,985,575**	**20,263,562**	**119,519**	**88,368,656**

As at 31 March	2018			
	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Fixed deposits	53,055,000	12,373,595	–	65,428,595
Savings deposits	4,245,137	24,378	65,109	4,334,624
Total	57,300,137	12,397,973	65,109	69,763,219

37.2 Contractual maturity analysis of dues to customers – Group

As at 31 March	2019			
	Within 1 year Rs. '000	**1-5 years Rs. '000**	**Over 5 years Rs. '000**	**Total Rs. '000**
Fixed deposits	**63,394,535**	**20,214,325**	**–**	**83,608,860**
Savings deposits	**5,145,580**	**49,237**	**119,519**	**5,314,336**
Total	**68,540,115**	**20,263,562**	**119,519**	**88,923,196**

As at 31 March	2018			
	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Fixed deposits	52,698,669	12,373,595	–	65,072,264
Savings deposits	4,216,043	24,378	65,109	4,305,530
Total	56,914,712	12,397,973	65,109	69,377,794

38 Debt securities issued

ACCOUNTING POLICY

Debt securities issued represent the funds borrowed by the Company and Group for long-term and short-term liquidity fund requirements. Subsequent to initial recognition, these are measured at their amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. The EIR amortisation is included in "interest expenses" in the Statement of Profit or Loss. Gains and losses are recognised in the Statement of Profit or Loss when the liabilities are derecognised.

As at 31 March	Note	Page No.	Company		Group	
			2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Promissory notes			**14,928**	13,032	**14,928**	13,032
Listed debentures	38.2	316	**21,260,103**	15,770,470	**21,119,112**	15,770,470
Total			**21,275,031**	15,783,502	**21,134,040**	15,783,502
Fair value			**20,824,768**	15,529,882	**20,683,777**	15,419,211

38.1 Movement of debt securities issued

As at 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Balance as at 1 April	**15,783,502**	22,083,971	**15,783,502**	21,979,956
Amount borrowed during the year	**6,000,000**	–	**5,874,220**	–
Redemption of debt securities issued	**(1,164,060)**	(6,067,727)	**(1,164,060)**	(5,967,727)
Interest expenses on debt securities issued	**2,394,127**	2,492,085	**2,378,916**	2,475,434
Interest paid on debt securities issued	**(1,738,538)**	(2,724,827)	**(1,738,538)**	(2,704,161)
Balance as at 31 March	**21,275,031**	15,783,502	**21,134,040**	15,783,502

Notes to the financial statements

38.2 Listed debentures

In 2014 the Company issued Rs. 3,000 million worth of Senior, unsecured, redeemable, AA(-) rated three year (2014/2017) and four year (2014/2018) debentures of Rs. 100.00 each. In 2015 the Company issued Rs. 6,000 million worth of senior, unsecured, redeemable, AA(-) rated four-year (2015 – 2019) and five-year (2015 – 2020) debentures of Rs. 100.00 each. In 2016 the Company issued Rs. 8,000 million worth of Senior, unsecured, redeemable, AA(-) rated three year (2016 – 2019), four-year (2016 – 2020) and five-year (2016 – 2021) debentures of Rs. 100.00 each.

						Company		Group	
As at 31 March	Face value Rs. '000	Interest rate %	Repayment term	Issued date	Maturity date	**2019 Rs. '000**	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Senior, unsecured, redeemable, AA(-) rated									
Type B	1,199,930	9.63	Annually	15-Sep-2014	14-Sep-2018	**–**	1,228,001	**–**	1,228,001
Type A	2,175,780	9.60	Semi annually	13-Nov-2015	12-Nov-2019	**2,249,381**	2,250,084	**2,249,381**	2,250,084
Type B	3,824,220	9.95	Annually	13-Nov-2015	12-Nov-2020	**3,958,778**	3,952,854	**3,958,778**	3,952,854
Type A	542,040	11.90	Semi annually	16-Nov-2016	16-Nov-2019	**564,286**	564,149	**564,286**	564,149
Type B	659,350	12.25	Semi annually	16-Nov-2016	16-Nov-2020	**686,985**	686,688	**686,985**	686,688
Type C	6,798,610	12.60	Semi annually	16-Nov-2016	16-Nov-2021	**7,093,615**	7,088,694	**7,093,615**	7,088,694
Type A	704,600	12.40	Annually	18-Apr-2018	18-Apr-2022	**783,895**	–	**783,895**	–
Type B	5,295,400	12.80	Annually	18-Apr-2018	18-Apr-2023	**5,923,163**	–	**5,782,172**	–
Total	21,199,930					**21,260,103**	15,770,470	**21,119,112**	15,770,470

38.2.1 Utilisation of funds raised via capital market

Objective as per prospectus	Amount allocated as per prospectus in Rs. '000	Proposed date of utilisation as per prospectus	Amount allocated from proceeds in Rs. '000 (A)	Percentage of total proceeds	Amounts utilised in Rs. '000 (B)	Percentage of utilisation against allocation (B/A)	Clarification if not fully-utilised including where the funds are invested
Issue of listed, senior, unsecured, redeemable, rated debentures during the year 2015/16							
The funds raised through this debenture issue will be utilised to finance working capital requirements to match the medium to long-term lending of PLC and to minimise the interest rate risk.	6,000,000	Within the next 12 months from the date of allotment	6,000,000	100	6,000,000	100	N/A
Issue of listed, senior, unsecured, redeemable, rated debentures during the year 2016/17							
The funds raised through this debenture issue will be utilised to finance the budgeted lending portfolio and working capital requirements	8,000,000	Within the next 12 months from the date of allotment	8,000,000	100	8,000,000	100	N/A
Issue of listed, senior, unsecured, redeemable, rated debentures during the year 2018/19							
The funds raised through this debenture issue utilised to repay the short-term facilities obtained to settle the debentures matured on the 26 March 2018 and for Company's working capital requirements.	6,000,000	Within the next 12 months from the date of allotment	6,000,000		6,000,000	100	N/A

Notes to the financial statements

Contractual maturity analysis of debt security – Company

As at 31 March	2019			
	Within 1 year Rs. '000	**1-5 years Rs. '000**	**Over 5 years Rs. '000**	**Total Rs. '000**
Promissory notes	**14,928**	**–**	**–**	**14,928**
Listed debentures	**4,031,808**	**17,228,295**	**–**	**21,260,103**
Total	**4,046,736**	**17,228,295**	**–**	**21,275,031**

As at 31 March	2018			
	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Promissory notes	13,032	–	–	13,032
Listed debentures	1,828,595	13,941,875	–	15,770,470
Total	1,841,627	13,941,875	–	15,783,502

Contractual maturity analysis of debt security – Group

As at 31 March	2019			
	Within 1 year Rs. '000	**1-5 years Rs. '000**	**Over 5 years Rs. '000**	**Total Rs. '000**
Promissory notes	**14,928**	**–**	**–**	**14,928**
Listed debentures	**4,031,808**	**17,087,304**	**–**	**21,119,112**
Total	**4,046,736**	**17,087,304**	**–**	**21,134,040**

As at 31 March	2018			
	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Promissory notes	13,032	–	–	13,032
Listed debentures	1,828,595	13,941,875	–	15,770,470
Total	1,841,627	13,941,875	–	15,783,502

Notes to the financial statements

39 Other financial liabilities

ACCOUNTING POLICY

Other financial liabilities include amounts payable to suppliers, insurance payable, dividend payable and other payables.

Dividends payable

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are recommended by and declared by the Board of Directors and approved by the shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Group.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date in accordance with the Sri Lanka Accounting Standard – LKAS 10 – "Events after the reporting period".

Withholding tax on dividends, distributed by the Company and subsidiaries

Withholding tax that arises from the distribution of dividends by the Company is recognised at the time the liability to pay the related dividend is recognised. Withholding tax on dividends distributed by the subsidiaries and associates dividends received by the Group from its subsidiaries and associates, have attracted a 14% deduction at source in year 2019 (10% – 2018).

	Company		Group	
As at 31 March	**2019 Rs. '000**	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Amount payable to suppliers	**1,650,408**	2,302,981	**1,804,026**	2,515,858
Insurance payable	**605,843**	653,743	**–**	36,540
Dividend payable	**21,788**	17,275	**21,788**	17,275
Other payables	**202,338**	1,671,819	**639,122**	1,903,879
Total	**2,480,377**	4,645,818	**2,464,936**	4,473,552

40 Insurance liabilities and reinsurance payable

ACCOUNTING POLICY

Provision for net unearned premium

Provision for unearned premiums represents premiums received for risks that have not yet expired. Generally, the reserve is released over the term of the contract and is recognised as premium income. At each reporting date, the Group reviews its unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non-life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums is inadequate, the deficiency is recognised in the Statement of Profit or Loss by setting up a provision for liability adequacy.

As required by SLFRS 4 – "Insurance Contracts", the Group performs a liability adequacy test (LAT) in respect of non-life contract liabilities with the assistance of an external actuary.

Provision for gross outstanding claims

Non-life insurance contract liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are known as the outstanding claims provision, which are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries.

The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

Notes to the financial statements

Provision for gross incurred but not reported claims

Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation.

For non-life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form the majority of the liability in the Statement of Financial Position.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder Method, Bornheutter-Ferguson Method and Frequency/Severity Method.

The main assumption underlying these techniques is that a company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based.

Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (for example to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Similar judgements, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium.

Insurance contract liabilities

Non-life insurance contract liabilities

Non-life insurance contract liabilities are recognised when contracts are entered and premiums are charged. These liabilities are known as the outstanding claims provision, which are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contract expires, is discharged or is canceled.

The provision for unearned premiums represents premiums received for risks that have not yet expired. Generally, the reserve is released over the term of the contract and is recognised as premium income. At each reporting date, the Group reviews its unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non-life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums is inadequate, the deficiency is recognised in the Statement of Income by setting up a provision for liability adequacy.

Derecognition of insurance payable

Insurance payables are derecognised when the obligation under the liability is discharged, cancelled or expired.

Unexpired risk reserve

The calculation of premium liability requires a comparison between the Company's held unearned premium reserves less deferred acquisition cost with the expected amount decided based on the significant management judgment. In estimating the unexpired risk liability, assumptions are made on the expected net claim ratio for each of business and claim management expenses incurred whilst these policies remain exposed for claims.

Notes to the financial statements

Non-life insurance contract liabilities

For non-life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson Methods and Frequency/Severity Method.

The main assumption underlying these techniques is that a company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident periods and significant business lines, but can also be further analysed by geographical area and claim types. Large claims may be separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based.

Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (for example to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Similar judgements, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium. Judgement is also required in determining whether the pattern of insurance service provided by a contract requires amortisation of unearned premium on a basis other than time apportionment.

All general insurance contracts are subject to a liability adequacy test (LAT). The LAT was carried out by M/s NMG Financial Services Consulting Pte Limited, Singapore.

Reinsurance liabilities represent balances due to insurance companies. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expired or when the contract is transferred to another party.

			Company		Group	
As at 31 March	Note	Page No.	**2019 Rs. '000**	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Insurance liabilities	40.1	320	–	–	**4,799,808**	3,982,469
Reinsurance payables			–	–	**81,065**	72,117
Total			–	–	**4,880,873**	4,054,586

40.1 Insurance liabilities

	Company		Group	
As at 31 March	**2019 Rs. '000**	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Outstanding claims provision	–	–	**1,353,366**	1,491,902
Provision for unearned premiums (net)	–	–	**3,446,442**	2,490,567
Total	–	–	**4,799,808**	3,982,469

Financial reports

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41 Current tax liabilities

ACCOUNTING POLICY

The Group and the Company is subject to income taxes and other taxes including VAT and NBT on financial services. Significant judgement is required to determine the total provision for current, deferred and other taxes. Uncertainties exist, with respect to the interpretation of the applicability of tax laws, at the time of the preparation of these Financial Statements.

The Group and the Company recognised assets and liabilities for current, deferred and other taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters are different from the amounts that were initially recorded, such differences will impact the income tax, deferred tax amounts in the period in which the determination is made.

			Company		Group	
As at 31 March	Note	Page No.	**2019 Rs. '000**	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Income tax payables/(receivables)	41.1	321	**2,238,257**	(89,849)	**2,323,647**	62,673
Total			**2,238,257**	(89,849)	**2,323,647**	62,673

41.1 Current tax liabilities/(receivables)

	Company		Group	
As at 31 March	**2019 Rs. '000**	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Balance as at 1 April	**(89,849)**	289,978	**62,673**	337,291
Provision for the year	**3,442,009**	1,205,168	**3,601,824**	1,380,894
Under/(over) provision in respect of previous year	**(90,583)**	(104,122)	**(90,046)**	(104,256)
Payment of income tax	**(805,705)**	(1,113,050)	**(907,945)**	(1,174,927)
Tax credits				
Notional tax credit	**–**	(55,495)	**–**	(57,342)
WHT/Other credit	**(21,552)**	(34,559)	**(106,898)**	(36,637)
Economic service charge	**(196,063)**	(277,769)	**(235,961)**	(282,350)
Balance as at 31 March	**2,238,257**	(89,849)	**2,323,647**	62,673

Notional tax credit for withholding tax on Government securities

As per Section 137 of the Inland Revenue Act No. 10 of 2006 and amendments thereto, a company engaged in secondary market transactions involving Government securities, Treasury Bills and Treasury Bonds on which income tax had been deducted at 10% per annum at the time of issue of such securities, is entitled to a notional tax credit of one-ninth of net interest income earned from such secondary market transactions. As per the Inland Revenue Act No. 24 of 2017, the Company will not be entitled to accrue notional tax credit with effect from 1 April 2018.

Economic service charge (ESC)

As per the provisions of the economic service charge (ESC) Act No. 13 of 2006, and subsequent amendments thereto, the ESC is payable at 0.5% on "exempt turnover" and is deductible from the income tax payments. Unclaimed ESC, if any, can be carried forward and set-off against the income tax payable in the three subsequent years.

Withholding tax (WHT) on fixed deposits and savings accounts

As per Section 137 of the Inland Revenue Act No. 10 of 2006 and amendments thereto, a company made fixed deposit and savings accounts interest income on which WHT had been deducted at 10% per annum at the time of payment or credited to the account. This tax deduction can be claimed as tax credit to the income tax payments. As per Section 84 of the Inland Revenue Act No. 24 of 2017, WHT on interest or discount paid to a person rate was reduced to 5% with effect from 1 April 2018.

Notes to the financial statements

42 Deferred tax liabilities/(Assets)

ACCOUNTING POLICY

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax relating to items recognised directly in equity are also recognised in equity and not in the Statement of Profit or Loss.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

			Company		Group	
As at 31 March	Note	Page No.	**2019 Rs. '000**	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Recognised under assets			**–**	–	**(47,584)**	(28,155)
Recognised under liabilities			**837,179**	2,275,868	**1,141,973**	2,338,807
	42.1	323	**837,179**	2,275,868	**1,094,389**	2,310,652

Net deferred tax assets/liabilities of one entity cannot be set off against another entity's assets/liabilities since there is no legally enforceable right to set off. Therefore, net deferred tax assets and liabilities of different entities are separately recognised in the Statement of Financial Position.

42.1 Movement in deferred tax

As at 31 March	Company 2019 Rs. '000	Company 2018 Rs. '000	Group 2019 Rs. '000	Group 2018 Rs. '000
Balance as at 1 April	**2,275,868**	1,923,171	**2,310,652**	1,949,294
Deferred tax on transitional adjustment	**(250,729)**	–	**(266,494)**	–
Charge/(reversal) for the year	**(1,182,290)**	359,296	**(935,741)**	367,981
Deferred tax charge relating to components of Statement of Comprehensive Income	**(5,670)**	(6,599)	**(14,028)**	(6,623)
Balance as at 31 March	**837,179**	2,275,868	**1,094,389**	2,310,652

As at 31 March 2019	Company					Group				
	Deferred tax assets Rs. '000	Deferred tax liabilities Rs. '000	Statement of Profit or Loss Rs. '000	Statement of Comprehensive Income Rs. '000	Statement of Changes in Equity Rs. '000	Deferred tax assets Rs. '000	Deferred tax liabilities Rs. '000	Statement of Profit or Loss Rs. '000	Statement of Comprehensive Income Rs. '000	Statement of Changes in Equity Rs. '000
Retirement benefit obligation	137,884	–	(22,160)	(5,670)	–	140,042	–	(6,583)	14,028	–
Carry forward tax losses	–	–	–	–	–	13,385	–	13,238	–	–
Impairment allowances for loans and receivables	868,209	5,945	(430,436)	–	–	903,724	5,945	(444,376)	–	–
Deferred tax on transitional adjustment	250,729	–	–	–	250,729	266,494	–	–	–	266,494
Accelerated depreciation allowance for tax purpose (Lease)	–	2,083,511	(635,299)	–	–	–	2,083,511	(635,299)	–	–
Accelerated depreciation allowance for tax purpose (PPE)	–	4,545	(76,684)	–	–	–	119,997	(53,591)	–	–
Fair value gains/losses – freehold buildings	–	–	–	–	–	–	–	(17,711)	–	–
Fair value gains/losses – investment property	–	–	(17,711)	–	–	42,155	250,736	208,581	–	–
Total	1,256,822	2,094,001	(1,182,290)	(5,670)	250,729	1,365,800	2,460,189	(935,741)	14,028	266,494
Deferred tax effect on profit or loss and other comprehensive income for the year			(1,182,290)	(5,670)				(935,741)	14,028	
Recognised under equity					250,729					266,494
Recognised under assets		–					(47,584)			
Recognised under liabilities		837,179					1,141,973			
Net deferred tax liability as at 31 March		837,179					1,094,389			

Notes to the financial statements

As at 31 March 2018	Company					Group				
	Deferred tax assets Rs. '000	Deferred tax liabilities Rs. '000	Statement of Profit or Loss Rs. '000	Statement of Comprehensive Income Rs. '000	Statement of Changes in Equity Rs. '000	Deferred tax assets Rs. '000	Deferred tax liabilities Rs. '000	Statement of Profit or Loss Rs. '000	Statement of Comprehensive Income Rs. '000	Statement of Changes in Equity Rs. '000
Retirement benefit obligation	110,053	–	(17,960)	6,599	–	119,430	–	(17,375)	6,623	–
Carry forward tax losses	–	–	–	–	–	26,623	–	–	–	–
Impairment allowances for loans and receivables	590,080	158,251	(454,747)	–	–	611,655	158,251	(453,549)	–	–
Accelerated depreciation allowance for tax purpose (Lease)	–	2,718,810	835,671	–	–	–	2,718,810	835,671	–	–
Accelerated depreciation allowance for tax purpose (PPE)	–	81,229	(21,379)	–	–	–	173,588	(14,477)	–	–
Fair value gains/losses – freehold buildings	–	17,711	17,711	–	–	–	17,711	17,711	–	–
Total	700,133	2,976,001	359,296	6,599	–	757,708	3,068,360	367,981	6,623	–
Deferred tax effect on profit or loss and other comprehensive income for the year		–	359,296	6,599				367,981	6,623	
Recognised under assets		–					(28,155)			
Recognised under liabilities		2,275,868					2,338,807			
Net deferred tax liability as at 31 March		2,275,868					2,310,652			

Deferred tax assets/liabilities have been calculated at the rate specific to each company.

43 Other liabilities

ACCOUNTING POLICY

Other liabilities include VAT on financial services payable, retirement benefit obligation, value added tax (VAT) payable, debt repayment levy payable, other tax payables and other payables. These liabilities are recorded at amounts expected to be payable at the reporting date.

Employee benefits

Retirement benefit obligation – Gratuity

The Group/Company measures the present value of the promised retirement benefits for gratuity, which is a retirement benefit plan with the advice of an independent professional actuary using the 'Projected Unit Credit method' (PUC) as required by the Sri Lanka Accounting Standard – LKAS 19 – "Employee Benefits".

Recognition of actuarial gains and losses

The Group/Company recognises the total actuarial gains and losses that arise in calculating the Company's obligation in respect of the plan in Statement of Comprehensive Income during the period in which it occurs.

Funding arrangements

The gratuity liability is not externally funded.

Notes to the financial statements

Defined contribution plans – employees' provident fund and defined contribution plans – employees' trust fund

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods as defined in the Sri Lanka Accounting Standard – LKAS 19 – "Employee Benefits".

The contribution payable to a defined contribution plan is in proportion to the services rendered to the Company by the employees and is recorded as an expense when they become due. Unpaid contributions are recorded as a liability.

The Group/Company and employees contribute to the Employees' Provident Fund managed by the Central Bank of Sri Lanka at 12% and 8% respectively on the gross salary of each employee.

The Group/Company contributes to the Employees' Trust Fund at 3% on the gross salary of each employee.

Retirement benefit obligation

The cost of the retirement benefit obligation is determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future gratuity increases. Due to the long-term nature of such obligation, these estimates are subjected to significant uncertainty. All assumptions are reviewed at each reporting date.

			Company		Group	
As at 31 March	Note	Page No.	**2019 Rs. '000**	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Vat on financial services payable			**259,787**	192,287	**262,007**	193,128
Debt repayment levy payable			**110,055**	–	**110,055**	–
Value added tax (VAT) payable			**11,922**	24,524	**40,977**	55,129
WHT payable			**32,349**	19,376	**52,857**	27,626
NBT payable			**20,008**	24,123	**31,912**	34,687
Crop insurance levy payable			**10,970**	10,220	**10,970**	10,220
Retirement benefit obligation	43.1	325	**492,444**	393,048	**536,753**	423,788
Amount payable to customers			**161,210**	255,774	**162,060**	257,180
Stamp duty payable			**50,135**	69,397	**52,011**	70,975
Other payable			**315,609**	281,827	**347,084**	303,718
Total			**1,464,489**	1,270,576	**1,606,686**	1,376,451

43.1 Retirement benefit obligation

			Company		Group	
As at 31 March	Note	Page No.	**2019 Rs. '000**	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Balance as at 1 April			**393,048**	305,339	**423,788**	327,278
Amount recognised in Statement of Profit or Loss	43.1.2	326	**90,594**	83,710	**101,335**	93,186
Actuarial (gain)/loss recognised in OCI	43.1.3	326	**17,909**	23,554	**20,872**	24,936
Benefits paid during the year			**(9,107)**	(19,555)	**(9,242)**	(21,612)
Balance as at 31 March			**492,444**	393,048	**536,753**	423,788

Notes to the financial statements

43.1.2 Amount recognised in statement of profit or loss

As at 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Current service cost	50,109	44,627	65,570	54,481
Net interest on the net defined benefit liability	40,485	39,083	35,765	38,705
Total amount recognised in Statement of Profit or Loss	90,594	83,710	101,335	93,186

43.1.3 Actuarial loss recognised in Statement of Comprehensive Income

As at 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Losses/(Gains) due to changes in assumptions	14,034	35,188	15,268	36,570
Experience losses/(gains) arising during the year	3,875	(11,634)	5,604	(11,634)
Total actuarial losses recognised in Statement of Comprehensive Income	17,909	23,554	20,872	24,936

An actuarial valuation of the retirement benefit obligations was carried out as at 31 March 2019 by Messrs Smiles Global (Private) Limited, a firm of professional actuaries. The valuation method used by the actuaries to value the liability is the Projected Unit Credit (PUC), the method recommended by the Sri Lanka Accounting Standard – LKAS 19 – "Employee Benefits".

As at 31 March	Company/Group	
	2019	2018
Actuarial assumptions		
Discount rate	11.00%	10.30%
Future salary increment rate	10.00%	9.00%
Mortality	A1967/70 ultimate mortality	A1967/70 ultimate mortality
Disability	Standard RI rates	Standard RI rates
Retirement age	55 years	55 years

Expected average working life of the active participants is 8.67 years for the year ended 31 March 2019. (10.38 – 2018).

43.1.4 Sensitivity of assumptions employed in actuarial valuation

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measures.

The sensitivity of the Statement of Comprehensive Income and the Statement of Financial Position is the effect of the assumed changes in discount rate and salary increment rate on the employment benefit obligation for the year.

	%	2019 Statement of Comprehensive Income increase/(reduction) in results for the year Rs. '000	2019 Effect on employee benefit obligation increase/(reduction) in the liability Rs. '000	2018 Statement of Comprehensive Income increase/(reduction) in results for the year Rs. '000	2018 Effect on employee benefit obligation increase/(reduction) in the liability Rs. '000
Increase/(decrease) in discount rate	1	**27,381**	**(27,381)**	24,854	(24,854)
	-1	**(30,587)**	**30,587**	(28,053)	28,053
Increase/(decrease) in salary increment	1	**(31,675)**	**31,675**	(28,694)	28,694
	-1	**28,831**	**(28,831)**	25,844	(25,844)

43.1.5 Analysis of retirement benefit obligation by maturity profile

Following note analysed the defined benefit obligation by expected future working life time of each individual employee. The expected future working life considers the probability of an exit due to withdrawal, death or disability prior to retirement date.

As at 31 March	Company 2019 Rs. '000	Company 2018 Rs. '000	Group 2019 Rs. '000	Group 2018 Rs. '000
Within the next 12 months	**31,932**	15,541	**35,840**	18,073
Between 1-5 years	**50,535**	39,417	**60,683**	49,467
Beyond 5 years	**409,977**	338,090	**440,230**	356,248
Total	**492,444**	393,048	**536,753**	423,788

44 Stated capital

As at 31 March	Company/Group 2019 Number	Company/Group 2019 Rs. '000	Company/Group 2018 Number	Company/Group 2018 Rs. '000
Balance as at 1 April	**1,579,862,482**	**13,236,073**	1,579,862,482	13,236,073
Balance as at 31 March	**1,579,862,482**	**13,236,073**	1,579,862,482	13,236,073

Rights, preferences and restrictions of classes of capital

The ordinary shares of the Company are quoted in the Colombo Stock Exchange. The holders of ordinary shares have the right to receive dividend as declared from time to time and are entitled to one vote per share at the Annual General Meeting of the Company.

Capital management

The primary objectives of the Company's capital management policy are to ensure that the Company complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholder value.

The Company manages its capital structure and makes adjustments to it according to changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities.

Regulatory capital

As at 31 March	2019		2018	
	Actual	**Required**	Actual	Required
Tier 1 capital/core capital (Rs. '000)	**26,517,785**	**1,500,000**	26,515,110	1,000,000
Tier 1 capital ratio/core capital ratio (%)	**14.36**	**6.00**	18.38	5.00
Total capital ratio/total risk weighted capital ratio (%)	**15.20**	**10.00**	16.46	10.00

Central Bank of Sri Lanka introduced Finance Business Act Directions No. 3 of 2018 with effect from 1 July 2018 and accordingly regulatory capital consists of Tier 1 capital, which comprises stated capital, statutory reserved fund, retained earnings including current year profit, general and other reserves less goodwill, other intangible assets, other comprehensive income losses, shortfall of the cumulative impairment to total provisions and interest in suspense and 50% of investment in banking and financial companies. Prior to the introduction of the said direction regulatory capital governed by Finance Companies (risk weighted capital adequacy ratio) Direction No. 02 of 2016, consists of core capital, which comprises stated capital, statutory reserved fund, retained earnings including current year profit, general and other reserves less goodwill.

