

Link



**PEOPLE'S
LEASING**

பிபிஎஃஃஃ | பிபிஎஃஃ லீசிங்
THE TRUSTED LEADER

People's Leasing & Finance PLC
Annual Report

2021/22

Linked

If the pandemic imparted a single lesson, it was the importance of an adaptive strategy that would widen the scope of possibility even under duress. Our strategy revolved around the mission to extend our brand, in the most digitally advanced methods possible, while also maintaining the fundamentals of sustainability. This year, our progression is owed to our strong digital presence, through which we elevated customer experiences, bringing about further accessibility and convenience in uncertain times.

Therefore, in an age of uncertainty, we will continue to seek and maintain the links between ourselves and our stakeholders, and in turn, strengthen our sustainable connections as we make progress.



This Annual Report is also
available on our website
www.plc.lk/pdf/ar/plc-annual-report-2021-22-English.pdf

See more online www.plc.lk

LinkedIn



Chairman's Message



"People's Leasing & Finance PLC marks 25 years of service to the people of Sri Lanka, walking in step with them to realise mutual goals and aspirations. This year's performance is a reflection of our commitment to the first corporate guiding principle of the Company as we delivered the highest post-tax profit recorded by the Company of Rs. 4.66 billion in a year of unprecedented concessions to customers to support them through an extremely challenging year. This principle has never been more important than at this period of time as the country unites to overcome the multiple crises that weigh down the progress towards a sustainable and resilient economy in sync with the world recovery.

Digitalisation was a strategic priority for the year and we commenced looking inwards to streamline our processes. The Board was happy to see the quick wins that followed and are encouraged by the commitment to delivery of more project milestones. This transformation is necessary for our next chapter as we scale up and drive cost efficiencies to engage effectively with customers and truly empower them as stated in our first principle that I have used as the connecting theme for what we accomplished during the year."

A handwritten signature in white ink, which appears to read 'Sujeewa Rajapakse'.

Sujeewa Rajapakse
Chairman

CEO's Message



"I am delighted to report that People's Leasing recorded its highest ever profit after tax of Rs. 4.66 billion for the year ended 31 March 2022- a fitting milestone to celebrate 25 years of service to the people. As shared prosperity becomes the call of the hour, People's Leasing has worked with both customers and its employees to create unprecedented value for them in a year that was also the third consecutive year of uncertainty and widening fault lines. The results are testimony to the indomitable spirit of the people who make up this institution, living our values to fulfil our vision.

Our plans are for a holistic and effective digital transformation, ensuring that both our internal and external stakeholders are in sync with the progress made and ensuring that the transformed processes are fit for purpose and deliver on the trifecta of customer convenience, empowerment and faster turnaround times. The quick wins during the year are encouraging and we look forward to progressing further on our transformation in the year ahead."

A handwritten signature in black ink, which appears to read 'S. Marcelline'. The signature is fluid and cursive, written in a professional style.

Shamindra Marcelline
Chief Executive Officer/ General Manager

Financial Capital

Rs. 4.66 billion

Profit after tax

(2020/21 - Rs. 4.03 billion)

Rs. 13.05 billion

Net interest income

(2020/21 - Rs. 11.92 billion)

Rs. 180.76 billion

Total Assets

(2020/21 - Rs. 164.55 billion)

Investor Information



Market capitalisation

| Year | (Rs. billion) |
|---------|---------------|
| 2020/21 | 20.11 |
| 2021/22 | 15.29 |



Net assets per share

| Year | Rs. |
|---------|-------|
| 2020/21 | 20.15 |
| 2021/22 | 20.57 |



Closing market price per share

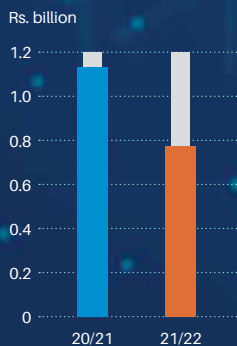
| Year | Rs. |
|---------|-------|
| 2020/21 | 11.80 |
| 2021/22 | 8.10 |



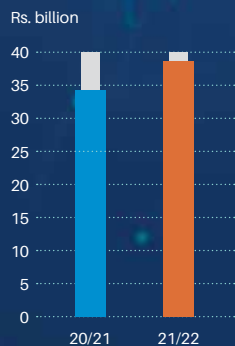
Dividend payout ratio

| Year | (%) |
|---------|-------|
| 2020/21 | 24.22 |
| 2021/22 | 46.79 |

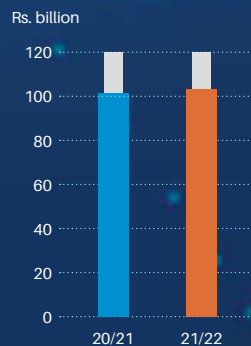
Impairment Charges and Other Losses



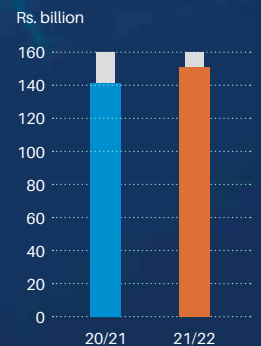
Shareholders' Fund



Deposits



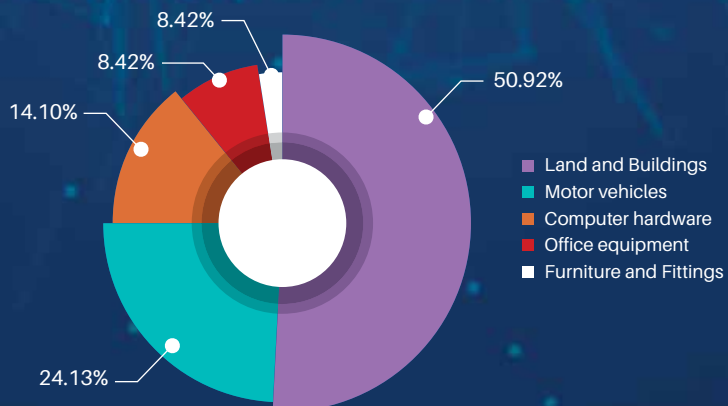
Loans and Receivables Portfolio



Manufactured Capital



Property, Plant and Equipment Composition



Intellectual Capital

Rs. 6.51 billion

Brand Value

(2020/21 - Rs. 8.13 billion)

Rs. 21.97 million

Intangible assets

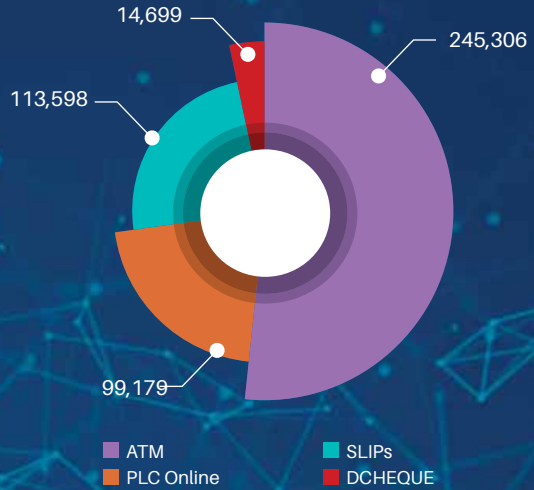
(2020/21 - Rs. 146.45 million)

Over 18,000 years

Cumulative service of employees

(2020/21 - Over 17,000 years)

Digital Transaction Composition (Volume)



Human Capital

2,245

Total number of employees

(2020/21 - 2,343)

90.16%

Retention Ratio

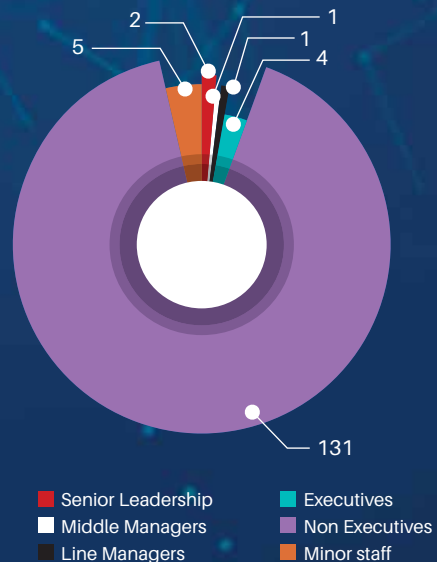
(2020/21 - 93.80%)

144

New recruits

(2020/21 - 81)

Composition of New Recruits



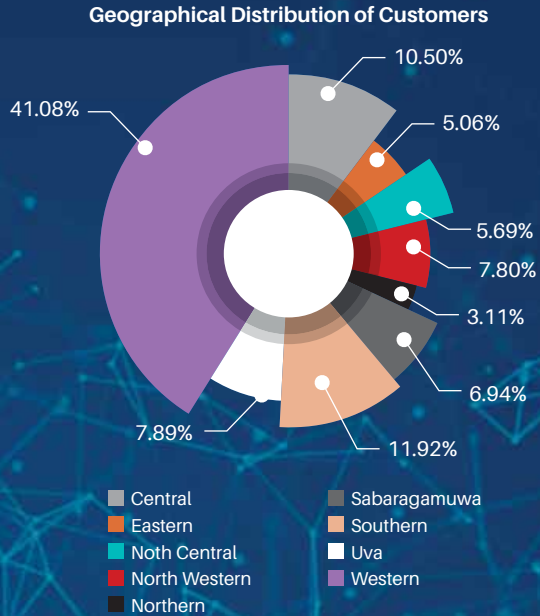
Social and Relationship Capital

125,789
Lending Customers
(2020/21 - 117,773)

Rs. 27.53 million
Investment on Community Outreach CSR
(2020/21 - Rs. 17.60 million)

309,977
Deposit Customers
(2020/21 - 291,319)

382,913
Total Customers
(2020/21 - 353,414)



Natural Capital



















4,681.72
Company Carbon Footprint
(tCO₂e)
(2020/21 - 3,810.88 tCO₂e)










5,182.58
Group Carbon Footprint
(tCO₂e)
(2020/21 - 4,381.67 tCO₂e)

Rs. 1.87 million
Investment on Environmental Conservation
(2020/21 - Rs. 2.77 million)

Our Integrated Approach Towards a Sustainable Value Creation Process













A SYNOPSIS













| Impact of the operating environment | Material Topic | Focused SDGs in Value Creation Process | Value Creation/ Preservation and Erosion | Strategic Imperatives | Key Capital Engagements |
|--|--|---|---|--|--|
| <p>Digitalisation as a global trend and growth factor of the modern economy</p> | <p>Digitalisation</p> |    | <p>Digitalisation supports increased employee efficiency, enhancing their productivity. It also empowers customers to carry out a growing array of transactions while benefitting from improved turnaround times in relation to services provided by People's Leasing</p> | <p>Pursuing sustainable growth</p> <p>Augmenting customer experience</p> |  <p>Financial Capital</p>  <p>Manufactured Capital</p>  <p>Intellectual Capital</p>  <p>Human Capital</p>  <p>Social and Relationship Capital</p> |
| <p>Immense competition among industry players</p> | <p>Customer Experience</p> |  | <p>Customer experience is a key competitive advantage in supporting the sustained growth of deposits and lending portfolios as well as brand and reputation of the Company</p> | <p>Augmenting customer experience</p> |  <p>Financial Capital</p>  <p>Intellectual Capital</p>  <p>Human Capital</p>  <p>Social and Relationship Capital</p> |
| <p>Global economic downturn</p> <p>Gradually tightening of monetary policy</p> <p>Adverse impact of the pandemic on the country's economy</p> <p>Industry sector grew at a slower pace</p> | <p>Sustainable Growth Through Sustainable Finance</p> |   | <p>Sustainable finance products ensure customer compliance with social and environmental criteria, enhancing customer awareness on the need to be responsible in what they do</p> | <p>Pursuing sustainable growth</p> <p>Augmenting customer experience</p> <p>Differentiation through our people</p> |  <p>Human Capital</p>  <p>Social and Relationship Capital</p>  <p>Natural Capital</p> |

| Key stakeholders targeted | Our response | Impact | Risk Category | Addressed GRI Topics |
|--|--|---|---|----------------------|
|  Customers  Employees | <p>Novel customer experiences which are not limited to brick-and-mortar concepts (PLC Touch/QR/DCHEQUE/CAPP)</p>    | <p>Strong customer patronage and sustainable competitive advantage through value-added products and service excellence</p> <p>Empowered and committed workforce that strengthens the brand through innovative total solutions</p> | <p>Operational Risk</p> <p>IT and Information Security Risk</p> | |
|  Customers  Employees | <p>Enhanced product innovation and customer centricity</p> | <p>Strong customer patronage and sustainable competitive advantage through value-added products and service excellence</p> <p>Strong brand value and solid market share, attracting and retaining stakeholder trust</p> | <p>Reputational Risk</p> | <p>GRI 417</p> |
|  Local Communities  Customers | <p>People's Leasing continues to promote green lending and has a number of products facilitating access to finance for MSMEs and microentrepreneurs in line with sustainable financing principles. Further, the moratoria and relief provided to customers during the past three years affirms its commitment to supporting sustainable finance.</p> | <p>Growth in profitability and business volumes, leading to a stable and sound company</p> <p>Pursued sustainable business growth amidst socio economic uncertainty</p> | <p>Credit Risk</p> <p>Strategic Risk</p> | <p>GRI 201</p> |

Our Integrated Approach Towards a Sustainable Value Creation Process (Contd...)







A SYNOPSIS





| Impact of the operating environment | Material Topic | Focused SDGs in Value Creation Process | Value Creation/ Preservation and Erosion | Strategic Imperatives | Key Capital Engagements |
|---|-------------------------------------|---|--|--|--|
| <p>The country has been experiencing a severe economic crisis</p> | <p>Financial Stability</p> |       | <p>Ensuring that People's Leasing remains financially stable during the economic crisis in the country, safeguarding the interests of all stakeholders</p> | <p>Pursuing sustainable growth</p> <p>Achieving execution excellence by differentiation through our people</p> |  <p>Financial Capital</p>  <p>Intellectual Capital</p>  <p>Human Capital</p>  <p>Social and Relationship Capital</p> |
| <p>Global pandemic</p> | <p>Health and Safety</p> |    | <p>From March 2020, the country has grappled with COVID-19 pandemic which have created widespread disruption to businesses. Ensuring that we provided a safe work environment for our employees and a safe place to transact business for customers was a key priority</p> | <p>Pursuing sustainable growth</p> <p>Integrating environmental and social factors</p> |  <p>Human Capital</p>  <p>Social and Relationship Capital</p> |
| <p>Complying with United Nation's Sustainable Development Goals</p> | <p>Resource Optimisation</p> |          | <p>Resource optimisation is key to driving efficiencies and profit margins and maximising value delivered to stakeholders and is the core of integrated thinking</p> | <p>Integrating environmental and social factors</p> |  <p>Financial Capital</p>  <p>Manufactured Capital</p>  <p>Intellectual Capital</p>  <p>Natural Capital</p> |

| Key stakeholders targeted | Our response | Impact | Risk Category | Addressed GRI Topics |
|--|---|--|--|---|
|  Local Communities  Customers  Investors  Employees  Business Partners  Government and Regulators | <p>Diversify product portfolio beyond leasing of new vehicles and managing risk associated with new products</p> | <p>Financial stability has become one of the most important aspects of long-term sustainable business growth</p> | <p>Strategic Risks</p> | |
|  Employees  Customers  Local Communities | <p>Donation of essential medical and non-medical equipment to Government hospitals and COVID Intermediate Care Centres to strengthen COVID treatment and care</p> <p>Maintenance of the fish aquariums to create a patient-friendly environment at the Lady Ridgeway Hospital and Apeksha Hospital - Maharagama</p> <p>Special arrangements at Head Office and branches as Covid precautions</p> <p>Refurbishment of the front area of the Basic Treatment Unit and donation of two wheelchairs to the Base Hospital - Tangalle</p> | <p>Pursued sustainable business growth amidst socio economic uncertainty</p> | <p>Operational Risk</p> <p>HR Risk</p> | <p>GRI 403</p> <p>GRI 410</p> <p>GRI 416</p> <p>GRI 418</p> |
|  Local Communities  Customers  Investors | <p>Green branch concept in long term</p> <p>Installation of Solid Waste Segregation Units at Sigiriya Rock Fortress in Dambulla and Polonnaruwa Gal Viharaya</p> <p>Installation of Educational Awareness Boards Display Unit at the Pinnawala Elephant Orphanage</p> <p>Installation of Environmental Signboards on eco system restoration at the Beddagana Wetland Park as an environmentally-conscious corporate partner in conservation</p> | <p>Paperless initiatives including digitalisation and cost rationalisation programmes towards resource preservation.</p> | <p>Operational Risk</p> <p>Strategic Risk</p> <p>Reputational Risk</p> | <p>GRI 302</p> <p>GRI 305</p> <p>GRI 306</p> |

Our Integrated Approach Towards a Sustainable Value Creation Process (Contd...)














A SYNOPSIS







| Impact of the operating environment | Material Topic | Focused SDGs in Value Creation Process | Value Creation/ Preservation and Erosion | Strategic Imperatives | Key Capital Engagements |
|---|--|---|---|---|---|
| <p>The Government has urged assistance from private and State-Owned Enterprises to uplift local economies</p> | <p>Inclusive Finance And Minimum Inequalities</p> |  | <p>Our shared purpose of existence and a major step towards ensuring inclusive growth in the country</p> | <p>Augmenting customer experience</p> |  |
| <p>Attracting and retaining the best suited talent given the prevailing competitive pressure</p> | <p>Human Talent Development</p> |  | <p>Our employees are the ambassadors of our service and training improves employee performance, engagement, retention and growth. We have also identified its impact on uplifting society as a whole. We value high quality education and contribute to educational upliftment in many ways</p> | <p>Achieving execution excellence by differentiation through our people</p> |  |
| <p>Adherence to regulations and being a transparent entity has become an urgent need of the financial sector in Sri Lanka</p> | <p>Ethics, Integrity and Compliance</p> |  | <p>Operating in a regulated sector, ethics, integrity and compliance impact nearly every aspect of our operations</p> | <p>Embodying responsible stewardship by maintaining an ethical, open, and transparent business environment</p> <p>Integrated operational and social factors</p> |  |

| Key stakeholders targeted | Our response | Impact | Risk Category | Addressed GRI Topics |
|--|---|---|-----------------|--|
|  Local Communities  Customers | <p>A number of our products support inclusive financing and ease of transacting</p> | <p>Managing social and environmental inequalities</p> <p>Empowered societies through responsible finance and investment in communities</p> | Credit Risk | |
|  Employees | <p>110,764 training hours (inclusively LMS training)</p> <p>Motivational programmes (Head Office and all island branches)</p> <p>Provided financial assistance to AAT prize fund for the 02nd in order of Merit prizes for the both Foundation and Intermediate Level Exams in July and January</p> | <p>Empowered and committed workforce that strengthens the brand through innovative total solutions</p> <p>Developing a highly-engaged, satisfied and motivated workforce</p> <p>Attracting and retaining the best-suited talent</p> | HR Risk | <p>GRI 401</p> <p>GRI 404</p> <p>GRI 405</p> <p>GRI 406</p> <p>GRI 407</p> |
|  Government and Regulators | <p>Maintained sound corporate governance practices</p> <p>Periodically recognised and awarded our transparent reporting systems</p> | <p>Demand for stricter governance, tighter regulatory control and improved risk management</p> <p>Addressed national and local societal priorities to create sustainable shared value</p> | Compliance Risk | <p>GRI 205</p> <p>GRI 207</p> <p>GRI 307</p> <p>GRI 308</p> <p>GRI 413</p> <p>GRI 414</p> <p>GRI 419</p> |

Our Integrated Approach Towards a Sustainable Value Creation Process (Contd...)

A SYNOPSIS

| Impact of the operating environment | Material Topic | Focused SDGs in Value Creation Process | Value Creation/ Preservation and Erosion | Strategic Imperatives | Key Capital Engagements |
|--|---|---|--|---|---|
| <p>Present energy crisis as well as high inflationary pressure has reduced the disposable income of the community.</p> | <p>Customer Financial Resilience</p> |  | <p>The Company's exposure to the passenger transport sector affected by the current energy crisis is significant and supporting these customers to stay afloat using proactive approaches is a priority to managing credit risk</p> | <p>Pursuing sustainable growth</p> |  Financial Capital  Social and Relationship Capital |
| <p>Sri Lanka's passenger transportation sector has been significantly impacted by the country's energy problem</p> | <p>Business Continuity</p> |  | <p>Business locations need to remain operational as NBFs are generally considered essential services. The continuing energy crisis can impact operations of People's Leasing as transport and energy supplies get disrupted, making business continuity a key priority</p> | <p>Pursuing sustainable growth</p> |  Financial Capital  Social and Relationship Capital  Human Capital |
| <p>Global eye on climate change</p> | <p>Climate Action</p> |  | <p>People's Leasing is committed to supporting the transition to a low carbon economy through changes to its own processes as well as driving awareness of the need for change through its access to finance products</p> | <p>Integrating environment and social factors</p> |  Financial Capital  Intellectual Capital  Human Capital  Social and Relationship Capital  Natural Capital |

| Key stakeholders targeted | Our response | Impact | Risk Category | Addressed GRI Topics |
|--|---|---|--|--|
|  Customers  Local Communities | <p>Launch of “Hithamithuru” programme to provide relief to affected customers with reschedulements</p> | <p>Aided in the development of a future-fit business</p> | Credit Risk | |
|  Employees  Customers | <p>People’s Leasing has revisited its business continuity plans and revised them to reflect current challenges</p> | <p>Business strategy aligned with the country’s most recent economic shifts, ensuring business continuity</p> | Operational Risk Strategic Risk | |
|  Local Communities  Customers | <p>Installation of Environmental Signboards on the eco system restoration at the Beddagana Wetland Park as an environmentally-conscious corporate partner in conservation</p> <p>Long-term green branch concept</p> <p>Paperless office initiatives</p> | <p>Incorporate an understanding of the need for a low-carbon economy into the workplace culture</p> | | <p>GRI 302</p> <p>GRI 305</p> <p>GRI 306</p> |

Future Outlook

A SYNOPSIS



Enhance credit quality

Maintain healthy liquid assets

Align deposit growth with credit growth

Substantial use of renewable energy sources

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About this Report

GRI 102-10, 102-12, 102-45, 102-46, 102-48, 102-49, 102-50, 102-51, 102-52, 102-53, 102-54, 102-56



We are pleased to present the 9th Annual Integrated Report of People’s Leasing & Finance PLC setting out for the financial year ended 31 March 2022. We seek to provide a balanced and holistic review of our performance in a concise manner, facilitating comparability over the years and with peers. We have focused on making meaningful changes to our previous Annual Integrated Report for the year ended 2020/21 continuing our quest for excellence in corporate reporting.

Basis of Preparation

| | | | |
|--|--|---|--|
| Scope and Boundaries | Regulatory Framework | Voluntarily Adopted Frameworks | Commitment to ESG and Integrated Thinking An early entry into GRI reporting 15 years ago served to embed the principles of ESG reporting within the organisation, facilitating integrated thinking into its corporate decision making processes. Our systems have evolved over time with reliable financial and non-financial information being used to support informed and objective decision making. Accordingly, systems are in place to understand the concerns of stakeholders and monitor changes in our operating environment to assess their impacts on our ability to create sustainable value to our stakeholders. The process also facilitates evaluation of potential threats and opportunities that shape resource allocation decisions as we work towards strengthening institutional resilience through integrated thinking. |
| <ul style="list-style-type: none"> The financial reporting boundary covers the parent company and six legal entities, collectively referred to as "the Group". The sustainability reporting boundary of this report covers the operations of the parent company, People’s Leasing & Finance PLC also referred to as "the Company". | <ul style="list-style-type: none"> Companies Act No. 7 of 2007 Finance Business Act No. 42 of 2011 and Directions for Licensed Finance Companies’ by the Central Bank of Sri Lanka (CBSL) Sri Lanka Financial Reporting Standards issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) Directions, Circulars and Guidelines for registered finance leasing establishments Colombo Stock Exchange Listing Rules National Audit Act No. 19 of 2018 | <ul style="list-style-type: none"> <IR> Framework 2021 issued by the International Integrated Reporting Council GRI Standards issued by the Global Sustainability Standards Board (GSSB) Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka UN Sustainable Development Goals | |

This report has been prepared in accordance with the GRI Standards: Core option.







Assurance

Independent Auditor’s Report has been provided by the Auditor General of Sri Lanka and his report is set out on pages 205 to 207. He has also provided External Assurance on the Company’s compliance with Corporate Governance Directions to the Central Bank of Sri Lanka. The Directors’ Statement on Internal Controls Over Financial Reporting has been reviewed by the Auditor General and the opinion is set out on page 202. Assurance on compliance with GRI requirements is provided by Ernst & Young and their report is set out on pages 347 to 348.

About this Report

Navigating Our Report

The Capitals

-  Financial Capital
-  Manufactured Capital
-  Intellectual Capital
-  Human Capital
-  Social and Relationship Capital
-  Natural Capital

Stakeholders

-  Customers
-  Employees
-  Investors
-  Business Partners
-  Government and Regulators
-  Local Communities



Sustainability Information

The report content is extracted from the management information systems established at the Company which include the Human Resource Information Systems, the Environment Management Framework and processes in place to capture stakeholder feedback. These are used as inputs for the materiality determining process and the formulation of relevant sustainability initiatives, promoting integrated thinking and reporting.

Significant Changes During the Year and Restatements

There were no significant changes to the organisation or the supply chain and there were no significant changes requiring restatements of financial or sustainability information during the reporting period.

Further, 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.

Forward Looking Statements

Certain information set forth in this Annual Report, including management assessment of the strategies, business line reviews, periodic capital goals, risk management review and key messages, contain forward looking statements which are based on perceptions, expectations, estimates, assumptions, projections, opinions and views of external and internal information available to us at present. These forward looking statements are provided to support the assessment of the

future performance of the Group although these estimates have varying degrees of uncertainty associated with them and the accuracy of these can be ascertained only with the benefit of hindsight as they relate to future events, outcomes and impacts which are beyond our control. Moreover, such uncertainties may cause the Group’s actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward looking statements. The socioeconomic impacts of the COVID-19 pandemic, as well as unprecedented economic business, and market conditions, increase the uncertainties above normal levels and users of this report are advised to make their own judgments as information remains extremely fluid and volatile even as at the reporting date. This information is provided without recourse or any liability whatsoever to the Board or other preparers of the Annual Report due to the relatively high levels of uncertainty regarding the same.

Feedback and Inquiries


We value your feedback and will use the same in improving the Annual Report in the year that has commenced. Please contact the following person for inquiries regarding the Annual Report:

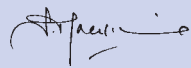
Chief Manager – Finance
People’s Leasing & Finance PLC
 No. 1161, Maradana Road,
 Colombo 8, Sri Lanka.
 Postal code: 00800
 Phone: +94 11 263 1631

Acknowledgement

All information contained in this report has been reviewed internally by the Senior Management of the Company, and also verified independently, in accordance to the policies and methodologies set out in the ‘Corporate Governance’ section of this report.

The Annual Report of the Board of Directors includes an acknowledgement of the Directors’ responsibilities with regard to the Annual Report. The Board of Directors acknowledge their responsibility to ensure the integrity of the Integrated Report and are of the opinion that the Integrated Annual Report of People’s Leasing & Finance PLC for the financial year ended 31 March 2022 is presented in accordance with the <IR> Framework 2021.