45 Statutory reserve fund

As at 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Balance as at 1 April	**1,837,413**	1,621,946	**1,837,413**	1,621,946
Transfer during the year	**220,806**	215,467	**233,254**	215,467
Balance as at 31 March	**2,058,219**	1,837,413	**2,070,667**	1,837,413

"Statutory reserve fund" has been created during the year 2007 in accordance with the finance companies (capital funds) Direction No. 1 of 2003 issued by Central Bank of Sri Lanka. Accordingly 5% of the net profit for the period is transferred to the statutory reserve fund during the financial year.

46 Retained earnings

As at 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Balance as at 1 April	**11,502,165**	9,400,084	**13,167,172**	10,560,834
Recognition of SLFRS 9 expected credit loss those measured at amortised cost	**(1,006,640)**	–	**(1,066,686)**	–
Deferred tax on transitional adjustment	**250,729**	–	**266,494**	–
Capital gain tax	**–**	–	**(167,949)**	–
Profit for the year	**4,416,121**	4,309,330	**4,813,578**	4,816,920
Comprehensive income	**(4,937)**	(16,955)	**(6,104)**	(20,288)
Transfers to reserves	**(220,806)**	(215,467)	**(233,254)**	(215,467)
Transfers from reserves	**400,000**	–	**400,000**	–
Dividend paid	**(1,974,827)**	(1,974,827)	**(1,974,827)**	(1,974,827)
Balance as at 31 March	**13,361,805**	11,502,165	**15,198,424**	13,167,172

47 Other reserves

Equity reserves

The reserves recorded in equity (Statement of Comprehensive Income) on the Statement of Financial Position include:

- "Available-for-sale" reserve, which comprises changes in fair value of available-for-sale financial assets (Refer Note 47.3).
- The fair value reserve comprises the cumulative net change in fair value of financial assets measured at fair value through other comprehensive income (Refer Note 47.4).
- "General reserve" represents the amounts set aside by the Directors for general application. The purpose of setting up the General reserve is to meet the potential future unknown liabilities.
- "Tax equalisation reserve" comprises an amount set aside by the Directors to meet any tax liabilities that may arise in the future.
- "Revaluation reserve" relates to revaluation adjustment of investment property transferred from property, plant and equipment.
- Foreign currency translation reserve

  As at the reporting date, the assets and liabilities of the Lankan Alliance Finance Limited a subsidiary of the Company was translated into the presentation currency (Sri Lankan Rupee) at the exchange rate ruling at the reporting date and the Statement of Profit or Loss and Statement of Other Comprehensive Income was translated at the average exchange rate for the period. The exchange differences arising on the translation of these Financial Statement is taken to foreign currency translation reserve through Statement of Other Comprehensive Income (Refer Note 47.5).

47.1 Current year 2019

			Company			Group		
	Note	Page No.	Opening balance as at 1 April 2018 Rs. '000	Movement/ transfers Rs. '000	**Closing balance as at 31 March 2019 Rs. '000**	Opening balance as at 1 April 2018 Rs. '000	Movement/ transfers Rs. '000	**Closing balance as at 31 March 2019 Rs. '000**
General reserve			300,000	(300,000)	–	300,000	(300,000)	–
Tax equalisation reserve			100,000	(100,000)	–	100,000	(100,000)	–
Available-for-sale reserve	47.3	330	46,869	(46,869)	–	45,585	(45,585)	–
Fair value reserve	47.4	330		(52,742)	**(52,742)**		(54,705)	**(54,705)**
Revaluation reserve			7,302	(7,302)	–	–	–	–
Foreign currency translation reserve	47.5	330	–	–	–	2,828	259,151	**261,979**
Total			454,171	(506,913)	**(52,742)**	448,413	(241,139)	**207,274**

47.2 Previous year 2018

			Company			Group		
	Note	Page No.	Opening balance as at 1 April 2017 Rs. '000	Movement/ transfers Rs. '000	Closing balance as at 31 March 2018 Rs. '000	Opening balance as at 1 April 2017 Rs. '000	Movement/ transfers Rs. '000	Closing balance as at 31 March 2018 Rs. '000
General reserve			300,000	–	300,000	300,000	–	300,000
Tax equalisation reserve			100,000	–	100,000	100,000	–	100,000
Available-for-sale reserve	47.3	330	31,009	15,860	46,869	20,078	25,507	45,585
Cash flow hedge reserve			879	(879)	–	879	(879)	–
Revaluation reserve			7,302	–	7,302	–	–	–
Foreign currency translation reserve	47.5	330	–	–	–	–	2,828	2,828
Total			439,190	14,981	454,171	420,957	27,456	448,413

Notes to the financial statements

47.3 Available-for-sale reserve

The available-for-sale reserve is comprised of the cumulative net change in fair value of financial investments available for sale until such investments are derecognised or impaired.

As at 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Balance as at 1 April	**46,869**	31,009	**45,585**	20,078
Impact of adopting SLFRS 9	**(46,869)**	–	**(45,585)**	–
Balance as at 1 April – Adjusted	–	31,009	–	20,078
Net fair value gains/(losses) on remeasuring financial investments available for sale	–	15,860	–	25,507
Balance as at 31 March	–	46,869	–	45,585

47.4 Fair value reserve

The fair value reserve comprises the cumulative net change in fair value of financial assets measured at fair value through other comprehensive income until such investments are derecognised or impaired.

As at 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Balance as at 1 April	–	–	–	–
Impact of adopting SLFRS 9	**46,869**	–	**45,585**	–
Balance as at 1 April – Adjusted	**46,869**	–	**45,585**	–
Net fair value gains/(losses) on remeasuring financial investments	**(99,611)**	–	**(100,290)**	–
Balance as at 31 March	**(52,742)**	–	**(54,705)**	–

47.5 Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the Financial Statements of foreign subsidiary.

As at 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Balance as at 1 April	–	–	**2,828**	–
Net gains/(losses) arising from translating the Financial Statements	–	–	**259,151**	2,828
Balance as at 31 March	–	–	**261,979**	2,828

48 Non-controlling interest

Non-controlling interest are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.
Non-controlling interest represents 25% of net assets of the Subsidiary, People's Insurance PLC and 49% of net assets of the subsidiary, Lankan Alliance Finance Limited.

Notes to the financial statements

As at 31 March	Group 2019 Rs. '000	Group 2018 Rs. '000
Balance as at 1 April	**2,165,070**	1,084,969
Acquisition of a subsidiary with non-controlling interest	**–**	989,833
Profit for the year	**197,690**	200,793
Other comprehensive income	**(740)**	1,975
Dividend paid for the year	**(92,500)**	(112,500)
Balance as at 31 March	**2,269,520**	2,165,070

49 Non-cash items included in profit before tax

As at 31 March	Note	Page No.	Company 2019 Rs. '000	Company 2018 Rs. '000	Group 2019 Rs. '000	Group 2018 Rs. '000
Depreciation of property, plant and equipment	13	251	**166,006**	178,905	**286,193**	278,342
Depreciation of leasehold assets	13	251	**3,066**	3,066	**3,066**	3,066
Amortisation of intangible assets	13	251	**10,535**	10,535	**13,101**	12,827
Impairment of goodwill	33	308	**19,580**	–	**19,580**	–
Impairment losses of loans and receivables	11	248	**1,721,779**	1,592,256	**1,828,091**	1,632,347
Impairment losses of investments in associate	30	299	**348,794**	–	**152,572**	–
Charge for retirement benefit obligation	12	251	**90,594**	83,710	**101,335**	93,186
Gain/(Loss) on sale of property, plant and equipment	10	247	**(19,645)**	(20,162)	**(26,625)**	(20,162)
Net trading income from sale of vehicles			**(2,704)**	(2,858)	**(3,575)**	(2,858)
Net gain/(loss) on financial assets – Held for trading	9	247	**27,887**	(18,987)	**44,351**	(59,910)
Fair value gain on investment property			**–**	(33,600)	**–**	(311,422)
Gain/(Loss) on sale of investment properties	10	247	**(6,980)**	–	**(6,980)**	–
Grossed-up notional tax and with holding tax credit			**–**	(90,058)	**–**	(90,136)
Total			**2,358,912**	1,702,807	**2,411,109**	1,535,280

50 Change in operating assets

As at 31 March	Company 2019 Rs. '000	Company 2018 Rs. '000	Group 2019 Rs. '000	Group 2018 Rs. '000
Net (increase)/decrease in other balances with bank and financial institutions	**965,940**	(2,280,484)	**1,383,292**	(2,948,699)
Net (increase)/decrease in financial assets – FVTPL/Held for trading	**123,659**	45,466	**198,748**	273,726
Net (increase)/decrease in loans and receivables	**(14,268,180)**	(7,700,133)	**(17,931,962)**	(8,071,193)
Net (increase)/decrease in derivative financial instrument	**–**	(9,242)	**–**	(9,242)
Net (increase)/decrease in insurance and reinsurance receivables	**–**	–	**(478,708)**	(139,164)
Net (increase)/decrease in financial assets – FVOCI/Available for sale	**(6,130)**	72,431	**(6,809)**	900,944
Net (increase)/decrease in debt instrument at amortised cost	**(3,112,984)**	(1,831,541)	**(3,077,982)**	(2,955,787)
Net (increase)/decrease in other assets	**(49,000)**	14,972	**120,886**	(358,830)
Total	**(16,346,695)**	(11,688,531)	**(19,792,535)**	(13,308,245)

Notes to the financial statements

51 Change in operating liabilities

As at 31 March	Company 2019 Rs. '000	Company 2018 Rs. '000	Group 2019 Rs. '000	Group 2018 Rs. '000
Net increase/(decrease) in due to customers	**18,605,437**	25,040,667	**19,545,402**	24,912,226
Net increase/(decrease) in other financial liabilities	**(2,160,928)**	1,922,896	**(2,004,103)**	1,850,922
Net increase/(decrease) in insurance and reinsurance payables	–	–	**826,287**	517,476
Net increase/(decrease) in other liabilities	**1,142,196**	(1,017,511)	**1,306,814**	(1,082,794)
Total	**17,586,705**	25,946,052	**19,674,400**	26,197,830

52 Contingent liabilities and commitments

Commitments and contingencies

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be readily measured as defined in the Sri Lanka Accounting Standard – LKAS 37 – "Provisions, Contingent Liabilities and Contingent Assets". Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless its occurrence is remote.

Legal claims

Litigation is a common occurrence in the finance industry due to the nature of the business undertaken. The Company and Group have formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Company and Group makes adjustments to account for any adverse effects which the claims may have on its financial standing. At the reporting date the Company and Group had several unresolved legal claims. The significant unresolved legal claims against the Company and Group for which legal advisor of the Company advised as the loss is possible, but not probable, that the action will succeed. Accordingly, no provision for any claims has been made in these Financial Statements.

Contingent liabilities, commitments of other group entities

The Company's/Group's share of any contingencies and capital commitments of a subsidiary and an associate for which the Company is also liable severally or otherwise is included with appropriate disclosures.

Provisions for liabilities and contingencies

The Company/Group receives legal claims against it in the normal course of business. Management has made judgements as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depend on the due process in respective legal jurisdictions.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies other than those stated above that have significant effects on the amounts recognised in the Financial Statements are described as follows:

As at 31 March	Note	Page No.	Company 2019 Rs. '000	Company 2018 Rs. '000	Group 2019 Rs. '000	Group 2018 Rs. '000
Contingent liabilities	52.1	333	**514,014**	757,492	**514,150**	757,492
Commitments	52.2	333	**7,261,850**	6,713,383	**7,274,558**	6,865,872
Total			**7,775,864**	7,470,875	**7,788,708**	7,623,364

52.1 Contingent liabilities

In the normal course of business, the Group and Company makes various irrecoverable commitments and incur certain contingent liabilities with legal recourse to its customers and would be a party to litigation due to its operations. Even though these obligations may not be recognised in the Statement of Financial Position, they do contain operational risk and therefore form a part of the overall risk profile of the Group and Company. However, no material losses are anticipated as a result of these transactions.

As at 31 March	Note	Page No.	Company 2019 Rs. '000	Company 2018 Rs. '000	Group 2019 Rs. '000	Group 2018 Rs. '000
Accidents of leased out vehicles			**115,051**	149,387	**115,187**	149,387
Guarantees – Related parties			**300,000**	550,000	**300,000**	550,000
Guarantees – Others			**31,025**	32,977	**31,025**	32,977
Assessment received from inland revenue department	52.1.1	333	**67,938**	-	**67,938**	-
Pending bill retirements			–	25,128	–	25,128
Total			**514,014**	757,492	**514,150**	757,492

52.1.1 Assessment received from Inland Revenue Department

The assessment received by the Company from the Inland Revenue Department for Year of Assessment 2010/11 is Rs. 67,937,854/- (VATFS/BFSU/2014/579 and 580)

This assessment is being contested by the Company reasonable grounds. The tax consultants appearing for and on behalf of the Company

52.2 Commitments

The Group/Company has commitments for acquisition of property, plant and equipment, intangible assets and unutilised facilities incidental to the ordinary course of business as at 31 March as follows:

As at 31 March	Company 2019 Rs. '000	Company 2018 Rs. '000	Group 2019 Rs. '000	Group 2018 Rs. '000
Capital commitments				
Approved and contracted for	–	–	**12,708**	118,198
Approved but not contracted for	**1,125,000**	978,300	**1,125,000**	1,012,591
Subtotal	**1,125,000**	978,300	**1,137,708**	1,130,789
Unutilised facilities				
Margin trading	**1,631,356**	2,313,773	**1,631,356**	2,313,773
Fast track	**3,760,438**	3,083,975	**3,760,438**	3,083,975
Factoring	**745,056**	337,335	**745,056**	337,335
Subtotal	**6,136,850**	5,735,083	**6,136,850**	5,735,083
Total	**7,261,850**	6,713,383	**7,274,558**	6,865,872

Litigation against the Company

Litigation is a common occurrence in the finance industry due to the nature of the business undertaken. The Company has formal controls and policies for managing legal claims. Pending legal claims where the Company had already made provisions for possible losses in its Financial Statements or has a reasonable security to cover the damages are not included below as the Company does not expect cash outflows from such claims.

As of the date of the Statement of Financial Position, thirty two (32) clients have filed cases against the Company. The Company's legal counsel is of the opinion that litigation which is currently pending will not have a material impact on the reported financial results or future operations of the Company.

Notes to the financial statements

53 Net assets value per ordinary share

	Company		Group	
As at 31 March	**2019**	2018	**2019**	2018
Total equity attributable to equity to equity holders of the Company (Rs. '000)	**28,603,355**	27,029,822	**32,981,958**	30,854,141
Total number of shares	**1,579,862,482**	1,579,862,482	**1,579,862,482**	1,579,862,482
Net assets value per share (Rs.)	**18.10**	17.11	**20.88**	19.53

54 Comparative information

ACCOUNTING POLICY

The accounting policies have been consistently applied by the Company and the Group with those of the previous financial year in accordance with the Sri Lanka Accounting Standard – LKAS 01 – "Presentation of Financial Statements". Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period in the Financial Statements in order to enhance the understanding of the current period's Financial Statements and to enhance the inter period comparability. The presentation and classification of the Financial Statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

	Company			Group		
	As disclosed previously Rs. '000	Current presentation Rs. '000	Adjustment Rs. '000	As disclosed previously Rs. '000	Current presentation Rs. '000	Adjustment Rs. '000
Statement of profit or loss						
Fee and commission income	1,182,573	1,378,361	195,788	685,836	819,727	133,891
Other operating income	663,339	501,054	(162,285)	729,853	629,465	(100,388)
Personnel expenses	2,574,976	2,974,253	(399,277)	2,992,363	3,391,640	(399,277)
Impairment charges for loans and receivables and other losses	1,592,256	1,429,971	162,285	1,632,347	1,470,062	162,285
Other operating expenses	2,639,844	2,436,355	203,489	2,746,975	2,543,486	203,489

Rent income from investment property of Rs. 61,896,648, included in fee and commission income reclassified to other operating income in the Group.

Recovery of VAT and NBT on other income of Rs. 195,787,709, included in fee and commission income and cost included in the other operating expenses which were liable for the PAYE calculation of Rs. 399,276,925, reclassified to other operating expenses.
Recovery of written-off debts of Rs. 162,285,490, included in other operating income reclassified to impairment charges for loans and receivables.

Recovery of VAT and NBT on other income included in fee and commission income and cost included in the other operating expenses which were liable for the PAYE calculation reclassified to other operating expenses.

Notes to the financial statements

As at 31 March	Company			Group		
	As disclosed previously Rs. '000	Current presentation Rs. '000	Adjustment Rs. '000	As disclosed previously Rs. '000	Current presentation Rs. '000	Adjustment Rs. '000
Statement of financial position						
Loans and receivables	140,962,936	140,165,437	797,499	142,712,576	141,915,077	797,499
Other liabilities	2,068,075	1,270,576	797,499	2,173,950	1,376,451	797,499

Overpayment included in other liabilities reclassified to loans and receivables.

As at 31 March	Company			Group		
	As disclosed previously Rs. '000	Current presentation Rs. '000	Adjustment Rs. '000	As disclosed previously Rs. '000	Current presentation Rs. '000	Adjustment Rs. '000
Due to banks	29,423,568	39,921,789	(10,498,221)	31,336,173	41,834,394	(10,498,221)
Debt securities issued	26,281,723	15,783,502	10,498,221	26,281,723	15,783,502	10,498,221

Asset back securities included in debt securities issued reclassified to due to banks.

As at 31 March	Company			Group		
	As disclosed previously Rs. '000	Current presentation Rs. '000	Adjustment Rs. '000	As disclosed previously Rs. '000	Current presentation Rs. '000	Adjustment Rs. '000
Cash and cash equivalents	4,414,083	4,412,683	1,400	4,766,920	4,765,518	1,402
Other assets	832,219	833,619	(1,400)	1,299,753	1,301,155	(1,402)

Stamp imprest included in cash and cash equivalents reclassified to other assets.

Notes to the financial statements

55 Current/non-current analysis

	Company					
	2019			2018		
	Within 12 months Rs. '000	After 12 months Rs. '000	Total Rs. '000	Within 12 months Rs. '000	After 12 months Rs. '000	Total Rs. '000
Assets						
Cash and cash equivalents	3,294,055	–	3,294,055	4,412,683	–	4,412,683
Balances with banks and financial institutions	3,404,533	–	3,404,533	4,370,473	–	4,370,473
Financial assets – Fair value through profit or loss/held-for-trading	23,190	–	23,190	174,736	–	174,736
Loans and receivables	65,875,884	85,832,018	151,707,902	61,450,737	78,714,700	140,165,437
Financial assets – Fair value through other comprehensive income/available for sale	125,641	10	125,651	219,122	10	219,132
Debt instrument at amortised cost/held-to-maturity	8,002,625	–	8,002,625	4,865,146	24,495	4,889,641
Investments in subsidiaries	–	3,213,788	3,213,788	–	3,213,788	3,213,788
Current tax receivables	–	–	–	89,849	–	89,849
Investments in associate	–	237,633	237,633	–	586,427	586,427
Investment property	–	–	–	–	134,400	134,400
Property, plant and equipment	–	1,098,286	1,098,286	–	1,166,883	1,166,883
Goodwill and intangible assets	–	324,905	324,905	–	346,395	346,395
Leasehold property	–	84,065	84,065	–	87,131	87,131
Other assets	769,174	255,470	1,024,644	662,214	171,405	833,619
Total assets	81,495,102	91,046,175	172,541,277	76,244,960	84,445,634	160,690,594
Liabilities						
Due to banks	21,080,446	6,193,487	27,273,933	30,623,333	9,298,456	39,921,789
Due to customers	67,985,575	20,383,081	88,368,656	57,300,137	12,463,082	69,763,219
Debt securities issued	4,046,736	17,228,295	21,275,031	1,841,627	13,941,875	15,783,502
Other financial liabilities	2,480,377	–	2,480,377	4,645,818	–	4,645,818
Current tax liabilities	2,238,257	–	2,238,257	–	–	–
Deferred tax liabilities	–	837,179	837,179	–	2,275,868	2,275,868
Other liabilities	1,464,489	–	1,464,489	1,270,576	–	1,270,576
Total liabilities	99,295,880	44,642,042	143,937,922	95,681,491	37,979,281	133,660,772
Net assets	(17,800,778)	46,404,133	28,603,355	(19,436,531)	46,466,353	27,029,822

Notes to the financial statements

	Group					
	2019			2018		
	Within 12 months Rs. '000	After 12 months Rs. '000	Total Rs. '000	Within 12 months Rs. '000	After 12 months Rs. '000	Total Rs. '000
Assets						
Cash and cash equivalents	4,310,595	–	4,310,595	4,765,518	–	4,765,518
Balances with banks and financial institutions	7,375,423	–	7,375,423	8,758,715	–	8,758,715
Financial assets – Fair value through profit or loss/Held for trading	72,386	–	72,386	315,485	–	315,485
Loans and receivables	67,042,635	89,913,202	156,955,837	62,878,980	79,036,097	141,915,077
Reinsurance and insurance receivables	885,395	–	885,395	406,687	–	406,687
Financial assets – Fair value through other comprehensive income/Available for sale	125,641	10	125,651	219,122	10	219,132
Debt instrument at amortised cost/Held to maturity	9,091,945	–	9,091,945	5,989,468	24,495	6,013,963
Current tax receivables	–	–	–	89,849	–	89,849
Investments in associate	–	237,633	237,633	–	423,439	423,439
Investment properties	–	1,131,596	1,131,596	–	1,265,996	1,265,996
Property, plant and equipment	–	4,017,301	4,017,301	–	4,112,715	4,112,715
Goodwill and intangible assets	–	432,340	432,340	–	452,883	452,883
Leasehold property	–	84,065	84,065	–	87,131	87,131
Deferred tax assets	–	47,584	47,584	–	28,155	28,155
Other assets	909,414	255,470	1,164,884	1,129,750	171,405	1,301,155
Total assets	89,813,434	96,119,201	185,932,635	84,553,574	85,602,326	170,155,900
Liabilities						
Due to banks	21,419,853	9,055,473	30,475,326	31,382,634	10,451,760	41,834,394
Due to customers	68,540,115	20,383,081	88,923,196	56,914,712	12,463,082	69,377,794
Debt securities issued	4,046,736	17,087,304	21,134,040	1,841,627	13,941,875	15,783,502
Other financial liabilities	2,464,936	–	2,464,936	4,473,552	–	4,473,552
Insurance and reinsurance payable	–	4,880,873	4,880,873	–	4,054,586	4,054,586
Current tax liabilities	2,323,647	–	2,323,647	62,673	–	62,673
Deferred tax liabilities	–	1,141,973	1,141,973	–	2,338,807	2,338,807
Other liabilities	1,606,686	–	1,606,686	1,376,451	–	1,376,451
Total liabilities	100,401,973	52,548,704	152,950,677	96,051,649	43,250,110	139,301,759
Net assets	(10,588,539)	43,570,497	32,981,958	(11,498,075)	42,352,216	30,854,141

56 Financial reporting by segment

ACCOUNTING POLICY

The Group's segmental reporting is based on the following operating segments: Business Segments and geographical segments.

A segment is a distinguishable component of the Group that is engaged in providing products and services. (Business segment, which is subject to risks and rewards that are different from those of other segment).

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The accounting policies adopted for segment reporting are those accounting policies adopted for preparing the Financial Statements of the Group.

Inter-segment transfers are accounted for at competitive fair market prices charged to intercompany counterparts for similar services. Such services are eliminated on consolidation.

As per the provision of Sri Lanka Reporting Standard – SLFRS – 8, the operating segment of the Group has been identify based on the product and services offered by the Group of which level of risk and rewards are significantly differ from one another.

Top management of the Group consider the operating results and condition of its business segments in their decision making process and performance evaluation. Types of products and services from which each operating segment derives its revenues described as follows:

Lease and hire purchase

This segment includes leasing and hire purchase products offered to the customers.

Loans

This segment includes loan products offered to the customers.

Islamic

This segment includes Ijarah, Murabah, Musharakah and Trading Murabah products offered to the customers.

Insurance business

Insurance business segment includes general insurance.

Other business

This segment includes all other business activities that Group engaged other than above segments.

Notes to the financial statements

	Lease and hire purchase		Loans		Islamic		Insurance		Other		Eliminations		Group	
For the year ended 31 March	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Interest income	**17,157,233**	15,025,706	**12,120,975**	9,849,096	**1,487,121**	1,373,573	**670,357**	630,803	**1,073,124**	1,001,311	**(274,470)**	(298,444)	**32,234,340**	27,582,045
Net earned premium	–	–	–	–	–	–	**4,877,621**	4,201,862	–	–	**(149,048)**	(148,592)	**4,728,573**	4,053,270
Net fee and commission income	**985,849**	900,191	**696,467**	590,059	**85,449**	82,291	–	–	**184,108**	215,095	**(947,576)**	(967,909)	**1,004,297**	819,727
Net trading income	–	–	–	–	–	–	**(19,011)**	40,922	**(25,340)**	18,988	–	–	**(44,351)**	59,910
Other operating income	**232,293**	434,993	**164,107**	285,130	**20,134**	39,765	**80,036**	46,914	**395,944**	318,310	**(459,168)**	(495,647)	**433,346**	629,465
Gross income	**18,375,375**	16,360,890	**12,981,549**	10,724,285	**1,592,704**	1,495,629	**5,609,003**	4,920,501	**1,627,836**	1,553,704	**(1,830,262)**	(1,910,592)	**38,356,205**	33,144,417
Interest expenses	**8,590,915**	8,101,635	**6,069,175**	5,310,486	**744,626**	740,610	–	–	**761,051**	770,271	**(274,469)**	(296,330)	**15,891,298**	14,626,672
Total operating income	**9,784,460**	8,259,255	**6,912,374**	5,413,799	**848,078**	755,019	**5,609,003**	4,920,501	**866,785**	783,433	**(1,555,793)**	(1,614,262)	**22,464,907**	18,517,745
Credit loss expenses	**1,060,462**	233,799	**579,390**	1,138,950	**5,364**	58,891	–	–	**62,987**	38,422	–	–	**1,708,203**	1,470,062
Net operating income	**8,723,998**	8,025,456	**6,332,984**	4,274,849	**842,714**	696,128	**5,609,003**	4,920,501	**803,798**	745,011	**(1,555,793)**	(1,614,262)	**20,756,704**	17,047,683
Depreciation	**124,711**	124,589	**72,584**	73,531	**19,103**	17,304	**24,030**	18,190	**18,018**	16,710	**43,914**	43,911	**302,360**	294,235
Segment result	**4,874,052**	3,985,512	**3,443,345**	2,612,434	**422,463**	364,335	**805,796**	863,708	**431,784**	378,926	**(238,991)**	(162,725)	**9,738,449**	8,042,190
Tax on financial services													**2,117,910**	1,326,916
Share of (loss) of an associate (net of tax)													**(33,234)**	(52,942)
Income tax expense													**2,576,037**	1,644,619
Profit attributable to equity holders													**5,011,268**	5,017,713
As at 31 March														
Segment assets	**89,272,030**	90,077,501	**65,974,886**	53,133,194	**13,674,721**	12,532,720	**9,625,118**	7,677,803	**12,898,087**	12,142,819	**(5,512,207)**	(5,408,137)	**185,932,635**	170,155,900
Total assets	**89,272,030**	90,077,501	**65,974,886**	53,133,194	**13,674,721**	12,532,720	**9,625,118**	7,677,803	**12,898,087**	12,142,819	**(5,512,207)**	(5,408,137)	**185,932,635**	170,155,900
Segment liabilities	**73,583,999**	73,864,848	**54,380,929**	43,564,619	**11,271,623**	10,280,912	**6,329,550**	4,661,944	**10,631,469**	9,968,307	**(3,246,893)**	(3,038,871)	**152,950,677**	139,301,759
Total liabilities	**73,583,999**	73,864,848	**54,380,929**	43,564,619	**11,271,623**	10,280,912	**6,329,550**	4,661,944	**10,631,469**	9,968,307	**(3,246,893)**	(3,038,871)	**152,950,677**	139,301,759

Notes to the financial statements

57 Assets pledged

The following assets have been pledged as securities for liabilities:

		Carrying amount pledged				
		Company		Group		
Nature of assets	Nature of liabilities	31 March 2019 Rs. '000	31 March 2018 Rs. '000	31 March 2019 Rs. '000	31 March 2018 Rs. '000	Included under
Rentals receivables on lease	Securitisation	**11,917,923**	10,771,039	**11,917,923**	10,771,039	Loans and receivables
	Term loan	**9,238,434**	19,314,934	**9,238,434**	19,314,934	Loans and receivables
	Short-term loans	**15,850,462**	6,345,710	**15,850,462**	6,345,710	Loans and receivables
Rentals receivables on hire purchase	Securitisation	**37,648**	277,350	**37,648**	277,350	Loans and receivables
	Term loan	**52,359**	335,802	**52,359**	335,802	Loans and receivables
	Short-term loans	**17,012**	53,962	**17,012**	53,962	Loans and receivables
Rentals receivables on loans	Securitisation	**4,730,027**	10,087,862	**4,730,027**	10,087,862	Loans and receivables
	Short-term loans	**1,036,545**	–	**1,036,545**	–	Loans and receivables
Fixed deposits	Bank guarantee for assessment	**87,504**	79,543	**87,504**	79,543	Contingent liabilities and commitments
Fixed deposits	Overdrafts	**–**	–	**12,000**	12,000	Balances with banks and financial institutions
Freehold lands and buildings	Term loans	**–**	–	**3,812,272**	3,800,740	Property, plant and equipment

58 Related party disclosure

The Company and the Group out transactions in the ordinary course of business with the parties who are defined as related parties in the Sri Lanka Accounting Standards – LKAS 24 – "Related Party Disclosure", the details of which are reported below:

58.1 Parent and ultimate controlling party

The immediate Parent of the Company is People's Bank which is a Government-owned entity.

58.2 Transactions with key management personnel (KMP) and their family members

As per the Sri Lanka Accounting Standard – LKAS 24) – "Related Party Disclosures", the KMPs include those who are having authority and responsibility for planning, directing and controlling the activities of the Company. Accordingly, the Board of Directors of the Company, Immediate Parent Company and members of the Corporate Management of the Company have been classified as KMPs of the Company.

The Company carries out transactions with KMPs and their close family members in the ordinary course of its business on an arms length basis at commercial rates –

Close family members of KMPs are those family members who may be expected to influence, or be influenced by, those KMPs in their dealing with the entity.

58.2.1 Transactions with key management personnel and their close family members

Remuneration to key management personnel

	Company		Group	
For the year ended 31 March	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
(a) Remuneration to Board of Directors				
Short-term employees benefits	**9,315**	8,392	**16,564**	17,100
Total	**9,315**	8,392	**16,564**	17,100

Notes to the financial statements

For the year ended 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
(b) Remuneration to Corporate Management				
Short-term employees benefits	**175,624**	166,510	**196,855**	177,568
Post employment benefits	**14,770**	15,328	**14,770**	15,328
Total	**190,394**	181,838	**211,625**	192,896

In addition to the above, the Company has also provided non-cash benefits such as Company maintained vehicles to KMPs in line with the approved employment terms of the Company.

58.2.2 Share transactions with key management personnel

For the year ended 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Number of ordinary shares held	**500,798**	840,798	**563,798**	903,798
Dividend paid (Rs. '000)	**711**	962	**766**	1,090

58.2.3 Transactions, arrangements and agreements involving key management personnel (KMPs), their close family members (CFMs) and other related entities

	Board of Directors		Corporate Management		Total	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
(a) Items in Statement of Profit or Loss						
Interest income	**120**	267	**707**	27	**827**	294
Interest expense	**2,963**	3,446	**27,257**	21,499	**30,220**	24,945
(b) Items in Statement of Financial Position						
Assets						
Loans and receivables	**–**	1,773	**2,272**	132	**2,272**	1,905
Total	**–**	1,773	**2,272**	132	**2,272**	1,905
Liabilities						
Due to customers	**16,613**	52,896	**238,722**	208,587	**255,335**	261,483
Total	**16,613**	52,896	**238,722**	208,587	**255,335**	261,483

Notes to the financial statements

58.3 Net accommodation and net accommodation as a percentage of capital funds

	2019 Rs. '000	2018 Rs. '000	2019 %	2018 %
People's Bank	–	–	–	–
People's Leasing Property Development Limited	**553,289**	568,182	**1.93**	2.10
People's Leasing Fleet Management Limited	**15,473**	15,704	**0.05**	0.06
People's Leasing Havelock Properties Limited	**792,369**	594,265	**2.77**	2.20
People's Micro-commerce Ltd.	**249,288**	430,745	**0.87**	1.59
People's Insurance PLC	**25,347**	22,175	**0.09**	0.08
Lankan Alliance Finance Limited	**36,907**	32,704	**0.13**	0.12
Board of Directors	–	1,773	–	0.01
Corporate Management	**2,272**	132	**0.01**	0.00
Total net accommodation	**1,674,945**	1,665,680	**5.85**	6.16

58.4 Transactions with related entities

Transactions with Government of Sri Lanka and Government-related entities

The immediate parent of the Company is People's Bank which is Government-owned entity. The Company enters into transactions, arrangements and agreements with Government of Sri Lanka and its related entities. The significant financial dealings during the year and as at the Statement of Financial Position date are as follows:

	Company		Group	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
(a) Items in Statement of Profit or Loss				
Interest income	**9,615**	30,736	**9,615**	30,736
Interest expenses	**1,483,228**	1,020,688	**1,483,228**	1,020,688
(b) Items in Statement of Financial Position				
Assets				
Loans and receivables	**31,789**	152,241	**31,789**	152,241
Total	**31,789**	152,241	**31,789**	152,241
Liabilities				
Due to banks	**5,900,647**	8,558,812	**2,782,080**	8,558,812
Total	**5,900,647**	8,558,812	**2,782,080**	8,558,812

Further, transactions as detailed below, relating to the ordinary course of business, are entered into with the Government of Sri Lanka and its related entities:

- Investments in Treasury Bills, Treasury Bonds
- Payments for employment retirement benefits – ETF
- Payments of statutory rates and taxes
- Payments for utilities mainly comprising of telephone, electricity and water
- Payment of incidentals such as RMV charges and CRIB fees that are paid based on standard rates.

(c) Individual Significant Transactions
There were no individual significant transactions with the Government of Sri Lanka and Government related entities, other than on normal day-to-day business operations.

58.4.1 Company

The Company had the undermentioned financial dealings during the financial year with the following related entities:

	Immediate parent		Subsidiaries		Associate	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
(a) Items in Statement of Profit or Loss						
Interest income	**861,046**	755,332	**56,495**	45,183	**–**	6,154
Interest expense	**1,061,632**	1,059,939	**217,974**	251,147	**–**	–
Fee and commission income	**–**	–	**609,575**	622,541	**–**	–
Other operating income	**–**	–	**490,724**	517,742	**–**	–
Benefits, claims and underwriting expenditure	**–**	–	**129,245**	130,881	**–**	–
Other operating expenses	**40,542**	27,832	**252,644**	280,632	**–**	–
(b) Items in Statement of Financial Position						
Assets						
Cash and cash equivalents	**2,267,088**	3,636,360	**–**	–	**–**	–
Balances with banks and financial institutions	**3,035,576**	3,730,652	**–**	–	**–**	–
Loans and receivables	**–**	–	**1,672,674**	1,663,776	**–**	–
Financial assets – Held to maturity	**7,976,782**	3,204,688	**–**	–	**–**	–
Investments in subsidiaries/associate (net of impairment)	**–**	–	**3,213,788**	3,213,788	**237,633**	586,427
Other assets	**–**	–	**143,817**	145,650	**–**	–
Total	**13,279,446**	10,571,700	**5,030,279**	5,023,214	**237,633**	586,427
Liabilities						
Due to banks	**4,441,332**	10,377,747	**–**	–	**–**	–
Due to customers	**–**	–	**459,770**	385,426	**–**	–
Debt securities issued	**–**	–	**140,991**	–	**–**	–
Other financial liabilities	**–**	–	**660,248**	765,756	**–**	–
Other liabilities	**3,179**	2,760	**4,093**	4,093	**–**	–
Total	**4,444,511**	10,380,507	**1,265,102**	1,155,275	**–**	**–**
(c) Transactions						
Transaction cost on debenture issue and securitisation	**4,820**	6,484	**–**	–	**–**	–
Dividend paid	**1,481,121**	1,481,121	**–**	–	**–**	–
Insurance premium paid in respect of customers introduced by People's Leasing & Finance PLC	**–**	–	**3,790,763**	3,480,949	**–**	–
Total	**1,485,941**	1,487,605	**3,790,763**	3,480,949	**–**	–
(d) Off-balance sheet items						
Guarantees	**–**	–	**300,000**	550,000	**–**	–
Total	**–**	–	**300,000**	550,000	**–**	–

Notes to the financial statements

58.4.2 Group

The Group had the undermentioned financial dealings during the financial year with the following related entities:

	Immediate parent		Associate	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
(a) Items in Statement of Profit or Loss				
Interest income	**1,321,593**	771,960	–	6,154
Interest expenses	**1,061,632**	1,059,939	–	–
Net earned premiums	**219,372**	208,180	–	–
Fee and commission income	**93,796**	33,864	–	–
Other operating income	**142,779**	99,235	–	–
Benefits, claims and underwriting expenditure	**52,812**	55,687	–	–
Other operating expenses	**41,442**	28,732	–	–
(b) Items in Statement of Financial Position				
Assets				
Cash and cash equivalents	**3,206,927**	3,933,171	–	–
Balances with banks and financial institutions	**3,097,947**	4,107,354	–	–
Loans and receivables	–	–	–	–
Insurance and reinsurance receivables	**36**	20,185	–	–
Financial assets – Held to maturity	**7,976,782**	3,204,688	–	–
Investments in subsidiaries/associate (net of impairment)	–	–	**237,633**	586,427
Other assets	**43,826**	60,019	–	–
Total	**14,325,518**	11,325,417	**237,633**	586,427
Liabilities				
Due to banks	**5,052,345**	10,484,692	–	–
Other liabilities	**7,103**	5,880	–	–
Total	**5,059,448**	10,490,572	–	–

59 Risk management

59.1 Introduction

Risk is inherent in the Group's activities, but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability, sustainability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities.
The Company is primarily exposed to credit risk, liquidity risk and market risk. It is also subject to various operating risks. Detailed risk analysis is given in risk management section in page 154.

Risk management structure

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles.

The Board has appointed a subcommittee, integrated risk management (IRM) Committee, which has the responsibility to monitor the overall risk process within the Company.

The IRM Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. The IRM Committee is responsible for managing risk decisions and monitoring risk levels and reports on a periodical basis to the Board.

The Risk Management and Control Unit is responsible for monitoring compliance with risk principles, policies and limits across the Company.

Assets and liability committee (ALCO)

ALCO is chaired by the Chief Executive Officer and has representatives from two Senior Deputy General Manager – Finance, Deputy General Manager – Operations, Head of Deposits, Head of Finance, Head of Risk Management and Head of Treasury. The Committee meetings should be held at least once a month to monitor and manage the assets and liabilities of the Company and also overall liquidity position to keep the Company's liquidity at healthy levels, whilst satisfying regulatory requirements. The Chairman of ALCO, upon a request of any permanent member, may convene a special meeting of the Committee, when an issue arises that cannot wait until the next regularly scheduled meeting.

59.2 Credit risk

Credit risk is the risk that the Company will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and group and by monitoring exposures in relation to such limits.

Impairment assessment

For accounting purposes, the Company uses a collective and individual model for the recognition of losses on impaired financial assets.

Individually assessed allowances

The Company determines the allowances appropriate for each individually significant leases, hire purchase and loan on an individual basis, including any overdue payments of interests or credit rating downgrades. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance if it is in a financial difficulty, projected receipts and the availability of other financial support, the realisable value of collateral and the timing of the expected cash flows. Impairment allowances are evaluated at each reporting date.

Collectively assessed allowances

Allowances are assessed collectively for losses on leases, hire purchase and loans and for held-to-maturity debt investments that are not individually significant and for individually significant loans and advances that have been assessed individually and found not to be impaired. Detail note on impairment method has been disclosed in Note 25 on page 273.

59.2.1 Maximum exposure to credit risk

Credit quality by class of financial assets

The Company manages the credit quality of financial assets using internal credit ratings. The tables below show the credit quality by the class of asset for all financial assets exposed to credit risk, based on the Company's internal credit evaluation system. The amounts presented are gross of impairment allowances.

Notes to the financial statements

Definition of past due

The Company considers that any amounts uncollected one day or more beyond their contractual due date as "past due".

As at 31 March 2019	Company						
	Neither past due nor impaired	Past due but not impaired				Individually impaired	Total
		Less than 3 months	3 to 6 months	6 to 12 months	More than 12 months		
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash and cash equivalents (excluding cash in hand)	2,432,493	–	–	–	–	–	2,432,493
Balances with banks and financial institutions	3,404,533	–	–	–	–	–	3,404,533
Financial assets – Fair value through profit or loss	23,190	–	–	–	–	–	23,190
Loans and receivables	91,969,035	51,680,382	7,181,345	2,480,131	2,432,294	909,054	156,652,241
Financial assets – Fair value through other comprehensive income	125,651	–	–	–	–	–	125,651
Debt instrument at amortised cost	8,002,625	–	–	–	–	–	8,002,625
Other financial assets	143,817	–	–	–	–	–	143,817
Total	106,101,344	51,680,382	7,181,345	2,480,131	2,432,294	909,054	170,784,550

As at 31 March 2018	Company						
	Neither past due nor impaired	Past due but not impaired				Individually impaired	Total
		Less than 3 months	3 to 6 months	6 to 12 months	More than 12 months		
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash and cash equivalents (excluding cash in hand)	3,745,420	–	–	–	–	–	3,745,420
Balances with banks and financial institutions	4,370,473	–	–	–	–	–	4,370,473
Financial assets – Held for trading	174,736	–	–	–	–	–	174,736
Loans and receivables	83,919,031	52,277,999	3,323,291	1,263,995	1,688,590	748,091	143,220,997
Financial assets – Available for sale	219,132	–	–	–	–	–	219,132
Financial assets – Held to maturity	4,889,641	–	–	–	–	–	4,889,641
Other financial assets	145,650	–	–	–	–	–	145,650
Total	97,464,083	52,277,999	3,323,291	1,263,995	1,688,590	748,091	156,766,049

Notes to the financial statements

As at 31 March 2019	Group						
	Neither past due nor impaired	Past due but not impaired				Individually impaired	Total
		Less than 3 months	3 to 6 months	6 to 12 months	More than 12 months		
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash and cash equivalents (excluding cash in hand)	3,419,847	–	–	–	–	–	3,419,847
Balances with banks and financial institutions	7,375,423	–	–	–	–	–	7,375,423
Financial assets – Fair value through profit or loss	72,386	–	–	–	–	–	72,386
Loans and receivables	95,195,829	53,759,046	7,429,329	2,506,116	2,433,493	909,054	162,232,867
Insurance and reinsurance receivables	885,395	–	–	–	–	–	885,395
Financial assets – Fair value through other comprehensive income	125,651	–	–	–	–	–	125,651
Debt instrument at amortised cost	9,091,945	–	–	–	–	–	9,091,945
Total	116,166,476	53,759,046	7,429,329	2,506,116	2,433,493	909,054	183,203,514

As at 31 March 2018	Group						
	Neither past due nor impaired	Past due but not impaired				Individually impaired	Total
		Less than 3 months	3 to 6 months	6 to 12 months	More than 12 months		
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash and cash equivalents (excluding cash in hand)	4,073,439	–	–	–	–	–	4,073,439
Balances with banks and financial institutions	8,758,715	–	–	–	–	–	8,758,715
Financial assets – Held for trading	315,485	–	–	–	–	–	315,485
Loans and receivables	86,256,969	51,624,196	3,361,637	1,290,784	1,866,729	748,091	145,148,406
Insurance and reinsurance receivable	406,687	–	–	–	–	–	406,687
Financial assets – Available for sale	219,132	–	–	–	–	–	219,132
Financial assets – Held to maturity	6,013,963	–	–	–	–	–	6,013,963
Total	106,044,390	51,624,196	3,361,637	1,290,784	1,866,729	748,091	164,935,827

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59.2.2 Analysis of risk concentration

The following table shows the risk concentration by industry for the components of the Statement of Financial Position:

Industry analysis

As at 31 March 2019	Company										
	Financial services* Rs. '000	**Agriculture Rs. '000**	**Manufacturing Rs. '000**	**Tourism Rs. '000**	**Transport Rs. '000**	**Construction Rs. '000**	**Traders Rs. '000**	**Services Rs. '000**	**Industry Rs. '000**	**Others Rs. '000**	**Total Rs. '000**
Cash and cash equivalents	**3,294,055**	–	–	–	–	–	–	–	–	–	**3,294,055**
Balances with Banks and financial institutions	**3,404,533**	–	–	–	–	–	–	–	–	–	**3,404,533**
Financial assets – Fair value through profit or loss	**18,185**	–	–	–	–	–	–	–	–	**5,005**	**23,190**
Loans and receivables	**4,537,434**	**22,967,478**	**5,389,956**	**3,142,997**	**26,898,641**	**10,252,386**	**20,151,673**	**49,473,826**	**701,409**	**13,136,441**	**156,652,241**
Less – Impairment charges	–	–	–	–	–	–	–	–	–	–	**4,944,339**
Net loans and receivables	–	–	–	–	–	–	–	–	–	–	**151,707,902**
Financial assets – Fair value through other comprehensive income	**125,641**	–	–	–	–	–	–	**10**	–	–	**125,651**
Debt instrument at amortised cost	**8,002,625**	–	–	–	–	–	–	–	–	–	**8,002,625**
Other financial assets	**143,817**	–	–	–	–	–	–	–	–	–	**143,817**

As at 31 March 2018	Company										
	Financial services* Rs. '000	Agriculture Rs. '000	Manufacturing Rs. '000	Tourism Rs. '000	Transport Rs. '000	Construction Rs. '000	Traders Rs. '000	Services Rs. '000	Industry Rs. '000	Others Rs. '000	Total Rs. '000
Cash and cash equivalents	4,412,683	–	–	–	–	–	–	–	–	–	4,412,683
Balances with Banks and financial institutions	4,370,473	–	–	–	–	–	–	–	–	–	4,370,473
Financial assets – Held for trading	90,906	–	12,655	930	–	–	–	62,125	–	8,120	174,736
Loans and receivables	3,966,383	11,655,609	2,325,111	1,159,060	16,575,434	7,010,157	11,760,419	56,640,052	331,763	31,797,009	143,220,997
Less – Impairment charges	–	–	–	–	–	–	–	–	–	–	3,055,560
Net loans and receivables	–	–	–	–	–	–	–	–	–	–	140,165,437
Financial assets – Available for sale	219,122	–	–	–	–	–	–	10	–	–	219,132
Financial assets – Held to maturity	4,889,641	–	–	–	–	–	–	–	–	–	4,889,641
Other financial assets	145,650	–	–	–	–	–	–	–	–	–	145,650

* Financial services include banks, finance institutions and insurance companies.

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As at 31 March 2019	Group										
	Financial services* **Rs. '000**	**Agriculture** **Rs. '000**	**Manufacturing** **Rs. '000**	**Tourism** **Rs. '000**	**Transport** **Rs. '000**	**Construction** **Rs. '000**	**Traders** **Rs. '000**	**Services** **Rs. '000**	**Industry** **Rs. '000**	**Others** **Rs. '000**	**Total** **Rs. '000**
Cash and cash equivalents	4,310,595	–	–	–	–	–	–	–	–	–	4,310,595
Balances with Banks and financial institutions	7,375,423	–	–	–	–	–	–	–	–	–	7,375,423
Financial assets – Fair value through profit or loss	25,340	–	2,598	–	–	–	–	37,050	–	7,398	72,386
Loans and receivables	5,111,329	23,418,172	7,186,594	3,151,245	26,923,048	10,711,001	20,580,403	50,444,181	1,397,571	13,309,321	162,232,865
Less – Impairment charges	–	–	–	–	–	–	–	–	–	–	5,277,028
Net loans and receivables	–	–	–	–	–	–	–	–	–	–	156,955,837
Reinsurance and insurance receivable	–	–	–	–	–	–	–	–	–	885,395	885,395
Financial assets – Fair value through other comprehensive income	125,641	–	–	–	–	–	–	10	–	–	125,651
Debt instrument at amortised cost	9,091,945	–	–	–	–	–	–	–	–	–	9,091,945

As at 31 March 2018	Group										
	Financial services* Rs. '000	Agriculture Rs. '000	Manufacturing Rs. '000	Tourism Rs. '000	Transport Rs. '000	Construction Rs. '000	Traders Rs. '000	Services Rs. '000	Industry Rs. '000	Others Rs. '000	Total Rs. '000
Cash and cash equivalents	4,765,518	–	–	–	–	–	–	–	–	–	4,765,518
Balances with Banks and financial institutions	8,758,715	–	–	–	–	–	–	–	–	–	8,758,715
Financial assets – Held for trading	155,349	–	26,531	930	–	–	3,800	116,083	–	12,792	315,485
Loans and receivables	4,719,223	11,957,892	2,322,297	1,157,703	16,499,416	7,000,894	12,057,699	57,045,134	605,464	31,782,684	145,148,406
Less – Impairment charges	–	–	–	–	–	–	–	–	–	–	3,233,329
Net loans and receivables	–	–	–	–	–	–	–	–	–	–	141,915,077
Reinsurance and insurance receivable	–	–	–	–	–	–	–	–	–	406,687	406,687
Financial assets – Available for sale	219,122	–	–	–	–	–	–	10	–	–	219,132
Financial assets – Held to maturity	6,013,963	–	–	–	–	–	–	–	–	–	6,013,963

* Financial services include banks, finance institutions and insurance companies.

Notes to the financial statements

Geographical distribution of loans and receivables

Provincial breakdown for loans and receivable within Sri Lanka is as follows:

As at 31 March 2019	Company				
	Lease/ Ijarah receivable Rs. '000	Hire-Purchase/ Murabah receivable Rs. '000	Term Loan and receivables Rs. '000	Related party receivables Rs. '000	Total Rs. '000
Central	10,531,143	81,252	4,727,536	–	15,339,931
Eastern	5,165,679	73,237	1,737,083	–	6,975,999
North Central	4,954,592	34,479	1,871,533	–	6,860,604
Northern	2,729,265	6,166	1,216,073	–	3,951,504
North Western	7,713,255	61,366	3,617,350	–	11,391,971
Sabaragamuwa	5,405,912	15,816	2,389,395	–	7,811,123
Southern	12,615,344	56,475	10,282,167	–	22,953,986
Uva	5,736,146	19,085	2,777,120	–	8,532,351
Western	32,570,235	310,882	38,619,182	1,334,473	72,834,772
Total	87,421,571	658,758	67,237,439	1,334,473	156,652,241

As at 31 March 2018	Company				
	Lease/ Ijarah receivable Rs. '000	Hire-purchase/ murabah receivable Rs. '000	Term loan and receivables Rs. '000	Related party receivables Rs. '000	Total Rs. '000
Central	10,002,223	261,890	4,059,290	–	14,323,403
Eastern	4,692,797	207,139	1,558,931	–	6,458,867
North Central	4,595,915	79,538	1,419,711	–	6,095,164
Northern	2,379,083	27,113	953,105	–	3,359,301
North Western	7,369,741	170,729	2,341,652	–	9,882,122
Sabaragamuwa	5,090,393	55,244	1,996,230	–	7,141,867
Southern	12,383,165	169,883	8,218,691	–	20,771,739
Uva	5,750,257	72,286	2,124,408	–	7,946,951
Western	33,378,039	811,955	31,892,205	1,159,384	67,241,583
Total	85,641,613	1,855,777	54,564,223	1,159,384	143,220,997

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As at 31 March 2019	Group				
	Lease/ Ijarah receivable Rs. '000	Hire-purchase/ murabah receivable Rs. '000	Term loan and receivables Rs. '000	Debentures Rs. '000	Total Rs. '000
Central	10,531,143	400,620	4,727,536	–	15,659,299
Eastern	5,165,679	357,062	1,737,083	–	7,259,824
North Central	4,954,592	300,106	1,871,533	–	7,126,231
Northern	2,729,265	6,166	1,216,073	–	3,951,504
North Western	7,713,255	165,767	3,617,350	–	11,496,372
Sabaragamuwa	5,405,912	266,934	2,389,395	–	8,062,241
Southern	12,615,344	371,285	10,282,167	–	23,268,796
Uva	5,736,146	574,249	2,777,120	–	9,087,515
Western	32,570,235	430,429	38,695,606	2,089,101	73,785,371
Bangladesh	–	–	2,535,712	–	2,535,712
Total	87,421,571	2,872,618	69,849,575	2,089,101	162,232,865

As at 31 March 2018	Group				
	Lease/ Ijarah receivable Rs. '000	Hire-purchase/ murabah receivable Rs. '000	Term loan and receivables Rs. '000	Debentures Rs. '000	Total Rs. '000
Central	10,002,223	500,265	4,059,290	–	14,561,778
Eastern	4,692,797	395,679	1,558,931	–	6,647,407
North Central	4,595,915	151,934	1,419,711	–	6,167,560
Northern	2,379,083	51,791	953,105	–	3,383,979
North Western	7,369,741	326,128	2,341,652	–	10,037,521
Sabaragamuwa	5,090,393	105,528	1,996,230	–	7,192,151
Southern	12,383,165	324,512	8,218,691	–	20,926,368
Uva	5,750,257	138,081	2,124,408	–	8,012,746
Western	33,378,039	1,551,004	31,758,321	1,531,532	68,218,896
Bangladesh	–	–	–	–	–
Total	85,641,613	3,544,922	54,430,339	1,531,532	145,148,406

59.2.3 Fair value of collateral and credit enhancements held

As a general principle, the Company endeavours to obtain adequate collateral to secure its credit portfolios. The Company focuses on quality and responsibility of such collateral to mitigate potential credit losses. Management monitors the market value of collateral, and requests additional collateral in accordance with the underlying agreement. A reasonable margin of safety is maintained in collateral values.