Sujeewa Rajapakse
 Chairman/ Board of Directors


Shamindra Marcelline
 Chief Executive Officer/ General Manager

About Us

GRI 102-4, 102-16

People’s Leasing & Finance PLC (People's Leasing/the Company) is a leading Non-Bank Financial institution in Sri Lanka and a subsidiary of People’s Bank, one of the largest state-owned banks in the country. Commencing operations in 1996 as a specialised leasing company, People's Leasing was listed on the Colombo Stock Exchange in 2011. People's Leasing has grown to become a diversified non-banking financial powerhouse with six subsidiaries in allied areas of specialisation including an overseas venture in Bangladesh.

Vision

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



Mission

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

Values



A People’s Business

382,913
Customers

2,245
Employees

111
Branches

Market Share

11.37%
Total Assets

12.89%
Deposits

12.47%
Loans and Advances

**NBFi sector information obtained as at 31.03.2022 from CBSL statistics*

Key Valuations

Rs. 15.29 billion
Market Capitalisation

Rs. 6.51 billion
Brand Valuation

Rs. 38.82 billion
Net Assets

About Us

GRI 102-5

An Inclusive Financial Services Group

Founded on inclusive principles, People’s Leasing is synonymous with access to finance in the country for start-ups, microentrepreneurs and SMEs which are the backbone of the country’s economy. As a subsidiary of People’s Bank, the Company also benefits from the strong domestic franchise of the parent that supported its growth through the initial years. Over 25 years of operations, People’s Leasing has grown to become a financial powerhouse with subsidiaries offering specialised products that complement the core business.



| Subsidiary | People’s Insurance PLC | People’s Micro-Commerce Ltd. | People’s Leasing Fleet Management Ltd. | People’s Leasing Property Development Ltd. | People’s Leasing Havelock Properties Ltd. | Lankan Alliance Finance Ltd. |
|--------------------------------|---|--|---|---|---|---|
| Ownership | 75% | 100% | 100% | 100% | 100% | 51% |
| Principal Activities | Carrying out general insurance business | Providing non-bank financial services to individuals who lack access to conventional banking and micro enterprises | Fleet management, vehicle valuation, sale of vehicles, insurance assessment, and vehicles repairing | Carrying out mixed development projects and property development activities | Operate an office complex | Providing leasing of movable and immovable properties and providing loans |
| Country of Incorporation | Sri Lanka | Sri Lanka | Sri Lanka | Sri Lanka | Sri Lanka | Bangladesh |
| No of Employees | 615 | 171 | 65 | 7 | 2 | 43 |
| Profit after tax (Rs. million) | 778.51 | 181.58 | 152.99 | 240.76 | 102.22 | 110.42 |
| Assets (Rs. million) | 12,102.54 | 3,070.80 | 444.79 | 2,738.09 | 2,655.37 | 14,544.08 |

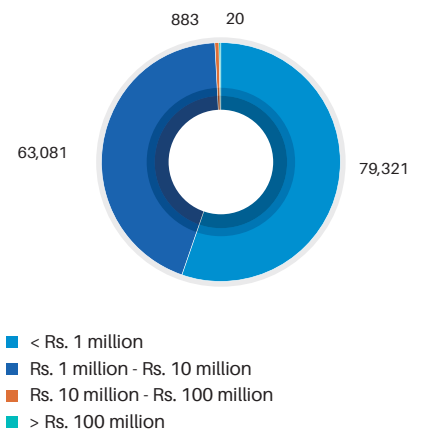
Our Socioeconomic Impact

Our socioeconomic impact is multifaceted as graphically captured below.



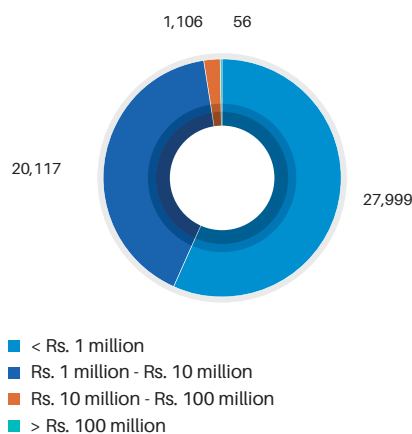
Typically, our loan sizes are smaller and reach a larger number of people who become the thriving businesses of tomorrow. Our inclusive approach ensures that our products are aligned with customers requirements including their amounts, tenures while our Islamic products cater to the specific requirements of Shariah law.

Number of Loans, Leases and Other Advances Based on Value

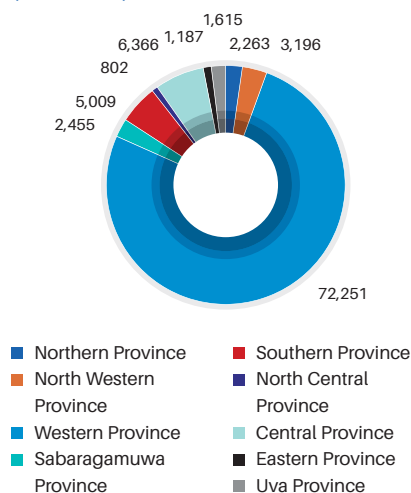


As a leading NBFIs with an islandwide presence, we reach the people who are underbanked with structured products for investment and wealth creation that are readily understood by the vast majority of population.

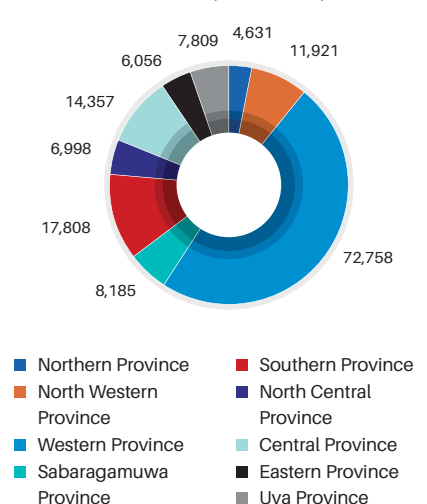
Number of Fixed Deposits Based on Value



Province wise Fixed Deposits Base (Rs. million)



Province wise Loans, Leases and Other Advances Portfolio (Rs. million)

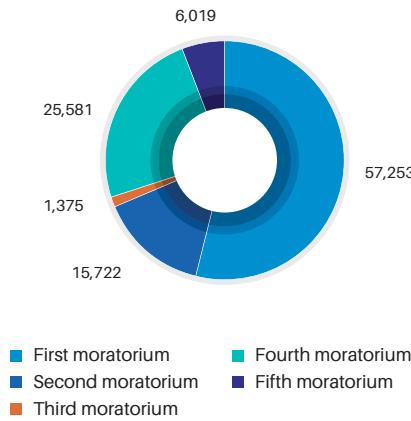


About Us

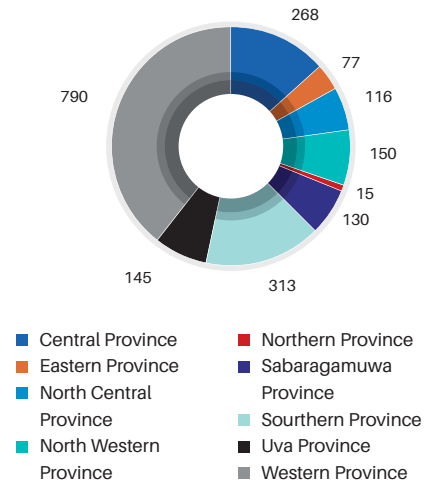


People's Leasing continued to support the customers through the seismic shocks of the past three years that have accelerated the economic deterioration of the country and continue to do so to the present date.

Number of Moratoriums



Hithamithru Facilities Given (Bus Concessions Scheme)



We are committed to inclusive digitalisation, ensuring that we take our customers along the journey taking into consideration the affordability and access to various technologies for people.



9,736
Downloads



PLC ONLINE

Rs. 3,981.60 million

Value of transactions processes via app



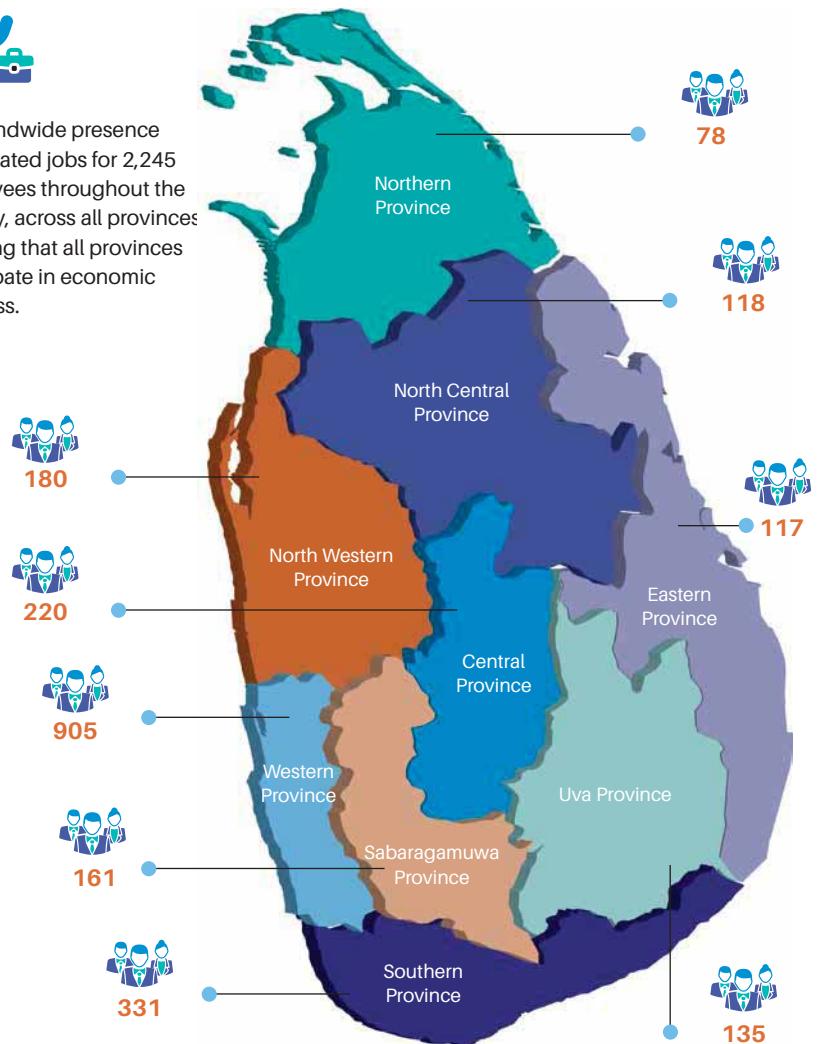
PLC ONLINE

99,179 number

of transactions processed via app



An islandwide presence has created jobs for 2,245 employees throughout the country, across all provinces ensuring that all provinces participate in economic progress.





The value added to the economy is set out in the value added statements below.

GRI 201-1

Economic Value Added (EVA)

Considering an economic charge equivalent to the Average 365 Days Treasury Bill rate plus a 2% risk premium, economic value added by People's Leasing for FY 2021/22 is Rs. 845.48 million. This reflects the value we have created for shareholders above the economic rate of return amid the challenging environment.

Economic Value Added

| For the Year | 2021/22 Rs. million | 2020/21 Rs. million |
|--|------------------------|------------------------|
| Shareholders' funds | 38,818.31 | 34,341.43 |
| Add - Accumulated provision for impairment charges | 9,887.57 | 9,267.94 |
| Add - Cumulative market building expenses | 425.25 | 560.43 |
| Less: Deferred tax assets | (1,146.73) | (415.84) |
| | 47,984.40 | 43,753.96 |
| Profit Attributable to | | |
| Shareholders | 4,659.01 | 4,033.02 |
| Add : Market building expenses for the year | 189.63 | 39.06 |
| Add : Impairment provision | 619.63 | 517.70 |
| Add : Deferred tax charges for the year | (673.45) | (69.51) |
| | 4,794.82 | 4,520.27 |
| Economic cost % (Average Treasury bill rate + 2 % risk premium) | 8.61% | 7.29% |
| Economic cost | 3,949.34 | 3,027.95 |
| Economic value addition | 845.48 | 1,492.32 |

Market Value Added (MVA)

Due to lacklustre performance of the capital market throughout the year, the share price of the Company declined causing a decrease in market value added as at 31 March 2022.

Market Value Added

| For the Year | 2021/22 Rs. million | 2020/21 Rs. million |
|---|------------------------|------------------------|
| Market capitalisation/market value of equity | 15,286.28 | 20,114.31 |
| Less : Shareholders' funds | 38,818.31 | 34,341.43 |
| Market value added/(declined) | (23,532.03) | (14,227.12) |

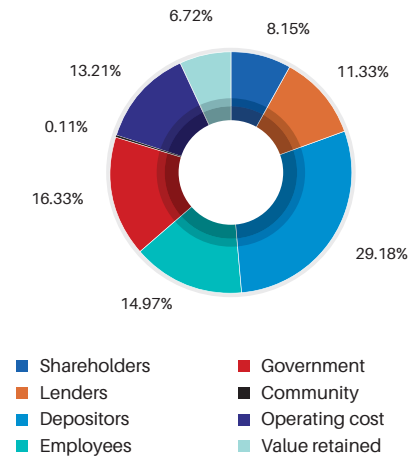
About Us

Distribution of Value Added

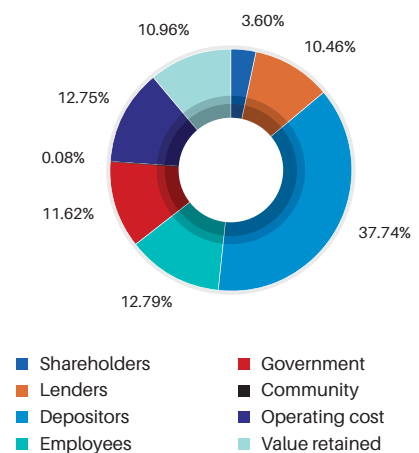
Economic value generated reflects a marginal decline compared to the last year mainly due to the decrease in interest income. However, economic value distributed to employees, government and community indicate notable improvement compared to the previous year. With the slight decline in deposit base interest paid to deposit holders reflected 23.71% decrease whereas dividend paid to equityholders denoted significant increase during the year.

| | 2021/22 Rs. million | 2020/21 Rs. million |
|---|------------------------|------------------------|
| Direct economic value generated | | |
| Interest Income | 23,881.53 | 24,983.45 |
| Fees and commission income | 1,876.52 | 1,818.68 |
| Other operating income | 983.33 | 301.68 |
| Economic value generated | 26,741.38 | 27,103.81 |
| Economic value distributed | | |
| To providers of capital | | |
| Dividend to equity holders | 2,179.93 | 976.62 |
| Interest to borrowings | 3,029.26 | 2,835.85 |
| Interest to deposit holders | 7,802.92 | 10,228.46 |
| | 13,012.11 | 14,040.93 |
| To employees | | |
| Salaries and other benefits | 4,002.41 | 3,465.37 |
| | 4,002.41 | 3,465.37 |
| To government | | |
| Income tax expenses | 2,664.54 | 1,909.08 |
| Tax on financial services | 1,645.11 | 1,222.63 |
| Other taxes paid | 48.51 | 18.37 |
| | 4,358.16 | 3,150.08 |
| To community | | |
| On Corporate Social Responsibility Initiatives | 29.40 | 20.37 |
| | 29.40 | 20.37 |
| Operating cost | | |
| Depreciation and amortisation | 700.04 | 722.99 |
| Impairment charges for loans and receivables and other losses | 777.04 | 1,143.05 |
| Other operating expenses | 2,056.59 | 1,590.08 |
| | 3,533.67 | 3,456.12 |
| Economic value distributed | 24,935.75 | 24,132.87 |
| Economic value retained | 1,805.63 | 2,970.94 |

Economic Value Distributed 2021/22



Economic Value Distributed 2020/21



01 Our purpose is to promote financial inclusivity, and to provide advisory solutions to empower businesses and support livelihoods, including those of small and medium entrepreneurs.

We have an inclusive governance system that safeguards transparency and accountability as we deliver on our purpose. **02**

03 We are committed to achieving our purpose by providing responsible, ethical and inclusive financial solutions, and by ensuring equitable returns to our stakeholders.

Economic viability, environmental responsibility and social accountability stand as the core values inherent in all our business operations. **04**

05 We ensure that our core values are embedded into our management processes, contributing towards a culture of good corporate citizenship.

We strive to minimise our impact on the environment through sustainable resource optimization and responsible lending. **06**

07 We secure our social license to operate by responding to stakeholder concerns identified through year round effective stakeholder engagement.

We build our staff capacity, including digital literacy, to ensure that they deliver a superior service experience. **08**

09 We celebrate our purposeful business growth by evaluating individual and team contributions of our employees in meeting our purposefully defined business targets.

We support the advancement of national and global frameworks that promote sustainable development. **10**

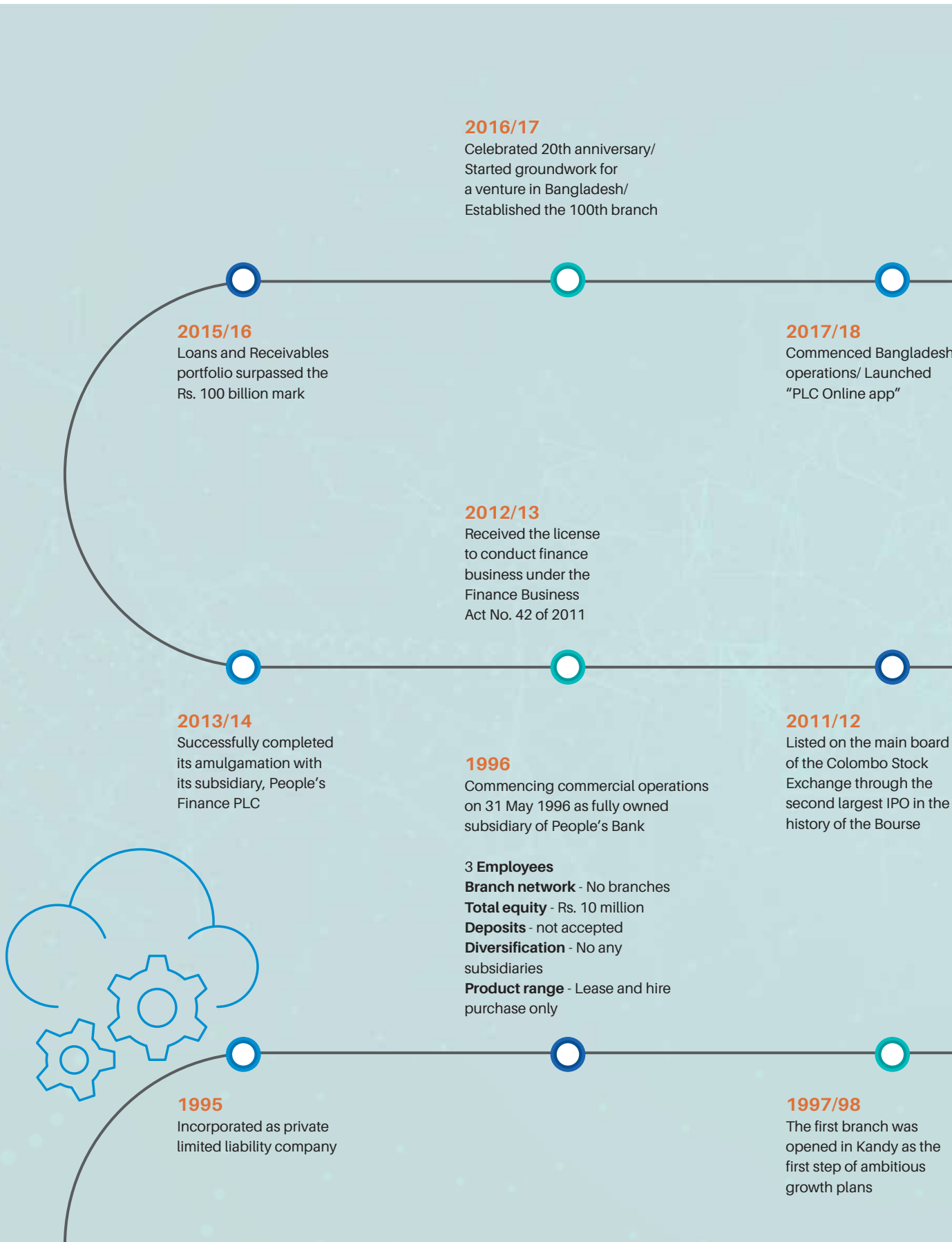


PEOPLE'S LEASING
 පිපුණ ලීසිං | பிபுணல் லீசிங்
 THE TRUSTED LEADER

OUR CORPORATE GUIDING PRINCIPLES AS A PURPOSEFUL BUSINESS

Shamindra Marcelline
 Chief Executive Officer/General Manager

Our Journey



2020/21

25th Anniversary

Deposits - Largest deposit base in NBFIs sector



2009/10

Consolidating the Company’s status as a diversified financial service provider People’s Insurance Limited was formed as a wholly-owned subsidiary

2021/22

Highest ever Profit After Tax of **Rs. 4.66 billion**

- Digital transformation
- Launch PLC Touch
 - People’s Pay Way
 - Launched CAPP
 - Launched DCHEQUE App.

Cumulative Service of Employees - **Over 18,000 years**

Diversification - **6 Subsidiaries** (Including a public quoted company and a foreign subsidiary)

- Product range - Diversified into
- Lending products
 - Fixed deposits and savings
 - Islamic lending products
 - Islamic deposit products

2008/09

Diversifying into new business ventures, formed two subsidiaries, People’s Leasing Fleet Management Limited and People’s Leasing Property Development Limited



2002/03

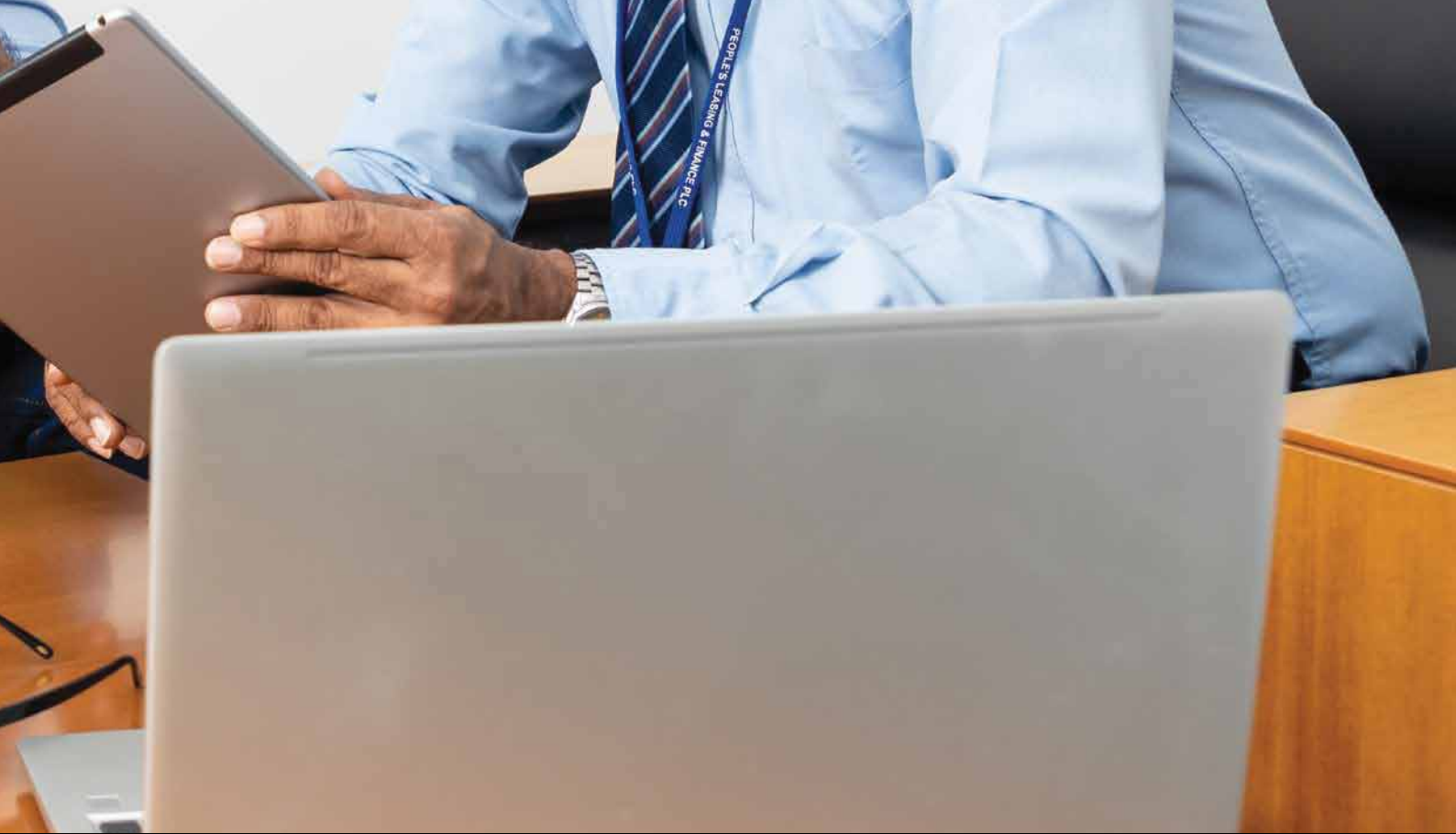
Became the market leader in the leasing industry within a span of just seven years in to operations

2007/08

Launched the unique concept of window offices at People’s Bank branches



Linked to our comprehensive customer service



Chairman's Message

GRI 102-14



“Our purpose is to promote financial inclusivity and to provide advisory solutions to empower business and support livelihoods, including those of small and medium entrepreneurs”

People's Leasing & Finance PLC marks 25 years of service to the people of Sri Lanka, walking in step with them to realise mutual goals and aspirations. This year's performance is a reflection of our commitment to the first corporate guiding principle of the Company as we delivered the highest post-tax profit recorded by the Company of Rs. 4.66 billion in a year of unprecedented concessions to customers to support them through an extremely challenging year. This principle has never been more important than at this period of time as the country unites to overcome the multiple crises that weigh down the progress towards a sustainable and resilient economy in sync with the world recovery.

The People's Leasing Group also recorded a resilient performance, delivering a profit of Rs. 4.82 billion, strongly supported by the performance of the parent company. People's Micro-Commerce Ltd., and People's Leasing Fleet Management also recorded strong performances to deliver their highest profits of Rs. 181.58 million and Rs. 152.99 million respectively. The decline of 13.90% over the previous year is largely attributable to the drop in profits of People's Insurance, the largest subsidiary of the Group.

Another Daunting Year

The financial year commenced with the third wave of the COVID-19 pandemic despite the nationwide vaccination programme that commenced in February 2021. For Sri Lanka, this was the third consecutive year of economic stress and the fault lines continued to widen as the year progressed. Passenger transport activity continued to be affected throughout the year with intermittent disruptions, fuel price increases and towards the year end, unprecedented fuel shortages. Although the country was open for Tourism from January 2020,

international tourist arrivals picked up only in November 2021, maintaining a growth momentum till March 2022 when the social unrest resulted in issue of travel advisories by key source markets. This led to a large number of cancellations as food and fuel shortages discouraged tourists. Telecommuting continued into the reporting year as well, ensuring business continuity throughout lockdowns as only essential staff were required to report to business locations to minimise the risk of contagion.

Against this backdrop, the economic indicators weakened during the year, culminating in the default of foreign currency denominated debt by the government in April 2022, as Sri Lanka moved into a grim period in its history and perhaps the most troubled in living memory. Inflation, as measured by the NCPI, climbed steadily to 21.5% up to March 2022 and surged to 33.8% by April 2022 resulting in economic hardship for the most vulnerable. Food inflation soared to 45.1% in April 2022 from 29.5% in March 2022 while Non-Food Inflation also maintained an upward trajectory, moving from 14.5% to 23.9% in the same period. Interest rates which were at an all-time low at the beginning of the year due to quantitative easing, increased moderately in the second half of 2021 as the government tightened monetary policy to manage widening fault lines. However, more drastic measures were required to set the economy on track and policy interest rates were increased by 700 bps on 8 April 2022 by CBSL. The 364-day treasury bill moved up from 5.11% in March 2021 to 12.28% in March 2022, increasing sharply to 24.09% in April 2022 reflecting the extreme volatility experienced immediately after the financial year end. As set out alongside, the Average Weighted Prime Rate (AWPR) moved up in a similar manner to 16.38% in April 2022

from 9.85% in March 2022 although Average Weighted Deposit Rate (AWDR) is lagging. While increasing the cost of borrowing for customers, it is a necessary adjustment to restore price stability.

The exchange rate which was managed for 11 months of the financial year within a narrow band increased exponentially in March 2022 and further in April 2022 taking the exchange rate to Rs. 319.44 per US\$ at the close of April 2022. The country's foreign exchange reserves as at end March are US\$ 1.9 billion of which US\$ 1.5 billion is subject to conditionalities, leaving a mere US\$ 0.4 billion of usable reserves. Needless to say that resumption of vehicle imports is the least of the concerns of the monetary policy makers as the country struggles to bridge the looming food shortages as the harvests are forecast to be well below those of the previous year which necessitated imports of rice.

Unemployment declined from 5.5% to 5.1% although the positive effect of this is tempered by a decline in the labour force participation rate which declined from 50.6% in 2020 to 49.9% in 2021 which is perhaps the figure we should focus on as now, the population that does not participate in productive employment exceeds the population that does.

Chairman's Message

Aligning Stakeholder Concerns

As in the previous year, we aligned our strategies to our stakeholder concerns and to an operating environment that showed early signs of stress. In the previous year, People's Leasing gave moratoria to over 59,000+ facilities in 2020/21 and we helped many find their way out of the moratoria. However, many of our customers were continued to be impacted by intermittent lockdowns, lower capacity utilisation of fleets and manufacturing assets and inflation. Accordingly, we suspended seizing of vehicles in line with the Central Bank regulations and adopted a proactive approach to rescheduling facilities. Importantly, we made a decision to temporarily stop the recovery of default interest, providing much needed space for clients to recover. These measures addressed the urgent needs of our customers, preventing a snowballing of debt which will weigh on their prospects for recovery.

Central Bank commenced implementation of the Financial Sector Consolidation Masterplan to strengthen the resilience of the sector and safeguard the interests of depositors of Licensed Finance Companies. People's Leasing is ready to engage in the process but will look for acquisitions that will create value for our stakeholders.

Aligning employee concerns was key to pursuit of our strategic goals and the Company took on a comprehensive programme of work to right size the organisation and ensure that we develop, retain and motivate our staff. Health and safety remained a key concern throughout the year and the safety protocols implemented were further refined to safeguard their health. Our people strategy was critical to delivery of the results set out in this report and addressing their issues was in the best interests of all stakeholders including investors.

Going Digital

Digitalisation was a strategic priority for the year and we commenced looking inwards to streamline our processes. The Board was happy to see the quick wins that followed and are encouraged by the commitment to delivery of more project milestones. This transformation is necessary for our next chapter as we scale up and drive cost efficiencies to engage effectively with customers and truly empower them as stated in our first principle that I have used as the connecting theme for what we accomplished during the year.

Delivering Value to Investors People's Leasing - The Company

The Company delivered solid growth in profitability even after the waiver of default interest, largely due to the decrease in interest expense which supported growth of Net Interest Income. Cost management played a key role as we trimmed the non-value adding activities to ensure that every cost or effort created value for an identified stakeholder. The non-performing assets ratio declined from 9.21% to 8.78% despite the multiple challenges experienced during the year reflecting the efforts and resources channeled to managing credit risk. Impairment charges on loans and receivables also declined by 37.21% from

Operating Environment in Numbers 2021/22

Economic Growth and Other Indicators

| | 2021 | 2022 | 2023 |
|------------------------------|----------|----------|--------|
| | Estimate | Forecast | |
| World | 6.1% | 3.6% | 3.6% |
| Emerging and Developing Asia | 7.3% | 5.4% | 5.6% |
| Sri Lanka | 3.6% | 2.6% | 2.7% |
| Bangladesh | 5.0% | 6.4% | 6.7% |
| Commodity Prices | | | |
| Oil | 67.3 | 54.7% | -13.3% |
| Non-oil | 26.8% | 11.4% | -2.5% |
| Consumer Prices: | | | |
| Emerging and Developing Asia | 2.2% | 3.5% | 2.9% |
| Sri Lanka | 6.0% | 17.6% | 12.9% |

Source: World Economic Outlook April 2022

| | 2021 | 2020 | % |
|---|----------|----------|-------|
| GDP (US\$ billion) | 84.5 | 81.0 | 4.32 |
| Per Capita Income (US\$) | 3,815 | 3,695 | 3.25 |
| Labour Force Participation Rate (%) | 49.9 | 50.6 | (0.7) |
| Unemployment (%) | 5.1 | 5.5 | (0.4) |
| GDP Growth by Sector (Rs. billion) | | | |
| Agriculture | 686.48 | 672.93 | 2.01 |
| Industry | 2,557.00 | 2,427.87 | 5.32 |
| Services | 5760.31 | 5,595.18 | 2.95 |

| | April 2022 | March 2022 | March 2021 |
|--|------------|------------|------------|
| Inflation (%) | 33.8 | 21.5 | 5.1 |
| 364 Day Treasury Bill Rate (%) | 24.09 | 12.28 | 5.11 |
| AWDR (%) | 5.52 | 5.17 | 5.20 |
| AWPR (%) | 16.38 | 9.85 | 5.78 |
| Exchange Rate (Rs:1US\$) | 319.44 | 255.81 | 196.98 |
| Foreign Currency Reserves (US\$ billion) | 1.81 | 1.92 | 4.06 |

Source: Central Bank of Sri Lanka

Rs. 1,043.84 million to Rs. 655.43 million as a result while the provision coverage ratio improved from 64.16% in 2020/21 to 72.99% in 2021/22.

The balance sheet reflects the restrained growth of 9.86% during the year as we maintained a cautious approach to new lending in line with the operating environment, avoiding over-indebtedness of customers. We continued the strategy of strengthening the capital positions by issue of scrip dividends. During the year, we issued Rs. 2,179.93 million as scrip dividends, strengthening capital ratios which remain well above regulatory requirements.

People's Leasing - The Group

Group performance followed suit recording Post-tax profits of Rs. 4.82 billion for the financial year 2021/22. While Net Interest Income, impairments and other costs were managed, Claims and Benefits in People's Insurance increased by 21.22% to Rs. 3.23 billion. This adversely impacted the performance of People's Insurance and dampened Group profitability.

Tier I and total capital ratios improved from 17.72% and 18.58% in the previous year to 18.76% and 19.67% respectively reflecting the focus on building resilience of the Group. Fitch Ratings Lanka Ltd., affirmed the rating for People's Leasing at A+(lka), however recently placed 12 NBFIs including People's Leasing on Rating Watch negative to reflect heightened downside risks to the NBFIs' credit profiles amid increased economic and financial-market volatility in Sri Lanka.

Stakeholder Focused Leadership

The Board remained vigilant during the year as the operating environment remained volatile and uncertain. Risk management was a key area of focus as the downside potential was greater than the upside as threat levels increased during the year. Holistic solutions that addressed the root causes were needed to steer a clear path through the uncertainty, as we needed a sustained recovery prior to accelerating growth momentum. Work to strengthen the policy framework continued with revisions and the introduction of new policies. Oversight of performance was critical to manage strategic direction, to ensure that

we were in sight of our overarching goal, sustainable value creation to stakeholders.

In view of the performance delivered, the Board declared a scrip dividend of Rs. 1.25 per share amounting to a total of Rs. 2,179.93 million 2021/22. The Board is also recommending a final dividend of Rs. 0.50 for approval by shareholders at the Annual General Meeting.

Creating Momentum

2021 created positive growth momentum as estimated global growth was in line with the April 2021 forecast of 6% which was largely due to the supportive monetary policy that prevailed during most of the year. However, fault lines are widening now as more central banks have tightened monetary policy as inflationary pressures surfaced and escalated. The Russo-Ukraine war has dampened forecasts with global growth projections being revised downwards to 3.6% for 2022 and 2023. Apart from the humanitarian crisis, the war has contributed to upward pressure on food and fuel prices as the countries are large producers of wheat and oil. Global trade will also be affected due to the sanctions in place and the limited connectivity of Russia to the global banking system.

The situation in the country is daunting as described above. Consequently, our plans need to be flexible and stakeholder focused as any one stakeholder can win, only if we all win. Shared prosperity must be the way forward. Our stakeholder focused strategies have served us well in the past two years and we are convinced that this is the way forward at present. Restrained growth, a proactive approach to managing credit risk, building resilience through capitalisation and liquidity underpinned by responsive and responsible leadership is the immediate need.

Further, the present situation has also necessitated us to follow blue ocean strategy at the Group level to differentiate ourselves from a pool of competitors as well as to turnaround existing extortion to opportunities to deliver consistent value for all our stakeholders.

A strong balance sheet supports our plans and we are ready to switch gears to forge ahead when the signs turn positive. We will continue to seize opportunities to create the growth momentum needed by energizing the SME sector which continues to be the backbone of the economy, supporting their recovery and connecting them to global opportunities. In line with our principles, we are committed to financial inclusion as a true partner in progress.

Acknowledgements

In conclusion, I would like to thank fellow members of the Board for their commitment and steering the Company through this challenging time. Also, I commend the leadership provided by Mr Shamindra Marcelline to deliver a strong performance in a year of significant uncertainty. My sincere thanks go to the teams in the People's Leasing Group who have worked together to strengthen the institutions by recording the highest ever post tax profit in the history of the Company midst of unprecedented challenges and in readiness for the next chapter of our growth.

I thank our stakeholders for sharing and shaping our journey of a quarter century which has been fulfilling and rewarding. I take this opportunity to convey my appreciation of cooperation of the officials of the Central Bank of Sri Lanka and close by thanking our shareholders for their continued trust and confidence over the past 25 years.



Sujeewa Rajapakse
Chairman

26 July 2022
Colombo

Chief Executive Officer's Message



“People’s Leasing achieved the highest profit after tax in its history amounting to Rs. 4.66 billion, an increase of 15.52% over the previous year.”

Dear Stakeholders,

I am delighted to report that People’s Leasing recorded its highest ever profit after tax of Rs. 4.66 billion for the year ended 31 March 2022 – a fitting milestone to celebrate 25 years of service to the people. As shared prosperity becomes the call of the hour, People’s Leasing has worked with both customers and its employees to create unprecedented value for them in a year that was also the third consecutive year of uncertainty and widening fault lines. The results are testimony to the indomitable spirit of the people who make up this institution, living our values to fulfill our vision.

A Silver Jubilee

Incorporated on 31 May 1996 as People’s Leasing Co. Ltd., to serve the specialised needs of the SME sector as a specialised leasing company, the company has transformed to a fully-fledged finance company that has a market share of 11.37% in an extremely competitive sector. It is noteworthy that we have achieved this through organic growth underpinned by a philosophy of financial inclusion which saw our footprint growing to 111 branches to cover the entire island. Our staff propelled our growth and grew to 2,245 by the close of the year ensuring that we upheld high standards of service to our customers.

As customer centric institution, our product portfolio increased to cater to growing customer needs. Accordingly, gold loans, equipment leasing and margin trading were added, supporting our growth. People’s Leasing was listed on the Colombo Stock Exchange in 2011 and has a proud track record of transparency with multiple awards for its Annual Reports. In 2012 the license was enhanced to that of a finance company which enabled us to serve the deposit and investment needs of this under banked

sector who had grown to trust People’s Leasing. This is affirmed by People’s Leasing becoming the country’s most loved leasing brand at the Brands Annual 2021 awards in 2022, reflecting the strong bonds forged with our customers.

We are now transforming for our next era of growth and we are excited by the possibilities it offers. Our plans include redefining financial inclusion and customer centricity to grow the backbone of our economy and inspire a new generation of entrepreneurs who will increase the productivity of the country and power its growth to a new era of shared prosperity.

Progression Through Transformation

We commenced our digital transformation journey last year, responding to the dramatic shift to digital platforms with the pandemic related lockdowns and over 22 million internet subscribers by end 2021.

As the first step, we started with our internal digital transformation to ensure the success of more customer facing transformations. Our internal stakeholders needed to be empowered and enabled to function effectively in a digital era. We launched the Credit App (CAPP), empowering our sales teams to initiate credit proposals via an online portal changing from a manual credit approval system to online approvals, significantly improving customer turnaround times. We also launched DCHEQUE an innovative cheque payment process which enabled faster processing of People’s Leasing payments through the People’s Bank, eliminating delays in payments for suppliers.

Looking at customer facing transformations, we collaborated with our largest subsidiary, People’s Insurance and our parent People’s Bank to launch People’s Pay Way, a multi-

service network for all customer payments, enhancing customer convenience.

Our plans are for a holistic and effective digital transformation, ensuring that both our internal and external stakeholders are in sync with the progress made and ensuring that the transformed processes are fit for purpose and deliver on the trifecta of customer convenience, empowerment and faster turnaround times. The quick wins during the year are encouraging and we look forward to progressing further on our transformation in the year ahead.

Steering Through the Rapids

The year commenced with another wave of the COVID-19 pandemic and the ban on imports of fertiliser and agrochemicals. The vaccination programmes were successful and Import restrictions were already in place, particularly for motor vehicles making this the third year without imports of new motor vehicles. As the year progressed, we recorded negative growth in the second quarter of the financial year as the pandemic worsened but economic activity picked up again in the third quarter and the country recorded 3.7% economic growth for 2021, the calendar year. Despite this, the trade deficit was widening and the foreign reserves were under pressure with the debt repayments in July 2021 and January 2022. The country sovereign rating was downgraded further during the financial year, making borrowing even more difficult given the risk profile. The exchange rate was maintained within a narrow band through intervention by the Central Bank during the first 11 months of the financial year, however the rupee depreciated significantly in March 2022. Interest rates edged up in the second half of the year as monetary policy tightened in response to increasing inflation with AWPR moving from 5.78% in March 2021 to 9.85% in March 2022.

Chief Executive Officer's Message

The year also saw the growth of the grey market for currency with a significant proportion of foreign remittances being channeled through informal channels rather than the regulated/formal channels. The Tourism industry also picked up from November 2021 recording 106,500 visitors in March 2022. Inflation also climbed steadily during the year to 21.5% as measured by the NCPI by March 2022. However, the foreign currency inflows were insufficient to support the monthly import bills which led to shortages of gas and fuel as well as scheduled power outages by March 2022. All these factors served to reduce disposable income for the people causing significant economic hardships which led to island wide social unrest, culminating in protests.

There is no doubt that the country is going through perhaps its most troubled period in post independent Sri Lanka. Strong risk management systems provided sharp insights and early warning signs and we formulated appropriate responses to support both our customers and employees through a difficult year. As we started the year with a strong balance sheet and an encouraging performance, we had some headroom to formulate extraordinary responses for our stakeholders.

Sector Perspectives

The NBFi sector recorded a strong performance in the financial year recording profit growth of 101.71% to Rs. 59.82 billion after increasing profit growth by 124.22% in the previous year. Net Interest Income increased by 11.54% to Rs.128.25 billion which accounted for 74.68% of Total Operating Income. Non-Interest income increased by 8.43% to Rs. 43.48 billion which made up the balance 25.32% of Total Operating Income of Rs.171.72 billion. Charges for impairment declined significantly by 76.72% to Rs. 6.21 billion compared to Rs. 26.68 billion in the previous year supporting increased profitability. Accordingly, profit before taxation increased by 74.91% to Rs. 85.12 billion.

The NBFi sector total assets increased by 14.28% to Rs.1, 589.84 billion during the year ended 31 March 2022, largely driven by increases in Pawning and Loans. The financial resilience of the sector improved with equity funding amounting to Rs. 333.67

billion accounting for 22.15% of the funding compared to 20.32% in the previous year as capitalisation of the sector increased by 24.87%. Deposits growth was curtailed to 5.88% and amounted to Rs. 801.67 billion which accounted for 53.23% of the funding, a decrease over the previous year's 57.59%, and reflecting prudent management of exposure to depositors. Borrowings of the sector increased by 27.71% to Rs. 370.83 billion which accounted for 29.52% of liabilities compared to 25.83% in 2020/21.

The Core Capital Ratio and the Capital Base to Risk Weighted Assets Ratio improved from 14.17% and 15.44% to 16.15% and 17.68% respectively, reflecting the improved resilience of the sector. Central Bank commenced the plan to consolidate the NBFi sector and made progress during the year which resulted in three mergers/acquisitions during the year including one which edged out our ranking as the largest NBFi. People's Leasing will participate in the consolidation programme but will ensure that any potential merger or acquisition is done with careful consideration and thorough due diligence to ensure a right fit.

For Our Customers

We commenced the year with Rs. 24.90 billion (18.18%) of our portfolio on moratoria, all of which were granted at our own cost. We also waived default interest during the year amounting to Rs. 1,268.79 billion which was done to prevent customers becoming more indebted as the operating environment was extremely challenging, particularly as most of our customers were engaged in passenger transportation. We also initiated "Hitha Mithuru" a concessionary low interest relief scheme for private passenger transport customer segment to rebuild their businesses following the pandemic. Over 2,000 facilities were provided with this benefit during the year amounting to Rs. 5,127.48 million.

A Strong Run

People's Leasing - the Company

People's Leasing achieved the highest profit after tax in its history amounting to Rs. 4.66 billion, an increase of 15.52% over the previous year. This was achieved despite a 4.41% decline in interest income which was offset by a 17.09% decline in interest expense which resulting a Net

Interest Income (NII) of Rs.13.05 billion with an increase of 9.48% over 2020/21. Total operating income increased by 13.32% to Rs.15.91 billion and impairment charges declined by 37.21% to Rs. 655.43 million, taking net operating income to Rs.15.13 billion. Total operating expenses increased by 17.85% largely due to the increase in Personnel expenses and other operating expenses. Operating profit before taxes on financial services increased by 16.91% to Rs. 8.30 billion. Tax on financial services and Income tax expenses increased by 34.56% and 8.24% to Rs.1.65 million and Rs.1.99 billion. Consequently, Profit after tax increased by 15.52% to Rs. 4.66 billion, making it the highest profit in the history of the Company. Earnings per share increased from Rs. 2.14 to Rs. 2.47 as a result.

People's Leasing - the Group

The Group PAT recorded a drop to Rs. 4.82 billion during the period under review, compared to Rs. 5.60 billion that was recorded in the previous year. The drop was mainly driven by the reduced profitability of the Group's insurance business, People's Insurance PLC due to high insurance claims experienced during the period under review. The Group recorded NII of Rs.14.72 billion with People's Leasing accounting for 88% of the total. Net Earned Premium of People's Insurance declined marginally by 1.78% to Rs. 4.94 billion which was offset by an increase of 10% in Fees and Commission income of Rs. 1.40 billion, taking Total Operating Income to Rs. 21.43 billion, an increase of 5.70% over the previous year. Impairment losses declined by 29.63% to Rs. 951.76 million which saw the Group record a Net Operating Income of Rs. 20.35 billion, an increase of 8.15% over 2020/21. Total Operating Expenses increased as Benefits, Claims and Underwriting expenses, Personnel expenses and Other Operating Expenses increased during the year, taking Operating profit before taxes on financial services to Rs. 8.93 billion, a marginal decrease of 1.91% over the previous year. Taxes on financial services increased by 33.90% and the Income tax charge for the year increased by 7.73%.

Group's other subsidiaries People's Leasing Property Development Limited and People's Leasing Havelock Properties Limited performed well during the year

“Our plans are focused on consolidating our footprint and expanding our virtual presence, taking the Group into a new era of scalability and efficiency.”

whilst People's Leasing Fleet Management Limited and People's Micro-commerce Limited achieved a record breaking performance with highest ever PAT since their establishment. Group's foreign venture, Lankan Alliance Finance Limited also achieved a commendable performance amidst the significant challenges enforced by the repeated waves of COVID-19 in Bangladesh.

Managing Risks

Risk management continues to be a key area of focus for People's Leasing and we invested heavily in this vertical. The Risk Management Framework was strengthened with the implementation of five new policies. We introduced regular discussions where we discussed credit risk in detail to understand the potential developments that could impact our business with a view to identifying early warning signs. Key areas of risk that were strengthened included Credit Risk which is the largest exposure for the Group, Operational Risk, ICT Risk and Group Risk.

Maximum exposure to credit risk increased during the year by 9.51% to Rs.181.11billion for the Company and by 14.15% to Rs. 207.76 billion for the Group. Portfolio concentrations at the close of the year included 21.79% to the Transport sector and 20.21% to the Agriculture sector for the Company whereas Group exposures

to these sectors were 20.24% and 19.50%. The Transport sector faces significant constraints due to the impact of the fuel shortage coming after 2 years of intermittent lockdowns and lower load factors due to the pandemic while the Agriculture sector was impacted by both the fertiliser ban and the ongoing fuel shortages. However, these portfolios are being closely monitored and proactive action is being taken to support customers stay afloat and normalise operations. The credit quality of new facilities have improved significantly while the legacy book remains an issue. We are also in the process of setting up a dedicated Loan Management Unit to manage the legacy book and focus on recovering the same.

Liquidity risk is managed through prudent liquidity ratios which are well above the regulatory norms. Market risk management is monitored through extensive scenario and sensitivity analysis which affirms that an increase in interest rates would be favourable to profitability of the Company and the Group although it would have a negative impact on lease liabilities. The impact of other components of market risk are not as high except commodity price risk in the case of gold loans which is managed with a conservative loan to value ratio.

Building a team for the Future

The Team came together to deliver yet another exceptional performance and we, in turn, ensured that we looked after them as well. A backlog of increments were cleared up and salaries and benefits were enhanced to be competitive in an increasingly tight market for trained talent.

The Company invested a record amount in training to ensure that our employees were fit for the future and had the necessary skills and knowledge to carry out the duties assigned to them. We invested in a Learning Management System, facilitating online learning which is becoming more popular as it is accessible at the employee's convenience. Employees were given non-financial KPIs in addition to the financial KPIs, giving purpose to their roles and encouraging a holistic view of performance. Importantly, we identified talent pools for fast tracking promotions. External coaches were brought into coach identified managers. While some of the programmes were overly

ambitious, pushing employees to reach higher, it all fell into place. Significant attention was paid to customer service training, ensuring that we uphold high standards of service.

In Step with Communities

We continue to be in step and in sync with the communities we operate in. This year we focused on supporting hospitals around the country, donating Rs. 25.92 million worth of equipment and medicines.

Outlook

The outlook for Sri Lanka remains uncertain at the time of writing as economic activity continues to be hindered by shortages of fuel, gas, energy, food and medicines. Issues arising from the challenges of debt sustainability reflects the extreme vulnerability surrounding us. Food security is a key concern as the harvests will be insufficient in the months ahead and the foreign exchange reserves are insufficient to fund the necessary imports of these items. Policy rates were increased sharply by 700 bps on 8 April 2022 resulting in a sharp upward movement in interest rates. Inflation increased exponentially to 33.8% in April 2022 and is also expected to increase further with the Russo-Ukraine war driving up the prices of fuel and food. Exports have been steady but Tourism which was picking up has slowed down again with the political instability in the country. Exchange rate volatility and increasing fuel prices remain major issues as well as foreign exchange liquidity. Disposable incomes are shrinking, driving the necessary contraction in demand. Income tax thresholds have been lowered, PAYE and Social Security Levy reinstated and VAT rates increased which will strengthen the government revenue collection. The government is in discussions with the IMF and these are vital for the economic stability of the country. Additionally, Sri Lanka's economic woes are taking place at a time when economists are predicting a global recession which will result in economic turbulence and volatility which may also create pockets of opportunity. Additionally, we expect the agriculture sector to also turnaround during the year to restore food security in the country. We believe that the initiatives being implemented will enable a return to self-sufficiency on many food items, replicating the success of turmeric which

Chief Executive Officer's Message

was grown in the country when imports were stopped and now is available at a viable price for the farmer and an affordable price for the consumer.

Our plans are focused on consolidating our footprint and expanding our virtual presence, taking the Group into a new era of scalability and efficiency. We will review our product portfolio and promote products that are relevant for the country's circumstances in line with the Group's risk appetite. Recoveries contributed significantly to this year's profits and we will continue to focus on this vital area to drive profitability and asset quality. Additionally, we will continue to focus on strengthening credit processes as well. The Board Credit Committee will continue to review facilities above a pre-determined threshold as well, strengthening credit risk acceptance. Managing the legacy book will be segregated allowing growth of high quality credit assets. However, we are determined to work within a framework that also supports customer recovery as we understand that we finance the backbone of the country's economy. Liquidity will be the key priority and we will trade off economic profit to maintain the required levels of liquidity. Our maturity profiles are prudently matched and liquidity ratios remain well above regulatory levels and these will be carefully monitored throughout the year.

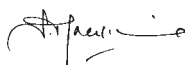
While the consolidation of the industry presents opportunities for mergers and acquisitions, we will remain alert for the right opportunities in this regard. Credit risk, liquidity risk, operational risks including health and safety, IT and cyber risks are expected to remain elevated in the year ahead and we have strengthened our processes to manage these risks, leveraging our experience from the reporting year.

Acknowledgements

I take this opportunity to express my sincere appreciation of the guidance provided by the Chairman and the Board of Directors, as well as the parent People's Bank. I thank the team that I am privileged to lead for their cooperation and commitment which has enabled us to deliver a fitting encore to last year's outstanding performance. I am appreciative of the patronage of our customers who have made us the country's best loved leasing brand and assure them

of our continued assistance in the year ahead. I thank our business partners, and our investors for their continued confidence in the growth of the People's Leasing Group. I extend my appreciation of the cooperation and assistance provided by officials of the Central Bank of Sri Lanka and the Non-Bank Financial Institution Supervision Department.

There is no doubt that the year ahead will be tougher than the one before. We go into the year on a strong performance, with sufficient liquidity and wiser for the trials of the three previous years. Additionally, our systems are transforming to provide us deeper insights and to make us more efficient, enhancing our capabilities at operational and management levels. We are better equipped to handle the year ahead and to compete effectively without compromising our values or stability. I invite all our stakeholders to stay in step with us as we work together to move beyond the uncertainty and volatility of the months ahead.