The main types of collateral obtained are as follows:

- For securities lending and reverse repurchase transactions, cash or securities
- For commercial lending, charges over real estate properties, inventory and trade receivables and transfer of ownership over the vehicles
- For retail lending, mortgages over residential properties and transfer of ownership over the vehicles

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The general creditworthiness of significant customers tends to be the most relevant indicator of credit quality of a facility extended to those parties. However, collateral provides additional security and the Company generally requests large borrowers to provide same. The Company may take collateral in the form of a first charge over real estate, floating charges over all corporate assets and other liens and guarantees. As Company's focus on corporate customers is mainly based on their creditworthiness, business standing and reputation, Company does not insist on updated valuation of collateral from corporate clients. Such valuations will only be called for from corporate clients only if there is a foreseeable deterioration in credit standing or evidence of possible credit risk. Accordingly, the Company does not routinely update the valuation of collateral held against all facilities to significant customers. For impaired facilities, the Company usually obtains the current market value of the collateral, since it may be an input to the impairment measurement.

The following table shows the fair value of collateral and credit enhancements held by the Company:

	31 March 2019		31 March 2018	
	Maximum exposure to credit risk Rs. '000	Net exposure Rs. '000	Maximum exposure to credit risk Rs. '000	Net exposure Rs. '000
Company				
Cash and cash equivalents (excluding cash in hand)	2,432,493	2,432,493	3,745,420	3,745,420
Balances with banks and financial institutions	3,404,533	3,404,533	4,370,473	4,370,473
Financial assets – Fair value through profit or loss/Held for trading	23,190	23,190	174,736	174,736
Loans and receivables	151,707,902	507,129	140,165,437	357,761
Financial assets – Fair value through other comprehensive income/ Available for sale	125,651	125,651	219,132	219,132
Debt instrument at amortised cost/Held to maturity	8,002,625	8,002,625	4,889,641	4,889,641
Other financial assets	143,817	143,817	145,650	145,650
Total	165,840,211	14,639,438	153,710,489	13,902,813

The following table shows the fair value of collateral and credit enhancements held by the Group:

	31 March 2019		31 March 2018	
	Maximum exposure to credit risk Rs. '000	Net exposure Rs. '000	Maximum exposure to credit risk Rs. '000	Net exposure Rs. '000
Group				
Cash and cash equivalents (excluding cash in hand)	3,419,847	3,419,847	4,073,439	4,073,439
Balances with banks and financial institutions	7,375,423	7,375,423	8,758,715	8,758,715
Financial assets – Fair value through profit or loss/Held for trading	72,386	72,386	315,485	315,485
Loans and receivables	156,955,837	507,129	141,915,077	357,761
Reinsurance and insurance receivable	885,395	885,395	406,687	406,687
Financial assets – Fair value through other comprehensive income/ Available for sale	125,651	125,651	219,132	219,132
Debt instrument at amortised cost/Held to maturity	9,091,945	9,091,945	6,013,963	6,013,963
Total	177,926,484	21,477,776	161,702,498	20,145,182

59.2.4 Collateral and other credit enhancements

The below tables provide an analysis of the current fair values of collateral held and credit enhancements for stage 3 assets. Dependent on the level of collateral, some Stage 3 exposures may not have individual ECLs when the expected value of the collateral is greater than the LGD, even in if the future value of collateral is forecast using multiple economic scenarios. However, the Stage 3 ECL can be higher than net exposure show below when the future value of collateral, measured using multiple economic scenarios,is expected to decline.

Type of collateral or credit enhancement	Fair value of collateral and credit enhancements held under the base case scenario					
31 March 2019	Maximum exposure to credit risk Rs. '000	Movable securities Rs. '000	Immovable securities Rs. '000	Total collateral Rs. '000	Net exposure Rs. '000	Associated ECL Rs. '000
Company						
Loans and receivables	15,109,189	11,147,560	10,066,386	21,213,946	(6,104,757)	3,566,512
Group						
Loans and receivables	15,435,957	13,010,735	10,066,386	23,077,121	(7,641,164)	3,807,017

59.2.5 Offsetting financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is presented in the Statement of Financial Position when the Group has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

59.2.6 Financial assets and liabilities not subject to offsetting

Amounts that do not qualify for offsetting include netting arrangements that only permit outstanding transactions with the same counterparty to be offset in an event of default or occurrence of other predetermined events. Such netting arrangements include repurchase agreements and other similar secured lending and borrowing arrangements.

The amount of the financial collateral received or pledged subject to netting arrangements but not qualified for offsetting are disclosed below:

	Company and Group					
As at 31 March	2019			2018		
	Gross amount Rs. '000	Amount subject to netting but do not qualify for offsetting Rs. '000	Net amount Rs. '000	Gross amount Rs. '000	Amount subject to netting but do not qualify for offsetting Rs. '000	Net amount Rs. '000
Financial assets						
Loans and receivables	7,180,183	2,843,487	4,336,696	5,186,045	2,014,343	3,171,702

Notes to the financial statements

59.2.7 Sensitivity of impairment provision on loans and receivables

As at 31 March 2019	Company				
	Sensitivity on ECL sensitivity effect on Statement of Financial Position [increase/(decrease) in impairment provision]				Sensitivity effect on income
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000	Rs. '000
PD 1% increase across all age buckets	4,104	5,581	–	9,685	9,685
PD 1% decrease across all age buckets	(4,104)	(5,581)	–	(9,685)	(9,685)
LGD 5% increase	20,606	30,329	149,977	200,912	200,912
LGD 5% decrease	(20,606)	(30,329)	(149,977)	(200,912)	(200,912)
Probability weighted economic scenarios					
– Base case 10% increase, worst case 5% decrease and best case 5% decrease	(2,146)	(2,549)	–	(4,695)	(4,695)
– Base case 10% decrease, worst case 5% increase and best case 5% increase	2,394	2,634	–	5,028	5,028

As at 31 March 2019	Group				
	Sensitivity on ECL sensitivity effect on Statement of Financial Position [increase/(decrease) in impairment provision]				Sensitivity effect on income
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000	Rs. '000
PD 1% increase across all age buckets	9,353	7,209	–	16,562	16,562
PD 1% decrease across all age buckets	(9,353)	(7,209)	–	(16,562)	(16,562)
LGD 5% increase	15,855	26,251	142,805	184,911	184,911
LGD 5% decrease	(15,855)	(26,251)	(142,805)	(184,911)	(184,911)
Probability weighted economic scenarios					
– Base case 10% increase, worst case 5% decrease and best case 5% decrease	(2,178)	(2,545)	–	(4,723)	(4,723)
– Base case 10% decrease, worst case 5% increase and best case 5% increase	2,491	2,654	–	5,145	5,145

59.3 Liquidity risk and funding management

Liquidity risk is defined as the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company might be unable to meet its payment obligations when they fall due under both normal and stress circumstances. To limit this risk, the Management has arranged diversified funding sources in addition to its deposit base, and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis.

The Company maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. The Company also has committed lines of credit that it can access to meet liquidity needs.

A minimum holding of liquid assets in compliance with Finance Companies (Liquid Assets) Direction No. 4 of 2013 which shall not as the close of the business on any day, be less than the total of:

a. 10% of the outstanding value of the time deposits and accrued interest payable at the close of the business on such day; and

b. 15% of outstanding value of the savings deposits and accrued interest payable at the close of the business on such day; and

c. 10% of the total outstanding borrowing and any payables.

Further, the Company maintaining assets in the form of Sri Lankan Government Treasury Bills and Government Securities equivalent to 7.5% of the average of its month end total deposit liabilities and unsecured borrowings of the 12 months preceding financial year.

The most important of these is to maintain limits on the ratio of net liquid assets to customer liabilities, to reflect market conditions. Net liquid assets consist of cash, balances with banks and financial institutions and investment in Government Securities.

The Company stresses the importance of savings accounts as sources of funds to finance lending to customers. They are monitored using the advances to deposit ratio, which compares loans and advances to customers as a percentage of customer savings accounts and fixed deposits.

The ratios at the end of the year were as follows:

	Company		Group	
As at 31 March	**2019**	2018	**2019**	2018
Liquidity ratios				
Advances to deposits ratios (Times)	**1.72**	2.02	**1.77**	2.06
Liquidity assets to deposits (%)	**15**	17	**20**	21

59.3.1 Analysis of financial assets and liabilities by remaining contractual maturities

The table below summarises the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities as at 31 March 2019.

Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Company expects that many customers will not request repayment on the earliest date the Company could be required to pay and the table does not reflect the expected cash flows indicated by the Company's deposit retention history.

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59.3.2 Contractual maturities of undiscounted cash flows of financial assets and liabilities

As at 31 March 2019	Company						
	On demand Rs. '000	Less than 3 months Rs. '000	3 to 12 months Rs. '000	1 to 3 years Rs. '000	3 to 5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Financial assets							
Cash and cash equivalents	2,992,445	301,610	–	–	–	–	3,294,055
Balances with banks and financial institutions	–	1,698,971	1,836,466	–	–	–	3,535,437
Financial assets – Fair value through profit or loss/ Held for trading	–	23,190	–	–	–	–	23,190
Loans and receivables	7,990,862	26,640,427	57,210,326	85,466,009	22,308,173	293,024	199,908,821
Financial assets – Fair value through other comprehensive income/Available for sale	–	125,641	–	–	–	10	125,651
Debt instrument at amortised cost/Held to maturity	–	2,768,180	5,630,481	–	–	–	8,398,661
Other financial assets	–	143,817	–	–	–	–	143,817
Total undiscounted financial assets	10,983,307	31,701,836	64,677,273	85,466,009	22,308,173	293,034	215,429,632
Financial liabilities							
Due to banks	353,074	14,159,491	6,828,631	3,562,915	5,746,634	–	30,650,745
Due to customers	5,192,685	21,803,392	45,296,507	17,453,379	7,335,769	119,519	97,201,251
Debt securities issued	14,928	1,365,592	3,603,396	14,988,116	7,442,993	–	27,415,025
Other financial liabilities	–	2,480,377	–	–	–	–	2,480,377
Total undiscounted financial liabilities	5,560,687	39,808,852	55,728,534	36,004,410	20,525,396	119,519	157,747,398
Net undiscounted financial assets/(liabilities)	5,422,620	(8,107,016)	8,948,739	49,461,599	1,782,777	173,515	57,682,234

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As at 31 March 2018	Company						
	On demand Rs. '000	Less than 3 months Rs. '000	3 to 12 months Rs. '000	1 to 3 years Rs. '000	3 to 5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Financial assets							
Cash and cash equivalents	4,308,801	103,882	–	–	–	–	4,412,683
Balances with banks and financial institutions	–	1,654,438	2,897,531	–	–	–	4,551,969
Financial assets – Held for trading	–	174,736	–	–	–	–	174,736
Loans and receivables	6,281,820	24,649,973	51,846,491	78,294,617	19,485,997	50,966	180,609,864
Financial assets – Available for sale	–	219,122	–	–	–	10	219,132
Financial assets – Held to maturity	–	3,313,331	1,663,460	25,000	–	–	5,001,791
Other financial assets	–	145,650	–	–	–	–	145,650
Total undiscounted financial assets	10,590,621	30,261,132	56,407,482	78,319,617	19,485,997	50,976	195,115,825
Financial liabilities							
Due to banks	1,265,295	15,944,817	14,844,479	10,577,833	74,216	–	42,706,640
Due to customers	4,256,747	20,433,978	36,363,366	9,879,947	6,566,297	65,109	77,565,444
Debt securities issued	13,032	4,771,879	2,274,970	10,006,325	7,655,235	–	24,721,441
Other financial liabilities	–	4,645,818	–	–	–	–	4,645,818
Derivative financial instruments	–	1,855,451	–	–	–	–	1,855,451
Total undiscounted financial liabilities	5,535,074	47,651,943	53,482,815	30,464,105	14,295,748	65,109	151,494,794
Net undiscounted financial assets/(liabilities)	5,055,547	(17,390,811)	2,924,667	47,855,512	5,190,249	(14,133)	43,621,031

Notes to the financial statements

As at 31 March 2019	Group						
	On demand Rs. '000	Less than 3 months Rs. '000	3 to 12 months Rs. '000	1 to 3 years Rs. '000	3 to 5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Financial assets							
Cash and cash equivalents	4,008,985	301,610	–	–	–	–	4,310,595
Balances with banks and financial institutions	–	2,385,902	4,365,793	–	–	–	6,751,695
Financial assets – Fair value through profit or loss/ Held for trading	–	72,386	–	–	–	–	72,386
Loans and receivables	8,284,582	26,979,662	58,160,401	87,956,663	23,606,274	388,453	205,376,035
Reinsurance and insurance receivable	251,348	851,895	–	–	–	–	1,103,243
Financial assets – Fair value through other comprehensive income/Available for sale	–	125,641	–	–	–	10	125,651
Debt instrument at amortised cost/Held to maturity	–	3,481,995	5,819,836	–	–	–	9,301,831
Total undiscounted financial assets	12,544,915	34,199,091	68,346,030	87,956,663	23,606,274	388,463	227,041,436
Financial liabilities							
Due to banks	964,087	14,672,154	7,421,881	4,743,776	5,945,416	30,610	33,777,924
Due to customers	5,192,685	21,642,645	44,986,745	17,453,379	7,335,769	119,519	96,730,742
Debt securities issued	14,928	1,349,592	3,603,396	14,956,116	7,285,993	–	27,210,025
Other financial liabilities	–	2,464,936	–	–	–	–	2,464,936
Insurance and reinsurance payable	–	4,880,873	–	–	–	–	4,880,873
Total undiscounted financial liabilities	6,171,700	45,010,200	56,012,022	37,153,271	20,567,178	150,129	165,064,500
Net undiscounted financial assets/(liabilities)	6,373,215	(10,811,109)	12,334,008	50,803,392	3,039,096	238,334	61,976,936

Notes to the financial statements

As at 31 March 2018	Group						
	On demand Rs. '000	Less than 3 months Rs. '000	3 to 12 months Rs. '000	1 to 3 years Rs. '000	3 to 5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Financial assets							
Cash and cash equivalents	4,661,636	103,882	–	–	–	–	4,765,518
Balances with banks and financial institutions	–	1,910,757	5,126,525	–	–	–	7,037,282
Financial assets – Held for trading	–	315,485	–	–	–	–	315,485
Loans and receivables	6,529,648	24,939,245	53,032,792	80,363,024	20,102,201	298,309	185,265,219
Reinsurance and insurance receivable	251,348	851,895	–	–	–	–	1,103,243
Financial assets – Available for sale	–	1,343,444	–	–	–	10	1,343,454
Financial assets – Held to maturity	–	3,313,331	1,663,460	25,000	–	–	5,001,791
Total undiscounted financial assets	11,442,632	32,778,039	59,822,777	80,388,024	20,102,201	298,319	204,831,992
Financial liabilities							
Due to banks	1,384,394	16,126,870	15,623,416	11,577,308	476,747	113,610	45,302,345
Due to customers	4,256,747	20,365,178	36,059,413	9,879,947	6,566,297	65,109	77,192,691
Debt securities issued	13,032	4,767,703	2,262,225	9,885,520	7,655,235	–	24,583,715
Other financial liabilities	–	4,473,552	–	–	–	–	4,473,552
Derivative financial instruments	–	1,855,451	–	–	–	–	1,855,451
Reinsurance and insurance payable	–	4,054,586	–	–	–	–	4,054,586
Total undiscounted financial liabilities	5,654,173	51,643,340	53,945,054	31,342,775	14,698,279	178,719	157,462,340
Net undiscounted financial assets/(liabilities)	5,788,459	(18,865,301)	5,877,723	49,045,249	5,403,922	119,600	47,369,652

Notes to the financial statements

59.3.3 Commitments and guarantees

The table below shows the contractual expiry by maturity of the Company's contingent liabilities and commitments.

Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down.

For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

As at 31 March 2019	Company					
	On demand Rs. '000	**Less than 3 months Rs. '000**	**3 to 12 months Rs. '000**	**1 to 5 years Rs. '000**	**Over 5 years Rs. '000**	**Total Rs. '000**
Guarantees	–	3,650	327,375	–	–	331,025
Assessment received from Inland Revenue Department	–	–	–	67,938	–	67,938
Accidents of leased out vehicle	–	98,757	16,294	–	–	115,051
Capital commitments	–	6,418,100	843,750	–	–	7,261,850
Total commitments and guarantees	–	6,520,507	1,187,419	67,938	–	7,775,864

As at 31 March 2018	Company					
	On demand Rs. '000	Less than 3 months Rs. '000	3 to 12 months Rs. '000	1 to 5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Guarantees	–	4,282	578,195	500	–	582,977
Letter of credits	–	25,128	–	–	–	25,128
Accidents of leased out vehicles	–	94,940	54,447	–	–	149,387
Capital commitments	–	5,979,658	733,725	–	–	6,713,383
Total commitments and guarantees	–	6,104,008	1,366,367	500	–	7,470,875

As at 31 March 2019	Group					
	On demand Rs. '000	**Less than 3 months Rs. '000**	**3 to 12 months Rs. '000**	**1 to 5 years Rs. '000**	**Over 5 years Rs. '000**	**Total Rs. '000**
Guarantees	–	3,650	327,375	–	–	331,025
Assessment received from Inland Revenue Department	–	–	–	67,938	–	67,938
Accidents of leased out vehicles	–	98,757	16,430	–	–	115,187
Capital commitments	–	6,418,100	856,458	–	–	7,274,558
Total commitments and guarantees	–	6,520,507	1,200,263	67,938	–	7,788,708

As at 31 March 2018	Group					
	On demand Rs. '000	Less than 3 months Rs. '000	3 to 12 months Rs. '000	1 to 5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Guarantees	–	4,282	578,195	500	–	582,977
Letter of credits	–	25,128	–	–	–	25,128
Accidents of leased out vehicles	–	94,940	54,447	–	–	149,387
Capital commitments	–	6,060,801	780,635	24,436	–	6,865,872
Total commitments and guarantees	–	6,185,151	1,413,277	24,936	–	7,623,364

The Company expects that not all of the contingent liabilities or commitments will be drawn before expiry of the commitments.

59.3.4 Total liquid assets

The table below sets out the components of the Company's liquid assets:

As at 31 March	**2019 Rs. '000**	2018 Rs. '000
Cash in hand	**861,562**	668,663
Balances in current accounts	**658,512**	1,751,363
Deposits in commercial banks	**3,382,418**	4,353,861
Treasury bills (Less than 12 months)	**7,988,657**	4,858,398
Other approved securities	**301,548**	103,882
Total liquid assets	**13,192,697**	11,736,167

59.4 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The Company classifies exposures to market risk into either trading or non-trading portfolios and manages each of those portfolios separately.

59.4.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates. The Company policy is to continuously monitor interest rates on regular basis. The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate financial assets and financial liabilities.

The following table demonstrates the sensitivity of the Company's Statement of Profit or Loss for the year ended 31 March 2019 and 31 March 2018 to a reasonably possible change in interest rates, with all other variable constant:

As at 31 March	**2019 Rs. '000**	2018 Rs. '000
Impact on Statement of Profit or Loss due to interest rate shocks		
0.50%	**(16,080)**	(23,033)
1%	**(32,160)**	(46,066)
-0.50%	**16,080**	23,033
-1%	**32,160**	46,066

Notes to the financial statements

Interest rate risk exposure on financial assets and liabilities

The table below analyses the Company's interest rate risk exposure on non-trading financial assets and liabilities. The Company's assets and liabilities are included at carrying amount and categorised by the earlier of contractual repricing or maturity dates.

As at 31 March 2019	Company							
	Carrying amount Rs. '000	On demand Rs. '000	Less than 3 months Rs. '000	3 to 12 months Rs. '000	1 to 3 years Rs. '000	3 to 5 years Rs. '000	Over 5 years Rs. '000	Non-interest bearing Rs. '000
Assets								
Cash and cash equivalents	3,294,055	65,422	301,548	–	–	–	–	2,927,085
Balances with banks and financial institutions	3,404,533	219,358	1,546,030	1,639,145		–	–	–
Financial assets – Fair value through profit or loss/Held for trading	23,190	–	–	–	–	–	–	23,190
Loans and receivables	156,652,241	8,008,232	20,944,731	42,275,472	65,998,670	19,344,501	80,635	–
Less – Impairment charges	4,944,339	–	–	–	–	–	–	–
Net loans and receivables	151,707,902	–	–	–	–	–	–	–
Financial assets – Fair value through other comprehensive income/ Available for sale	125,651	–	–	–	–	–	–	125,651
Debt instrument at amortised cost/ Held to maturity	8,002,625	343,710	2,550,185	5,108,730	–	–	–	–
Other financial assets	143,817	–	–	–	–	–	–	143,817
Total	166,701,773	8,636,722	25,342,494	49,023,347	65,998,670	19,344,501	80,635	3,219,743
Liabilities								
Due to banks	27,273,933	1,665,071	15,924,202	4,269,546	2,106,305	3,308,809	–	–
Due to customers	88,368,656	8,449,606	19,979,499	39,556,470	14,298,434	5,965,128	119,519	–
Debt securities issued	21,275,031	1,337,390	–	2,709,346	11,247,003	5,981,292	–	–
Other financial liabilities	2,480,377	–	–	–	–	–	–	2,480,377
Total	139,397,997	11,452,067	35,903,701	46,535,362	27,651,742	15,255,229	119,519	2,480,377
Total interest sensitivity gap	27,303,776	(2,815,345)	(10,561,207)	2,487,985	38,346,928	4,089,272	(38,884)	

Notes to the financial statements

As at 31 March 2018	Company							
	Carrying amount Rs. '000	On demand Rs. '000	Less than 3 months Rs. '000	3 to 12 months Rs. '000	1 to 3 years Rs. '000	3 to 5 years Rs. '000	Over 5 years Rs. '000	Non-interest bearing Rs. '000
Assets								
Cash and cash equivalents	4,412,683	62,930	103,882	–	–	–	–	4,245,871
Balances with banks and financial institutions	4,370,473	71,030	1,584,282	2,715,161	–	–	–	–
Financial assets – Held for trading	174,736	–	–	–	–	–	–	174,736
Loans and receivables	143,220,997	7,159,727	18,512,389	38,834,181	61,632,898	17,033,107	48,695	–
Less – Impairment charges	3,055,560	–	–	–	–	–	–	–
Net loans and receivables	140,165,437	–	–	–	–	–	–	–
Financial assets – Available for sale	219,132	–	–	–	–	–	–	219,132
Financial assets – Held to maturity	4,889,641	126,305	3,194,050	1,544,791	24,495	–	–	–
Other financial assets	145,650	–	–	–	–	–	–	145,650
Total	154,377,752	7,419,992	23,394,603	43,094,133	61,657,393	17,033,107	48,695	4,785,389
Liabilities								
Due to banks	39,921,789	3,166,953	18,806,676	11,322,821	6,625,339	–	–	–
Due to customers	69,763,219	7,076,810	18,714,380	31,508,947	7,267,053	5,130,920	65,109	–
Debt securities issued	15,783,502	646,669	–	1,194,958	7,171,491	6,770,384	–	–
Other financial liabilities	4,645,818	–	–	–	–	–	–	4,645,818
Total	130,114,328	10,890,432	37,521,056	44,026,726	21,063,883	11,901,304	65,109	4,645,818
Total interest sensitivity gap	24,263,424	(3,470,440)	(14,126,453)	(932,593)	40,593,510	5,131,803	(16,414)	

Notes to the financial statements

The table below analyses the Group's interest rate risk exposure on non-trading financial assets and liabilities. The Group's assets and liabilities are included at carrying amount and categorised by the earlier of contractual repricing or maturity dates.