Shamindra Marcelline
Chief Executive Officer/ General Manager

26 July 2022
Colombo

Value Creation Model

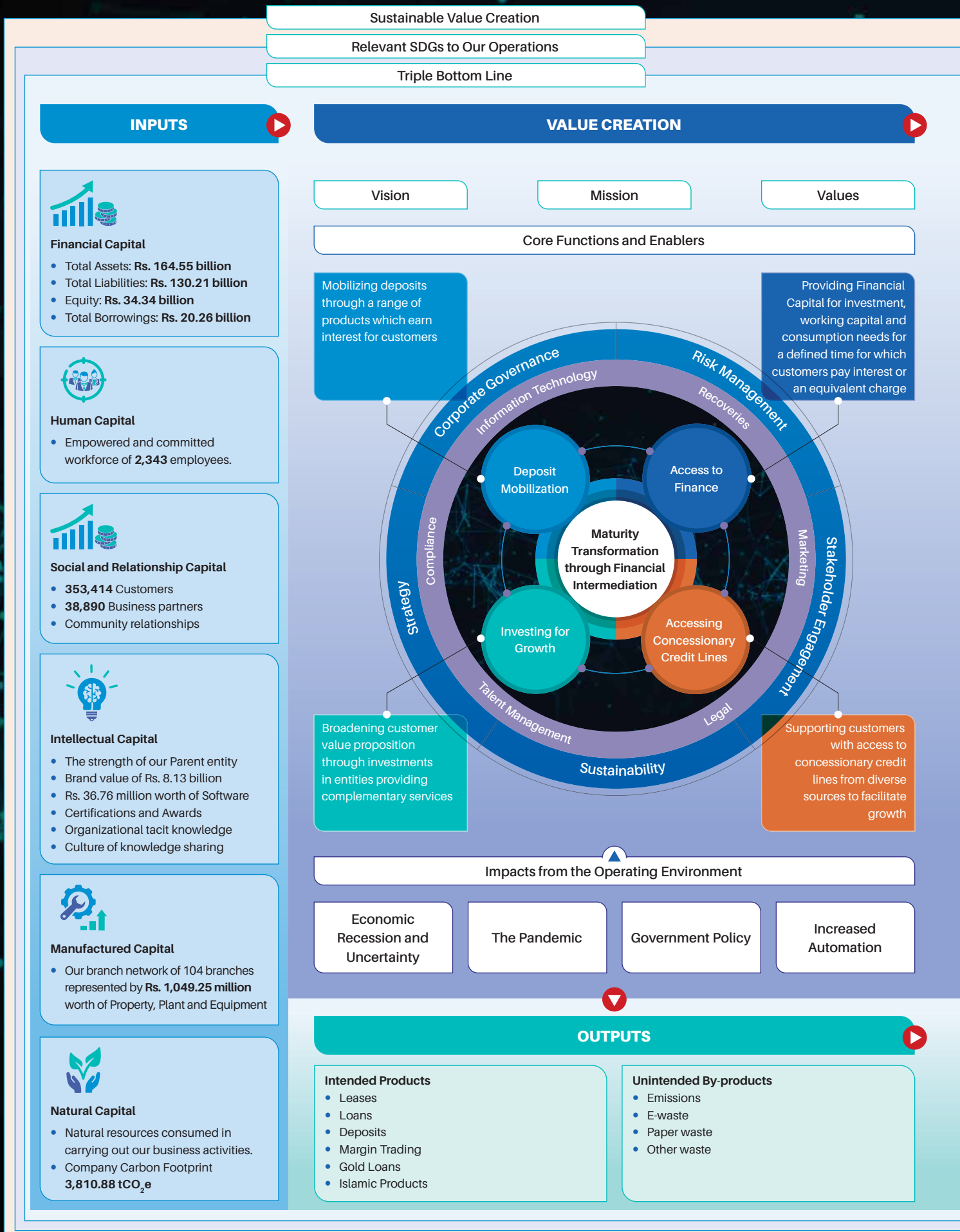
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Linked to our convenient channels of access



Value Creation Model



The value created by the organisation itself and our response towards creating, eroding, and preserving value for our stakeholders as a consequence of outputs.

OUTCOMES

Financial Capital

- Strong balance sheet
- **Rs. 4,659.01 million** Profit attributable to shareholders
- Increased equity to **Rs. 38,818.31 million**

Human Capital

- **Rs. 4,002.41 million** Payments to employees
- **Rs. 14.77 million** Investment in training and development
- Opportunities for career progression
- Employee satisfaction
- Productivity

Social and Relationship Capital

- Maturity transformation
- Increased trust
- Beneficiary communities

Intellectual Capital

- **Rs. 6.51 billion** Brand value
- Lean and efficient systems
- Increased tacit knowledge

Manufactured Capital

- Depreciation of Manufactured Capital exceeds investments

Natural Capital

- Company carbon footprint increased by **870.84 tCO₂e**
- Increased digital transactions
- Recycled Paper **13,146 Kg**

IMPACTS



Value Created for Customers

| Quantitative Indicators | 2021/22 | 2020/21 |
|----------------------------|---------|---------|
| Repeat Customers | 39.66% | 36.93% |
| Total Deposit Customers | 309,977 | 291,319 |
| Total Borrowing Customers | 125,789 | 117,773 |
| NPL Ratio | 8.78% | 9.21% |
| No. of Moratoriums Granted | 32,975 | 59,952 |
| No. of Bus Concessions | 2,004 | - |

- Enhanced customer convenience
- Enhanced capability of product innovation and customer centricity
- Customised products and service
- Warm and caring customer relationship
- Providing customised, value added, sustainable financial services coupled with digital convenience



Value Created for Employees

| Quantitative Indicators | 2021/22 | 2020/21 |
|---------------------------|---------------|---------------|
| Staff Retention | 90.16% | 93.80% |
| Assets per Employee (Rs.) | 80.52 million | 70.23 million |
| Profit per Employee (Rs.) | 2.08 million | 1.72 million |
| Staff Turnover | 9.84% | 6.20% |

- Career progression
- 'Voice' of the Company
- A dependable and responsible workforce
- Work life balance
- Equal opportunity employer
- A competent workforce



Value Created for Investors and Funders

| Quantitative Indicators | 2021/22 | 2020/21 |
|--------------------------|------------------|------------------|
| Dividend per Share (Rs.) | 1.25 | 0.60 |
| Profit After Tax (Rs.) | 4,659.01 million | 4,033.02 million |

- Optimum risk return trade-off
- Improved profitability
- Transparency
- Good governance
- A sound internal control system



Value Created for Business Partners

| Quantitative Indicators | 2021/22 | 2020/21 |
|--------------------------------|--------------------|-------------------|
| Active Business Partners (Nos) | 46,560 | 38,890 |
| Vehicle Suppliers (Nos) | 40,118 | 31,665 |
| Procurement Expenditure (Rs.) | 131,515.92 million | 82,880.45 million |

- Long lasting mutually beneficial relationships
- Collaborate with suppliers to help them expand their business
- Consider using improved technology to communicate up to date information about our spaces
- Transparency



Value Created for the Government

| Quantitative Indicators | 2021/22 | 2020/21 |
|-------------------------|------------------|------------------|
| Taxes paid (Rs.) | 2,791.99 million | 4,203.03 million |

- Financial Sector Stability
- Efficient Capital Formation
- Reduce Poverty



Value Created for the Local Community

| Quantitative Indicators | 2021/22 | 2020/21 |
|-----------------------------------|---------------|---------------|
| Continued Employment (Nos) | 2,245 | 2,343 |
| Investments in CSR Projects (Rs.) | 29.40 million | 20.37 million |

- Commitment to sustainable business operations
- Empowering local communities
- Responsible lending
- Enhanced local skills capability
- Addressed national priorities



Value Created for the Environment

| Quantitative Indicators | 2021/22 | 2020/21 |
|---|----------|----------|
| Digital transactions (Nos) | 472,782 | 466,877 |
| Group Carbon Footprint (tCO ₂ e) | 5,182.58 | 4,381.67 |

- Compliance to environmental laws/ standards
- Employees' engagement for enhancing environmental saving initiatives
- Cultural shift towards a paperless work environment
- Increased workflow automation

Stakeholder Engagement

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

As a service-oriented business, we understand the importance of maintaining relationships with a broad range of stakeholders and place strategic emphasis on creating value for them. We identify and prioritise stakeholders who have the most significant impact on value creation and those that are most affected by our activities through established processes and an effective stakeholder engagement mechanism. The considerable shifts in operating conditions during the year, necessitated a proactive understanding of stakeholder concerns with the Company further strengthening the engagement process.

Investors



We manage our business to provide retail shareholders, institutional investors, bondholders, financial analysts and rating agencies returns that correspond to the risks undertaken.

Specific Methods of Engagement

- Annual Reports
- Annual General Meetings
- Interim financial statements
- Disclosures and announcements to the CSE
- One to one meeting

Needs and Expectations

- Responsible and balanced business conduct and sound ESG practices
- Consistent bottom line
- Satisfactory shareholder returns
- Timely disclosure of price sensitive information
- Transparency
- Succession plan with sustained growth strategy
- Robust risk management system

Our Response

- Responsible dividend policy and adequate shareholder returns
- Strong balance sheet
- Published information on integrated performance
- Developed strategies to deliver sustainable value
- Sustainable finance and ethical lending
- Sound financial performances
- Prudent risk management system

Covid Response



- Timely disclosure of price-sensitive information amidst challenging business environment
- Managing liquidity, credit risk, and maintaining financial resilience

Customers



Individual customers and corporate clients who are key to driving business growth.

Specific Methods of Engagement

- Print, electronic and social media
- Written communication
- Call Centre
- Branch network
- Tech-based platforms
- Customer visits
- Day -to-day business interactions
- Outreach CSR initiatives
- One to one dialogue
- Client complaints

Needs and Expectations

- Innovative financial solutions and services
- Ability to facilitate the client’s preferred platform
- Accessibility and convenience
- Safe and secure transactions with transparent pricing
- Clear and straightforward product information and ability to obtain the advice
- Service efficiency
- Empathetic and friendly service

Our Response

- Offered a safe and secure service experience despite the pandemic
- Migration to digital channels to provide enhanced customer experience (PLC Touch/ CAPP/QR Code/DICHEQUE)
- Improved existing contactless products and services including “PLC Online”
- Increased presence on social media having identified it as the most convenient and easiest way to reach customers.
- Enhanced strategic alliances with the parent company and created opportunities for a broader experience

Covid Response



- Affirmed service quality successfully coping with the new normal situation
- Prioritise the safety and wellbeing of our customers
- Support government initiatives on providing relief for COVID -19 affected individuals and businesses
- Helping hand to re-establish the lives of our clients during this challenging period

Common Concerns Across All Stakeholders



- Fair transactions
- Sustained earnings growth
- Financial stability
- Efficiency
- Compliance

Common Channels of Engagement

- Website
- Annual Report
- Physical and virtual meetings
- Press releases
- Social media
- Media releases
- Correspondence
- Electronic media

Employees



Our team of 2,245 individuals are key to driving our performance.

Specific Methods of Engagement

- Management Committee Meetings
- Strategic planning sessions
- Social media groups and corporate communications
- Technology driven platforms
- People’s Leasing employee union
- Operational guidelines and policies
- Employee grievance handling

Needs and Expectations

- Business continuity and sustainable growth
- Fair remuneration and benefits including health and safety
- Effective performance management and recognition
- A safe and inclusive work environment supported by opportunities for career progression
- Staff upskilling
- Job security
- Migration to automated workflows, flexible hours, and workspaces
- Confidentiality and open -door policy

Our Response

- Assuring job security despite the pandemic
- Stringent health and safety protocols in place
- Automated workflows and a flexible work environment through WFH arrangements

- Training and knowledge sharing through digital platforms
- Staff engagement
- Implementation of new policies and procedures to ensure employee security, wellbeing and commitment
- Strengthened governance

Covid Response



- Implemented proactive measures through digitalizing the process while furnishing with the required support and managing the transition to sustained remote working
- Implement Covid Task Force and continuously monitor and update the situation according to the requirement

- Continuously enhance staff engagement through digital platforms to boost employee morale.
- Maintain awareness on staff health and safety continuously
- Grant interest-free loan facility and dry packs for affected families

Suppliers and Business Partners



Maintaining sustainable relationships with banks and other financial intermediaries including brokers, agents and suppliers of goods and services.

Specific Methods of Engagement

- Direct dialogue
- Supplier appraisals
- Supplier registration
- Field visits
- MOU’s
- Service agreements

Needs and Expectations

- Responsible procurement with timely settlement
- Competitive pricing and bidding procedure
- Fair dealing and transparency
- Business opportunities for SME’s
- Prompt response

Our Response

- Ensuring a transparent procurement process
- Streamlined the payment processes
- Regular engagement with suppliers to monitor performance
- Supplier screening to ensure responsible business practices
- Reviewed and updated credentials to select ethical suppliers

- Supplier development and support including advisory services and service delivery feedback meetings
- Continued sourcing from SMEs
- Fair sourcing practices
- Policies and procedures for streamlining the process

Covid Response



- Served payments on time through digital platforms

Stakeholder Engagement

Government and Regulators



We maintain good relationships with the Government and related regulators including the CBSL, CSE, SEC and National and International bodies and associations.

Specific Methods of Engagement

- On site review by the CBSL
- Dialogue with the policymakers and regulators
- Directives and circulars
- Review meetings
- Compliance reports
- Off site review

Needs and Expectations

- Business continuity
- Compliance with rules and regulations
- Prompt responsiveness towards regulatory amendments
- Collaborate with the regulator to revive the NBF sector
- Sound contribution and active collaboration with industry peers
- Contribution towards national priorities
- Fair treatment to customers
- Ethical business practices and work surroundings

Our Response

- Transparent and effective adherence to regulatory requirements and changes
- Contribution to the nation through direct and indirect tax contributions
- Expanded the Board sub committees to enhance transparency
- Developed policies and procedures to streamline the process

Covid Response



- Support government initiatives on providing relief for COVID -19 affected individuals and businesses
- As a responsible corporate entity contribute to the government through tax payments and other financial aids to community development
- Ensuring operational stability and maintaining business resilience by continued support to the economy
- Grant concessions beyond the CBSL directions

The Environment and Community



We nurture healthy relationships with the communities around us and the broader society across the country.

Specific Methods of Engagement

- Outreach CSR initiatives
- Carbon footprint data tracking exercise
- Dialogue with institutions, community leaders and community-based organizations
- Sponsorships

Needs and Expectations

- Advancement of SDGs
- Adhering to national development plans
- Community empowerment and capacity building
- Response to climate change
- Minimum direct environmental impact from business operations
- Timely and relevant information on products and services offered

Our Response

- Ensured minimum negative direct social and environmental impact from our operations
- Supported community-based national priorities
- Continued the education of staff and customers on environmentally friendly business practices
- Invested in public service improvement
- Contributed towards the advancement of SDGs

Covid Response



- Donation of essential equipment to Government Hospitals and COVID-19 Intermediate Care centers to strengthen COVID-19 treatment and care

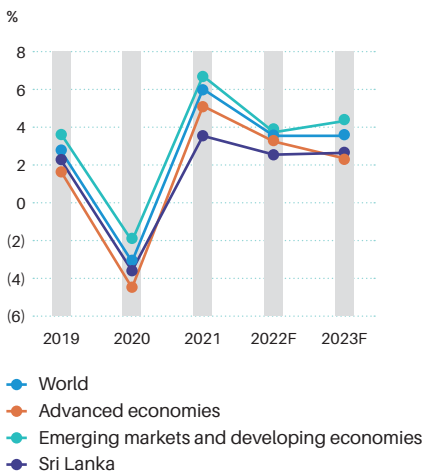
Operating Environment

Economic Growth

Economies across the World continued an uneven path to recovery, following the disruptions caused by the pandemic in 2020. Global economic growth firmed to 6.1% in 2021, supported by strong policies and the adjustment of economic activities to the new normal. However, adverse developments towards the latter part of 2021, dimmed the outlook for the global economy considerably, with the IMF predicting global growth to slow down to 3.6% in 2022.

Having contracted by 3.6% in 2020, the Sri Lankan economy grew by 3.6% making a modest recovery in 2021. However, the country witnessed a slowdown in economic activity towards the latter part of 2021 and has been left grappling with a shortage of foreign currency reserves, import restrictions and rising inflation. With the intensification of the foreign currency crisis in the first quarter of 2022, the country’s long term foreign currency issuer default rating was downgraded to C by Fitch Ratings.

GDP



The Prolonged Pandemic

The business landscape continued to evolve following the pandemic which resulted in international border closures, lockdowns, disruptions to global supply chains and a dynamic shift in consumer lifestyles exerting significant pressure on businesses. As health and safety became a key concern, people migrated to online platforms to access goods and services. Businesses also embraced this shift with online platforms and virtual meetings becoming the norm.

Although the pandemic situation has improved considerably with COVID-19 cases declining following the rolling out of vaccines towards the latter part of 2021, businesses are looking to adopt some form of remote working in the long term in order to create a better work life balance and are investing heavily in automation and digitalization of processes.

Total Vaccinated 1st Dose
(Out of over 12 Population)

97%

Total Vaccinated 2nd Dose
(Out of over 12 Population)

82%

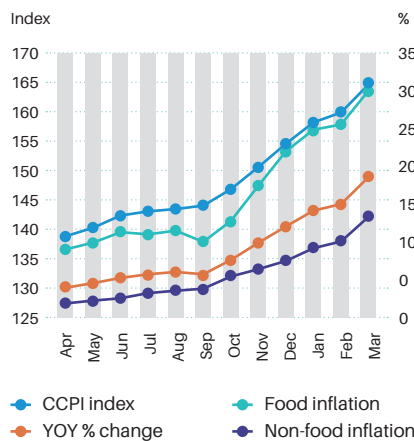
Total Vaccinated Booster
(Out of fully vaccinated)

55%

Inflation

Inflation accelerated during the year mainly driven by high food inflation and some acceleration in non-food inflation. Supply chain disruptions, rise in the global commodity prices, depreciation of the exchange rate and import restrictions were the main causes of inflationary pressures on the economy.

Inflation

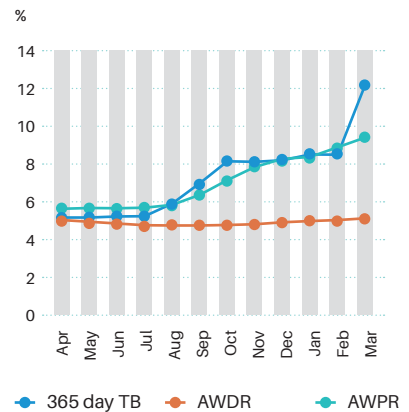


Interest Rates

The Central Bank reversed its accommodative stance on the monetary policy by raising key policy rates in August 2021, in order to contain high inflation amidst the foreign exchange crisis face by the country.

Accordingly, the Standing Deposit Facility Rate (SDFR), Standing Lending Facility Rate (SLFR), Statutory Reserve Ratio (SRR) and the Bank rate were increased resulting in market interest rates trending upwards.

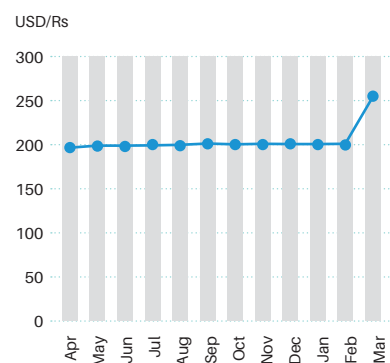
Interest rates



External Sector and the Exchange Rate

The external sector was under significant pressure as there was a sharp decline in tourism earnings and workers’ remittances amidst substantial forex debt servicing obligations. Multiple restrictions including import controls, mandatory conversion of export proceeds and requirement of 100% cash margin on selected imports were imposed by the regulator in order to preserve foreign currency. In March 2022, the CBSL abandoned the pegged exchange rate as defending the Rupee with dwindling reserves became difficult. This led to a further depreciation of the Rupee, to reach a record low of Rs. 364.91 per USD by end of May 2022.

Exchange Rates



Operating Environment

Industry Analysis

The NBFIs sector remained resilient despite the challenges stemming from the COVID-19 pandemic and other macro-economic conditions, playing a key role in supporting businesses and individuals stay afloat during the year. Although certain institutions faced difficulties in meeting regulatory requirements at an individual level, the overall sector remained stable with capital and liquidity maintained at healthy levels above the minimum regulatory requirements.

The performance of the sector recorded a considerable improvement in terms of credit growth and profitability. The ability of the sector to adapt to new business models, digital delivery, robust risk management and responding to market dynamics while increasing efficiency of operations will be key to ensuring continued commercial and social sustainability. Furthermore, the implementation of the Financial Sector Consolidation Masterplan is currently underway to build strong and stable LFCs in the medium term, with the objective of safeguarding depositors of the non-bank financial institutions sector within the country.

| | Mar-20 | Mar-21 | Mar-22 |
|---|--------|--------|--------|
| Gross Non-Performing Advances to Total Advances (%) | 11.37 | 11.29 | 9.11 |
| Net Non -Performing Advances to Total Advances (%) | 3.79 | 2.81 | 1.90 |
| Total Net Advances to Total Assets (%) | 77.25 | 76.26 | 76.29 |
| Provision Coverage Ratio (%) | 54.72 | 64.21 | 69.36 |

Capital and Liquidity

The sector continued to remain resilient during the year, with capital maintained above the minimum regulatory requirements. Along with the infusion of new capital by several LFCs to meet regulatory requirements during the year the Core Capital Ratio and the Capital Base to Risk Weighted Assets Ratio of the sector improved from 14.17% and 15.44%, to 16.15% and 17.68%, respectively.

Profitability

A strong performance was recorded by the NBFIs sector during the financial year, with profits growing by 101.71% to Rs. 59.82 billion. The net interest income which accounts for 74.68% of total operating income increased by 11.54% to Rs. 128.25 billion while non-interest income which forms the remainder of the total operating income of Rs. 171.72 billion, increased by 8.43% to Rs. 43.48 billion. Profitability was supported by the 76.72% decline in charges for impairment to Rs. 6.21 billion, compared to Rs. 26.68 billion recorded in the previous financial year. Accordingly, profit before taxation increased by 74.91% to Rs. 85.12 billion.

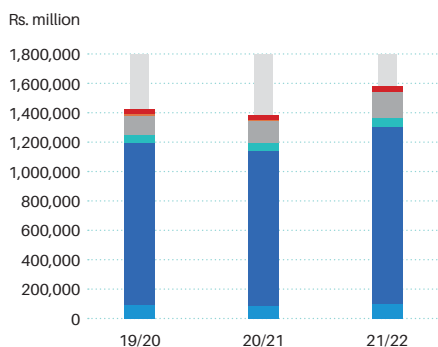
Assets

The asset base of the sector increased by 14.28% to Rs. 1,589.84 billion during the year ended 31 March 2022. The expansion was mainly driven by the increase in pawning and loans portfolio.

Funding

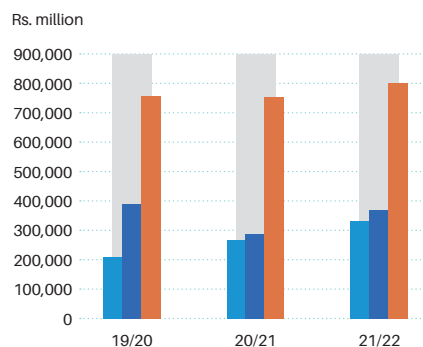
Prudent management of exposure to depositors improved the financial resilience of the sector during the year. Equity funding increased to 22.15% of total funding compared to 20.32% in the previous year, while deposits contributed to 53.23% of the funding of the sector.

Assets



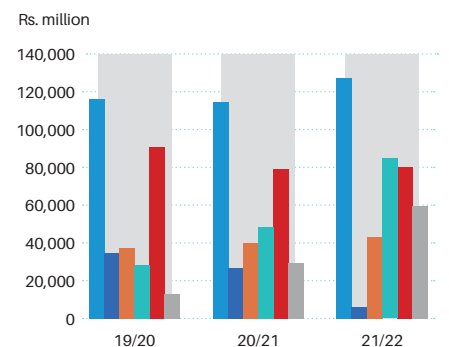
■ Cash and bank
■ Loans and advances
■ Fixed assets
■ Investments
■ Trading stocks
■ Other assets

Funding



■ Equity
■ Deposits

Earnings



■ NII
■ Loan loss provision
■ Non-interest income
■ PBT
■ Non-interest expense
■ PAT

PESTEL Analysis



Political

- The political stability is expected to bring in much needed investor confidence to the country.
- Strong policy initiatives are in place to support a stable financial system.
- The ban on chemical fertilisers and weedicides had an impact on the agricultural sector.



Economic

- The shortage of foreign currency caused by the fall of the tourism industry, decline in worker remittances, the widening trade deficit and debt repayments caused significant stress on the economy of the country.
- The foreign exchange crisis remains the most significant risk to the country’s economy over the short-to-medium term having a knock-on effect on other indicators.
- The volatility in the economic environment can impact the profitability of the financial sector as well.



Social

- Decline in the disposable income of the population due to high inflation.
- Affordability of financing declined sharply with the 700 bps increase in policy interest rates in April 2022.
- The shortage of fuel, food, gas and energy have caused significant hardships to the people, resulting in social unrest and political instability within the country.
- The farmers have had poor harvest due to the ban on fertiliser which have caused significant hardships.



Technological

- Continuous investments in latest technology have improved quality of operations and services across the sector.
- There is a noticeable growth in e-commerce and online channels post pandemic.
- Big data and business intelligence analytics have allowed companies to analyze and predict customer trends and behavioural patterns allowing for better resource allocation.



Environmental

- Organizations are under increasing pressure to contribute towards addressing critical environmental issues as implications of climate change continue to intensify.
- Key areas of focus include enhancing energy efficiency within operations, driving reductions in both direct and customers’ carbon footprint and driving towards a paperless environment with increased automation of workflows.



Legal

- Central Bank Regulations on minimum capital requirements and possible laws leading to financial sector consolidation.
- The Group also honours terms and conditions relating to certifications and other legal agreements in force, minimizing this risk significantly.

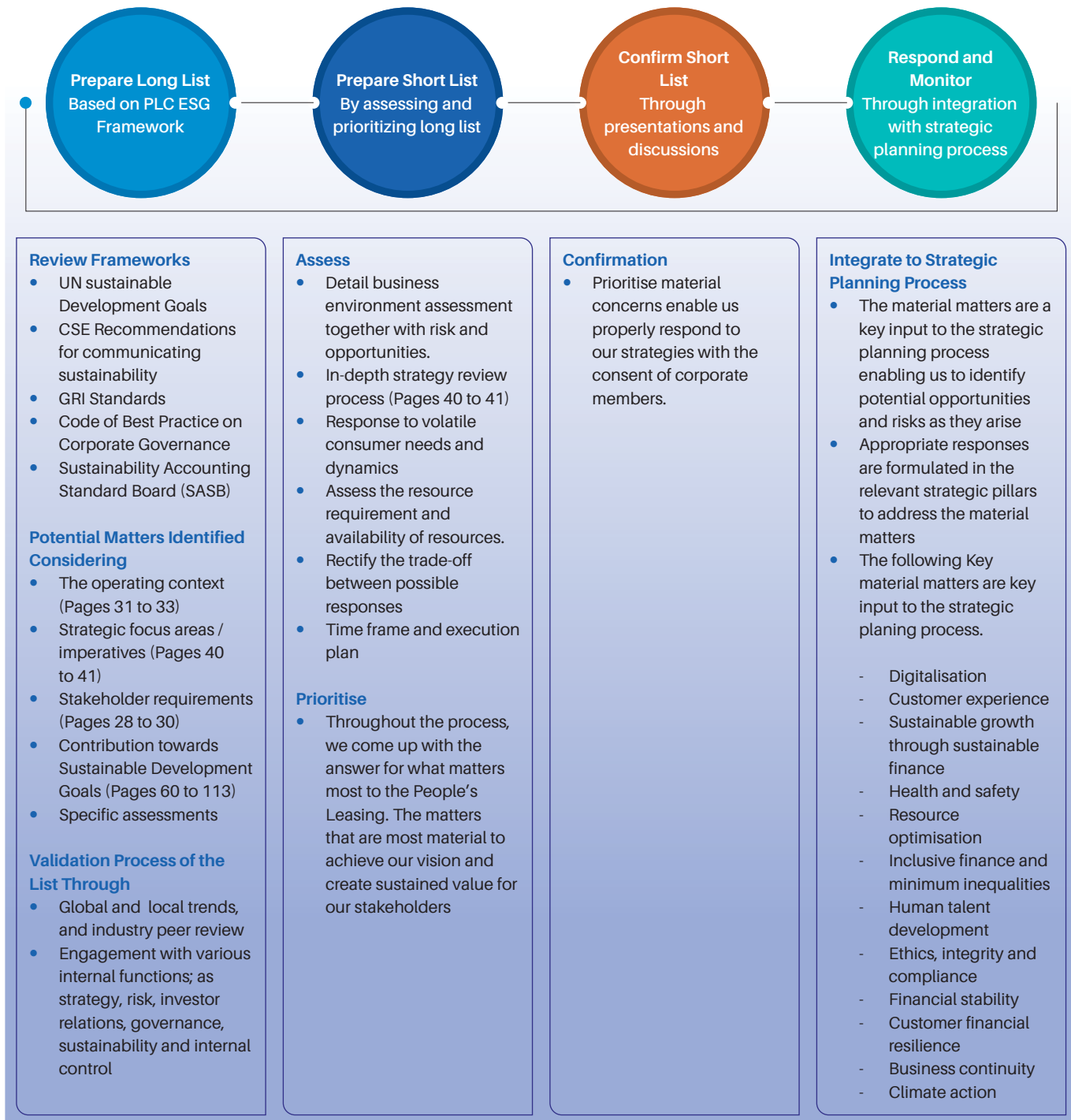
Materiality

GRI 102-46

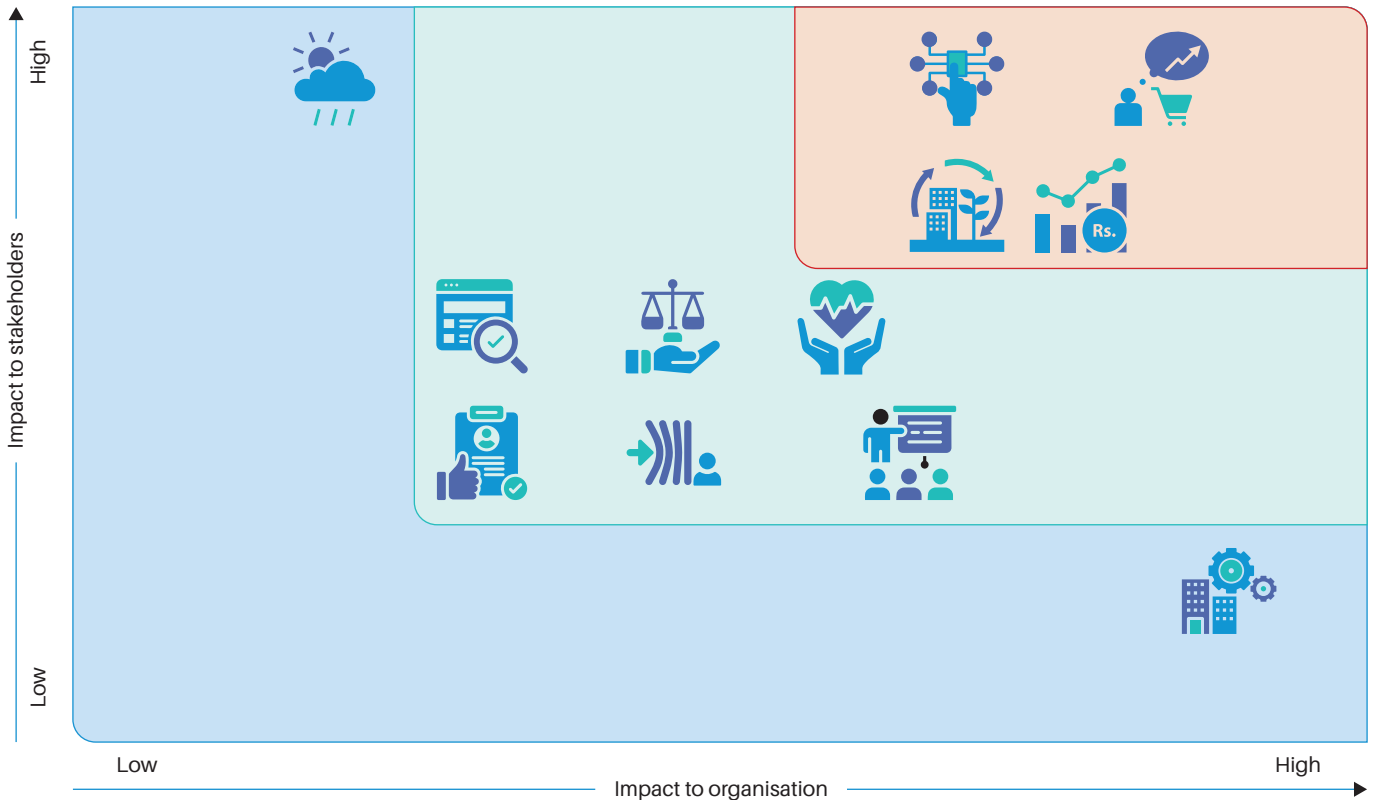
A Process for Determining Materiality

Our ability to create value is impacted by a multitude of factors including the stakeholder priorities, operating environment, our responses to the risk and opportunities and our chosen strategy. Material matters are those that influence our ability to create value over the short, medium and long term which have been determined through a formal materiality determination process. It is an integral part of our efforts to embed integrated thinking in our business.

Our materiality process is both retrospective and forward looking, facilitating assessment of the value added to the business in the year under review and what we need to do to add value in the year ahead.



The prioritised short list is reviewed periodically to assess the changes. The prioritised shortlist at the close of the year is presented below.





















| | | | |
|--|---|--|---|
| | Digitalisation | | Human talent development |
| | Customer experience | | Ethics, integrity and compliance |
| | Sustainable growth through sustainable finance | | Financial stability |
| | Health and safety | | Customer financial resilience |
| | Resource optimisation | | Business continuity |
| | Inclusive finance and minimising inequalities | | Climate action |


























Materiality

GRI 102-47, 103-1, 207-3, 416-1



















Our Material Matters

| Rank | Material Matters | Impact on Value Creation | Capitals Impacted | The Most Affected Stakeholders |
|------|--|---|--|---|
| 1 | Digitalisation  | Digitalisation supports increased efficiency for employees enhancing their productivity. It also empowers customers to carry out a growing menu of transactions without the need to visit a branch while also benefiting from improved turnaround times for products and services provided by People’s Leasing. |  |  |
| 2 | Customer experience  | Customer experience is a key competitive advantage supporting the sustained growth of deposits and lending portfolios of People’s Leasing as well as its brand and reputation. |  |  |
| 3 | Sustainable growth through sustainable finance  | Sustainable finance products ensure customer compliance with social and environmental criteria, enhancing customer awareness of the need to be responsible in what they do . |  |  |
| 4 | Financial stability  | Ensuring that People’s Leasing remains financially stable during the economic crisis in the country, safeguarding the interests of all stakeholders |  |  |
| 5 | Health and safety  | From March 2020, the country has grappled with the COVID-19 pandemic waves which created widespread disruption to businesses. Ensuring that we provided a safe work environment for our employees and a safe place to transact business for customers was a key priority during the year . |  |  |
| 6 | Resource optimisation  | Resource optimisation is key to driving efficiencies, profit margins and maximizing value delivered to stakeholders and is the core of integrated thinking. |  |  |

● High ● Low

| Action Taken to Address Opportunities and Risks | Impact | | GRI Material Indicator Number and Topic Name | SDG's |
|---|-----------------------|----------------------|--|---|
| | Organisation Concerns | Stakeholder Concerns | | |
| <ul style="list-style-type: none"> CAPP and DCHEQUE launched to enhance internal process efficiencies People’s Payway launched as a Group initiative to facilitate payment of loan and lease installments | ○ | ○ | |    |
| <ul style="list-style-type: none"> People’s Leasing recently unveiled its mobile application PLC Touch - to facilitate a convenient user experience. | ○ | ○ | <ul style="list-style-type: none"> GRI 417 - Marketing and Labelling |  |
| <ul style="list-style-type: none"> People’s Leasing continues to promote green lending and has a number of products facilitating access to finance for MSMEs and microentrepreneurs in line with sustainable financing principles. Further, the moratoria and relief provided to customers during the past three years affirms its commitment to supporting sustainable finance. | ○ | ○ | <ul style="list-style-type: none"> GRI 201 - Economic Performance |   |
| <ul style="list-style-type: none"> Increased Fee and Commission based income Diversify product portfolio beyond leasing of new vehicles Managing risks associated with new products | ○ | ○ | |       |
| <ul style="list-style-type: none"> Strict COVID-19 safety protocols were implemented and enforced at all business locations with awareness programmes conducted for all staff. Employees were provided with a care package if diagnosed as positive which included dry rations and medical insurance. COVID-19 cases were monitored as part of risk management initiatives and plans developed to minimise the impact of future pandemics. | ○ | ○ | <ul style="list-style-type: none"> GRI 403 - Occupational Health and Safety GRI 410 - Security Practices GRI 416 - Customer Health and Safety GRI 418 - Customer Privacy |    |
| <ul style="list-style-type: none"> Paperless office initiatives including digitalisation Cost rationalisation programmes Group-wide productivity initiatives | ○ | ○ | <ul style="list-style-type: none"> GRI 302 - Energy GRI 305 - Emissions GRI 306 - Waste |           |

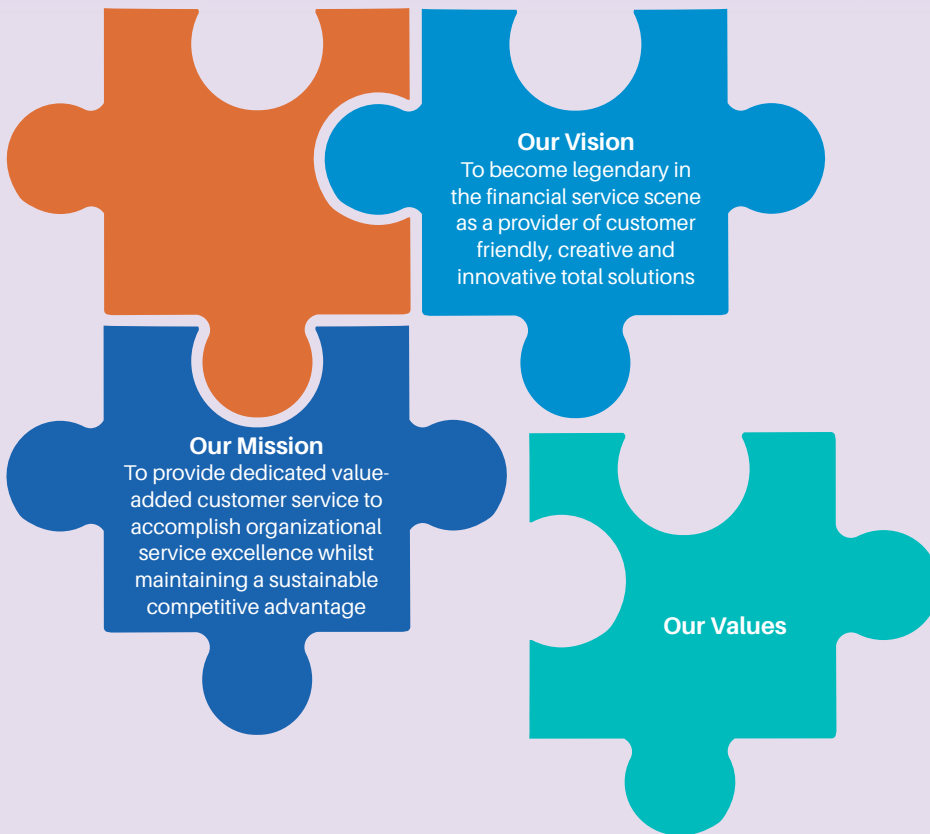
Materiality

| Rank | Material Matters | Impact on Value Creation | Capitals Impacted | The Most Affected Stakeholders |
|------|--|---|--|---|
| 7 | Inclusive finance to minimise inequalities  | A portfolio of products facilitating inclusive financing is key to our growth as we seek to minimise inequalities through access to finance . |  |  |
| 8 | Human talent development  | Talent development is critical to organisation development, particularly as we are financial services organisation transitioning into a digital era of operations which requires additional skills to deliver optimal performance |  |  |
| 9 | Ethics, integrity and compliance  | Operating in a regulated sector, ethics, integrity and compliance impacts nearly every aspect of our operations . |  |  |
| 10 | Customer financial resilience  | The Company’s exposure to the passenger transport sector affected by the current energy crisis is significant and supporting these customers to stay afloat using proactive approaches is a priority to managing credit risk. |  |  |
| 11 | Business continuity  | Business locations need to remain operational as NBFi’s are generally considered essential services. The continuing energy crisis can impact the Company’s operations as transport and energy supplies get disrupted making business continuity a key priority. |  |  |
| 12 | Climate action  | People’s Leasing is committed to supporting the transition to a low carbon economy through changes to its own processes as well as driving awareness of the need for change through its access to finance products. |  |  |

| Action Taken to Address Opportunities and Risks | Impact | | GRI Material Indicator Number and Topic Name | SDG’s |
|--|-----------------------|----------------------|--|-------|
| | Organisation Concerns | Stakeholder Concerns | | |
| <ul style="list-style-type: none"> A number of our products support inclusive financing and ease of transacting | ○ | ○ | | |
| <ul style="list-style-type: none"> Training needs analysis conducted annually and training plans are drawn up accordingly enabling a structured approach to training and skill development | ○ | ○ | <ul style="list-style-type: none"> GRI 401 - Employment GRI 404 - Training and Education GRI 405 - Diversity and Equal Opportunity GRI 406 - Non-Discrimination GRI 407 - Freedom of Association and Collective Bargaining | |
| <ul style="list-style-type: none"> Sound corporate governance, risk management, and a code of ethics reinforce a compliance culture at People’s Leasing Among top 20 Companies from 75 Public Limited Companies in Sri Lanka in Transparency in Corporate Reporting. | ○ | ○ | <ul style="list-style-type: none"> GRI 205 - Anti Corruption GRI 207 - Tax GRI 307 - Environmental Compliance GRI 308 - Supplier Environmental Assessment GRI 413 - Local Communities GRI 414 - Supplier Social Assessment GRI 419 - Socioeconomic Compliance | |
| <ul style="list-style-type: none"> No repossessions of passenger transport vehicles Launch of Hithamithuru programme to provide relief to affected customers with reschedulements | ○ | ○ | | |
| <ul style="list-style-type: none"> People’s Leasing has revisited its business continuity plans and revised them to reflect the current challenges. | ○ | ○ | | |
| <ul style="list-style-type: none"> Concessions for customers affected by extreme weather events Measuring and managing the carbon footprint Review opportunities for climate related financing. | ○ | ○ | <ul style="list-style-type: none"> GRI 302 - Energy GRI 305 - Emissions GRI 306 - Waste | |

Our Strategy

People’s Leasing launched its five-year strategic plan in 2021, after a thorough analysis of the internal and external operating environment. The business environment underwent multiple changes overnight as a result of the pandemic with its impact continuing to affect business sentiments. The new strategic plan provides a solid foundation in pursuing the Company’s strategic objectives in this dynamic operating environment, as we remain committed to achieving excellence while fulfilling the requirements of key stakeholders. While our long-term strategic plan remains the same, the company reviewed its short term action plan on quarterly basis in the context of present economic and market conditions.



Economic Viability



Social Accountability



Environmental Responsibility



Strategic Imperatives

- Pursuing Sustainable Growth
- Augmenting Customer Experience
- Achieving Execution Excellence by Differentiation through Our People
- Integrating Environmental and Social Factors
- Embodying responsible stewardship by maintaining an ethical, open, and transparent business environment

Action Plans from 2022-2026

Business Strategy

Lending Product Development focusing on sectors with growth potential

- Liability Product Development**
- Build-up savings base through innovative channels
 - Introduce Senior Deposits with Insurance/Loyalty Benefits

- Mergers and Acquisitions Cost-efficiency**
- Right-sizing branches
 - Maximizing floor spaces
 - Re-configure Back Office: Front Office ratio

- Customer Centricity**
- Customer Complaint Management
 - Customer Service Excellence

- Marketing**
- Digital Marketing Programme
 - Product promotions through collaborations
 - Online vehicle sales platform

- Automation**
- Digitalizing the manual processes
 - E-documentation

Subsidiary Strategies



Strategies for Managing Present Headwinds in the Short Term

Liquidity
 Highest priority in managing liquidity risk by securing existing funding lines and through alternate funding options.

Deposits
 Increased deposit base whilst maintaining interest rates in line with CBSL directives.

Disbursements
 Curtail new disbursement
 Increase lending rates considering cost of funds and liquidity positions.

Collections
 Closely monitor monthly due collections.

Exposure Management
 Focus on products with short-term maturities.

Representation and Awareness
 Make the staff/customer awareness

Crisis Management
 Regularly and closely monitor market rates movement, liquidity and business sentiments through crisis management team.

HR Strategy
 Recruitment backfilling after careful review
 Redeployment of staff multi-skilling

Compliance and Risk Strategy

De-risking

- Revamp recovery strategies - establish vehicle auction process/ online auctioning process

Credit

- Formation of a Credit Committee
- Worry Watch Monitoring
- Operational Risk Review Meetings
- Credit road shows

Compliance

- Know Your Customer (KYC)/ Customer Due Diligence (CDD) Remediation
- Anti Money Laundering

People Strategy

Speak up culture

- Grievance Handling Procedure
- HR Blog
- Skip level meetings

Rewards, Recognition and Organizational Development Initiatives

- Review the staff packages and job evaluation
- Review of the performance evaluation process
- Job Descriptions (JDs)
- Introduce staff recognition schemes relating to customer service and practicable process improvement suggestions/initiatives

Career Development

- Training and personal development - Customer Service Excellence, Management Development Programme, Etiquette trainings, Special technical training, Learning Management System, Technical/Soft skill programmes/compliance and other regulatory requirements, Initiate talent discussion with purview heads and identify required development interventions (Manager grade and above) and Mentoring programme

Staff Engagement and Well-being

- Encourage inter-regional interactions
- Sports and wellbeing events
- Crèche/Day-Care Facility

Process Improvement

- HRIS Automation
- HR Portal Modification
- Review of existing HR policies, procedures and update where necessary



Linked to our digital driven enterprise



Management Discussion and Analysis

Group Business Line Review

The ensuing section contains information relating to the Group's business lines and figures reflect each segment's results from the Group's perspective. However, certain business lines such as deposits, overseas operations and micro finance have been explained in detail separately considering the increasing importance of these segments to the Group though these segments are not separately disclosed in the Group Segment Analysis included in the Financial Statements.

| | |
|-------------------------|----|
| Loans and Leases | 46 |
| Deposits | 48 |
| Islamic Finance | 50 |
| Insurance | 52 |
| Overseas Operations | 54 |
| Micro Finance | 56 |
| Other Business Segments | 58 |

The Capitals Report

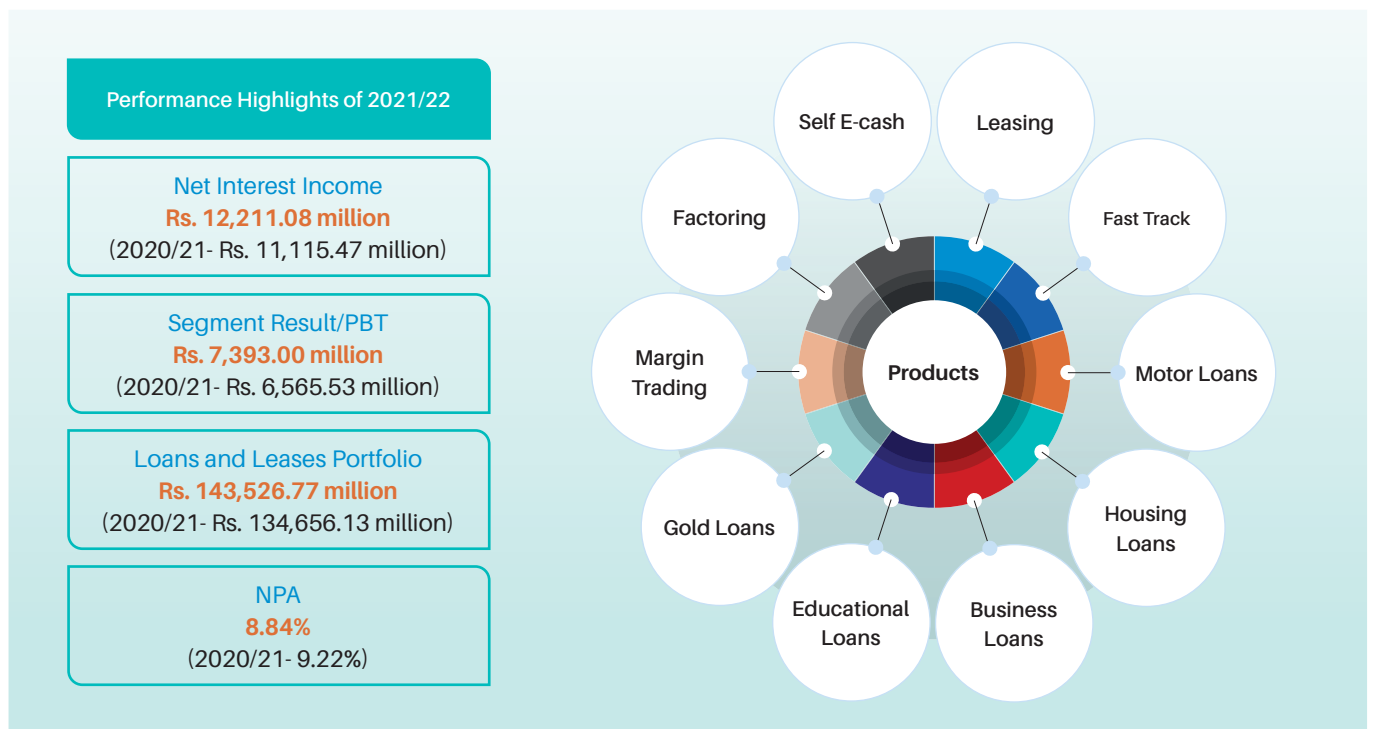
| | |
|---------------------------------|-----|
| Financial Capital | 60 |
| Manufactured Capital | 76 |
| Intellectual Capital | 80 |
| Human Capital | 88 |
| Social and Relationship Capital | 96 |
| Natural Capital | 106 |



Group Business Line Review

Loans and Leases

Our extensive portfolio of leasing and loan products cater to the needs of over 100,000 individuals, SMES and corporates across the island. Despite challenging operating conditions, the segment recorded a commendable performance during the year.



| Value Creation | | |
|----------------|--|--|
| | Financial Capital | <ul style="list-style-type: none"> Focus on credit quality Expansion of dealer network Growth in selected asset categories |
| | Intellectual Capital | <ul style="list-style-type: none"> Transition to fully digitised platform Launch of 'PLC touch' and 'People's Pay Way'. |
| | Human Capital | <ul style="list-style-type: none"> A comprehensive HR policy framework has been developed to facilitate effective management and development of human capital. |
| | Manufactured Capital | <ul style="list-style-type: none"> Launch of Regional concept Merging of branches Cost rationalisation programmes |
| | Social and Relationship Capital | <ul style="list-style-type: none"> No repossessions of passenger transport vehicles Launch of Hithamithuru programme Support through moratoriums for 31,725 facilities and other relief measures. |

Outlook
Improving credit quality of the leases and loans portfolio will remain a key priority and we will continue to strengthen our credit evaluation and monitoring process to achieve this objective. Meanwhile we will continue to strategically expand our portfolio by realigning our product mix to include low risk and high growth asset categories. However, considering the present economic context of the country the Company is in the view of limiting new disbursements and expecting to review the strategy and related KPIs on quarterly basis.

Developments in 2021/22

Amidst the challenging operating conditions that prevailed during the year, we adopted a cautious approach to our lending activities, focusing more on growing safer asset classes such as Gold loans as well as moved from financing high value assets to retail category. We also continued to grow our portfolio in high growth segments with low risk such as the three-wheel segment. However, we adopted a lower Loan to value (LTV) ratio as compared to the Central Bank stipulated LTV ratio of 80% to reduce our exposure to these more riskier asset categories. The ‘Regional Concept’ which involved clustering of branches by region with greater authority delegated to regional managers also supported a more focused growth by region.

Portfolio quality was a key concern during the year. Comprehensive KPI’s were introduced to measure portfolio quality and we continued to closely monitor recoveries in order to take proactive action if required.

During the year we also expanded our presence by growing our vehicle dealer network. 224 dealers were on boarded expanding our presence to over 2000 customer touch points island-wide. Meanwhile an island-wide promotional campaign was conducted to promote our products and increase brand visibility particularly among grass-root level.

We also focused on improving operational efficiencies. In addition to the “Regional Concept” of branch clustering, strategically identified branches were merged to drive greater synergies. Digitisation efforts also continued during the year with the launch of our mobile APP ‘PLC touch’ and ‘People’s Pay Way’, a multi-service network for all customer payments. We continue to shift towards a fully digitised platform which will enable officers to process files remotely thereby significantly improving productivity. Stringent cost control measures including cost to income KPI’s were also introduced during the year. Meanwhile we continue to foster a sales driven culture among employees, with attractive incentives for business growth and ongoing training to enhance sales and marketing skills.

Relief measures provided to customers impacted by COVID-19 continued during the year. Moratorium facilities were extended as per CBSL guidelines to over 31,000 facilities during the year. Meanwhile “Hitha Mithuru”, a concessionary low interest Relief Scheme was introduced during the year with the objective of supporting the private passenger transport customer segment as they rebuild their businesses post COVID-19.

Performance

Despite margins continuing to be pressured by low interest rates that prevailed throughout the year, sustained efforts to manage product mix enabled the segment to mitigate the impact on margins.

The leases and loans portfolio recorded a moderate growth of 6.59%. During the year we focused on expanding our portfolio in high demand retail vehicle categories such as three-wheelers and personal vehicles meanwhile demand for high value categories such as commercial vehicles and luxury vehicles remained subdued.

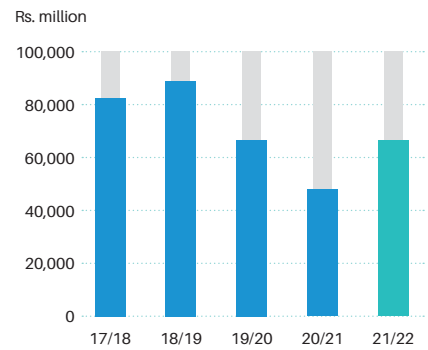
Portfolio growth was also supported by a growth in gold loans which increased by 33.36% to reach Rs. 2,658.47 million as at 31 March 2022. Interest income from this segment grew by 20.61% to Rs. 292.02 million during the year.

In line with the positive movements of the Colombo Bourse within the year, the Company’s margin trading portfolio evidenced a significant year-on-year growth of 73.56% and reached to Rs. 8,387.79 million as at 31 March 2022. Interest income generated by the product for the year 2021/22 amounted to Rs. 782.39 million.

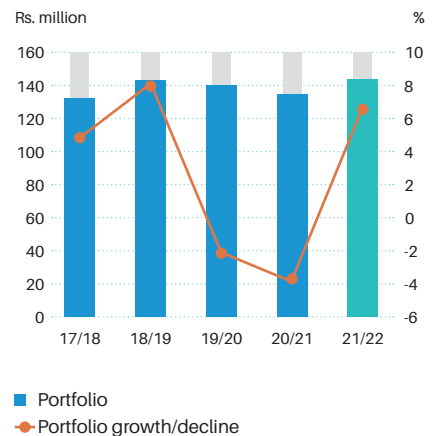
The Factoring product is de-risked and operations scaled down due to the current market conditions not being conducive for this type of product. Hence, the portfolio is being reduced by way of settlements with no new business granted. During the financial year 2021/22, factoring product generated interest income of Rs. 136.54 million with a YoY decline of 57.05%.