As at 31 March 2019	Group							
	Carrying amount Rs. '000	On demand Rs. '000	Less than 3 months Rs. '000	3 to 12 months Rs. '000	1 to 3 years Rs. '000	3 to 5 years Rs. '000	Over 5 years Rs. '000	Non-interest bearing Rs. '000
Assets								
Cash and cash equivalents	4,310,595	358,072	301,548	–	–	–	–	3,650,975
Balances with banks and financial institutions	7,375,423	219,358	3,150,896	4,005,169	–	–	–	–
Financial assets – Fair value through profit or loss/Held for trading	72,386	–	–	–	–	–	–	72,386
Loans and receivables	162,232,865	8,288,691	20,711,550	43,727,634	68,000,116	21,338,212	166,662	–
Less – Impairment charges	5,277,028	–	–	–	–	–	–	–
Net loans and receivables	156,955,837	–	–	–	–	–	–	–
Reinsurance and insurance receivable	885,395	–	–	–	–	–	–	885,395
Financial assets – Fair value through other comprehensive income/ Available for sale	125,651	–	–	–	–	–	–	125,651
Debt instrument at amortised cost/ Held to maturity	9,091,945	1,107,375	2,875,840	5,108,730	–	–	–	–
Total	178,817,232	9,973,496	27,039,834	52,841,533	68,000,116	21,338,212	166,662	4,734,407
Liabilities								
Due to banks	30,475,326	2,586,124	16,413,032	4,690,335	3,247,635	3,507,591	30,609	–
Due to customers	88,923,196	8,449,606	19,831,974	39,275,151	15,269,553	5,977,325	119,587	–
Debt securities issued	21,134,040	1,322,179	–	2,709,346	11,247,003	5,855,512	–	–
Other financial liabilities	2,464,936	–	–	–	–	–	–	2,464,936
Insurance liabilities and reinsurance payable	4,880,873	–	–	–	–	–	–	4,880,873
Total	147,878,371	12,357,909	36,245,006	46,674,832	29,764,191	15,340,428	150,196	7,345,809
Total interest sensitivity gap	30,938,861	(2,384,413)	(9,205,172)	6,166,701	38,235,925	5,997,784	16,466	

Notes to the financial statements

As at 31 March 2018	Group							
	Carrying amount Rs. '000	On demand Rs. '000	Less than 3 months Rs. '000	3 to 12 months Rs. '000	1 to 3 years Rs. '000	3 to 5 years Rs. '000	Over 5 years Rs. '000	Non-interest bearing Rs. '000
Assets								
Cash and cash equivalents	4,765,518	116,661	103,882	–	–	–	–	4,546,377
Balances with banks and financial institutions	8,758,715	67,544	3,899,546	4,791,625	–	–	–	–
Financial assets – Held for trading	315,485	–	–	–	–	–	–	315,485
Loans and receivables	145,148,406	6,442,138	19,366,201	40,303,970	61,789,624	17,197,778	48,695	–
Less – Impairment charges	3,233,329	–	–	–	–	–	–	–
Net loans and receivables	141,915,077	–	–	–	–	–	–	–
Reinsurance and insurance receivable	406,687	–	–	–	–	–	–	406,687
Financial assets – Available for sale	219,132	–	–	–	–	–	–	1,343,454
Financial assets – Held to maturity	6,013,963	126,305	3,194,050	1,544,791	24,495	–	–	–
Total	162,394,577	7,550,147	26,563,679	46,640,386	61,814,119	17,197,778	48,695	6,612,003
Liabilities								
Due to banks	41,834,394	3,522,231	18,904,224	11,629,295	6,953,778	561,956	262,910	–
Due to customers	69,377,794	7,043,261	18,644,414	31,227,037	7,267,053	5,130,920	65,109	–
Debt securities issued	15,783,502	6,46,669	-	1,194,958	7,171,491	6,770,384	–	–
Other financial liabilities	4,473,552	–	–	–	–	–	–	4,473,552
Insurance liabilities and reinsurance payables	–	–	–	–	–	–	–	4,054,586
Total	131,479,242	11,212,161	37,548,638	44,051,290	21,392,322	12,463,260	328,019	8,528,138
Total interest sensitivity gap	30,925,335	(3,662,014)	(10,984,959)	2,589,096	40,421,797	4,734,518	(279,324)	

59.4.2 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Since investments in USD deposits were low, the currency risk of the Company/Group is minimal.

The tables below indicate the currencies to which the Company/Group had significant exposures as at 31 March 2018 and the effect to the gains/losses in case of a market exchange rates up/drop by 1%. The analysis calculates the effect of a reasonably possible movement of the currency rate against the rupees with all other variables held constant, on the Statement of Profit or Loss (due to the fair value of currency sensitive non-trading monetary assets and liabilities).

Notes to the financial statements

Impact on Statement of Profit or Loss due to exchange rate shocks

	Change in currency rate in %	Company 2019 Effect on profit before tax Rs. '000	Company 2018 Effect on profit before tax Rs. '000	Group 2019 Effect on profit before tax Rs. '000	Group 2018 Effect on profit before tax Rs. '000
USD	1	**49**	42	**437**	843
USD	-1	**(49)**	(42)	**(437)**	(843)

59.4.3 Equity price risk

The sensitivity analysis for equity price risk reflects how changes in the fair value of equity securities at the reporting date will fluctuate in response to assumed changes in equity market prices. The movements in the fair value of equity securities monitored by assessing the projected changes in the fair value of equity securities held by the portfolios in response to assumed equity price movements of +/- 1%.

1% increase/decrease in equity market prices	2019 Effect on net asset value Rs. '000	2019 Effect on profit before tax Rs. '000	2019 Effect on comprehensive income Rs. '000	2018 Effect on Net asset value Rs. '000	2018 Effect on profit before tax Rs. '000	2018 Effect on comprehensive income Rs. '000
Company						
Financial assets – FVTPL/Held for trading	**232**	**232**	–	1,748	1,748	–
Financial assets – FVOCI/Available for sale	**1,256**	–	**1,256**	2,191	–	2,191
Group						
Financial assets – FVTPL/Held for trading	**724**	**724**	–	3,152	3,152	–
Financial assets – FVOCI/Available for sale	**1,256**	–	**1,256**	2,191	–	2,191

59.4.4 Commodity price risk

Commodity price risk refers to the uncertainty of future market value and future income scale caused by commodity price fluctuations. Given the importance of the gold loan to the Group, volatility in gold prices may adversely affect Statement of Profit or Loss. Fluctuations in gold prices lead to market risk, which is the main source of credit risk associated with this product.

Following strategies are used to manages the credit and market risks arising from adverse changes in gold prices by the Group:

- LTV – The Group implements a process of revising the advance payments for each gold sovereign to reflect market value volatility to maintain an ideal loan-to-value ratio.
- Product Lifetime – As a credit risk management strategy, the Group deliver services in less time, enabling a faster recovery process.

59.5 Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to operate effectively, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss.

Operational risk of the Company is managed through a Board approved operational risk management policy control framework which consists of monitoring and responding to potential risks.

59.6 Insurance risks

People's Insurance PLC (PI) is a subsidiary of the Company whose principal line of business is carrying out general insurance business. The following are the risks and their management arising from PI for its statutory year ended 31 March 2018.

59.6.1 Regulatory framework

Regulators are primarily interested in protecting the rights of policyholders and monitor them closely to ensure that the PI is satisfactorily managing affairs for policyholders' benefit. At the same time, regulators are also interested in ensuring that the PI maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

As an insurer, the operations of the PI are subject to regulatory supervision of the Insurance Board of Sri Lanka (IBSL). PI has taken necessary action to comply with and complied with applicable regulations throughout the year.

59.6.2 Nature and extent of risks arising from insurance contracts

Objectives, policies and processes for managing risks arising from insurance contracts

PI willingly assumes risks of other organisations as its prime value creation activity. This is the core of the insurance business and there is no perfect way of measuring the potential impact on insured risk. For non-life insurance business, most significant risks arise from climate changes, natural disasters and terrorist activities.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. PI's risk management framework focuses on strategic risk, assumed risks and the potential risks. PI identifies and categorises risks in terms of their source, their impact on PI and preferred strategies for dealing with them.

Methods used to manage risks

Risk appetite and risk tolerance

PI has made a strategic decision to maintain a risk appetite moderately above the average of the insurance market, since it allows the best potential for creating shareholder value at an acceptable risk level. PI manages the volatility and potential downward risk through diversification.

Identification of shock losses

There are three areas of risk which have the potential to materially damage economic value that PI identified at present as having the greatest potential for shock losses. They are catastrophe, reserving and equity investment risk. PI manages the risk of shock losses by setting limits on the tolerance for specific risks and on the amount of capital that PI is willing to expose.

The table below sets out the concentration of non-life insurance contract liabilities by type of contract:

	31 March 2019			31 March 2018		
	Gross liabilities Rs. '000	**Reinsurance receivable Rs. '000**	**Net liabilities Rs. '000**	Gross liabilities Rs. '000	Reinsurance receivable Rs. '000	Net liabilities Rs. '000
Motor	**735,451**	**19,655**	**715,796**	444,580	26,081	418,499
Marine	**641**	**481**	**160**	1,517	32,018	(30,501)
Fire	**480,124**	**399,907**	**80,217**	49,245	1,234	48,011
Miscellaneous	**137,149**	**–**	**137,149**	69,153	19,733	49,420
Total	**1,353,365**	**420,043**	**933,322**	564,495	79,066	485,429

Notes to the financial statements

Claims development table

The following tables show the estimates of cumulative incurred claims for each quarter, together with cumulative payments to date:

Gross non-life insurance outstanding claims provision for 2019

Accident period	Current estimate of cumulative claims incurred									
	2018/19 Rs. '000	2017/18 Rs. '000	2016/17 Rs. '000	2015/16 Rs. '000	2014/15 Rs. '000	2013/14 Rs. '000	2012/13 Rs. '000	2011/12 Rs. '000	2010/11 Rs. '000	Total Rs. '000
2018/19	**4,357,505**	101,745	29,044	(13,280)	6,770	(11,817)	71	15,672	(165)	4,485,545
2017/18	–	2,792,805	33,255	21,071	5,704	8,298	(608)	4,738	(844)	2,864,419
2016/17	–	–	2,635,203	50,267	5,397	(8,555)	(17,006)	(113)	(945)	2,664,248
2015/16	–	–	–	2,182,704	31,044	35,874	(5,165)	6,377	1,703	2,252,537
2014/15	–	–	–	–	2,040,473	(15,126)	28,391	1,577	1,465	2,056,780
2013/14	–	–	–	–	–	2,042,094	(167,837)	50,297	3,148	1,927,702
2012/13	–	–	–	–	–	–	2,042,934	(58,704)	4,224	1,988,454
2011/12	–	–	–	–	–	–	–	1,396,938	2,762	1,399,700
2010/11	–	–	–	–	–	–	–	–	213,653	213,653
Current estimate of cumulative claims incurred	**4,357,505**	2,894,550	2,697,502	2,240,762	2,089,388	2,050,768	1,880,780	1,416,782	225,001	19,853,038

Gross non-life insurance outstanding claims provision for 2018

Accident period	Cumulative payments to date									
	2018/19 Rs. '000	2017/18 Rs. '000	2016/17 Rs. '000	2015/16 Rs. '000	2014/15 Rs. '000	2013/14 Rs. '000	2012/13 Rs. '000	2011/12 Rs. '000	2010/11 Rs. '000	Total Rs. '000
2018/19	**(3,305,799)**	(643,850)	(33,633)	(33,449)	(19,230)	(17,585)	(6,910)	(20,395)	–	(4,080,851)
2017/18	–	(2,267,584)	(468,923)	(30,768)	(13,186)	(10,447)	(10,057)	(8,627)	(2,129)	(2,811,721)
2016/17	–	–	(2,129,944)	(389,878)	(23,979)	(12,958)	(16,478)	(8,262)	(390)	(2,581,889)
2015/16	–	–	–	(1,743,315)	(395,617)	(28,525)	(53,691)	(16,664)	(1,718)	(2,239,530)
2014/15	–	–	–	–	(1,586,379)	(329,993)	(29,760)	(19,215)	(2,329)	(1,967,676)
2013/14	–	–	–	–	–	(1,621,312)	(252,384)	(57,574)	(3,495)	(1,934,765)
2012/13	–	–	–	–	–	–	(1,465,582)	(311,763)	(5,154)	(1,782,499)
2011/12	–	–	–	–	–	–	–	(893,615)	(72,227)	(965,842)
2010/11	–	–	–	–	–	–	–	–	(134,902)	(134,902)
Cumulative payments to date	**(3,305,799)**	(2,911,434)	(2,632,500)	(2,197,410)	(2,038,391)	(2,020,820)	(1,834,862)	(1,336,115)	(222,344)	(18,499,675)
Total gross claims outstanding	**1,051,706**	(16,884)	65,002	43,352	50,997	29,948	45,918	80,667	2,657	1,353,363

Financial reports

Notes to the financial statements

Net non-life insurance outstanding claims provision for 2019

Accident period	Current estimate of cumulative claims incurred									
	2018/19 Rs. '000	2017/18 Rs. '000	2016/17 Rs. '000	2015/16 Rs. '000	2014/15 Rs. '000	2013/14 Rs. '000	2012/13 Rs. '000	2011/12 Rs. '000	2010/11 Rs. '000	Total Rs. '000
2018/19	**4,350,992**	108,233	34,319	(4,902)	7,055	(16,214)	72	15,968	(167)	4,495,356
2017/18	–	2,692,279	37,716	15,721	5,742	14,290	(608)	9,001	(844)	2,773,297
2016/17	–	–	2,549,666	59,287	6,864	(10,511)	(16,949)	(128)	(945)	2,587,284
2015/16	–	–	–	2,100,737	16,076	34,203	(3,982)	6,454	1,599	2,155,087
2014/15	–	–	–	–	2,023,094	(15,127)	28,151	2,382	1,465	2,039,965
2013/14	–	–	–	–	–	2,034,121	(158,485)	51,344	3,157	1,930,137
2012/13	–	–	–	–	–	–	1,976,422	(15,515)	4,239	1,965,146
2011/12	–	–	–	–	–	–	–	1,224,086	4,621	1,228,707
2010/11	–	–	–	–	–	–	–	–	209,132	209,132
Current estimate of cumulative claims incurred	**4,350,992**	2,800,512	2,621,701	2,170,843	2,058,831	2,040,762	1,824,621	1,293,592	222,257	19,384,111

Net non-life insurance outstanding claims provision for 2018

Accident period	Cumulative payments to date									
	2018/19 Rs. '000	2017/18 Rs. '000	2016/17 Rs. '000	2015/16 Rs. '000	2014/15 Rs. '000	2013/14 Rs. '000	2012/13 Rs. '000	2011/12 Rs. '000	2010/11 Rs. '000	Total Rs. '000
2018/19	**(3,609,164)**	(679,049)	(34,981)	(36,931)	(21,217)	(15,267)	(7,623)	(22,502)	–	(4,426,734)
2017/18	–	(2,209,836)	(446,918)	(30,608)	(13,132)	(10,432)	(10,057)	(8,627)	(2,129)	(2,731,739)
2016/17	–	–	(2,075,965)	(387,579)	(23,866)	(12,833)	(16,282)	(8,244)	(390)	(2,525,159)
2015/16	–	–	–	(1,756,890)	(369,486)	(27,883)	(31,860)	(16,664)	(1,614)	(2,204,397)
2014/15	–	–	–	–	(1,564,956)	(329,883)	(29,152)	(17,417)	(2,329)	(1,943,737)
2013/14	–	–	–	–	–	(1,593,260)	(226,969)	(32,280)	(3,495)	(1,856,004)
2012/13	–	–	–	–	–	–	(1,424,239)	(248,760)	(5,123)	(1,678,122)
2011/12	–	–	–	–	–	–	–	(881,711)	(71,904)	(953,615)
2010/11	–	–	–	–	–	–	–	–	(131,282)	(131,282)
Cumulative payments to date	**(3,609,164)**	(2,888,885)	(2,557,864)	(2,212,008)	(1,992,657)	(1,989,558)	(1,746,182)	(1,236,205)	(218,266)	(18,450,789)
Total gross claims outstanding	**741,828**	(88,373)	63,837	(41,165)	66,174	51,204	78,439	57,387	3,991	933,322

60 Events after the reporting period

No circumstances have arisen since the reporting date which would require adjustments to, or disclosure in the Financial Statements, other than those disclosed below:

The Board of Directors of the Company has proposed a final dividend of Rs. 0.50 per share for the ordinary shareholders of the Company for the year ended 31 March 2019. This will be declared at the Annual General Meeting to be held on 31 July 2019, upon approval of the shareholders.

In accordance with Sri Lanka Accounting Standard – LKAS 10 – "Events After the Reporting Period", this proposed final dividend has not been recognised as a liability as at 31 March 2019. As required by Section 56 (2) of the Companies Act No. 07 of 2007, the Board of Directors has confirmed that the Company has satisfied the "solvency test" in accordance with Section 57 of the Companies Act No. 07 of 2007, having obtained a certificate from the Auditors, prior to recommending the final dividend for the year.

Supplementary information

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Investor relations

Through the sustainable growth of People's Leasing our investors expect optimal returns on their investment. To maintain their long-term trust and confidence in us, we make every effort to present them with a timely, relevant, and balanced view of the Company's operational results, financial position, and cash flows.

Significance of Investors in value creation process

Shareholders and holders of debt instruments issued by the Company make up our investor portfolio. The capital they infused at the commencement of operations and, subsequently, for the Company's expansion, has been invaluable, contributing to the manufacturing capital we need to create value. Such funding also provides a buffer against any unforeseen losses that may arise from our operations as we meet all necessary regulatory requirements relating to capital. Investors in debt instruments issued by the Company have provided funds for operational expansion.

In return, the responsibility we take very seriously is that of creating satisfactory returns on the capital invested. In meeting and exceeding our investors' expectations, we strive for the optimum risk – return trade-off, achievable only by maintaining a high standard of performance that ensures sustainable value creation underpinned by a sound system of corporate governance and risk management. Our success in meeting this goal is evidenced by our growth, results, and the perfect track record of compliance.

While striving to maintain the rights conferred on our investors by various statutes, we also make every effort to maintain effective two-way communication with them and to ensure that they are able to make informed decisions.

Overcoming challenges

We operated within a challenging environment during the year under review as detailed in our Operating Environment on pages 62 and 63. It was a year that impacted not only our own business and the financial industry but also the stock market. The ASPI and S&P SL20 declined by 14.20% and 24.96%, respectively, contributing to a deterioration of our own share price which traded at a discount of 0.74 to book value as at end March 2019. Despite this decline, our share price remained one of the highest in the NBFI sector, speaking to the effective communication of not just our current performance but also our future prospects.

Share Market Performance

	Overall market		Banks, finance and insurance	
	2019	2018	**2019**	2018
All share price index	**5,557.24**	6,476.78	**N/A**	N/A
S&P SL20 index	**2,738.95**	3,650.10	**N/A**	N/A
Market capitalisation (Rs. billion)	**2,605.90**	3,032.71	**706.74**	809.70
Foreign inflows (Rs. billion)	**62.65**	131.83	**24.26**	40.71
Foreign outflows (Rs. billion)	**89.36**	129.38	**20.53**	36.37
Price earnings ratio (Times)	**8.72**	11.19	**4.68**	6.87
Price to book value (Times)	**1.10**	1.35	**0.88**	1.07
Dividend yield (%)	**3.56**	2.91	**3.00**	2.50

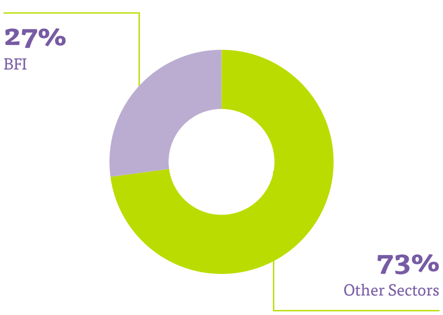
Supplementary information

Investor relations

With a public holding (free float) of 24.96% in voting shares against the regulatory minimum of 7.5%, the Company's shares are actively traded in the CSE, and investors are provided with a convenient "enter and exit" mechanism.

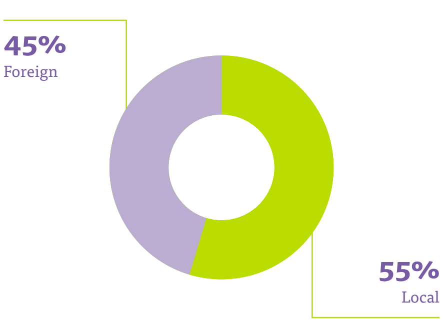
Recording moderate growth against this backdrop, the NBFI sector also saw its profitability negatively impacted by deteriorating asset quality and increasing impairment charges and with the implication of debt repayment levy. In spite of this situation, the sector maintained its overall capital and liquidity levels well above the minimum requirements. With measures to strengthen the financial sector's supervisory and regulatory framework continuing, the sector's safety and resilience were further enhanced during the year.

Total market capitalisation vs. sector market capitalisation



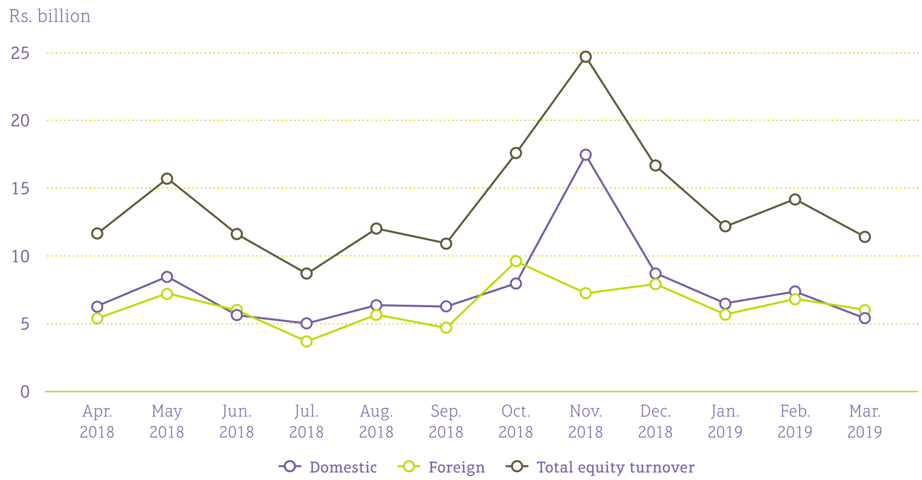
As at end March 2019, total market capitalisation had declined from Rs. 3,032.71 billion at the end of March 2018 to Rs. 2,605.90 billion reflecting a 14.07% decrease. The sector market capitalisation similarly decreased over the same period.

Composition of the total equity turnover



Equity turnover fluctuated throughout the year with total equity and foreign equity turnover reaching the highest levels in November 2018.

Equity turnover fluctuation



Compliance report on the contents of Annual Report in terms of the Listing Rules of the CSE

The Company has fully complied with all applicable requirements of Section 7.6 of the Listing Rules of the CSE on the contents of the Annual Report and Accounts of a listed entity. Please refer table on page 59 for references to the relevant sections of this Annual Report where specific information is disclosed together with the relevant page numbers.

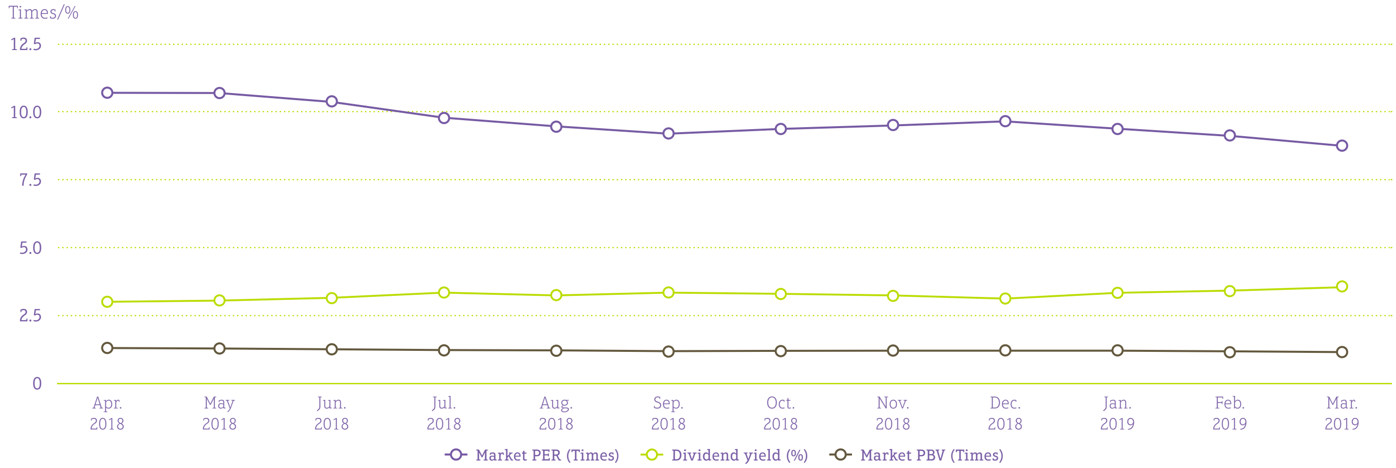
Methods of communication with this important stakeholder group include:

Investor relations

Supplementary information

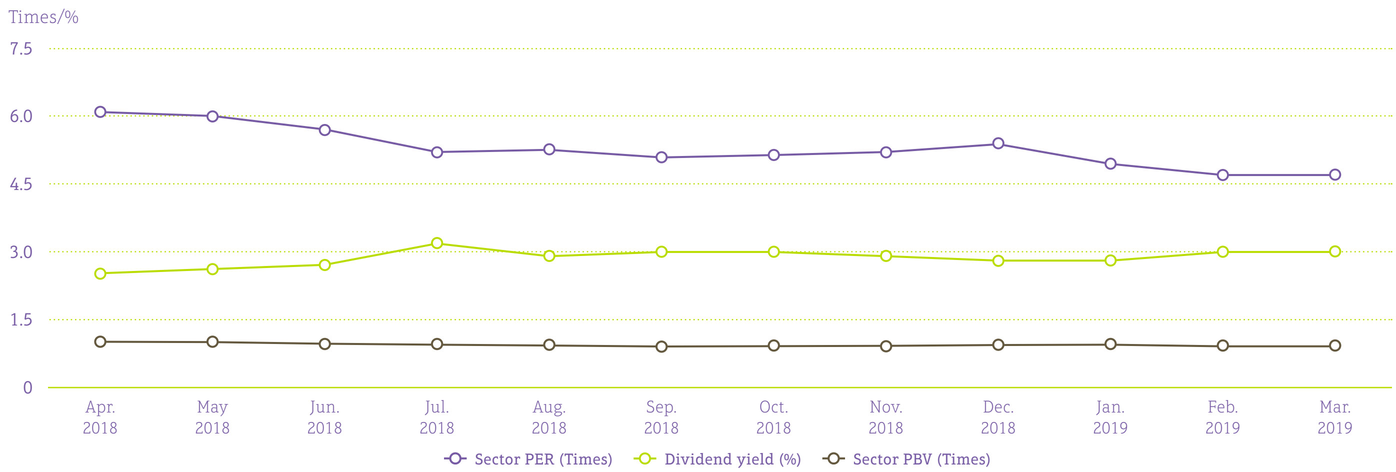
While the total market dividend yield increased to 3.56%, market PE and PBV ratios show a decline over the year.

Movement in market ratios



The Bank, Finance and Insurance sector dividend yield also increased slightly reflecting the same trend in total market yield.