On account of the stringent recovery efforts non-performing advances ratio of the loans and leases segment was declined to 8.84% compared to 9.22% in March 2021.

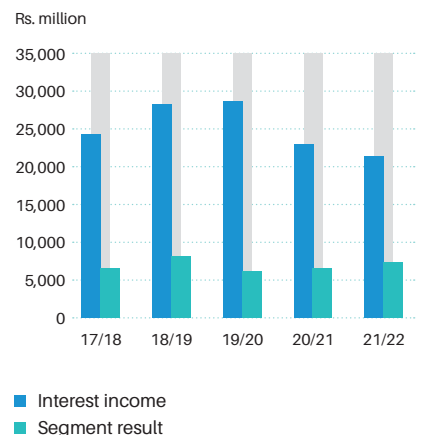
Lease and Loan Disbursements



Lease and Loan Portfolio



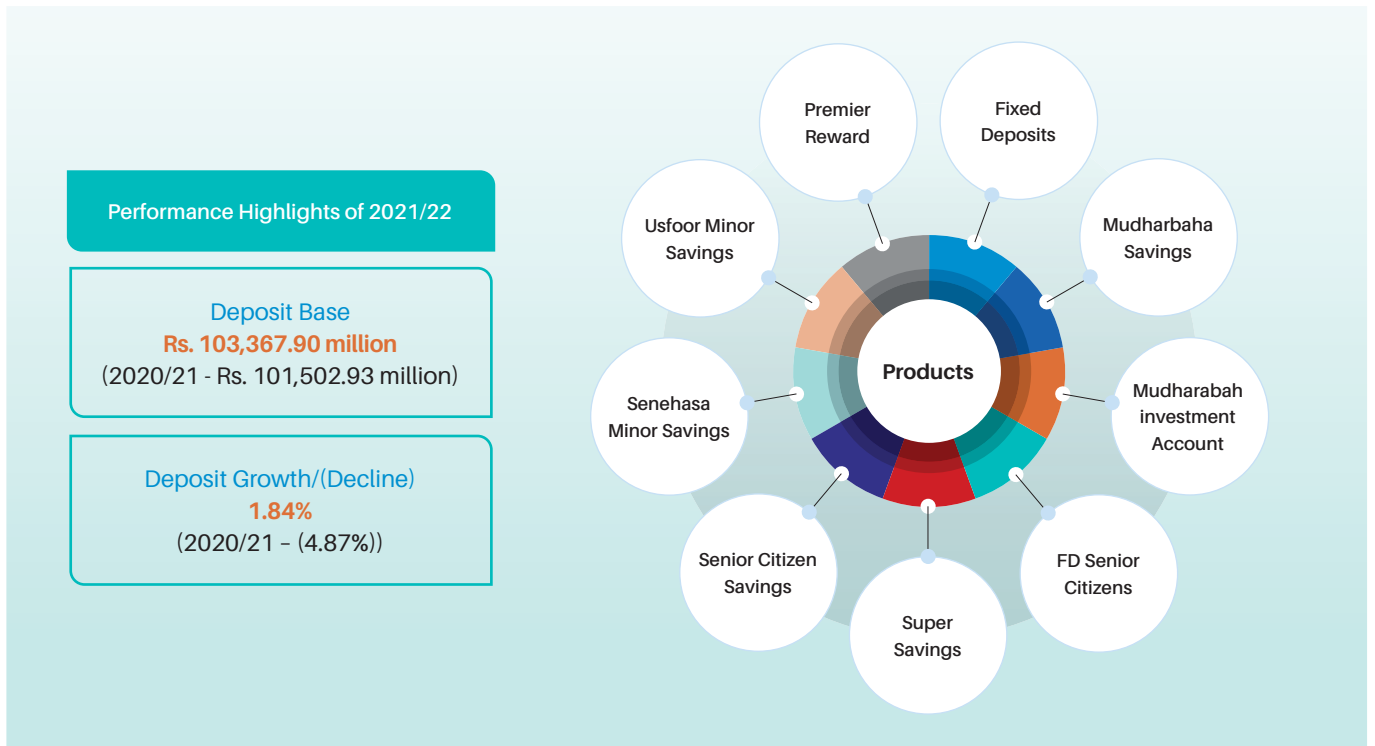
Interest income and Segment Result



Group Business Line Review

Deposits

As a market leader of the NBFi sector our deposit base continued to grow during the year supported by our strong brand franchise. During the year we continued to focus on cross selling and expanding our retail customer base to drive deposit growth.



| Value Creation | |
|----------------|--|
| | Financial Capital <ul style="list-style-type: none"> Fixed Deposit growth 2.31% |
| | Human Capital <ul style="list-style-type: none"> Ongoing training for employees in product knowledge and soft skills On the job training Job enlargement /Job enrichment |
| | Manufactured Capital <ul style="list-style-type: none"> Investments in digital platform to facilitate remote transactions |
| | Social and Relationship Capital <ul style="list-style-type: none"> Enhanced customer convenience by strengthening digital offering (PLC touch, PLC online) |
| | Intellectual Capital <ul style="list-style-type: none"> Introduced several process improvements through digitisation and automation |
| | Natural Capital <ul style="list-style-type: none"> Reduced paper consumption due to digitisation efforts and sustainability efforts. |

Outlook
 Our focus remains to align deposit growth with credit growth. In the context of sharply rising interest rates in the market we will continue to focus on shifting to a low cost fund base by increasing our retail customer base to drive savings growth and promote savings habits for Sri Lankans.

Developments in 2021/22

With operations continuing to be impacted by periodic lockdowns and mobility restrictions, we focused on ensuring our customers an uninterrupted service with minimal disruptions. In addition to rapidly transitioning to a work-from-home digital platform that enabled us to continue to provide our usual services uninterrupted, we also strengthened our digital offering to enhance customer convenience. During the year we facilitated remote transactions through our digital platforms such as PLC touch and PLC online while also accommodating transaction requests through e-mails to support customers.

Several process improvements were also introduced to enhance efficiency levels and improve overall customer convenience levels. Key process improvements introduced are listed alongside. These efforts to streamline processes have not only resulted in savings in terms of cost and time but have also contributed significantly to our paper-less drive.

| Process improvements during the year which create value proposition for the customers |
|--|
| <ul style="list-style-type: none"> Implementation of a new scanning system to reduce FD certificate issuance time |
| <ul style="list-style-type: none"> Digitisation of customer information to minimise time spent by customers to fill documents |
| <ul style="list-style-type: none"> Printed nominee confirmation letters to save time |
| <ul style="list-style-type: none"> Automated renewal advices to customers |
| <ul style="list-style-type: none"> Introduction of e-memo system to avoid unnecessary paper waste |
| <ul style="list-style-type: none"> Maintaining e-registers for FD’s and Savings |
| <ul style="list-style-type: none"> E-signature system to limit paper consumption |

A key focus during the year was to increase the retail customer base through our existing branch network. To this end, several promotional campaigns were conducted to promote our savings and selected deposit products and create awareness about our digital offering. Meanwhile we continued to focus on cross selling by promoting savings products among our leasing and loan customers. To support these efforts training programs were conducted for all branch staff to enhance product knowledge and enhance skills.

Performance

We continued to drive deposit growth during the year as this secures a sustainable low-cost fund base for the Company. Growth was achieved this year as a result of a concerted effort to increase our deposit base. This clearly demonstrate the trust placed by the

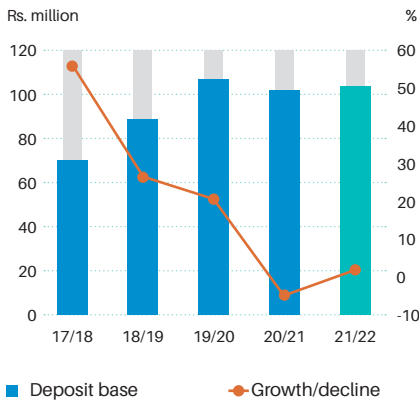
| Enhancing Customer Convenience |
|-------------------------------------|
| PLC Online |
| PLC Touch |
| Hassel Free fund trasfers |
| Self E-cash facilities through CDMs |
| QR facilities |
| Contact less transctions |



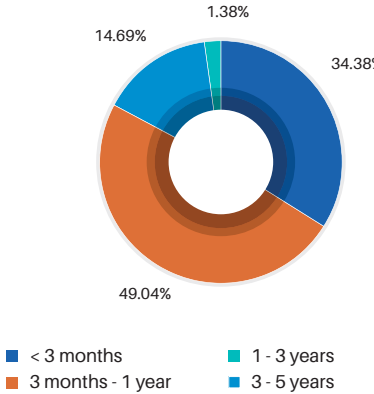
Pahabara Anagathayakata Nivaradi Therima, islandwide promotional campaign was conducted to introduce new financial services offered by People’s Leasing.

general public. Our reputation for stability and strong retail presence enabled us to attract deposits despite challenging market conditions. The deposit base however remains more skewed towards maturities below 12 months due to lower long term yields in the market.

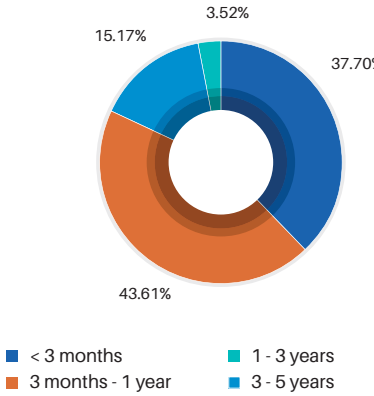
Deposit Base



Deposits Based on Maturity 2021/22



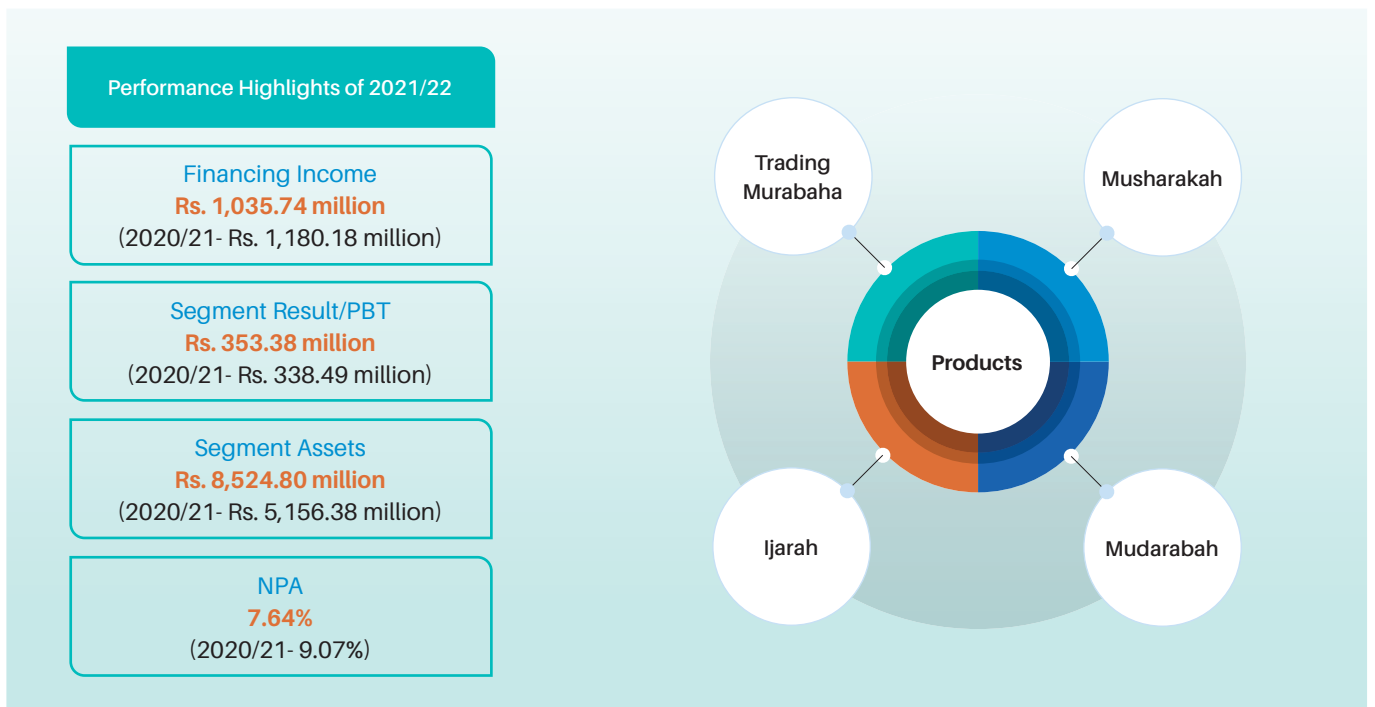
Deposits Based on Maturity 2020/21



Group Business Line Review

Islamic Finance

The Islamic Financial Services Unit, Al-Safa (AIF Unit) which commenced operations in October 2005, is currently one of the leading providers of Islamic Financial services within the country. Our product portfolio is structured according to the Sharia principles of equity and fairness, and our customers include corporates, SME’s, high net worth individuals and professionals in various business sectors across the country.



| Value Creation | |
|--|---|
| Financial Capital | <ul style="list-style-type: none"> Segment result of Rs. 353.38 million |
| Manufactured Capital | <ul style="list-style-type: none"> Highest profits delivered to Mudharabah FD’s and Savings as a result of system enhancements that were carried out |
| Social and Relationship Capital | <ul style="list-style-type: none"> Strengthened the dedicated branches through promotional activities and identification of potential branches to expand the customer reach Moratoriums were granted for 1,250 facilities |
| Human Capital | <ul style="list-style-type: none"> Extension of Moratoriums |




Outlook

- New product developments (Wadi’ah -Gold Loan product/ Diminishing Musharakah/ PLC Investment Plan and Wakalah investment product also to be launched)
- Relocate the Islamic Financial Services Units into prominent business potential
- Expand premises the business operation and fulfill required facilities to meet the targets
- Convert the new “Parkland” branch into a consolidated corporate hub
- In order to expand the Islamic Finance Services, marketing officers will be placed in potential People’s Leasing branches.

Developments in 2021/22

Despite a difficult year marked with numerous operational challenges, the AIF Unit was able to provide uninterrupted services to its clientele consisting largely of SME customers, through the general branch network of People’s Leasing as well as the seven dedicated branches offering Islamic financial services. Meanwhile, the Parkland branch was developed with a fresh conceptual focus and operates with the hot seat concept to suit the customer’s immediate needs.

During the year, the AIF Unit extended CBSL moratorium facilities that were provided to its customer during the 1st and 2nd waves of the pandemic, as most customers were still facing difficulties due to the prolonged nature of the virus. A new gold safekeeping product, PLC Wadiah, which has significant growth potential was also developed and approved by the Shariah Supervisory Board. We expect this product to be available for our valued customers in the short term. Other improvements in our processes during the year are mentioned below:

| | | |
|---|---|---|
|  <p>System Improvements</p> <ul style="list-style-type: none"> Manual document printing of the Musharakah and Mudharabah products were systemised Document physical archiving |  <p>Relocation of the Main Al-Safa Branch</p> <ul style="list-style-type: none"> The main branch at Union place was relocated to Parkstreet Parkland during the year. The new branch offers convenience to customers with the incorporation of modern technology |  <p>Promotional Campaigns</p> <ul style="list-style-type: none"> Digital marketing campaigns and promotions Ijarah lease three wheeler campaigns QR campaigns and promotions Savings campaigns and promotions |
|---|---|---|

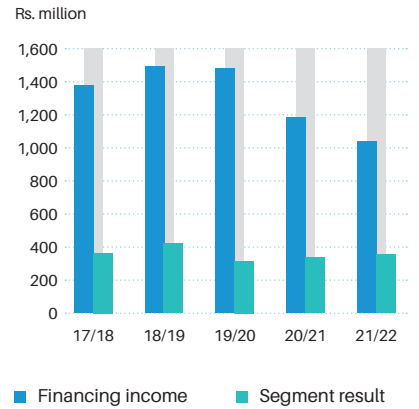
Our Performance

The AIF unit recorded a commendable performance during the year, with profits growing by 4.40% to Rs. 353.38 million. Gross income reflected a decline of 11.14% compared to previous year mainly due to decrease in financing income. Financing expenses declined at a higher rate compared to financing income from credit facilities resulting Rs. 589.77 million net financing income compared to Rs. 583.71 million in previous year. Improved recoveries during the year, resulted in a reversal of impairment of credit losses amounting to Rs. 23.07 million, contributing to the increase in profits of the Islamic Finance segment.

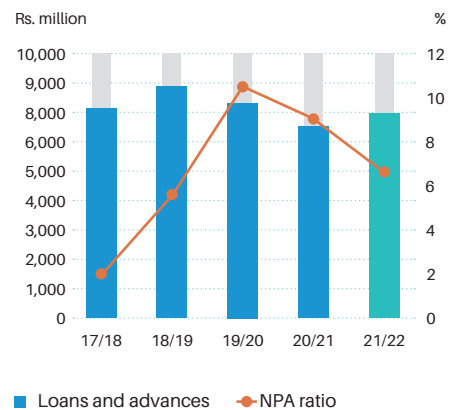
Despite the challenging operating environment, the Unit generated new business volumes amounting to Rs. 5,366.27 million resulting 15.09% growth in portfolio. The NPA was contained at 7.64% due to our focus on ensuring recoveries are made on time.



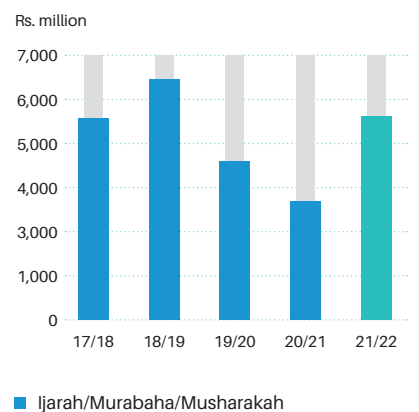
Financing Income and Segment Result



Portfolio and NPA Ratio



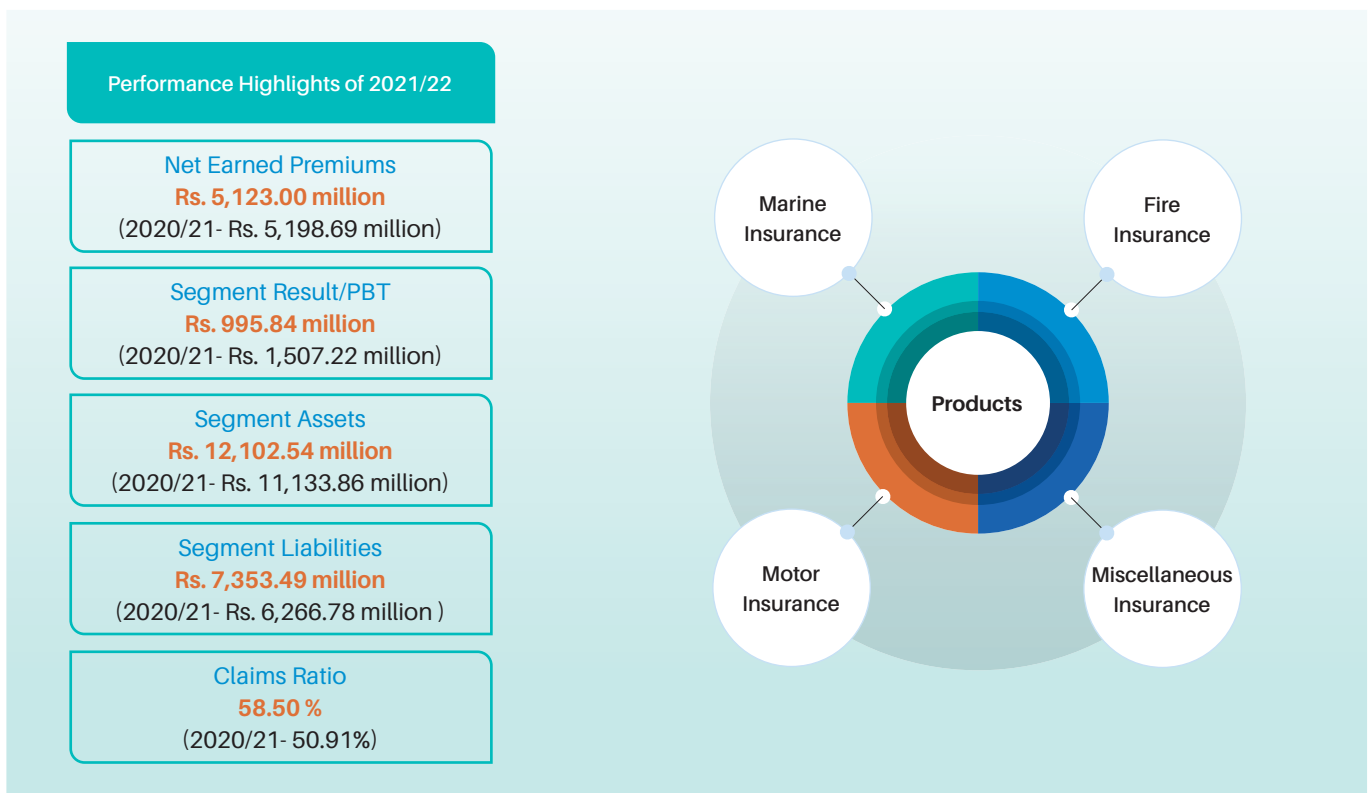
New Disbursement



Group Business Line Review

Insurance

Our subsidiary People’s Insurance PLC (PI) is a fully pledged non-life insurance company. The company offers a range of products including motor, fire and engineering, marine and miscellaneous insurance solutions to retail and corporate clients. Over the years, the Company has successfully created a niche for itself by leveraging its strong brand, unique distribution strategy and low-cost distribution model, becoming one of the most profitable non-life insurance providers in the Country.



| Value Creation | |
|----------------|--|
| | <p>Financial Capital</p> <ul style="list-style-type: none"> Segment result of Rs. 995.84 million and dividend distribution to the parent Company amounted to Rs. 675 million during the year |
| | <p>Manufactured Capital</p> <ul style="list-style-type: none"> Process developments along with digitalisation and automation |
| | <p>Social and Relationship Capital</p> <ul style="list-style-type: none"> Focused on achieving service excellence by creating a customer centric environment |
| | <p>Natural Capital</p> <ul style="list-style-type: none"> Promoted environmental sustainability through insurance covers for solar panels and the introduction of a paperless office environment |

Outlook
 The weakening macro-economic conditions within the domestic economy will impact customer affordability. Therefore, PI is looking at the introduction of low-cost insurance products. PI is also expecting to accelerate their digital capabilities in order to enhance their value proposition to customers, while nurturing employee skills by focusing on enhancing technical skills and customer relationship management.

Developments in 2021/22

The insurance segment demonstrated resilience during the year, despite the volatile operating conditions that emerged due to the prolonged nature of the pandemic and the resultant economic downturn. Growth in fire, marine and miscellaneous segments of the general insurance sector of the country supported growth in GWP, while the motor insurance segment was significantly affected by the ban on the import of motor vehicles. Meanwhile, the low interest rate environment for the most part of last year impacted investment income.

+4% Growth in General GWP

- -0.03% Motor Insurance
- +39% Fire Insurance
- +37% Marine Insurance

+14% Growth in Claims

- +1% Motor Insurance
- +10% Fire Insurance
- +108% Marine Insurance

At People’s Insurance, we ensured that our operations were continued uninterrupted while implementing comprehensive safety protocols in order to safeguard the health and safety of all stakeholders concerned. Having embraced some form of remote working at the onset of the pandemic, we have expedited the digitalisation drive within this segment through ongoing emphasis on strengthening digital channels.

During the year, we supported the government in its efforts to revive the tourism sector through the launch of a mandatory COVID-19 cover for all inbound visitors. No other new products were introduced as our focus was on consolidating and revamping the existing portfolio of products. We invested heavily in brand equity through social media campaigns and newspaper advertisements. Further investments were made to build brand awareness through multiple media channels under our brand awareness corporate theme of Caring with Love.

Products Revamped in 2021/22

- Medical Insurance
- Solar Panel Insurance

The company strives to achieve excellence in customer service by creating a customer centric environment. During the year, we focused on setting up and developing processes to cater to specific requirements of the customers. The call and go facility which is embedded in the motor product is a key value proposition to our customers.

Our Performance

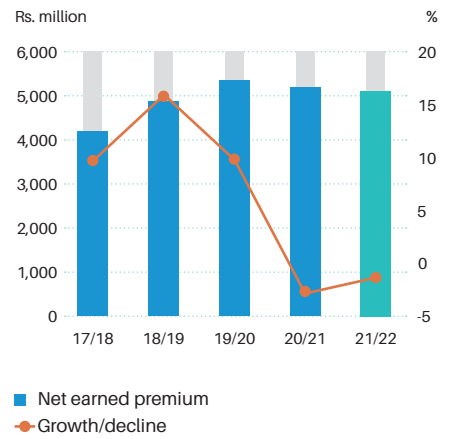
Gross Written Premium (GWP) declined marginally by 0.7% in 2021, when compared to the 4% growth in industry GWP. The continued ban on motor vehicle imports together with the rising cost of motor vehicle spare parts adversely affected the motor insurance segment. Meanwhile the fire, marine and miscellaneous segments maintained growth momentum.

There captive business from the People’s Leasing channel was negatively affected during the year, due to subdued performance of the motor insurance sector. However, Non-captive business recorded a marginal growth of 5%.

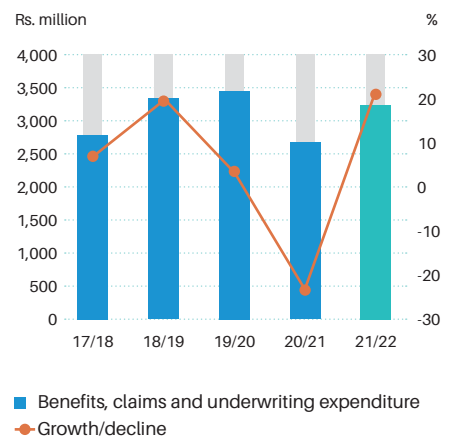
There was a 11% increase in claims during the year driven by increased mobility along with the waning of the pandemic. Our claims ratio was at 58.50% during the year. The tough operating conditions during the year resulted in 36.58% decline in segment result.

The company’s asset base is mainly made up of investments. Interest income evidenced a slight drop on the backdrop of low interest rate prevailed during most part of 2021.