Banks, finance and insurance sector market ratio movement



People's Leasing financial performance

For the finance year	2019	2018	% Change
Earnings per share – Group (Rs.)	**3.05**	3.05	–
Dividend per share (Rs.)	**1.25**	1.25	–
Dividend payout (%)	**44.72**	45.83	(1.11)
Dividend yield (%)	**9.33**	7.91	1.42
Dividend cover(times)	**2.24**	2.18	2.48
Net asset value per share (Rs.)	**18.10**	17.11	5.82
Price earning (times)	**4.79**	5.18	17.24
Price to book value (times)	**0.74**	0.92	(19.86)
Return on equity (%)	**15.88**	16.66	(0.79)
Earning growth (%)	**2.56**	7.48	(4.92)

Supplementary information

Investor relations

People's Leasing share

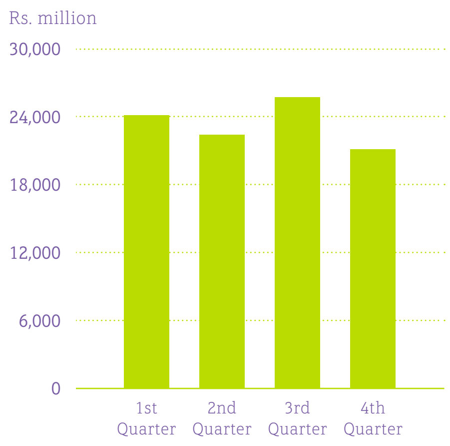
The ordinary shares issued by People's Leasing are listed on the CSE and the code of shares is "PLC.N000".

Audited Financial Statements are required to be submitted within three months from the reporting date. In compliance with this requirement, the Financial Statements for the year ended 31 March 2019 are included in this report.

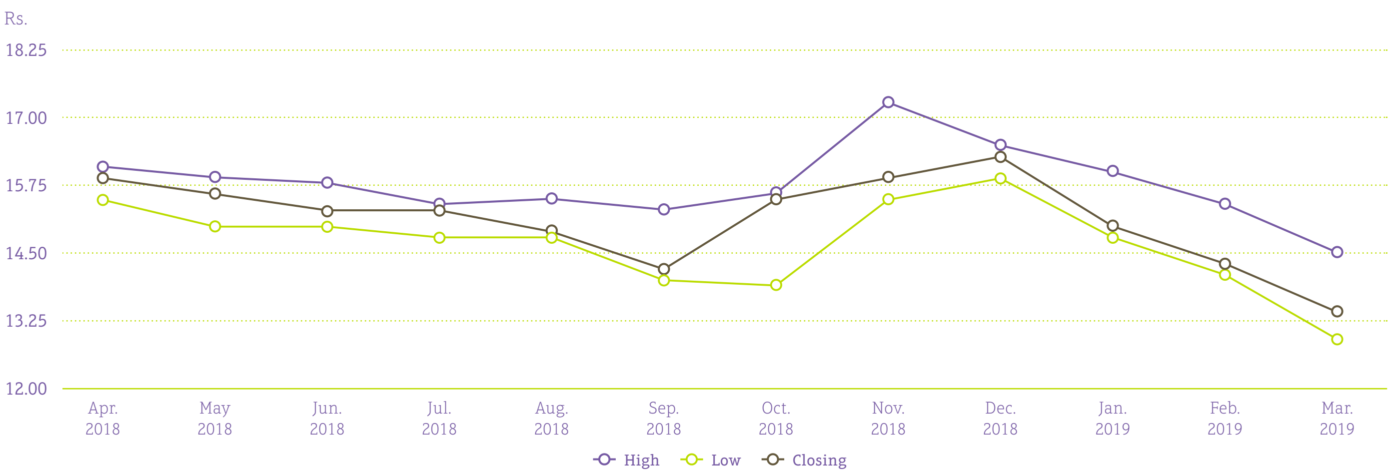
People's Leasing share trading

People's Leasing market capitalisation has decreased over the year reflecting the same trend pattern of the total market capitalisation.

Market capitalisation



People's Leasing and Finance PLC share price movement

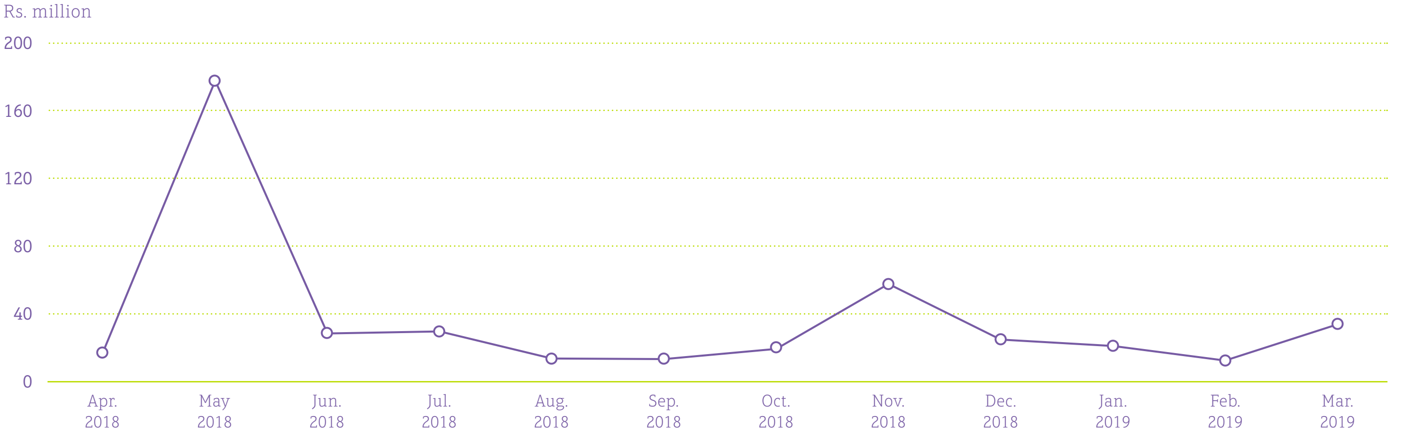


Market value of People's Leasing as at 31 March 2019 is Rs. 13.40, showing a decline compared to the price as at 31 March 2018 which was Rs. 15.80. However in November 2018 the share recorded the highest market price of Rs. 17.30.

Investor relations

Supplementary information

People's Leasing shares turnover



Share information

	2018/19	Q4	Q3	Q2	Q1	2017/18
Share price (Rs.)						
Highest	**17.30**	16.00	17.30	15.50	16.10	19.20
Lowest	**12.90**	12.90	13.90	14.00	15.00	15.50
Closing	**13.40**	13.40	16.30	14.20	15.30	15.80
Number of transactions	**7,846**	1,686	1,906	1,791	2,463	5,881
Number of shares traded (Nos. million)	**29.25**	4.78	6.33	3.75	14.39	41.57
Turnover (Rs. million)	**448.47**	67.06	101.60	56.21	223.60	729.76
PLC turnover to total market turnover (%)	**0.27**	0.18	0.17	0.18	0.57	0.30
Number of days traded	**240**	58	61	62	59	237
Average daily turnover (Rs. million)	**1.87**	1.16	1.67	0.91	3.79	3.08
Market capitalisation – CSE (MC) (Rs. billion)	**2,605.90**	2,605.90	2,839.45	2,752.86	2,893.76	3,032.71
Market capitalisation – PLC (MC)(Rs. billion)	**21.17**	21.17	25.75	22.43	24.17	24.96
PLC MC to CSE MC (%)	**0.81**	0.81	0.91	0.81	0.84	0.82
Market turnover (Rs. million)	**167,419.60**	37,755.59	59,081.58	31,592.61	38,989.83	245,435.16

Share capital

The Share capital of the Company remained the same as the previous year amounting to Rs. 13.23 billion.

During the year under review, the total number of ordinary shares stood the same at 1,579,862,482. In line with the increase in reserves, total equity grew to Rs. 28.60 billion against Rs. 27.03 billion recorded in the preceding year.

Investor relations

Information on movement in number of shares represented by stated capital

	Number of shares at the beginning of the financial year		Addition/(redemption) of shares during the financial year		Cumulative shares at the end of the financial year		Issued capital at the end of the financial year (Rs.)
	Ordinary shares	Preference shares	Ordinary shares	Preference shares	Ordinary shares	Preference shares	
1995/96	2	–	–	–	2	–	20
1996/97	2	–	–	–	2	–	20
1997/98	2	–	2,500,000	–	2,500,002	–	25,000,020
1998/99	2,500,002	–	–	–	2,500,002	–	25,000,020
1999/00	2,500,002	–	1,500,000	–	4,000,002	–	40,000,020
2000/01	4,000,002	–	2,000,006	–	6,000,008	–	60,000,080
2001/02	6,000,008	–	4,000,000	–	10,000,008	–	100,000,080
2002/03	10,000,008	–	–	–	10,000,008	–	100,000,080
2003/04	10,000,008	–	10,000,000	50,000,000	20,000,008	50,000,000	700,000,080
2004/05	20,000,008	50,000,000	–	–	20,000,008	50,000,000	700,000,080
2005/06	20,000,008	50,000,000	30,000,000	–	50,000,008	50,000,000	1,000,000,080
2006/07	50,000,008	50,000,000	–	-5,000,000	50,000,008	45,000,000	950,000,080
2007/08	50,000,008	45,000,000	–	-10,000,000	50,000,008	35,000,000	850,000,080
2008/09	50,000,008	35,000,000	–	-10,000,000	50,000,008	125,000,000	1,850,000,080
2009/10	50,000,008	125,000,000	–	-10,000,000	50,000,008	115,000,000	1,850,000,080
2010/11	50,000,008	115,000,000	–	-10,000,000	50,000,008	105,000,000	1,850,000,080
2011/12	50,000,008	105,000,000	1,510,000,152	-15,000,000	1,560,000,160	90,000,000	12,958,000,800
2012/13	1,560,000,160	90,000,000	–	-20,000,000	1,560,000,160	70,000,000	12,736,073,308
2013/14	1,560,000,160	70,000,000	19,862,322	-20,000,000	1,579,862,482	50,000,000	12,736,073,308
2014/15	1,579,862,482	50,000,000	–	-20,000,000	1,579,862,482	30,000,000	12,936,073,308
2015/16	1,579,862,482	30,000,000	–	-20,000,000	1,579,862,482	10,000,000	13,136,073,308
2016/17	1,579,862,482	10,000,000	–	-10,000,000	1,579,862,482	–	13,236,073,308
2017/18	1,579,862,482	–	–	–	1,579,862,482	–	13,236,073,308
2018/19	1,579,862,482	–	–	–	1,579,862,482	–	13,236,073,308

Distribution of ordinary shareholders

Distribution of ordinary shareholders	31 March 2019				31 March 2018			
	Number of shareholders	Shareholder percentage %	Number of shares	Share percentage %	Number of shareholders	Shareholder percentage %	Number of shares	Share percentage %
Less than or equal to 1,000	**4,361**	**48.67**	**2,447,084**	**0.15**	4,189	47.60	2,442,250	0.15
1,001 – 10,000	**3,353**	**37.42**	**13,320,695**	**0.84**	3,377	38.37	13,370,358	0.85
10,001 – 100,000	**1,052**	**11.74**	**32,642,795**	**2.07**	1,037	11.78	32,184,556	2.04
100,001 – 1,000,000	**167**	**1.86**	**48,534,524**	**3.07**	170	1.93	51,291,010	3.25
Over 1,000,000	**28**	**0.31**	**1,482,917,384**	**93.86**	28	0.32	1,480,574,308	93.72
Total	**8,961**	**100.00**	**1,579,862,482**	**100.00**	8,801	100.00	1,579,862,482	100.00

Investor relations

Supplementary information

Composition of ordinary shareholders

Distribution of ordinary shareholders	31 March 2019				31 March 2018			
	Number of shareholders	Shareholder percentage %	Number of shares	Share percentage %	Number of shareholders	Shareholder percentage %	Number of shares	Share percentage %
Resident – Individuals	**8,615**	**96.14**	**72,066,324**	**4.56**	8,455	96.07	72,762,232	4.61
Resident – Institutions	**288**	**3.21**	**1,404,791,918**	**88.92**	291	3.31	1,406,480,645	89.03
Non-resident – Individuals	**48**	**0.54**	**4,823,034**	**0.31**	46	0.52	3,862,280	0.24
Non-resident – Institutions	**10**	**0.11**	**98,182,206**	**6.21**	9	0.10	96,757,325	6.12
Total	**8,916**	**100.00**	**1,579,862,482**	**100.00**	8,801	100.00	1,579,862,482	100.00

Public holding

The Company's public holding stood at 24.96% as at 31 March 2019 and the number of shareholders representing the public holding was 8,953. There was no significant change in the Company's public holding compared to the previous year.

Twenty largest shareholders

No.	Name of the shareholder	31 March 2019		Comments	31 March 2018	
		Number of shares	percentage %		Number of shares	percentage %
1.	People's Bank	**1,184,896,862**	**75.00**	No change	1,184,896,862	75.00
2.	Employees Provident Fund	**85,748,846**	**5.43**	No change	85,748,846	5.43
3.	BNYM SANV RE-Neon Liberty Lorikeet Master Fund LP	**73,084,030**	**4.63**	No change	73,084,030	4.63
4.	National Savings Bank	**43,668,157**	**2.76**	No change	43,668,157	2.76
5.	Rubber Investment Trust Limited A/C No. 01	**16,861,361**	**1.07**	1 Position up	15,323,883	0.97
6.	Citibank New York S/A Norges Bank Account 2	**15,775,303**	**1.00**	1 Position down	15,775,303	1.00
7.	Bank of Ceylon No. 1 Account	**11,453,600**	**0.72**	No change	11,453,600	0.72
8.	Sri Lanka Insurance Corporation Ltd. – General Fund	**7,022,962**	**0.44**	No change	7,022,962	0.44
9.	AIA Insurance Lanka PLC A/C No. 07	**5,197,515**	**0.33**	No change	5,197,515	0.33
10.	Ceylon Investments PLC A/C No. 01	**4,954,891**	**0.31**	No change	4,954,891	0.31
11.	Union Assurance PLC/No-01A/C	**3,821,672**	**0.24**	No change	3,821,672	0.24
12.	Ceylon Guardian Investment Trust PLC A/C No. 02	**3,340,505**	**0.21**	No change	3,340,505	0.21
13.	Caceis Bank, Luxembourg Branch – TCM Investment Funds Luxembourg	**2,887,743**	**0.18**	No change	2,887,743	0.18
14.	Hatton National Bank PLC A/C No. 4 (HNB Retirement Pension Fund)	**2,719,743**	**0.17**	No change	2,719,743	0.17
15.	Employees Trust Fund Board	**2,356,087**	**0.15**	No change	2,356,087	0.15
16.	Akbar Brothers (Pvt) Ltd. A/C No.1	**2,004,114**	**0.13**	No change	1,894,014	0.12
17.	First Capital Limited	**1,700,000**	**0.11**	1 Position up	1,700,000	0.11
18.	Pershing LLC S/A Averbach Grauson & CO.	**1,680,000**	**0.11**	New entrant	–	–
19.	Deutsche Bank AG as Trustee for Guardian Acuity Equity Fund	**1,638,092**	**0.10**	2 Position down	1,715,000	0.11
20.	Guardian Fund Management Limited/The Aitken Spence and Associated Companies Executive Staff Provident	**1,616,715**	**0.10**	New entrant	–	–
	Subtotal	**1,472,428,198**	**93.20**		1,470,746,944	93.09
	Other shareholders	**107,434,284**	**6.80**		109,115,538	6.91
	Total	**1,579,862,482**	**100.00**		1,579,862,482	100.00

Supplementary information

Investor relations

Directors' and CEO's shareholding

Name	Position	Number of shares as at	
		31 March 2019	31 March 2018
Mr Hemasiri Fernando	Chairman	–	–
Mr M P Amirthanayagam	Deputy Chairman	**10,000**	10,000
Mr J A Fernando	Director	–	–
Mr J P Amaratunga	Director	–	–
Mr M A M Rizwan	Director	–	–
Mr R M Jayasena	Director	–	–
Mr G B R P Gunawardana	Director	–	–
Mr G H A A Shabbir	Director	–	–
Mr N W A M U K K E Weerasinghe	Director	–	–
Dr K D Gunawardana	Director	–	–
Mr A S Ibrahim	CEO	–	–
		10,000	10,000

Solvency and debt capital

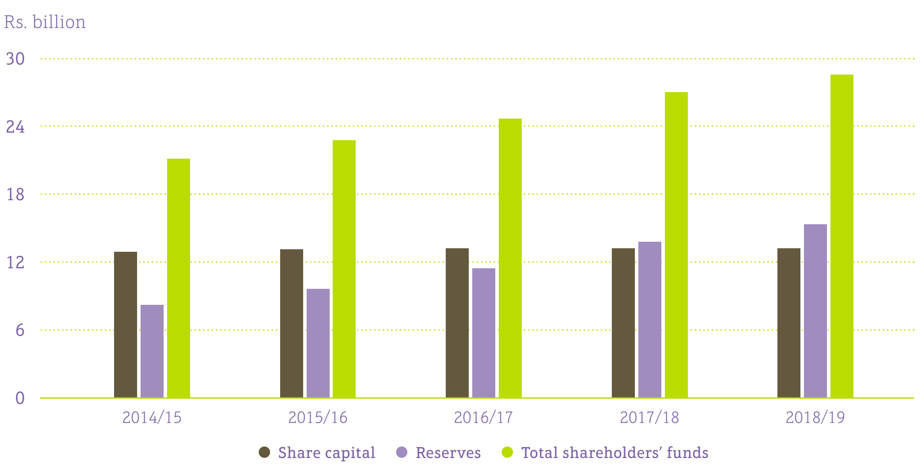
For the financial year	**2018/19**	2017/18	Change %
Debt to equity ratio excluding deposits (Times)	**1.70**	2.06	(17.64)
Tier 1 capital/Core capital ratio – %	**14.36**	18.38	(4.02)
Total capital ratio/Total risk weighted capital ratio – %	**15.20**	16.46	(1.26)
Interest cover (Times)	**1.42**	1.40	1.64
Current ratio (Times)	**0.82**	0.80	2.69

The debt to equity ratio showed a positive 17.64% change as a result of a strategic decision to reduce the Company's dependency on debt financing and instead concentrate on growing deposits to fund the operations.

Central Bank of Sri Lanka introduced Finance Business Act Directions No. 3 of 2018 Capital Adequacy Requirements with effect from 1 July 2018 and the decrease in ratios are due to the change in methodology of computation which the new direction focus on operational risk aspect as well. However, People's Leasing maintained well above the regulatory requirements of 6% and 10% according to the aforementioned direction.

This indicates that the Company preserves sufficient capital to act as a cushion against future risks.

Composition of equity



Investor relations

Debenture market information with last year

As a financing option People's Leasing uses debentures to raise funds to boost the operation whilst minimising the maturity mismatch face by the Company. All of the issued debentures are unsecured and are listed on CSE. During the year People's Leasing issued 6,000 million debentures and as at 31 March 2019 outstanding debenture liability is amounted to Rs. 21,260 million.

2019/20

Type	Type A	Type B	Type A	Type B	Type C	Type A	Type B
Tenure (years)	4 years	5 years	3 years	4 years	5 years	4 years	5 years
Issue date	15 November	15 November	16 November	16 November	16 November	18 April	18 April
Maturity date	19 November	20 November	19 November	20 November	21 November	22 April	23 April
Interest rate	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed
Coupon rate (%)	9.60	9.95	11.90	12.25	12.60	12.40	12.80
Effective annual yield (%)	9.83	9.95	12.25	12.63	13.00	12.40	12.80
Interest rate comparable Government security (%)	11.07	11.62	11.07	11.62	11.37	9.79	10.68
Frequency of interest payable	Semi-annual	Annual	Semi-annual	Semi-annual	Semi-annual	Annual	Annual
Rating							
Amount (Rs. million)	2,176	3,824	542	659	6,799	705	5,295
ISIN No.	LKR0399D23229	LKR0399D23237	LKR0399D23732	LK0399D23740	LKR0399D23757	LKR0399D23997	LKR0399D23989
Market value (Rs.)							
Highest	Not-traded	Not-traded	100.00	100.00	100.00	Not-traded	Not-traded
Lowest	Not-traded	Not-traded	100.00	100.00	100.00	Not-traded	Not-traded
Closing	Not-traded	Not-traded	100.00	100.00	100.00	Not-traded	Not-traded
Current yield (%)	9.60	9.95	11.90	12.25	12.60	12.40	12.80
YTM (%)	9.60	9.95	11.90	12.25	12.61	12.40	12.80

2017/18

Type	Type B	Type A	Type B	Type A	Type B	Type C
Tenure (years)	4 years	4 years	5 years	3 years	4 years	5 years
Issue date	14 September	15 November	15 November	16 November	16 November	16 November
Maturity date	18 September	19 November	20 November	19 November	20 November	21 November
Interest rate	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed
Coupon rate (%)	9.63	9.60	9.95	11.90	12.25	12.60
Effective annual yield (%)	9.63	9.83	9.95	12.25	12.63	13.00
Interest rate comparable Government security (%)	10.29	11.07	11.62	11.07	11.62	11.37
Frequency of interest payable	Annual	Semi-annual	Annual	Semi-annual	Semi-annual	Semi-annual
Rating						
Amount (Rs. million)	1,200	2,176	3,824	542	659	6,799
ISIN No.	LK0399D22510	LKR0399D23229	LKR0399D23237	LKR0399D23732	LK0399D23740	LKR0399D23757
Market value (Rs.)						
Highest	Not-traded	Not-traded	Not-traded	Not-traded	Not-traded	99.96
Lowest	Not-traded	Not-traded	Not-traded	Not-traded	Not-traded	99.96
Closing	Not-traded	Not-traded	Not-traded	Not-traded	Not-traded	99.96
Current yield (%)	9.27	9.60	9.95	11.90	12.25	12.60
YTM (%)	8.36	9.60	9.95	11.90	12.25	12.61

Supplementary information

Quarterly analysis

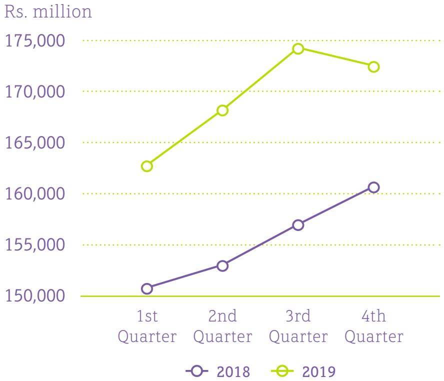
Statement of profit or loss

Rs. million	Company									
	1st Quarter April-June		2nd Quarter July-September		3rd Quarter October-December		4th Quarter January-March		Total	
	2018	2017	2018	2017	2018	2017	2019	2018	2019	2018
Interest income	7,221	6,260	7,630	6,565	7,969	6,745	**8,016**	7,135	**30,836**	26,705
Less: Interest expenses	3,683	3,512	3,825	3,635	4,013	3,681	**4,125**	3,672	**15,646**	14,500
Net interest income	3,538	2,748	3,805	2,930	3,956	3,064	**3,891**	3,463	**15,190**	12,205
Fee and commission income	263	237	346	323	346	300	**554**	518	**1,509**	1,378
Net gains/losses on financial assets – FVTPL/held for trading	(9)	32	(14)	(12)	(8)	(7)	**3**	6	**(28)**	19
Other operating income	45	80	152	160	35	37	**186**	224	**418**	501
Total operating income	3,838	3,097	4,289	3,401	4,329	3,394	**4,634**	4,211	**17,089**	14,103
Less: Impairment charges for loans and receivables and other losses	818	539	305	398	469	445	**(6)**	48	**1,586**	1,430
Impairment charges for investment in associate	–	–	–	–	–	–	**349**	–	**349**	–
Impairment charges for goodwill	–	–	–	–	30	–	**(10)**	–	**20**	–
Net operating income	3,020	2,558	3,984	3,003	3,830	2,949	**4,301**	4,163	**15,134**	12,673
Less:										
Personnel expenses	808	660	898	678	945	661	**787**	975	**3,438**	2,974
Depreciation and amortisation	46	45	44	49	45	49	**45**	50	**180**	193
Other operating expenses	670	684	695	710	698	681	**781**	361	**2,844**	2,436
Total operating expenses	1,524	1,389	1,637	1,437	1,718	1,391	**1,613**	1,386	**6,462**	5,603
Operating profit before tax on financial services	1,496	1,169	2,347	1,566	2,142	1,558	**2,688**	2,777	**8,672**	7,070
Less: Tax on financial services	335	224	449	324	620	301	**683**	451	**2,087**	1,300
Operating profit before income tax	1,161	945	1,898	1,242	1,522	1,257	**2,005**	2,326	**6,585**	5,770
Less: Income tax expense	341	259	552	340	547	342	**729**	520	**2,169**	1,461
Profit for the period	820	686	1,346	902	975	915	**1,276**	1,806	**4,416**	4,309

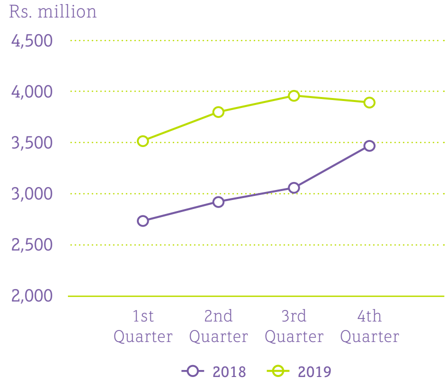
Note:
Company presented the first three Interim Financial Statements for 2019 based on LKAS 39 availing the option granted by CA Sri Lanka. Accordingly the cumulative impact for 2019 from the application of SLFRS 9 has been adjusted in the fourth quarter.

Appropriate classifications were taken place, which may differ with quarterly published Interim Financial Statements.