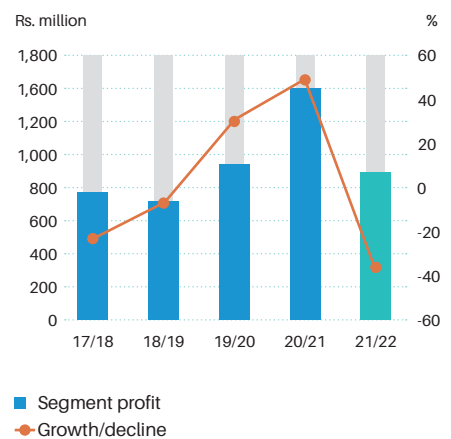
Net Earned Premium



Benefits, Claims and Underwriting Expenditure



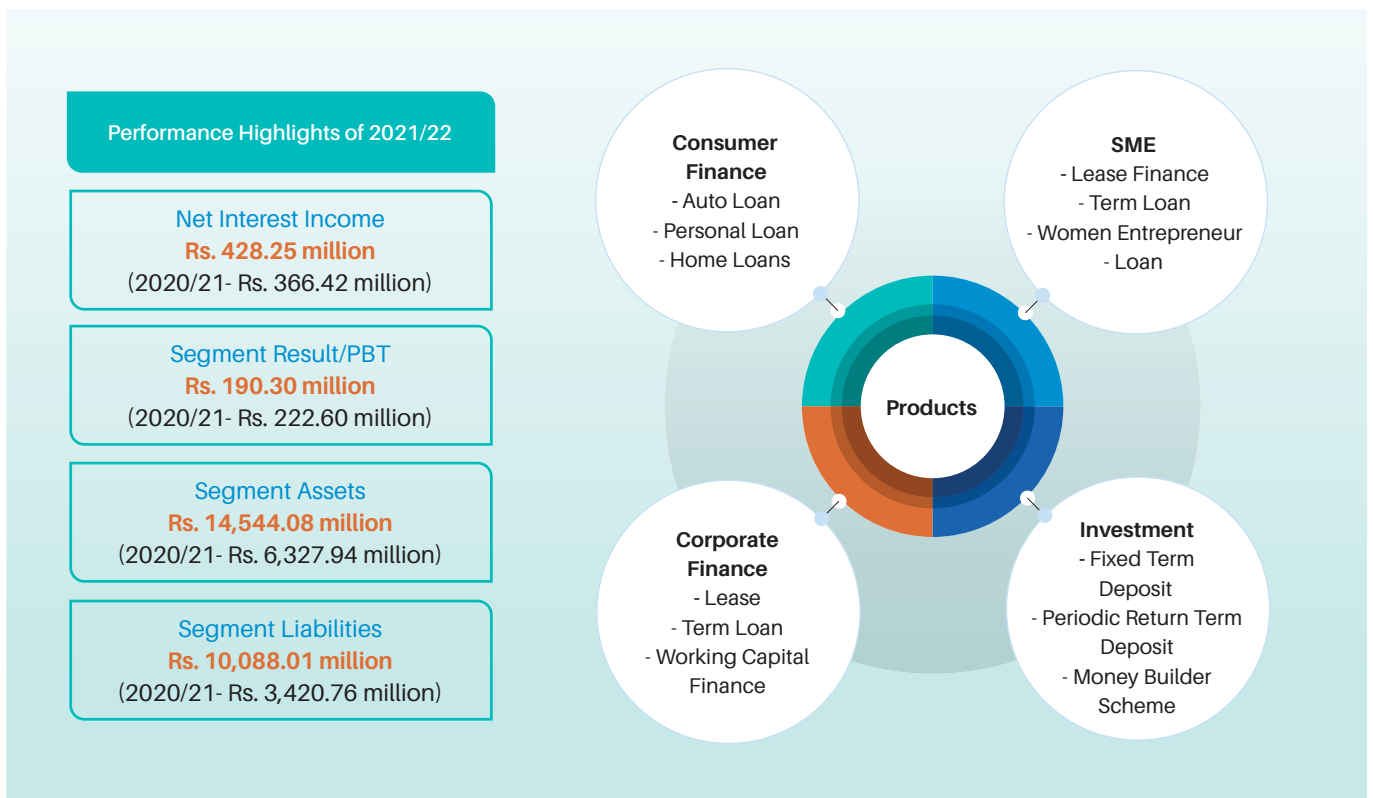
Segment Profit Before Tax



Group Business Line Review

Overseas Operations

The Bangladesh based subsidiary Lankan Alliance Finance Ltd. (LAFL) is a strategic venture for People’s Leasing serving as a launch pad for our regional growth aspirations. LAFL aspires to provide user-friendly financial services to customers through innovative technologies for safe and easy money management. LAFL has expanded their services to drive growth of fund-based and fee-based activities in an uncertain environment.



| Value Creation | |
|--|---|
| Financial Capital | <ul style="list-style-type: none"> Significant growth in deposits, loans and advances portfolios. |
| Social and Relationship Capital | <ul style="list-style-type: none"> Maintained very good relationship with regulators by complying with regulations and all statutory payments |
| Natural Capital | <ul style="list-style-type: none"> Become a participating financial organisation of the Investment Promotion and Financing Facility II (IPFF II) |

Outlook

- Digital loan product to be launched.
- New booth of LAFL in Uttara near the industrial belt is expected to channel SME business.
- Reach loans and investments balance of BDT 6.2 billion by end of 2022
- Issuance of a fully redeemable zero-coupon bond for BDT 500 million for the first time
- Floating subsidiary for launching into brokerage business

Operating Environment

Despite repeated waves of the COVID-19 pandemic, the Bangladesh economy managed to return to the recovery phase aided by appropriate policies and stimulus packages. The country is on a strong growth trajectory and is one of the fastest growing economies in South Asia with the economy growing at 6.94% in 2021 compared to the 3.45% growth recorded in 2020. The financial sector was also supported through a series of policies and prudential measures from the onset of the pandemic.

Bangladesh offers plenty of opportunities to launch new deposit and loan products with two active stock exchanges and 700 listed companies. There are also opportunities to expand service advisory, large project financing, public private partnerships and mergers and acquisitions.

Developments in 2021/22

As a relatively new player looking to compete with larger competitors in the market, brand building remains our top priority. During the year, LAFL took the initiative to become a participating financial organisation of the Investment Promotion and Financing Facility II (IPFF II) in its pathway to differentiating itself from many other peer companies. IPFF II is an initiative of the World Bank and Ministry of Finance in Bangladesh, which funds the sub-projects through the PFIs while supporting clients and facilitating funding for infrastructure projects through

Key Milestones

- The rating of the company was upgraded from A to A+ during the reporting period
- Entered into an agreement with the Public-Private Partnership Authority (PPP) to arrange private investors for priority projects identified by the Government
- Became a participating financial organisation of Investment Promotion and Financing Facility II (IPFF II), IPFF II which is an initiative of the World Bank and the Ministry of Finance in Bangladesh.
- Zero NPL for the last 4 years of our operations

low-cost financing options for longer periods than local financing options.

Considering the gradual recovery of the COVID-19 situation, macro-economic fundamentals, and upward turn of private sector credit growth, we have continued our cautious growth strategy and grown our loan book during the year. In order to achieve increased visibility and support the growth of our loan book we are looking to further expand our branch network.

For our larger customers we have focused on fee-based earnings through innovative and hybrid financial solutions. Our customer base is unique in comparison to others in the NBFi segment. The company has 60% corporate clients in the tier-1 or tier-2 category and the SME segment is also mostly 'A'-rated Microfinance institutions forming 32% while home loan/auto loan segment form 5% and 3% respectively. We ensure that our staff are well trained to handle all customers in a cordial and professional manner. LAFL has gained a reputation among banks and financial institutions for the conduct of its business and the repute of its senior management.

In addition to training and development, we offer a comprehensive value proposition to all our staff. Operating in the service industry, talent retention is the key, and we ensure the right people are selected and retained.

Sustainability

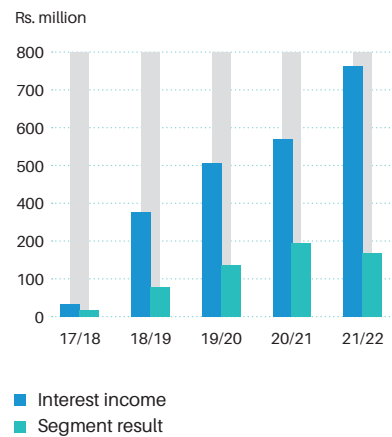
In striving to achieve our goal of providing sustainable finance we have ventured into arranging green financing. This has encouraged companies to adopt environmentally friendly methods of manufacturing which has minimised the impacts of the industry on the environment.

We have also implemented various initiatives to reduce the consumption of electricity, water and paper as we are conscious of the impact of our operations on the environment.

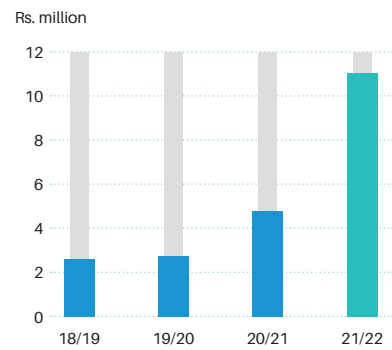
Performance

Overall, the Company recorded a commendable performance during the year, with segment results of Rs. 190.30 million despite facing significant challenges during the year.

Interest Income and Segment Result



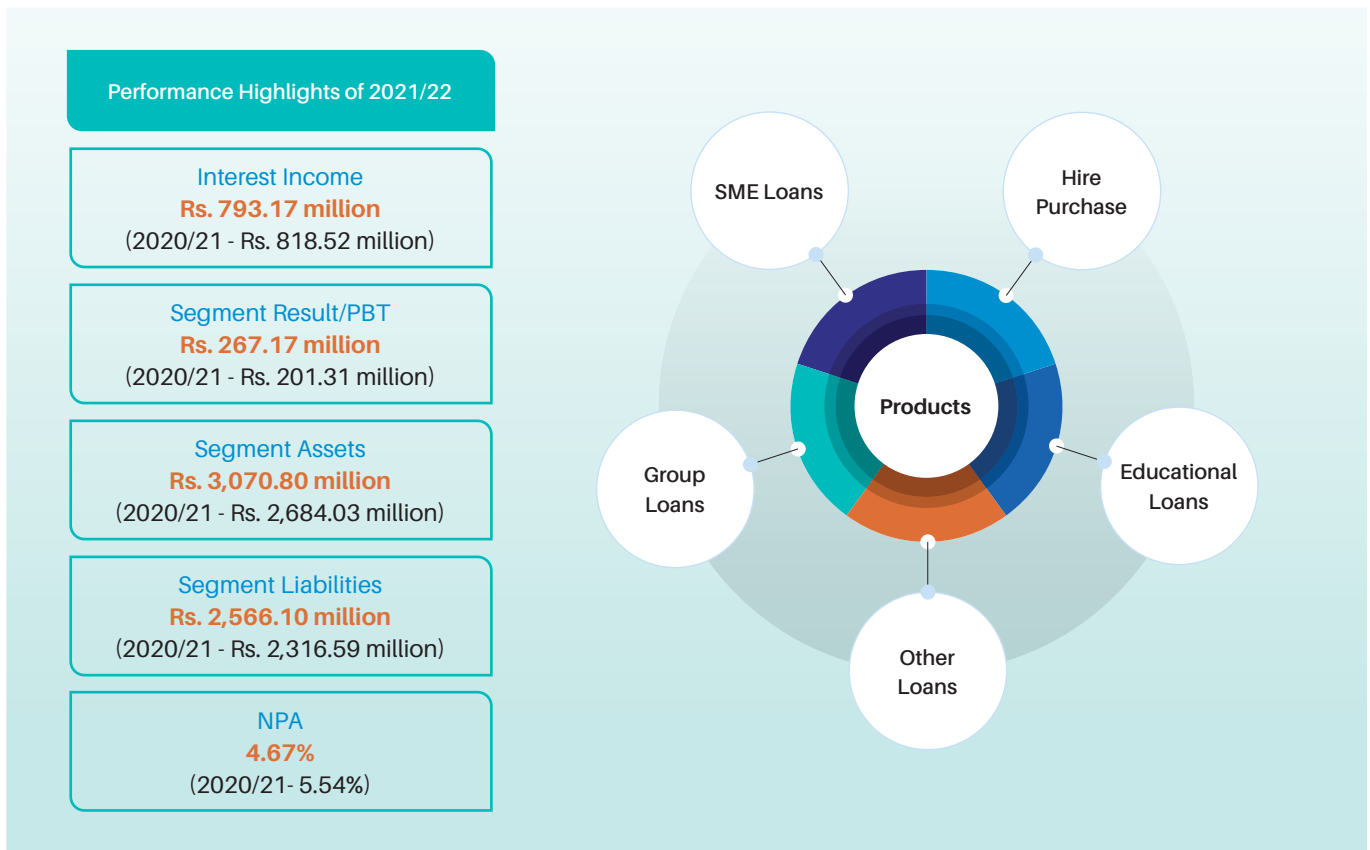
Loans and Advances Portfolio



Group Business Line Review

Micro Finance

Our subsidiary People’s Micro-commerce Ltd. (PML) is one of the leading companies in the country providing financial support and hire purchase facilities to urban and rural communities who cannot access the traditional banking sector to fulfill their funding requirements.



| Value Creation | |
|----------------|--|
| | <p>Financial Capital</p> <ul style="list-style-type: none"> Profit After Tax of Rs. 181.58 million |
| | <p>Manufactured Capital</p> <ul style="list-style-type: none"> Island wide presence through 32 branches of People’s Leasing and 2 standalone branches |
| | <p>Social and Relationship Capital</p> <ul style="list-style-type: none"> Building strong relationships with customers and developing products to suit their needs The micro-finance loan concept is moving forward in a more focused and sustainable manner. |
| | <p>Natural Capital</p> <ul style="list-style-type: none"> Minimizing the use of paper |

Outlook
 Despite the subdued growth prospects due to the uncertainty in the domestic economy, we remain positive that the country will recover. We hope to provide a better service to our customers by digitalizing our operations further and widening our reach in order to uplift the livelihoods of people at the grassroots level amidst these tough times.

Developments in 2021/22

Due to the continuation of the ban on the import of motor vehicles that came into effect last year, PML was moved from the core business and shifted towards the registered market in-order to continue the business operations. Having introduced loans for registered four stroke three wheelers and various tools and equipment last year, we expanded this product further by introducing registered motorcycles during the year. PML recorded commendable performance in both the registered three-wheeler and motorcycle facilities during the year.

New Products Introduced

- Registered Motor Cycles
- Micro Loans

Over the years, we have built strong relationships with customers allowing us to identify their needs and cater to them accordingly. During the year, we introduced the new micro loan scheme through which we have granted almost Rs. 15 million in micro loans.

Along with the switch to work from home and e-learning due to the social distancing measures that came into place post pandemic, we noticed an increasing demand for laptops. Having identified an opportunity, we partnered with three major laptop suppliers in the industry and introduced the laptop loan product last year. We also offer equipment loans for agricultural equipment and other machines to small entrepreneurs.

As a socially responsible company, PML provided moratoriums for clients affected by the prolonged duration of the pandemic, although not mandated by the authorities to do so. Accordingly, moratoriums were extended to 2,358 hire purchase customers.

We operate island wide across 32 branches of People’s Leasing, including two standalone branches which is a testament to our financial strength within this competitive industry. While paper-based marketing initiatives including leaflets were curtailed in order to promote environmental sustainability during the year, we focused on door-to-door promotional campaigns and social media marketing to enhance product awareness amongst our clients.

Performance

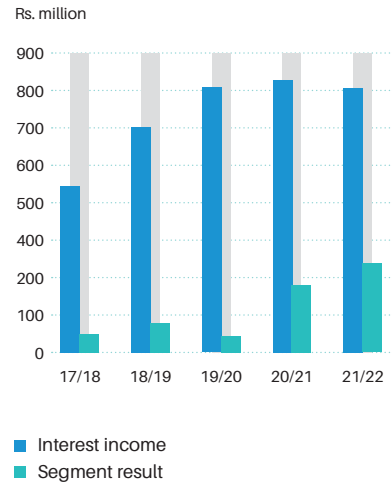
Despite the challenging operating environment that was prevailing in the country, this segment managed to record a segment result of Rs. 267.17 million for the year 2021/22. The total segment assets including the net hire purchase and loan portfolio of Rs. 2,885.27 million was at Rs. 3,070.80 million.

The low interest rate environment that was prevalent for the most part of 2021 positively affected margins. However, along with the Central Bank revising its monetary policy in August 2021, policy interest rates have increased exponentially, negatively affecting margins in the last few months.

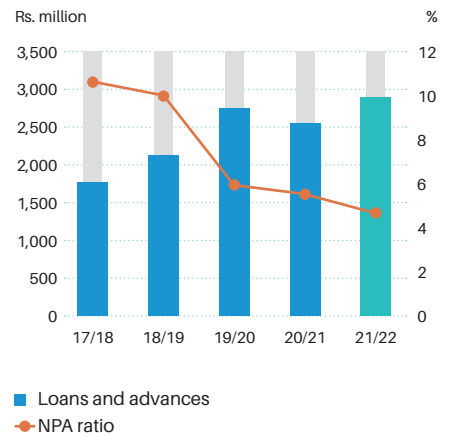
There was a focused effort by PML to drive cost rationalisation and productivity improvements through process developments and minimisation of waste in order to achieve increased profitability. We were able to carry this out effectively without affecting employee benefits.

Along with the pandemic, we shifted our focus from loan disbursement to recoveries. We have set an effective recovery target for the individual and business unit allowing us to maintain the NPA ratio as at the end of the year at 4.66% which is very much below the industry average.

Interest Income and Segment Result



Loans and Advances



Group Business Line Review

Other Business Segments

This segment covers the operations of our subsidiaries People's Leasing Fleet Management Ltd., People's Leasing Property Development Ltd. and People's Leasing Havelock Properties Ltd. These companies adapted their operations to the dynamic changes in the operating environment during the year, resulting in improved returns and liquidity, which ultimately supported growth of the bottom line.

| | | |
|---|--|--|
|  <p>People's Leasing Fleet Management Ltd. Fleet management, vehicle valuation, sale of vehicles, insurance assessments and vehicle repairing</p> |  <p>People's Leasing Property Development Ltd. Carrying out mixed development projects and property development activities</p> |  <p>People's Leasing Havelock Properties Ltd. Operates an office complex</p> |
|---|--|--|

People's Leasing Fleet Management Limited

Performance

The Company took a strategic decision to optimise its operations last year, to suit the prevailing business opportunities and improve liquidity and profitability. The continuation of the ban on the import of motor vehicles in 2021/22 led us to strategically divest the vehicle hiring business which generated substantial disposal profits. Despite the tough operating conditions, these events led the Company to record a profit after tax of Rs. 152.37 million, which is its highest ever profit in its fourteen-year history.

During the year, our strategic focus was shifted to the vehicle valuation business. Revenue declined by 13.73% as demand declined due to subdued economic activity. However, other income increased from Rs. 52.72 million in 2020/21 to Rs. 174.06 million in 2021/22 due to the sale of vehicles. Tight control of our operating costs supported a 325.50% increase in operating profits during the year. The Company recorded Profit before Tax of Rs. 200.28 million with favorable movement of the finance income by 818.89%.

Liquidity and stability of the business were effectively managed during the year. The current ratio moved from 4.35 times to 8.13 times while the debt-to-equity ratio moved from 10.84 times to zero debts position. Net Assets also recorded an increase of 15.59% to Rs. 385.56 million during the year under review.

Other Developments During the Year

- The Company focused on providing high quality, accurate and speedy services to clients
- Bottlenecks in delivering the above were identified and addressed accordingly
- Compliance with high standards of ethics and maintaining industry harmony
- Compliance with Environmental Policy of the Parent Entity
- Reduced the leadtime in engaging with PLC online business platform

Outlook

The vehicle prices remain significantly high due to import restrictions, and this is reflected in the valuations provided by the Company. We are looking to further expand our valuation business while streamlining operations in order to increase efficiencies.

Performance Highlights of 2021/22

Revenue
Rs. 166.46 million
(2020/21 - Rs. 192.95 million)

PBIT
Rs. 203.22 million
(2020/21 - Rs. 57.92 million)

PBT
Rs. 200.28 million
(2020/21 - Rs. 56.08 million)

PAT
Rs. 152.99 million
(2020/21 - Rs. 46.05 million)

Assets
Rs. 444.79 million
(2020/21 - Rs. 443.77 million)

Liabilities
Rs. 59.24 million
(2020/21 - Rs. 110.75 million)

ROE
39.52%
(2020/21 - 13.82%)

*Disposal gain is not included in the revenue figures shown under performance highlights, but is recognised in the consolidated financial statements as other income.

People's Leasing Property Development Limited

Following the contraction of the construction sector last year, the sector witnessed a recovery during the year supported by adaptations to new ways of working and the easing of mobility restrictions. However, challenges continued to hinder the industry, putting margins under pressure.

Performance

During the year, the Company mainly focused on improving its financial performance while reducing the level of borrowings due to the sharp rise in interest rates towards the latter part of 2021. Fair value gains on investment properties amounted to Rs. 150 million when compared to Rs. 50 million recorded last year.

The Company recorded profit after tax of Rs. 240.76 million during the year which is an increase of 31.93% when compared to last year. Total assets also recorded an increase by Rs. 141 million to Rs. 2,738.09 million during the year. While the debt-to-equity ratio was at 0.32 times when compared to 0.38 times last year, the current ratio reduced from 3.01 times to 1.38 times as at the end of the financial year.

The Company took steps to promote energy saving initiatives in line with the parent company's biodiversity and environmental policy.

Outlook

The shortage of raw materials due to the unavailability of foreign exchange to fund imports as well as the rising interest costs is a key concern going forward. The lower disposable income of the people also dimmed growth prospects significantly.

Performance Highlights of 2021/22

Revenue

Rs. 278.14 million
(2020/21 - Rs. 282.26 million)

PBT

Rs. 304.28 million
(2020/21 - Rs. 218.03 million)

PAT

Rs. 240.76 million
(2020/21 - Rs. 182.50 million)

Assets

Rs. 2,738.09 million
(2020/21 - Rs. 2,596.94 million)

ROE

13.38%
(2020/21 - 10.95%)

*Performance highlights inclusive the fair value of investment property while consolidated financial statements are excluded the same.

People's Leasing Havelock Properties Limited

The company generated profit after tax of Rs. 102.22 million during the year, which is an increase of 26.41% when compared to the previous year. The Company revenue also increased compared to the previous year, driven by the increase in rent charged from the tenants and our decision to rent out the vacated rooftop floor for official gatherings and events. This had a good response from the market which ultimately supported profitability.

Steps were also taken to improve customer satisfaction by reducing the time taken for repair and maintenance work. As a responsible corporate, we have taken steps to promote energy saving initiatives in line with the Group biodiversity and environmental policy.

Outlook

The instability in the domestic economic environment will affect all businesses. However, we remain positive and will continue to pursue new tenants when the market improves sufficiently. We will also look to gradually reduce our borrowings in order to reduce our exposure to the volatile market interest rates.

Performance Highlights of 2021/22

Revenue

Rs. 218.50 million
(2020/21 - Rs. 205.38 million)

PBIT

Rs. 199.04 million
(2020/21 - Rs. 189.84 million)

PBT

Rs. 102.22 million
(2020/21 - Rs. 80.87 million)

PAT

Rs. 102.22 million
(2020/21 - Rs. 80.87 million)

Assets

Rs. 2,655.37 million
(2020/21 - Rs. 2,659.96 million)

ROE

9.13%
(2020/21 - 7.82%)

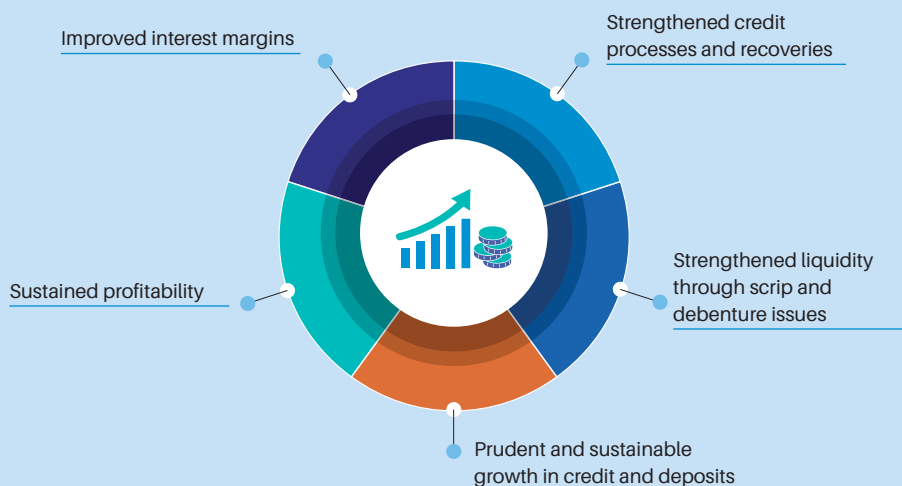
*Performance highlights inclusive the fair value of investment property while consolidated financial statements are excluded the same.

The Capitals Report



People’s Leasing navigated a year of uncertainty and turmoil to record the highest profit after tax of Rs. 4,659.01 million reflecting its restrained growth and management of interest rate risk and credit risk. Group profit after tax dipped by 13.90% to Rs. 4,818.17 million as People’s Insurance recorded marginally lower net earned premiums and significantly higher claims. It is noteworthy that this was achieved despite a waiver of default interest of Rs. 1,268.79 million to support economic recovery of customers.

Nurturing Financial Capital in 2021/22



Contribution to SDG’s



Related Stakeholders

Strategic Imperatives

Risks

- Pursuing sustainable growth
- Augmenting customer experience

- Credit risk
- Interest rate risk
- Liquidity risk

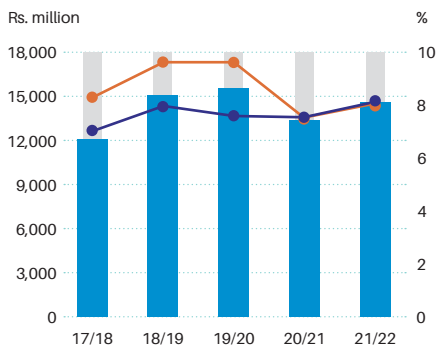
Progress achieved on 2021/22 Goals

| | | |
|---|--|---|
| To achieve asset growth over 15% | ○ | Achieved 9.86% asset growth amidst the unforeseen challenges arising from the third-wave together with adverse global and local economic front. |
| Maintain NIM over 6% | ○ | Net Interest Margin (NIM) improved to 8.10% |
| Reduce cost to income ratio below 40% | ○ | Maintained the cost to income ratio at 43.74% notwithstanding the extraordinarily difficult time. |
| Progress Key | | |
| Initiated ○ | Ongoing ○ | Completed ○ |
| | | Not Achieved ○ |

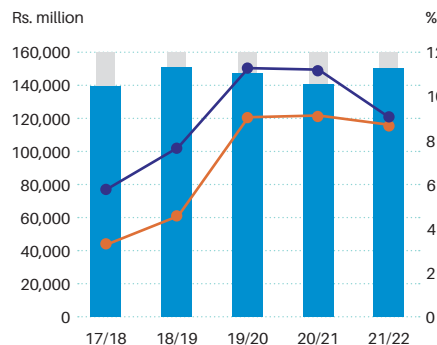
| | | | |
|--|---|--|--|
| <p>Rs. 151.27 billion Loans and Advances (12.47% of NBFI Sector) ↑ 6.99%</p> | <p>Rs. 180.76 billion Total Assets (11.37% of NBFI Sector) ↑ 9.86%</p> | <p>Rs. 103.37 billion Customer Deposits (12.89% of NBFI Sector) ↑ 1.84%</p> | <p>Rs. 38.82 billion Equity (11.63% of NBFI Sector) ↑ 13.04%</p> |
| <p>72.99% Provision Coverage (NBFI Sector: 69.36%) ↑ from 64.16% in 2020/21</p> | <p>8.78% Gross NPA (NBFI Sector 9.11%) ↓ from 9.21% in 2020/21</p> | <p>18.76% Core Capital (NBFI Sector 16.15%) ↑ from 17.72% in 2020/21</p> | <p>19.67% Total Capital Ratio (NBFI Sector 17.68%) ↑ from 18.58% in 2020/21</p> |

Measuring Success

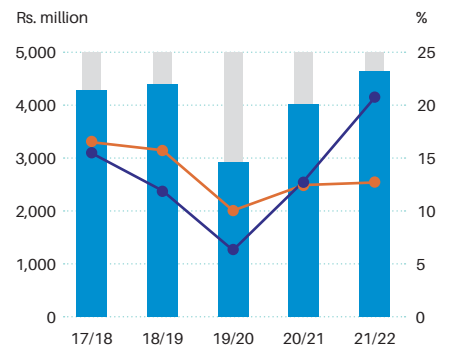
Net Interest Income (NII) - Company



Loans and Receivables - Company



Profitability - Company



■ Net interest income (Rs. million)
 — Net interest margin (%)
 ● NIM - industry (%)

■ Loans and receivables (Rs. million)
 — NPA (%)
 ● Industry (%)

■ Profitability PAT (Rs. million)
 — ROE (%)
 ● ROE industry (%)

Financial Capital

Overview

The Company

People's Leasing recorded post tax profits of Rs. 4.66 billion recording an increase of 15.52% over the previous year as we pursued a cautious growth strategy in an uncertain and volatile environment. Continuing lockdowns due to the prolonged pandemic and deteriorating economic conditions necessitated careful balancing of stakeholder concerns and risks. We also commenced the year with 18.18% of the Loans and Advances on moratoria which and supporting these customers back to financial stability was a key priority. During the year, we were able to reduce this amount to 9.44% through strengthened recovery processes and the gradual normalizing of some businesses enhancing the credit quality of our portfolios and strengthening the financial stability of the Company.