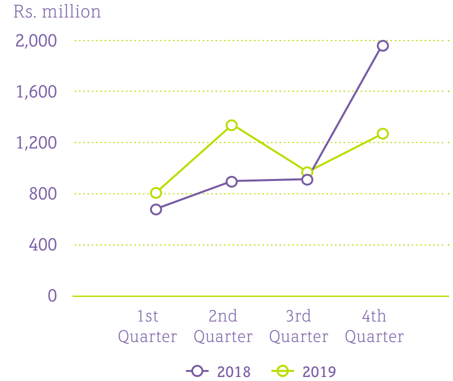
Total assets



Net interest income



Profit after tax



Quarterly analysis

Supplementary information

Statement of Financial Position

	Company							
	1st Quarter As at 30 June		2nd Quarter As at 30 September		3rd Quarter As at 31 December		4th Quarter As at 31 March	
Rs. million	2018	2017	2018	2017	2018	2017	2019	2018
Assets								
Cash and cash equivalents	2,180	4,541	2,529	3,682	3,002	3,908	**3,294**	4,413
Balances with banks and financial institutions	3,016	2,755	3,076	3,476	3,157	4,079	**3,405**	4,371
Financial assets -Fair value through profit or loss/Held-for-trading	166	238	105	188	27	174	**23**	175
Loans and receivables	144,107	133,661	149,221	134,886	154,522	137,368	**151,707**	140,165
Financial assets – Fair value through other comprehensive income/Available-for-sale	197	294	150	277	157	208	**126**	219
Debt Instrument at amortised cost/ Held to maturity	6,959	3,992	6,883	5,177	7,041	4,787	**8,003**	4,890
Current tax receivables	–	–	–	–	–	–	**–**	90
Investments in subsidiaries	3,214	2,075	3,214	2,075	3,214	3,214	**3,214**	3,214
Investments in associate	586	586	586	586	586	586	**238**	586
Investment property	–	101	–	101	–	101	**–**	134
Property, plant and equipment	1,146	1,247	1,078	1,208	1,122	1,199	**1,098**	1,167
Goodwill and intangible assets	345	336	342	333	316	340	**325**	346
Leasehold property	86	89	86	89	85	88	**84**	87
Other assets	854	915	981	962	1,070	947	**1,024**	834
Total assets	162,856	150,830	168,251	153,040	174,299	156,999	**172,541**	160,691
Liabilities								
Due to banks	25,222	33,363	29,549	28,437	33,998	27,155	**27,274**	39,922
Due to customers	70,106	48,202	71,518	58,543	74,205	65,110	**88,369**	69,763
Debt securities issued	32,216	36,767	30,599	33,442	28,793	32,196	**21,275**	15,784
Other financial liabilities	3,890	3,704	3,673	3,380	3,852	3,553	**2,480**	4,646
Current tax liabilities	49	309	308	263	589	239	**2,238**	–
Deferred tax liabilities	2,276	1,923	2,276	1,797	2,276	1,797	**837**	2,276
Other liabilities	2,066	1,961	1,992	1,692	2,446	1,722	**1,465**	1,270
Total liabilities	135,825	126,229	139,915	127,554	146,159	131,772	**143,938**	133,661
Equity								
Stated capital	13,236	13,236	13,236	13,236	13,236	13,236	**13,236**	13,236
Statutory reserve fund	1,876	1,656	1,938	1,701	1,986	1,747	**2,058**	1,838
Retained earnings	11,493	9,262	13,190	10,118	12,932	9,801	**13,362**	11,502
Other reserves	426	447	(28)	431	(14)	443	**(53)**	454
Total equity	27,031	24,601	28,336	25,486	28,140	25,227	**28,603**	27,030
Total liabilities and equity	162,856	150,830	168,251	153,040	174,299	156,999	**172,541**	160,691

Supplementary information

Ten year summary

	Company									
	2018/19	2017/18	2016/17	2015/17	2014/16	2013/14	2012/13	2011/12	2010/11	2009/10
Financial capital										
Operating result										
Income (Rs. million)	**32,736**	28,603	23,859	19,186	20,542	20,628	18,205	12,912	9,212	7,155
Interest income (Rs. million)	**30,836**	26,705	22,041	17,876	19,248	19,534	17,245	12,002	8,263	6,523
Interest expenses (Rs. million)	**15,646**	14,500	11,830	7,941	9,248	11,266	10,140	6,302	3,542	3,133
Net interest income (Rs. million)	**15,190**	12,204	10,212	9,935	10,000	8,268	7,105	5,700	4,722	3,390
Non-interest income (Rs. million)	**1,899**	1,898	1,818	1,310	1,294	1,094	960	910	949	632
Impairment and other losses (Rs. million)	**1,955**	1,430	216	258	1,645	1,218	698	308	18	533
Other operating expenses (Rs. million) [Note 2]	**8,549**	6,903	6,338	4,844	4,274	3,757	3,232	2,522	1,931	1,389
Profit before tax (PBT) (Rs. million)	**6,585**	5,770	5,476	6,143	5,375	4,387	4,135	3,781	3,721	2,100
Income tax expense (Rs. million)	**2,169**	1,460	1,467	1,796	1,622	1,263	1,285	1,206	1,142	900
Profit after tax (PAT) (Rs. million)	**4,416**	4,309	4,009	4,347	3,753	3,124	2,850	2,575	2,580	1,200
Return on assets (ROA) (%)	**3.95**	3.71	3.99	5.19	4.75	4.15	4.70	5.62	8.59	7.45
Cost to income ratio (%)	**37.81**	39.73	45.01	37.24	34.63	37.01	36.54	32.58	27.49	27.70
Financial position										
Cash, balances with banks and reverse repo (Rs. million)	**6,699**	8,783	7,681	4,054	3,465	14,783	4,705	1,730	1,529	2,085
Loans and receivables (Rs. million)	**151,708**	140,165	134,055	109,872	98,411	90,218	88,404	71,289	49,385	26,717
Investments in subsidiaries (Rs. million)	**3,214**	3,214	2,075	1,875	1,875	1,475	1,475	3,118	1,805	900
Investments in Government Treasury Bills and Bonds (Rs. million)	**8,003**	4,890	2,968	4,930	5,266	4,747	540	–	–	–
Total assets (Rs. million)	**172,541**	160,694	150,457	124,336	112,323	113,776	97,437	78,658	55,849	30,848
Borrowings (Rs. million)	**48,549**	55,705	74,258	60,819	49,848	48,605	56,232	58,740	39,930	20,072
Deposits from customers (Rs. million) [Note 3]	**88,369**	69,763	44,723	33,836	34,094	40,921	18,847	–	–	–
Total equity (Rs. million)	**28,603**	27,030	24,697	22,772	21,136	19,196	18,023	16,809	8,442	6,229
Total liabilities and shareholders' funds (Rs. million)	**172,541**	160,694	150,457	124,336	112,323	113,776	97,437	78,658	55,849	30,848
Financial cash inflows/(outflows)										
Operating activities (Rs. million)	**14,548**	27,691	(998)	(8,533)	(7,351)	17,218	6,819	(4,956)	(19,535)	(1,257)
Investing activities (Rs. million)	**428**	(802)	(159)	(397)	(231)	(170)	(89)	(1,507)	(88)	(998)
Financing activities (Rs. million)	**(15,182)**	(28,716)	2,926	9,156	(738)	(8,927)	(4,007)	6,031	18,977	2,481
Net cash flows (Rs. million)	**(206)**	(1,827)	1,769	227	(8,320)	8,121	2,723	(432)	(646)	226
Human capital										
Employees (Numbers)	**2,329**	2,085	2,085	1,834	1,666	1,575	1,184	1,050	855	586
PBT per employee (Rs. million)	**2.98**	2.77	2.79	3.51	3.32	2.96	3.39	3.97	5.16	3.87
Employees' salaries and benefits (Rs. million)	**3,438**	2,974	2,556	1,807	1,565	1,338	1,026	763	593	386
Natural capital										
Investment (Rs. million)	**1.94**	2.19	3.37	3.36	1.17	0.52	7.10	0.67	0.45	1.03
Trees planted (Nos.)	**14,625**	6,637	5,780	10,395	430	1,130	925	125	117	N/T
Carbon footprint (tCo_2eq) (Note 4)	**5,695**	7,011	7,206	3,059	2,770	–	–	–	–	–
Social and relationship capital										
Shareholders (Numbers)	**8961**	8,801	9,176	9,407	8,880	10,054	9,488	10,113	8	9
Number of ordinary shares (Nos. million)	**1,580**	1,580	1,580	1,580	1,580	1,580	1,560	1,560	50	50
Earnings per share (EPS) (Company) (Rs.)	**2.80**	2.73	2.54	2.75	2.38	1.98	1.80	1.63	1.63	0.76
Net assets per share (NAPS) (Rs.)	**18.10**	17.11	15.63	14.41	13.38	12.15	11.41	10.64	5.34	3.94
Market price per share (Rs.) [Note 5]										
Highest	**17.30**	19.20	20.10	26.50	28.00	15.70	16.70	18.30	–	–
Lowest	**12.90**	15.50	15.30	15.40	14.20	13.00	10.30	11.00	–	–
Closing	**13.40**	15.80	15.60	16.00	22.10	14.30	13.10	11.60	–	–

Ten year summary

Supplementary information

	Company									
	2018/19	2017/18	2016/17	2015/17	2014/16	2013/14	2012/13	2011/12	2010/11	2009/10
Market capitalisation (Rs. million)	**21,170**	24,962	24,646	25,278	34,915	22,592	20,436	18,096	–	–
Price earnings ratio (PE) (Times)	**4.79**	5.79	6.15	5.82	9.30	7.23	7.28	7.12	–	–
Dividend per share (DPS) (Rs.)	**1.25**	1.25	1.25	1.25	1.25	1.25	1.25	1.00	1.50	1.50
Dividend paid (Rs. million)	**1,975**	1,975	1,975	1,975	1,975	1,975	1,950	855	75	75
Dividend yield (%)	**9.33**	7.91	8.01	7.81	5.66	8.74	9.54	8.62	–	–
Dividend cover (Times)	**2.24**	2.18	2.03	2.20	1.90	1.58	1.46	3.01	34.40	16.00
Dividend payout (%)	**44.72**	45.83	49.26	45.43	52.62	63.22	68.42	33.20	2.91	6.25
Return on equity (ROE) (%)	**15.88**	16.66	16.89	19.80	18.61	16.79	16.36	20.39	35.17	20.56
Return on capital employed (ROCE) (%)	**13.98**	13.69	12.04	11.99	13.92	14.40	15.33	13.35	15.02	19.90
Debt to equity (excluding deposits) (Times)	**1.70**	2.06	3.01	2.67	2.36	2.68	3.29	3.49	5.11	4.19
Debt to equity with contingent liabilities and commitments (Times)	**1.97**	2.34	3.25	2.77	2.57	2.80	3.39	3.51	5.12	4.19
Current ratio (Times)	**0.82**	0.80	0.84	0.85	0.93	0.88	0.85	0.58	0.71	0.82
Interest cover (Times)	**1.42**	1.40	1.46	1.77	1.58	1.39	1.41	1.60	2.05	1.67
Taxes paid to Government (Rs. million)	**2,942**	2,109	2,828	2,915	1,793	581	848	1,703	1,098	918
Taxes collected on behalf of Government (Rs. million)	**1,434**	1,151	1,048	1,313	1,250	1,411	908	706	539	1,491
Investment on community based CSR (Rs. million)	**122.23**	103.78	187.64	76.25	71.68	55.48	32.90	25.33	21.55	11.97
CA Sri Lanka Annual Report Awards – Overall CSR	**Bronze**	Gold	–	–	Gold	–	–	–	–	–
CCCSL – Ten Best Corporate Citizen Award	**One of the Ten**	One of the Ten	Second runner–up	Winner	Winner	–	Winner	–	Winner	Winner
Capital adequacy ratios										
Tier 1 capital/Core capital ratio (required min – 6%) (%) [Note 6]	**14.47**	18.38	17.56	19.56	20.22	19.12	21.15	25.50	–	–
Total capital ratio/Total risk weighted capital ratio (required min – 10%) (%) [Note 6]	**15.21**	16.46	16.37	18.14	19.04	18.05	20.06	25.50	–	–
Manufactured and intellectual capital										
Branches (Nos.)	**103**	103	103	92	89	85	33	34	30	23
Brand value (Rs. million)	**8,719**	6,486	7,588	9,317	4,918	4,265	3,015	1,796	1,915	623
Credit ratings and key accolades										
Fitch Ratings Lanka	**AA-(lka)**	AA-(lka)	AA-(lka)	AA-(lka)	AA-(lka)	AA-(lka)	AA-(lka)	A+(lka)	A(lka)	A-(lka)
Fitch Ratings International	**B–**	B	B	B	B+	B+	B+	–	–	–
Standard and Poor's	**Discontinued**	B+/B	B+/B	B+/B	B+/B	B+/B	B+/B	–	–	–
Business today – Top 30 Listed Corporate Entities	**13th Position**	15th Position	14th Position	17th Position	14th Position	18th Position	–	–	–	–

N/T – Not tracked

Note:

[1] Prior to 2012, all figures are as per Sri Lanka Accounting Standards (SLASs) prevailed at that time.
[2] Figures include total operating expenses and tax on financial services (excluding impairment charges for loans and receivables and other losses).
[3] After receiving the finance license in 2012, the Company started accepting fixed and savings deposits.
[4] The Company initiated to evaluation of carbon emission from 2014.
[5] The Company's ordinary shares were quoted on the CSE on 3 November 2011.
[6] Central Bank of Sri Lanka introduced Finance Business Act Directions No. 3 of 2018 Capital Adequacy Requirements with effect from 1 July 2018.

Supplementary information

Statement of Profit or Loss in USD

For the year ended 31 March	Company		Group	
	2019 USD '000	2018 USD '000	2019 USD '000	2018 USD '000
Gross income	**185,861**	183,670	**217,771**	212,834
Interest income	**175,077**	171,480	**183,014**	177,115
Less: Interest expenses	**88,833**	93,111	**90,225**	93,923
Net interest income	**86,244**	78,369	**92,789**	83,192
Net earned premiums	**–**	–	**26,847**	26,028
Fee and commission income	**8,567**	8,851	**5,702**	5,264
Net trading income	**(158)**	122	**(252)**	385
Other operating income	**2,375**	3,217	**2,460**	4,042
Total operating income	**97,028**	90,559	**127,546**	118,911
Less: Impairment charges for loans and receivables and other losses	**9,008**	9,182	**9,699**	9,440
Impairment charges for investment in associate	**1,980**	–	**866**	–
Impairment charges for goodwill	**111**	–	**111**	–
Net operating income	**85,929**	81,377	**116,870**	109,471
Less:				
Personnel expenses	**19,521**	19,099	**23,656**	21,779
Depreciation and amortisation	**1,020**	1,236	**1,717**	1,889
Benefits, claims and underwriting expenditure	**–**	–	**18,899**	17,827
Other operating expenses	**16,150**	15,643	**17,308**	16,332
Total operating expenses	**36,691**	35,978	**61,580**	57,827
Operating profit before taxes on financial services	**49,238**	45,399	**55,290**	51,644
Less: Tax on financial services	**11,850**	8,349	**12,025**	8,521
Operating profit after taxes on financial services	**37,388**	37,050	**43,265**	43,123
Share of profit/(loss) of the associate (net of tax)	**–**	–	**(189)**	(340)
Profit before income tax expense	**37,388**	37,050	**43,076**	42,783
Less: Income tax expense	**12,315**	9,378	**14,624**	10,562
Profit for the year	**25,073**	27,672	**28,452**	32,221

Exchange rate of USD was Rs. 176.13 as at 31 March 2019 (Rs. 155.73 as at 31 March 2018).

The above Statement of Profit or Loss is solely for the convenience of stakeholders (shareholders, investors, bankers and other users of Financial Statements) and do not form part of the Financial Statements.

Statement of Financial Position in USD

As at 31 March	Company		Group	
	2019 USD '000	2018 USD '000	2019 USD '000	2018 USD '000
Assets				
Cash and cash equivalents	**18,702**	28,335	**24,474**	30,601
Balances with banks and financial institutions	**19,330**	28,064	**41,875**	56,243
Financial assets – Fair value through profit or loss/Held-for-trading	**132**	1,122	**411**	2,026
Loans and receivables	**861,340**	900,054	**891,136**	911,289
Insurance and reinsurance receivables	**–**	–	**5,027**	2,611
Financial assets – Fair value other comprehensive income/Available-for-sale	**713**	1,407	**713**	1,407
Debt instrument at amortised cost/Held to maturity	**45,436**	31,398	**51,621**	38,618
Current tax receivables	**–**	577	**–**	577
Investments in subsidiaries	**18,247**	20,637	**–**	–
Investments in associate	**1,349**	3,766	**1,349**	2,719
Investment property	**–**	863	**6,425**	8,129
Property, plant and equipment	**6,236**	7,493	**22,809**	26,409
Goodwill and intangible assets	**1,845**	2,224	**2,455**	2,908
Leasehold property	**477**	560	**477**	560
Deferred tax assets	**–**	–	**270**	181
Other assets	**5,818**	5,354	**6,614**	8,355
Total assets	**979,625**	1,031,854	**1,055,656**	1,092,633
Liabilities				
Due to banks	**154,851**	256,353	**173,027**	268,634
Due to customers	**501,724**	447,975	**504,873**	445,501
Debt securities issued	**120,792**	101,352	**119,991**	101,352
Other financial liabilities	**14,083**	29,833	**13,995**	28,726
Insurance liabilities and reinsurance payable	**–**	–	**27,712**	26,036
Current tax liabilities	**12,708**	–	**13,193**	402
Deferred tax liabilities	**4,753**	14,614	**6,484**	15,018
Other liabilities	**8,315**	8,158	**9,122**	8,838
Total liabilities	**817,226**	858,285	**868,397**	894,507
Equity				
Stated capital	**75,149**	84,994	**75,149**	84,994
Statutory reserve fund	**11,686**	11,799	**11,756**	11,799
Retained earnings	**75,863**	73,860	**86,291**	84,551
Other reserves	**(299)**	2,916	**1,177**	2,879
Total shareholders' equity	**162,399**	173,569	**174,373**	184,223
Non-controlling interest	**–**	–	**12,886**	13,903
Total equity	**162,399**	173,569	**187,259**	198,126
Total liabilities and equity	**979,625**	1,031,854	**1,055,656**	1,092,633
Contingent liabilities and commitments	**43,763**	47,973	**43,836**	48,952

Exchange rate of USD was Rs. 176.13 as at 31 March 2019 (Rs. 155.73 as at 31 March 2018).

The above Statement of Financial Position is solely for the convenience of stakeholders (shareholders, investors, bankers and other users of Financial Statements) and do not form part of the Financial Statements.

Independent assurance report

Building a better working world

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Independent Assurance Report to People's Leasing and Finance PLC on the Sustainability Reporting Criteria Presented in the Integrated Annual Report – 2018/19

Introduction and scope of the engagement

The Management of People's Leasing and Finance PLC ("the Company") engaged us to provide an independent assurance on the following elements of the sustainability reporting criteria presented in the Annual Report – 2018/19 ("the Report").

- Reasonable assurance on the information on financial performance as specified on pages 177 and 178 of the Report.
- Limited assurance on other information presented in the Report, prepared in accordance with the requirements of the Global Reporting Initiative GRI Standards: "In accordance" – Comprehensive guidelines.

Basis of our work and level of assurance

We performed our procedures to provide limited assurance in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE 3000): "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", issued by the Institute of Chartered Accountants of Sri Lanka ("ICASL").

The evaluation criteria used for this limited assurance engagement are based on the Sustainability Reporting Guidelines ("GRI Guidelines") and related information in particular, the requirements to achieve GRI Standards "In accordance" – Comprehensive guideline publication, publicly available at GRI's global website at "www.globalreporting.org".

Our engagement provides limited assurance as well as reasonable assurance. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement conducted in accordance with SLSAE-3000 and consequently does not enable to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an opinion providing reasonable assurance.

Management of the Company's responsibility for the report

The Management of the Company is responsible for the preparation of the self-declaration, the information and statements contained within the Report, and for maintaining adequate records and internal controls that are designed to support the sustainability reporting process in line with the GRI Sustainability Reporting Guidelines.

Ernst & Young's responsibility

Our responsibility is to express a conclusion as to whether we have become aware of any matter that causes us to believe that the Report is not prepared in accordance with the requirements of the Global Reporting Initiative, GRI Standards: "In accordance" – Comprehensive guidelines. This report is made solely to the Company in accordance with our engagement letter dated 4 March 2019. We disclaim any assumption of responsibility for any reliance on this report to any person other than the Company or for any purpose other than that for which it was prepared. In conducting our engagement, we have complied with the independence requirements of the Code for Ethics for Professional Accountants issued by the ICASL.

Key assurance procedures

We planned and performed our procedures to obtain the information and explanations considered necessary to provide sufficient evidence to support our limited assurance conclusions. Key assurance procedures included:

- Interviewing relevant the Company's personnel to understand the process for collection, analysis, aggregation and presentation of data.
- Reviewing and validation of the information contained in the Report.
- Checking the calculations performed by the Company on a sample basis through recalculation.
- Reconciling and agreeing the data on financial performance are properly derived from the Company's audited financial statements for the year ended 31 March 2019.
- Comparison of the content of the Report against the criteria for a Global Reporting Initiative, GRI Standards: "In accordance" – Comprehensive guidelines.

Our procedures did not include testing electronic systems used to collect and aggregate the information.

Limitations and considerations

Environmental and social performance data are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data.

Conclusion

Based on the procedures performed, as described above, we conclude that:

- The information on financial performance as specified on pages 177 and 178 of the Report are properly derived from the Audited Financial Statements of the Company for the year ended 31 March 2019.
- Nothing has come to our attention that causes us to believe that other information presented in the Report are not fairly presented, in all material respects, in accordance with the Company's sustainability practices and policies some of which are derived from Sustainability Reporting Guideline, GRI Standards – "In accordance" Comprehensive.

Ernst & Young
Chartered Accountants

13 June 2019
Colombo

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GRI standard number	Disclosure title	Reason for omission	Page number
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GRI 102-1	Name of the organisation		Inner back cover
GRI 102-2	Activities, brands, products and services		99 and 100
GRI 102-3	Location of headquarters		Inner back cover
GRI 102-4	Location of operations		2 and 96
GRI 102-5	Ownership and legal form		13, Inner back cover
GRI 102-6	Markets served		94, 96 and 97
GRI 102-7	Scale of the organisation		14 and 15
GRI 102-8	Information on employees and other workers		112-115
GRI 102-9	Supply chain		107-109
GRI 102-10	Significant changes to the organisation and its supply chain		93 and 108
GRI 102-11	Precautionary principle or approach		101
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GRI 102-13	Membership of associations		109
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GRI 102-15	Key impacts, risks and opportunities		154-169
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GRI 102-29	Identifying and managing economic, environmental and social impacts		51 and 52
GRI 102-30	Effectiveness of risk management processes		51 and 52
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GRI 102-32	Highest governance body's role in sustainability reporting		51
GRI 102-33	Communicating critical concerns		46
GRI 102-34	Nature and total number of critical concerns		47
GRI 102-35	Remuneration policies		49
GRI 102-36	Process for determining remuneration		49
GRI 102-37	Stakeholders' involvement in remuneration		49

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GRI standard number	Disclosure title	Reason for omission	Page number
GRI 102-38	Annual total compensation ratio	Not reported due to confidentiality	
GRI 102-39	Percentage increase in annual total compensation ratio	Not reported due to confidentiality	
Stakeholder engagement			
GRI 102-40	List of stakeholder groups		68 and 69
GRI 102-41	Collective bargaining agreements		115
GRI 102-42	Identifying and selecting stakeholders		68 and 69
GRI 102-43	Approach to stakeholder engagement		68 and 69, online
GRI 102-44	Key topics and concerns raised		68 and 69, online
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GRI 102-46	Defining report content and topic boundaries		2 and 70
GRI 102-47	List of material topics		64 and 70
GRI 102-48	Restatements of information		2
GRI 102-49	Changes in reporting		2 and 71
GRI 102-50	Reporting period		2
GRI 102-51	Date of most recent report		2
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GRI 102-53	Contact point for questions regarding the report		2
GRI 102-54	Claims of reporting in accordance with the GRI Standards		2
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Abbreviations

ACA	Associate Chartered Accountant
ACMA	Associate Chartered Management Accountant
AGM	Annual General Meeting
AIB	Associate of Institute of Bankers
AICM	Associate of Institute of Credit Management
ALCO	Assets and Liability Management Committee
AML/TF	Anti-Money Laundering/ Terrorist Financing
ATM	Automated Teller Machine
AWPLR	Average Weighted Prime Lending Rate
BA	Bachelor of Arts
BAC	Board Audit Committee
B B Mgt	Bachelors in Business Management
B Com	Bachelor of Commerce
BCP	Business Continuity Plan
BIM	British Institute of Management
BSc	Bachelor of Science
BSc Ag Sp	Bachelor of Science Agriculture Special
BCSL	Bio Conservation Society
CDSB	Climate Disclosure Standards Board
CBSL	Central Bank of Sri Lanka
CBOs	Community based Organisations
CDM	Cash Deposit Machine
CEA	Central Environmental Authority
CEFT	Common Electronic Fund Transfer Switch
CEO	Chief Executive Officer
CGMA	Chartered Global Management Accountant
CIM	Chartered Institute of Marketing
CIMA	Chartered Institute of Management Accountants
CIB	Chartered Institute of Bankers
CMA	Certified Management Accountant
CPM	Certified Professional Managers
CSR	Corporate Social Responsibility
CSE	Colombo Stock Exchange
DGM	Deputy General Manager
DMU	Decision making Unit
DNV	Det Norske Veritas
DRP	Disaster Recovery Plan
EPF	Employees' Provident Fund
EPS	Earnings Per Ordinary Share
ESG	Environment Social Governance
ESMS	Environmental Social Management System
ETF	Employees' Trust Fund
EVA	Economic Value Addition
FBIM	Fellowship of the British Institute of Management
FCA	Fellow Chartered Accountant
FCIM	Fellow of Chartered Institute of Marketing (UK)
FCMA	Fellow Chartered Management Accountant
GDP	Gross Domestic Product
GHG	Greenhouse Gases
GL	General Ledger
GRI	Global Reporting Initiative
GWP	Gross Written Premium
HR	Human Resources
HND	Higher National Diploma
IBSL	Institute of Bankers of Sri Lanka
ICASL/ CASL	Institute of Chartered Accountants of Sri Lanka
ICT	Information and Communications Technology
IFFSA	Islamic Finance Forum of South Asia
IIA	Institute of Internal Auditors
INST TT	Institute of Travel and Tourism
IPFM	Institute of Professional Financial Managers
IRMC	Integrated Risk Management Committee
IRMOC	Integrated Risk Management Operating Committee
IT	Information Technology
ITN	Independent Television Network
IUCN	International Union for Conservation of Nature
KMP	Key Management Personnel
KPI	Key Performance Indicators
KRI	Key Risk Indicators
KYC	Know Your Customer
LAF	Lankan Alliance Finance Limited
LFC	Licensed Financed Companies
LTV	Loan to Value Ratio
MBA	Master of Business Administration
MCIM	Member of Chartered Institute of Marketing
MIS	Management Information Systems
MSc	Master of Science
MVA	Market Value Added
MVC	Most Valuable Customer
NASCO	National Sales Congress
NBFI	Non-Bank Financial Institution
NBT	Nation Building Tax
NCP	Natural Capital Partners of the UK
NIBM	National Institute of Business Management
NIM	Net Interest Margin
NPL	Non-Performing Loan
OCA	Olympic Council of Asia
PAT	Profit After Tax
PBT	Profit Before Tax
PGDiP	Post Graduate Diploma
PI	People's Insurance PLC
PIM	Postgraduate Institute of Management
PLC	People's Leasing & Finance PLC
PLFML	People's Leasing Fleet Management Limited
PLHPL	People's Leasing Havelock Properties Limited
PLPDL	People's Leasing Property Development Limited
PML	People's Micro-commerce Ltd.
R&NC	Remuneration & Nomination Committee
ROA	Return on Assets
ROCE	Return on Capital Employed
ROE	Return on Equity
RPT	Related Party Transactions
RPTRC	Related Party Transactions Review Committee
SEC	Securities and Exchange Commission of Sri Lanka
SDGs	Sustainable Development Goals
SLBC	Sri Lanka Broadcasting Corporation
SLFRS/ LKAS	Sri Lanka Accounting Standards
SLIBOR	Sri Lanka Inter Bank Offer Rate
SLIBFI	Sri Lanka Islamic Banking & Finance Institutions
SLICM	Sri Lanka Institute of Credit Management
SLIM	Sri Lanka Institute of Marketing
SLID	Sri Lanka Institute of Directors
SLITAD	Sri Lanka Institute of Training & Development
SLIPS	Sri Lanka Interbank Payment
SMC	Senior Management Committee
SME	Small and Medium Enterprises
SUROL	Society for the Upliftment and Rehabilitation of Leprosy affected Persons
TOR	Terms of Reference
UNGC	United Nations Global Compact Advanced Principles
VAPT	Vulnerability Assessment and Penetration Test
VAT	Value Added Tax

Supplementary information

Basis of ratios

Ratio	Formula
Earnings per ordinary share (Rs.)	Profit or loss attributable to ordinary shareholders/weighted average number of ordinary shares outstanding
Net assets value per share (Rs.)	Total shareholders' equity/Number of ordinary shares
Market capitalisation (Rs.)	Closing market price per share* Number of ordinary shares
Price earnings (PE) (Times)	Market price per share/Earnings per ordinary share
Dividend yield (%)	Dividend per ordinary share (DPS)*100/Market price per share
Dividend cover (Times)	Profit or loss attributable to ordinary shareholders/Total dividend paid to ordinary shareholders
Dividend payout (%)	Total dividend paid to ordinary shareholders*100/Profit or loss attributable to ordinary shareholders
Earnings yield (%)	Earnings per ordinary share*100/Market price per share
Return on equity (ROE) (%)	Profit or loss attributable to ordinary shareholders *100/Average shareholders' equity
Return on assets (ROA) (%)	Profit before tax*100/Average total assets
Return on capital employed (ROCE) (%)	Profit before interest and tax*100/(Borrowings+Deposits+Equity)
Debt to equity (Times)	Borrowings/Total shareholders' equity
Debt to equity with contingencies (Times)	(Borrowings+Contingencies)/Total shareholders' equity
Debt to total assets (Times)	Borrowings/Total assets
Cost to income ratio (%)	Total operating cost without taxes on financial services*100/Total operating income
Interest cover (Times)	Profit before interest and tax/Interest expenses
Operating profit margin (%)	Operating profit before taxes on financial services*100/Interest income
Net interest margin (%)	Net interest income*100/Average interest earning assets
Advances to deposits (Times)	Gross loans and receivables/Total deposits
Impairment cover ratio (%)	Impairment provision/Non-performing portfolio*100
Price to book value (PBV) (Times)	Market price per share/Net assets per share
Current ratio (Times)	Currents assets/Current liabilities
Employee turnover (%)	Number of attritions during the year*100/Average number of employees during the year
Total impairment provision to gross portfolio (%)	Total impairment provisions*100/Gross loans and receivables
Individual impairment to total loans and receivables (%)	Individual impairment*100/Gross loans and receivables
Collective impairment to total loans and receivables (%)	Collective impairment*100/Gross loans and receivables
Non-performing ratio (%)	Gross non-performing portfolio*100/Gross loans and receivables

Notice of meeting

NOTICE IS HEREBY GIVEN THAT the Twenty Third (23) Annual General Meeting of People's Leasing & Finance PLC will be held on 31 July 2019 at 3.30pm at People's Bank Staff Training College Auditorium, 11th Floor, People's Leasing Building, No. 7, Havelock Road, Colombo 5 for the following purposes:

1. To receive and consider the Annual Report of the Board of Directors together with the Financial Statements of the Company for the year ended 31 March 2019 and the Report of the Auditors thereon.
2. To declare a Final Dividend of cents fifty (Rs. 0.50) per ordinary share payable as a scrip dividend, as recommended by the Board of Directors and therefore to consider and if thought fit, to pass the following resolution by way of an Ordinary Resolution:

   It is hereby resolved that a final dividend of cents fifty (Rs. 0.50) be distributed in the form of scrip amounting to total sum of Rupees Seven hundred eighty nine million nine hundred and thirty one thousand two hundred and forty one (Rs. 789,931,241), and the method of distribution would be as follows:

   i. The scrip dividend shall be subject to dividend tax at the rate of 14%.
   ii. The number of ordinary shares to be issued under the scrip dividend will be 47,840,906 on the basis of Rs. 14.20 per share, which results in one (01) share being issued for each existing thirty three decimal zero two three two five five nine one four one (33.0232559141) shares held by the shareholders at the end of trading on the Colombo Stock Exchange as of the date of the Annual General Meeting.
   iii. The total number of shares to be issued under the scrip dividend shall be forty seven million eight hundred and forty thousand nine hundred and six (47,840,906) Ordinary Shares.

   It is further resolved that the shares issued under the scrip dividend be listed on the Colombo Stock Exchange and that approval in-principle has been obtained from Colombo Stock Exchange for the Scrip Dividend.

   It is further resolved that the remaining balance arising from the aggregation of the residual fractions ("fractional shares") consequent to the scrip dividend shall be disposed in the market and resulting proceeds will be dispersed to charities and other donations in line with the Corporate Social Responsibility Policy of the Company. The residual fraction entitlement referred to herein shall mean the fraction arising after applying the following formula.

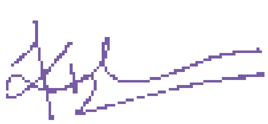
$$\frac{\text{(Number of shares held by a shareholder as at end of trading on the AGM date) x 1}}{33.0232559141}$$

3. To re-elect as a Director, Dr Kennedy Degaulle Gunawardana, who having been appointed to the Board in terms of Article 27(2) of the Articles of Association of the Company, retires at this Annual General Meeting.
4. To re-elect as a Director, Mr Namugoda Wijesinghe Atapattu Mudiyanselage Udawatte Keerthi Kumara Edward Weerasinghe, who having been appointed to the Board in terms of Article 27(2) of the Articles of Association of the Company, retires at this Annual General Meeting.
5. To authorise the Board of Directors to determine contributions to charities and other donations for the financial year ending 31 March 2020.

Auditors of the Company

According to Section 55 of the National Audit Act No. 19 of 2018, People's Leasing & Finance PLC falls under the definition of "Auditee Entity" and the Auditor General or any person authorised by the Auditor General shall carry out the audit of the Company.

By Order of the Board,



Lakmini Kottegoda
Company Secretary
People's Leasing & Finance PLC

21 June 2019

Notes

Any member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote in his/her stead. A Form of Proxy is sent herewith for this purpose. A proxy need not be a member of the Company.

The completed form of proxy must be deposited at the office of the Registrars to the Company, SSP Corporate Services (Private) Limited at No. 101, Inner Flower Road, Colombo 3, not less than forty eight (48) hours before the time appointed for the holding of the meeting.

Colombo, on this 21 June 2019.

Form of proxy

I/we ....of ....

being a member/s of People's Leasing & Finance PLC hereby appoint Mr/Mrs/Miss ....

(holder of N.I.C. No. ....) of ....whom failing:

1. Mr Hemasiri Fernando	whom failing
2. Mr Michael Pradeep Amirthanayagam	whom failing
3. Mr Jehan Prasanna Amaratunga	whom failing
4. Mr Johnson Anthony Fernando	whom failing
5. Mr Mohamed Anise Mohamed Rizwan	whom failing
6. Mr Goluhewage Bindu Rasitha Poojitha Gunawardana	whom failing
7. Dr Kennedy Degaulle Gunawardana	whom failing
8. Mr Namugoda Wijesinghe Atapattu Mudiyanselage Udawatte Keerthi Kumara Edward Weerasinghe	

as my/our proxy to represent me/us and vote on my/our behalf at the twenty-third Annual General Meeting of the Company to be held on 31 July 2019 at 3.30pm at People's Bank Staff Training College Auditorium, 11th Floor, People's Leasing Building, No. 7, Havelock Road, Colombo 5 and at any adjournment thereof and at every poll which may be taken in consequence thereof to vote.

Please indicate your preference by placing a 'X' against the Resolution No. –

	FOR	AGAINST
1. To receive and consider the Annual Report of the Board of Directors together with the Financial Statements of the Company for the year ended 31 March 2019 and the Report of the Auditors thereon.		
2. To declare a final dividend of cents fifty (Rs. 0.50) per ordinary share payable as a scrip dividend as recommended by the Board of Directors and to consider and if thought fit to pass the resolution set out in the Notice of Meeting.		
3. To re-elect as a Director, Dr Kennedy Degaulle Gunawardana, who having been appointed to the Board in terms of Article 27 (2) of the Articles of Association of the Company, retires at this Annual General Meeting.		
4. To re-elect as a Director, Mr Namugoda Wijesinghe Atapattu Mudiyanselage Udawatte Keerthi Kumara Edward Weerasinghe, who having been appointed to the Board in terms of Article 27 (2) of the Articles of Association of the Company, retires at this Annual General Meeting.		
5. To authorise the Board of Directors to determine contributions to charities and other donations for the financial year ending 31 March 2020.		

Auditors of the Company

According to Section 55 of the National Audit Act No. 19 of 2018, People's Leasing & Finance PLC falls under the definition of "auditee entity" and the Auditor General or any person authorised by the Auditor General shall carry out the audit of the Company.

Signed this .... day of ....2019.

....
Signature

Shareholder's N.I.C./ P. P./ Co. Reg. No.

Notes:

1. Proxy need not be a member of the Company.

2. Instructions as to completion of this Form of Proxy are given overleaf.

Form of proxy

INSTRUCTIONS AS TO COMPLETION

1. As provided for in Article 19 (5) of the Articles of Association of the Company the instrument appointing a proxy should be in writing.
2. The full name and the address of the shareholder appointing the proxy should be legibly entered in the Form of Proxy and duly signed and dated.
3. The Proxy shall –
   (a) in the case of an individual be signed by the shareholder or by his attorney, and if signed by an attorney, a notarially certified copy of the Power of Attorney should be attached to the completed Proxy, if it has not already been registered with the Company.
   (b) in the case of a company or corporate body, either be under its Common Seal or signed by its attorney or by an officer on behalf of that company or corporate body in accordance with the Articles of Association or the Constitution of that company or corporate body.
   (c) in the case of joint holders, be signed by the joint holder whose name appears first in the Register of Members.
4. The completed Form of Proxy and the Power of Attorney or other authority, if any, under which it is signed or a notarially certified copy of that Power of Attorney or other authority must be deposited at the office of the Registrars to the Company, SSP Corporate Services (Private) Limited at No. 101, Inner Flower Road, Colombo 3, not less than forty-eight (48) hours before the time appointed for the holding of the meeting.
5. Every alteration or addition to the Proxy must be duly authenticated by the full signature of the shareholder, signing the Proxy.
6. An extract of Articles 15, 18 and 22 of the Articles of Association of the Company, which deals with meetings of shareholders and voting by shareholders, is produced herein for the information of the shareholders.

METHOD OF HOLDING MEETINGS

A meeting of shareholders (including a meeting where it is intended to propose a resolution as a special resolution) may be held by a number of shareholders who constitute a quorum, being assembled together at the place, date and time appointed for the meeting.

VOTING

1. Voting at a meeting of shareholders held under Article 15 above shall, unless a poll is demanded, be by a show of hands.
2. A declaration by the Chairperson of the meeting that a resolution is carried by the requisite majority is conclusive evidence of that fact, unless a poll is demanded in accordance with paragraph (3) of this Article.
3. At a meeting of shareholders, a poll may be demanded by –
   (a) the chairperson; or
   (b) not less than five (5) shareholders having the right to vote at the meeting; or
   (c) a shareholder or shareholders representing not less than 10% of the total voting rights of all shareholders having the right to vote at the meeting.
4. A poll may be demanded either before or after the vote is taken on a resolution. However, the demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded.
5. If a poll is taken, votes shall be counted according to the votes attached to the shares of each shareholder present and voting.
6. The Chairperson of a shareholders' meeting is not entitled to a casting vote.

VOTES OF JOINT HOLDERS

"Where two or more persons are registered as the holder of a share, the vote of the person named first in the share register and voting on a matter shall be accepted to the exclusion of the votes of the other joint holders. Where there are several executors or administrators of a deceased shareholder in whose sole name any shares stand, any one of such executors or administrators may vote in respect of such shares unless any other of such executors or administrators is present at the meeting at which such a vote is tendered and objects to the vote."

Feedback form

We welcome your valuable feedback on this Integrated Annual Report 2018/19.

1 Your interest in People's Leasing performance is as a(n)

- Employee ☐
- Customer ☐
- Supplier ☐
- Shareholder ☐
- Investor ☐
- Finance analyst ☐
- Journalist ☐
- Local resident ☐
- Educator/Student ☐
- Special interest group ☐
- Regulatory body ☐
- Other ☐

2 Please rate your answer on the scale from excellent to poor for 2.1 to 2.5

2.1 Meeting your information requirement

- Excellent ☐
- Very Good ☐
- Good ☐
- Average ☐
- Poor ☐

2.2 Openness and transparency

- Excellent ☐
- Very good ☐
- Good ☐
- Average ☐
- Poor ☐

2.3 Clarity and ease of understanding

- Excellent ☐
- Very good ☐
- Good ☐
- Average ☐
- Poor ☐

2.4 Appearance and layout

- Excellent ☐
- Very good ☐
- Good ☐
- Average ☐
- Poor ☐

2.5 Overall impression of the report

- Excellent ☐
- Very good ☐
- Good ☐
- Average ☐
- Poor ☐

3 Which section did you find most useful?

- How we create value ☐
- Being responsible stewards ☐
- Plotting our journey ☐
- Financial reports ☐
- Other ☐

4 Which sections did you find least useful?

- How we create value ☐
- Being responsible stewards ☐
- Plotting our journey ☐
- Financial reports ☐
- Other ☐

5 In your opinion what are the sustainability topics/areas People's Leasing needs to have better focus on ?

6 How do you think we could improve?

7 Please provide your overall impressions and comments about the Integrated Annual Report 2018/19.

Your Name:

Your email:

Chief Financial Officer
People's Leasing & Finance PLC
No. 1161, Maradana Road,
Colombo 08.
Sri Lanka.

Phone: +94 11 2631 631
Direct: +94 11 2631 191
Fax: +94 11 2481 105

Circular to shareholders

Dear Shareholder(s),

PEOPLE'S LEASING & FINANCE PLC – ANNUAL REPORT FOR THE YEAR 2018/19

As you may be aware, in terms of the Listing Rules of the Colombo Stock Exchange (CSE) a listed company may issue to its shareholders its Annual Report in a CD-ROM, provided that such company complies with the specified requirements listed in the said rules. An extract of these rules has been set out for your information on the reverse of this letter.

In pursuance of the said rules, it was decided that the Annual Report of People's Leasing & Finance PLC will be issued to its shareholders in a CD-ROM, unless a shareholder makes a written request for a printed copy thereof. Where such written request is received by the Company a printed copy of the Annual Report will be sent within eight (8) Market Days of such receipt, to any requesting shareholder.

Accordingly, we enclose herewith the said Report for the financial year ended 31 March 2019 contained in a CD-ROM.

If you should however, still require a printed copy of the said Annual Report, please provide us with a written request thereof on or before 30 September 2019. You may for this purpose complete and forward to us the attached Request Letter. We shall then, within eight (8) Market Days of the date of receipt of your request forward to you, a printed copy of the said Annual Report.

In the event you require assistance relating to the use of the enclosed CD-ROM or you have any queries on this matter, you may contact Ms Lakmini Kottegoda on telephone No. +94 11 263 1103 (extension 1103) between 10.00am and 4.00pm on any working day or via email to lakminik@plc.lk.

The Annual Report may also be accessed by shareholders at the Company's web site – www.plc.lk

Shareholders are advised that the Notice convening the Annual General Meeting (AGM) of the Company and related Form of Proxy are also enclosed and if any Shareholder is unable to attend the AGM, please return the duly completed Form of Proxy to reach us not later than 48 hours before the time fixed for the said Meeting.

By order of the Board of People's Leasing & Finance PLC

Lakmini Kottegoda
Company Secretary
Colombo
21 June 2019

Extract of Rule 7.5 of the Revised Listing Rules of the Colombo Stock Exchange in relation to the Circulation of Annual Reports.

7.5 CIRCULATION OF ANNUAL REPORT

b. Without prejudice to the other provisions relating to issuance of annual reports, a Listed Entity may issue its Annual Report in a CD-ROM to its shareholders provided that the Entity complies with the following:

(i) the Listed Entity shall provide a printed copy of the Annual Report to a shareholder upon such shareholder's request in writing;

(ii) the Listed Entity shall designate a person to attend to the shareholder's requests as stated in subparagraph (a) above;

(iii) the Listed Entity shall ensure that a printed copy of the Annual Report is forwarded to the shareholder requesting the Annual Report, within eight (8) Market Days from the date of receipt of the request;

(iv) the Listed Entity shall designate a person/s to answer queries from shareholders relating to the use of the CD-ROM;

(v) together with the CD-ROM the Listed Entity shall issue a note to the shareholders containing the following statement/information:

1. that the Listed Entity shall forward a printed copy of the Annual Report to the shareholder requesting such printed copy within eight (8) Market Days from the date of receipt of the written request; and
2. the Listed Entity's website and email address, name/s of designated person/s attending to the shareholders' requests and queries and contact number/s; and
3. a Request Form to enable the shareholder to request for a printed copy of the Annual Report, with the particulars of the Listed Entity's facsimile number and mailing address.

Request letter

To:
Company Secretary
People's Leasing & Finance PLC,
1161, Maradana Road,
Colombo 8

Dear Sir,

People's Leasing & Finance PLC

Request for a printed copy of the Annual Report – 2018/19

With reference to the Circular to Shareholders dated 21 June 2019 I/we hereby request you to kindly forward to me/us a printed copy of the Annual Report of People's Leasing & Finance PLC for the year 2018/19, in addition to the said Report being issued to me/us in a CD-ROM.

Shareholder Details

Full Name of Shareholder ______________________

____

Shareholder's NIC/Passport/ Company Registration No. ______________________

Shareholder's Address ______________________

____

____

Shareholder's Folio No.
(Please refer to address label) ______________________

Contact Telephone number ______________________

....

Signature Date

Notes:

1. Please complete the Request Letter by filling in legibly the required information, signing in the space provided and filling in the date and signature.
2. Please email or deliver the completed Request Letter to the Company Secretary at the address given above or forward via facsimile to +94 11 248 1104.
3. In the event the shareholder is a company, the Request Letter should be signed under its Common Seal or by a duly authorised officer of the Company.
4. In the case of Joint Holders, the Request Letter may be executed by the Registered Principal holder.
5. If you have any query regarding this Request Letter, please contact Ms Lakmini Kottegoda on telephone No. +94 11 263 1103 (extension 1103) between 10.00am and 4.00pm on any working day or via email to lakminik@plc.lk.

Corporate information

GRI 102-1 GRI 102-3 GRI 102-5

Name of Company

People's Leasing & Finance PLC

Legal form

Public Limited Liability Company
(Incorporated and domiciled in Sri Lanka)
quoted in the Colombo Stock Exchange

Date of incorporation

22 August 1995

Company registration number

PB 647 PQ

Accounting year-end

31 March

Stock exchange listing

The Ordinary shares of the Company were quoted on the Main Board of the Colombo Stock Exchange (CSE) on 24 November 2011.

Senior, Unsecured, Redeemable, Rated four year (2015/19) and five year (2015/20) Debentures were listed on the Debt Securities Main Board of Colombo Stock Exchange on 20 November 2015.

Senior, Unsecured, Redeemable, Rated three year (2016/19), four year (2016/20) and five year (2016/21) Debentures were listed on the Debt Securities Main Board of Colombo Stock Exchange on 23 November 2016.

Senior, Unsecured, Redeemable, Rated four year (2018/22) and five year (2018/23) Debentures were listed on the Debt Securities Main Board of Colombo Stock Exchange on 27 April 2018.

Registered office and principal place of business

1161, Maradana Road, Borella
Colombo 08, Sri Lanka.
Postal Code: 00800
Phone: +94 11 2631631
Fax: +94 11 2631980/81
Email: plclease@plc.lk
Web Address: www.plc.lk

Compliance officer

Mr Vishwamithra Kadurugamuwa

Company secretary

Ms Lakmini Kottegoda

Registrars

SSP Corporate Services (Pvt) Ltd.
No. 101, Inner Flower Road,
Colombo 03, Sri Lanka.
Phone: +94 11 2573894, +94 11 2576871
Fax: +94 11 2573609
E-mail: sspsec@sltnet.lk

Auditors

Auditor General
Auditor General's Department,
No. 306/72, Polduwa Road,
Battaramulla.

Messrs Ernst & Young
Chartered Accountants,
No. 201, De Saram Place,
P.O. Box 101, Colombo 10.

Bankers

People's Bank
Sampath Bank PLC
Bank of Ceylon
Commercial Bank of Ceylon PLC
DFCC Bank PLC
Hatton National Bank PLC
HSBC
National Development Bank PLC
Nations Trust Bank PLC
Seylan Bank PLC
Standard Chartered Bank
Deutsche Bank
Habib Bank
Union Bank of Colombo PLC
Public Bank Berhad
Citibank N.A.
Indian Bank
Indian Overseas Bank
Pan Asia Banking Corporation PLC
Axis Bank
MCB bank

Branch offices

Akuressa, Ambalangoda, Ambalanthota, Ampara, Anuradhapura, Awissawella, Badulla, Balangoda, Bandarawela, Battaramulla, Batticaloa, Benthota, Chilaw, Chunnakam, Colpetty, Dambulla, Dehiwala, Deniyaya, Digana, Elpitiya, Embilipitiya, Galle, Gampaha, Gampola, Giriulla, Godakawela, Grandpass, Hambantota, Hanwella, Hatton, Havelock, Homagama, Horana, Ja-Ela, Jaffna, Kadawatha, Kaduwela, Kalawanchikudi, Kalawana, Kalmunai, Kalutara, Kamburupitiya, Kandy, Kandy – Alsafa, Kandy II, Kanthale, Kattankudy, Kegalle, Kekirawa, Kelaniya, Kilinochchi, Kinniya, Kirindiwela, Kuliyapitiya, Kurunegala, Mahaiyawa, Maharagama, Mahiyanganaya, Mannar, Matale, Matara, Medawachchiya, Mathugama, Mawanella, Melsiripura, Merigama, Metropolitan, Minuwangoda, Monaragala, Moratuwa, Mutur, Narammala, Nattandiya, Nawalapitiya, Negombo, Neluwa, Nittambuwa, Nugegoda, Nuwara Eliya, Panadura, Pelmadulla, Pettah, Pilimathalawa, Piliyandala, Polonnaruwa, Puttalam, Ratnapura, Tangalle, Thambuttegama, Thissamaharamaya, Trincomalee, Union Place, Urubokka, Vavuniya, Walasmulla, Ward Place, Warakapola, Wariyapola, Wattala, Welimada, Wellawaya, Wellawatta, Wennappuwa

Board of Directors

Mr Hemasiri Fernando – Chairman

Mr M P Amirthanayagam – Deputy Chairman
Mr J P Amaratunga
Mr G B R P Gunawardana
Mr J A Fernando
Mr M A M Rizwan
Dr Kennedy D Gunawardena
Mr N W A M U K K E Weerasinghe

Board subcommittees

Integrated Risk Management Committee

Mr M P Amirthanayagam – Chairman
Mr G B R P Gunawardana
Mr M A M Rizwan
Mr A S Ibrahim
Mr Sanjeewa Bandaranayake
Mr Lionel Fernando
Mr Rohan Tennakoon

Board Audit Committee

Mr J P Amaratunga – Chairman
Mr M P Amirthanayagam
Mr M A M Rizwan

Remuneration and Nomination Committee

Mr J P Amaratunga – Chairman
Mr M P Amirthanayagam
Mr J A Fernando

Related Party Transactions Review Committee

Mr M P Amirthanayagam – Chairman
Mr J A Fernando
Mr M A M Rizwan

Subsidiary and associate companies

Subsidiary Companies

People's Leasing Fleet Management Limited

People's Leasing Property Development Limited

People's Leasing Havelock Properties Limited

People's Insurance PLC

People's Micro-commerce Ltd.

Lankan Alliance Finance Limited (Bangladesh)

Associate Company

People's Merchant Finance PLC
as at 31 March 2019

Corporate memberships

Asian Leasing and Finance Association
Credit Information Bureau of Sri Lanka
Financial Ombudsman Sri Lanka
Leasing Association of Sri Lanka

Vehicle yards

No. 429, 2nd Division, Darly Road, Colombo 10, Sri Lanka.

No. 496, Makola North, Makola, Sri Lanka.

No. 225/D, Nayagala Road, Heiyanthuduwa, Mabima, Sri Lanka.

No. 8, Pothuvil Road, Monaragala, Sri Lanka.

Ketalagolla, Beligamuwa, Galewela, Sri Lanka.

Tax payer identity number (TIN)

114 156396 0000

VAT registration number

114 156396 7000

Central Bank registration number

046 (Under the Finance Business Act No. 42 of 2011)

Credit agency status

An approved credit agency under the Mortgage Act No. 6 of 1949 and the Trust Receipt Ordinance No. 12 of 1947 by the Department of Commerce.

Credit rating

"AA-" (lka) stable by Fitch Ratings Lanka Limited

"B-" stable by Fitch Ratings International

For any clarifications

On this report please write to:

The Chief Financial Officer,
People's Leasing & Finance PLC
1161, Maradana Road, Colombo 08,
Sri Lanka.
Postal Code: 00800
Phone: +94 11 263 1631
Fax: +94 11 263 1980

People's Leasing & Finance PLC

No. 1161, Maradana Road, Colombo 08, Sri Lanka, Postal Code: 00800
Tel: +94 11 263 1631, Fax: +94 11 263 1980
Email: plclease@plc.lk
Web: www.plc.lk

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www.SmartAnnualReport.com

www.carbonfund.org

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