The Group

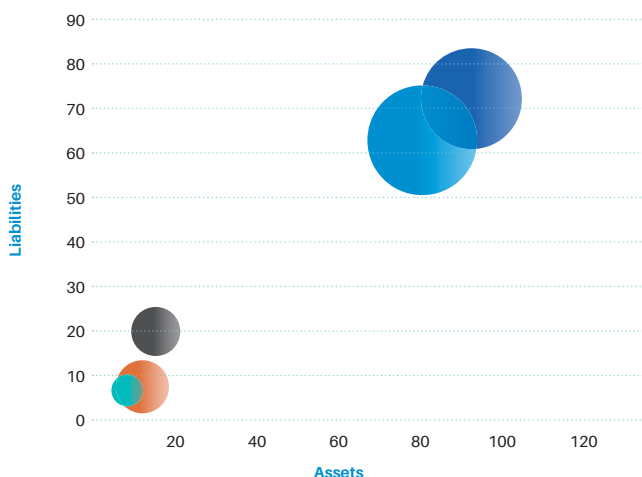
The Group recorded a profit of Rs. 4.82 billion, reflecting a decline of 13.90% over the previous year. While People's Leasing recorded its highest profit, the Group earnings were impacted by the increased claims ratio of our largest subsidiary, People's Insurance. People's Leasing Fleet Management Ltd. and People's Micro-Commerce Ltd., also recorded the highest profits in their history. The Consolidated balance sheet remains strong as both Total Assets and Equity increased by 14% with both Tier I and Tier II capital ratios improving as well.

Financial Performance

| Rs. million | Company | | | Group | | |
|---|------------------------|------------------------|--------------|------------------------|------------------------|----------------|
| | Year Ended 31.03.22 | Year Ended 31.03.21 | Change % | Year Ended 31.03.22 | Year Ended 31.03.21 | Change % |
| Net interest income | 13,049.34 | 11,919.14 | 9.48 | 14,722.67 | 13,446.64 | 9.48 |
| Fee and Commission Income | 1,876.52 | 1,818.68 | 3.18 | 1,321.51 | 1,198.05 | 10.30 |
| Net earned premium | | | | 4,939.07 | 5,028.55 | (1.78) |
| Other operating income | 956.55 | 139.06 | 587.86 | 357.09 | 368.57 | 3.12 |
| Total operating income | 15,909.19 | 14,039.49 | 13.32 | 21,425.86 | 20,270.07 | 5.70 |
| Impairment charges | 777.04 | 1,143.05 | (32.02) | 1,073.37 | 1,451.70 | (26.06) |
| Net operating income | 15,132.16 | 12,896.44 | 17.34 | 20,352.49 | 18,818.37 | 8.15 |
| Operating expenses | 6,836.96 | 5,801.23 | 17.85 | 8,192.89 | 7,050.39 | 16.20 |
| Benefits, claims and underwriting expenditure | | | | 3,228.48 | 2,663.35 | 21.22 |
| Profit before tax | 8,295.20 | 7,095.22 | 16.91 | 8,931.13 | 9,104.64 | (1.91) |
| Taxes on financial services | 1,645.11 | 1,222.63 | 34.56 | 1,705.80 | 1,273.97 | 33.90 |
| Income taxes | 1,991.08 | 1,839.57 | 8.24 | 2,407.16 | 2,234.34 | 7.73 |
| Profit for the period | 4,659.01 | 4,033.02 | 15.52 | 4,818.17 | 5,596.33 | (13.90) |

Business Segments

The size of the circle represents the segment result



Leasing is the highest contributor to profits with loans coming in a close second with strong asset and liability books. Profits of other segments are less than Rs.1 billion with a relative size in assets and liabilities as well.

| | |
|-------------------|------------------|
| ■ Leasing | Rs. 4.25 billion |
| ■ Loans | Rs. 3.59 billion |
| ■ Insurance | Rs. 0.99 billion |
| ■ Islamic finance | Rs. 0.35 billion |
| ■ Others | Rs. 0.85 billion |

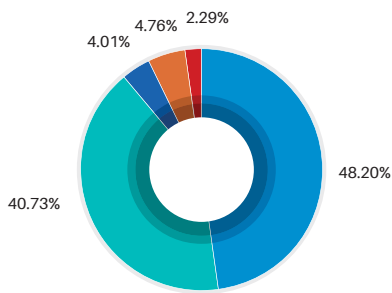
Net Interest Income

Group: Rs. 14,721.67 million ↑ 9.48%

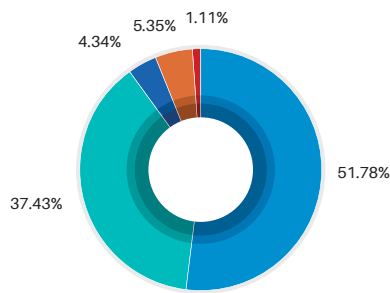
Company: Rs. 13,049.34 million ↑ 9.48%

Net Interest Income (NII) is the main source of revenue for the Group, accounting for 68.71% of total operating income. NII increased by 9.48% to Rs. 14,721.67 million in 2021/22 despite the waiver of default interest by People’s Leasing amounting to Rs. 1,268.79 million as market interest rates for deposits remained low for most of the year as credit growth was restrained at 11.10%. Both Interest Income and Interest expense declined by 3.34% and 16.22% respectively resulting in improved Group Net Interest Margin of 8.22% in 2021/22 compared to 7.95% in the previous year. NIM of the Company also improved to 8.10% compared to 7.58% in the previous year.

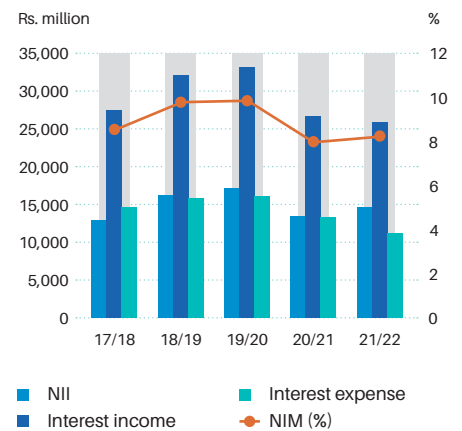
NII by Segment 2021/22



NII by Segment 2020/21



Net Interest Income-Group



- Leasing
- Loans
- Islamic
- Insurance
- Other

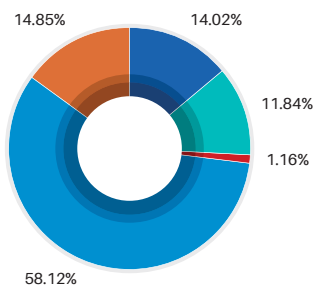
Non-Interest Income

Group: Rs. 6,704.19 million ↓ (1.75)%

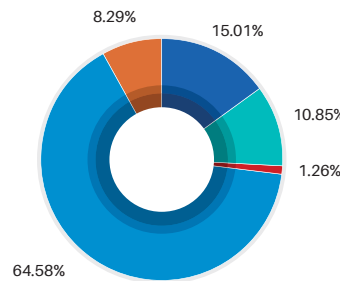
Company: Rs. 2,859.85 million ↑ 34.88%

Non-interest income comprised of net earned premium, fee and commission income, net trading income and other income of which net premium income formed 73.67% and fee and commission income formed 19.71%. Despite the decline in net interest income, fees and commission income increased by 10.30%. Net premium income decreased by 1.78% to Rs. 4,939.07 million, due to subdued demand.

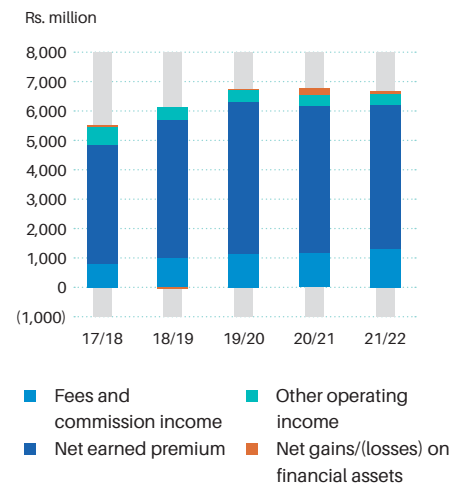
Non-interest Income by Segment 2021/22



Non-interest Income by Segment 2020/21



Non-Interest Income



- Leasing
- Loans
- Islamic
- Insurance
- Other

Financial Capital

Impairment Charges

Group: Rs.1,073.37 million ↓ (26.06)%
Company: Rs.777.04 million ↓ (32.02)%

Impairment charges comprise impairments for loans and receivables, goodwill and right of use assets. The charge declined by 26.06% to Rs.1,073.37 million during the year as we strengthened credit processes and focused on recoveries. The provision coverage also improved during the year from 64.16% to 72.99% reflecting the prudent approach adopted to provisioning. The credit quality of the legacy book is being reviewed separately as the credit quality of new credit assets are strengthened by the new credit approval processes implemented. The NPA of the Company was contained at 8.78% which was lower than that of the industry which was 9.11% as at 31st March 2022. Impairments for loans and receivables amounted to 88.67% of the total while impairment charges for goodwill made up the balance.

Impairment for Loans and Receivables

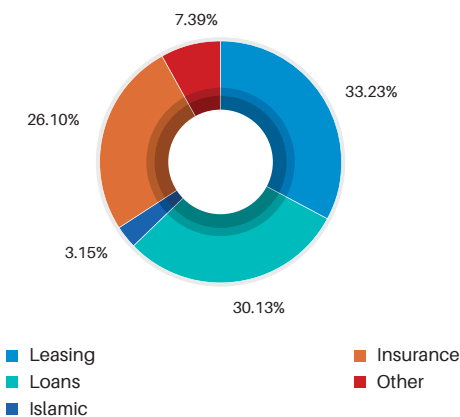


Net Operating Income

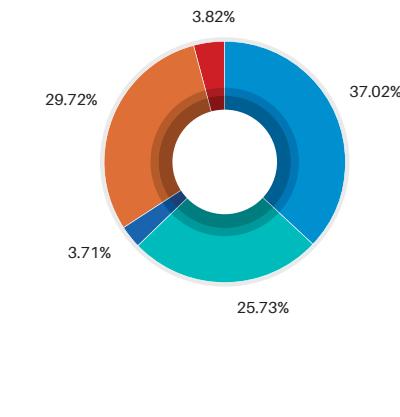
Group: Rs. 20,352.49 million ↑ 8.15%
Company: Rs.15,132.16 million ↑ 17.34%

Net Operating income increased during the year supported by NII growth and decreased impairment charges for loans and receivables. The Other business segment recorded an increase of 116.78% reflecting the strong performance of People’s Leasing Fleet Management and People’s Leasing Property Development which are classified in this segment. The Loans business segment also recorded an increase of 31.29% supported by growth in NII and a commendable 71.96% decrease in impairment charges. Leasing and Hire Purchase recorded an increase of 0.64% in net operating income as NII growth of 1.93% was eroded by an increase of 17.14% in credit loss expenses. In Islamic finance, the marginal growth in NII was offset by the reduced credit loss reversals. The insurance segment also recorded a marginal decline of 1.51% in net operating income due to decreased NII and net earned premium.

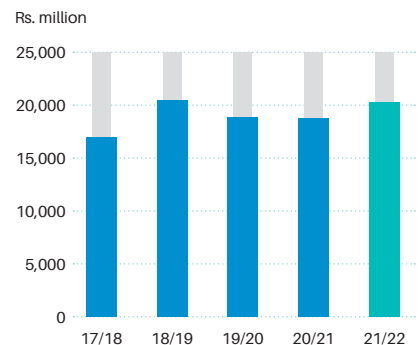
Net Operating Income by Segment 2021/22



Net Operating Income by Segment 2020/21



Net Operating Income - Group



Operating Expenses

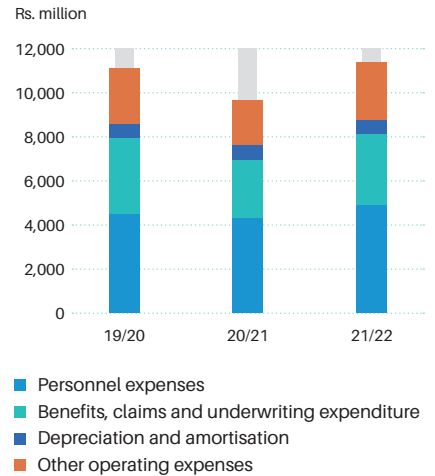
Group: Rs. 11,421.37 million ↑ 17.58%

Company: Rs. 6,836.95 million ↑ 17.85%

The increase in Group operating expenses were driven by the increase in other operating expenses, benefits, claims and underwriting expenses and personnel expenses. Upsurge in Group’s other operating expenses was mainly attributed to the increase in office administration and establishment expenses whilst increased mobility during the year resulted in an increase in the benefits, claims and underwriting expense of the insurance segment of the Group. The operating expenses of the Company also increased by 17.85% on account of the increased other operating expenses and personnel expenses.

The cost to income ratio for the Company increased to 42.97% (2020/21: 41.32%) as the Company cleared a backlog in increments driving personnel expenses higher and other expenses also increased by 32.34%. These increases exceeded the increase in NII and fee and commission income during the year resulting in an increased cost to income ratio.

Operating Expenses



Operating Profit Before Taxes on Financial Services

Group: Rs.8,931.13 million ↑ 1.91%

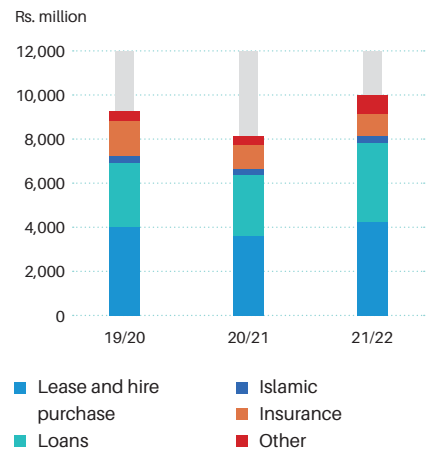
Company: Rs.8,295.20 million ↑ 16.91%

The Company operating profit increased due to the increase in net operating income and the restrained growth in operating expenses. Group operating profit was impacted by the higher benefits, claims and underwriting expenditure as mobility normalised during the year leading to a higher number of accidents and claims.

The following companies recorded their highest historical profits in 2021/22:

- People’s Leasing & Finance PLC
- People’s Leasing Fleet Management LTD
- People’s Micro-commerce LTD

Segment Results



Taxation

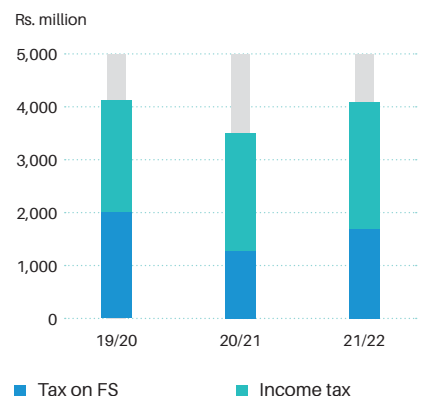
| Rs. million | Tax on Financial Services | Income Tax | Total Taxation |
|-------------|---------------------------|------------------|-------------------|
| Group | 1,705.80 ↑ 33.90% | 2,407.16 ↑ 7.73% | 4,112.96 ↑ 17.24% |
| Company | 1,645.11 ↑ 34.56% | 1,991.08 ↑ 8.24% | 3,636.19 ↑ 18.74% |

Taxes on financial services comprise VAT on financial services which was increased from 15% to 18% during the financial year under review.

The income tax charge of the Company increased during the year in line with the improved profitability.

Total taxation amounted to 19.20% of total operating income of the Group in 2021/22 compared to 17.31% in the year before. Total taxation of the Company amounted to 22.86% in 2021/22 compared to 21.81% in the previous year.

Taxation - Group



Financial Capital

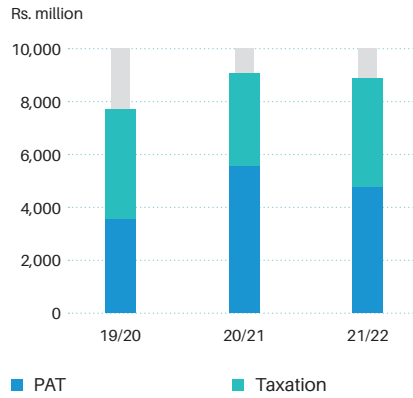
GRI 207-1

Profit After Tax

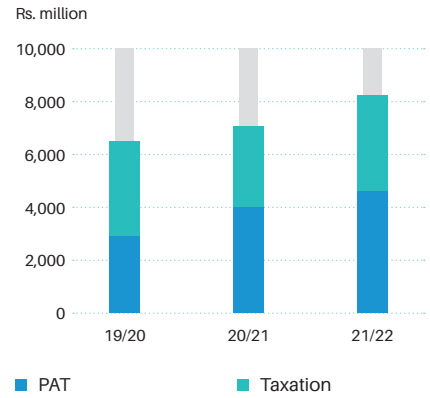
Group: Rs. 4,818.17 million ↓ 13.90%
Company: Rs. 4,659.01 million ↑ 15.52%

The Company made its highest profit after tax aided by increased NII, decreased impairments and managed operating expenses. The Group profit after tax declined due to lower net earned premiums and a higher benefits, claims and underwriting expense at People’s Insurance masking the improved performance of the Fleet Management and Micro financing subsidiaries.

Group PAT



Company PAT



Growth and Resilience

The Group’s balance sheet reflects its financial resilience which improved during the year due to the cautious growth strategies adopted during the year. Capital adequacy, liquidity and asset quality were key priorities of People’s Leasing and the results below reflect our management of the same vis a vis the industry.

| Capital Adequacy Ratios | Company | | Industry | |
|---|---------|---------|----------|---------|
| | 2021/22 | 2020/21 | 2021/22 | 2020/21 |
| Tier 1 capital/core capital ratio (%) | 18.76 | 17.72 | 16.15 | 14.17 |
| Total capital ratio/total risk weighted capital ratio (%) | 19.67 | 18.58 | 17.68 | 15.44 |
| Liquid asset ratio (%) | 148.91 | 194.90 | 57.67 | 36.29 |

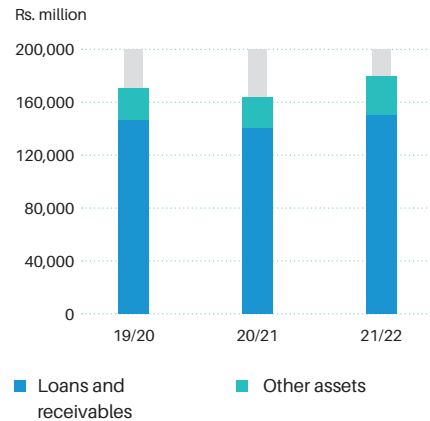
| Asset Quality Ratios | Company | | Industry | |
|---|---------|---------|----------|---------|
| | 2021/22 | 2020/21 | 2021/22 | 2020/21 |
| Gross non-performing advances ratio (%) | 8.78 | 9.21 | 9.11 | 11.29 |
| Net non-performing advances (%) | 1.06 | 1.92 | 1.90 | 2.81 |
| Total net advances to total assets (%) | 83.69 | 85.93 | 76.29 | 76.26 |
| Provision coverage ratio (%) | 72.99 | 63.53 | 69.36 | 64.21 |

Total Assets

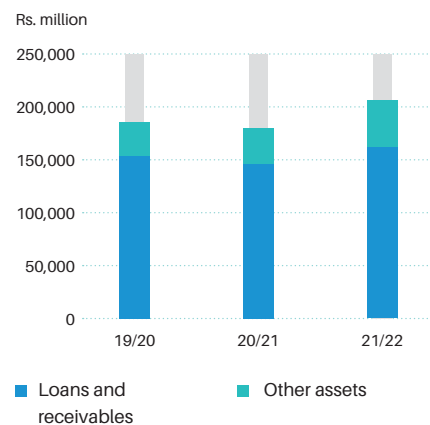
Group: Rs.206,938.32 million ↑ 14.15%
Company: Rs.180,764.58 million ↑ 9.86%

Loans and advances account for 83.69% of the Company’s total assets and 78.92% of total assets of the Group reflecting the judicious credit growth during the year, increasing by 6.99% and 11.10% respectively. At Group level, cash and balances with banks increased by 40.52% 15.77% reflecting the increased liquidity. At Company level, cash and cash equivalents increased by 72.73% to Rs.4,668.83 million. All entities within the Group have adopted selective growth strategies due to the uncertainties in the operating environment, opting to unlock value through efficiencies and recoveries in the short term, which has served to deliver a commendable performance for the reporting year.

Company Total Assets



Group Total Assets



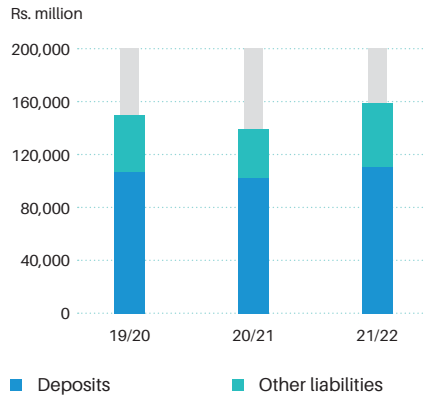
Total Liabilities

Group: Rs. 159,962.51 million ↑ 14.12%
Company: Rs. 141,946.27 million ↑ 9.02%

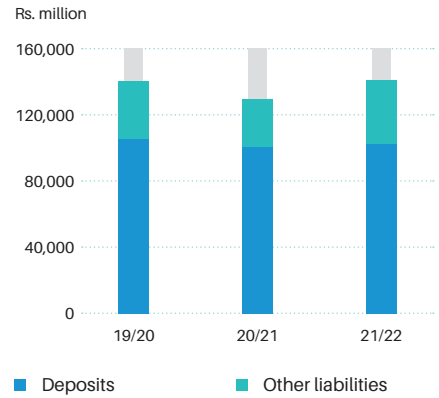
Due to customers is the largest liability on the Statement of Financial Position, accounting for 72.82% and 69.67% of the total liabilities of the Company and the Group. Growth in Due to customers was a mere 1.84% with the Company as there was sufficient liquidity due to the cautious approach to credit growth. At Group level, growth was 7.43% reflecting growth in operations.

Other liabilities increased by 34.41% and 33.17% at Company and Group levels respectively to Rs.38,578.36 million and Rs. 48,508.76 million. Due to banks and debt securities issues increased by 69.93% and 24.98% respectively as the Group funded its business mainly through deposits during the year.

Group Total Liabilities



Company Total Liabilities

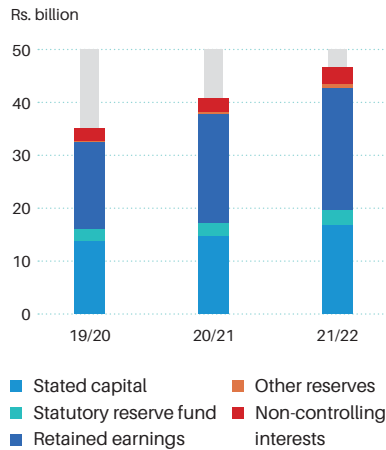


Equity

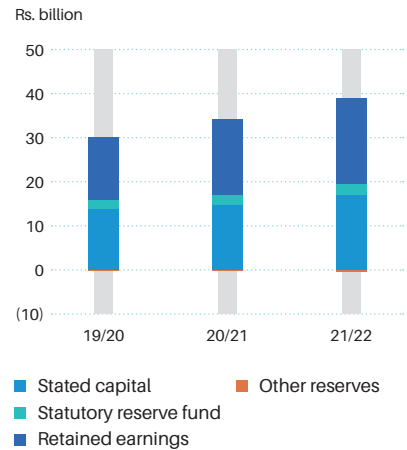
Group: Rs. 46,975.80 million ↑ 14.24%
Company: Rs. 38,818.31 million ↑ 13.04%

The final dividend for 2020/21 amounting to Rs.1,278.45 million and the interim dividend for 2021/22 amounting to Rs. 901.47 million were both scrip dividends, strengthening the core capital. Statutory reserves increased by 9.68% and 10.73 % respectively for the Company and the Group. The Company retained earnings increased by 13.53% to Rs.19,481.61 million while Group retained earnings increased by 11.80% to Rs. 23,122.85 million.

Group Equity

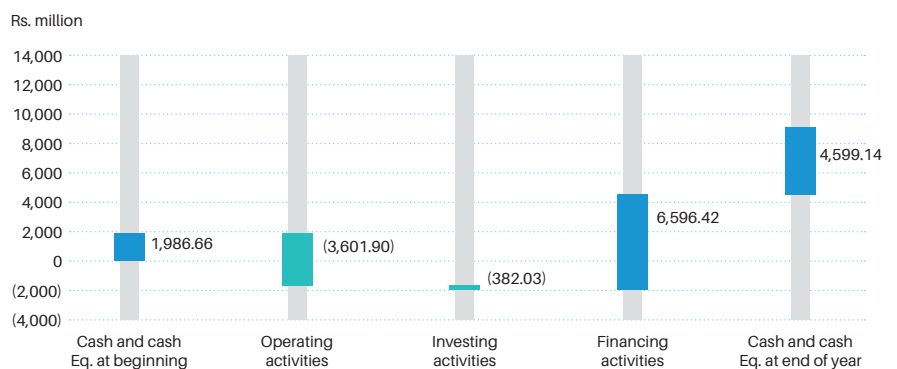


Company Equity



Cash Flows

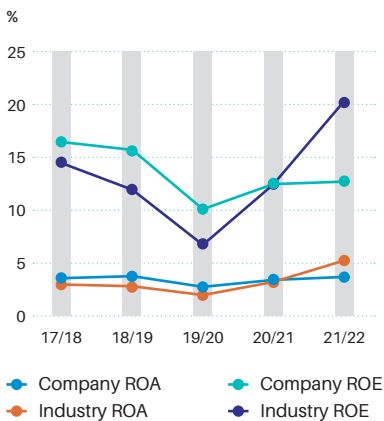
The Group reported a net increase in cash and cash equivalents of Rs.1,124.27 million during the year compared to a decrease of Rs. 4,045.26 million last year mainly due to the net cash generated from financing activities amounting to Rs. 6,154.69 million. Net cash used in investing activities and operating activities amounted to Rs. 188.69 million and Rs. 4,841.74 million respectively.



Financial Capital

The Company Performance Vs Industry

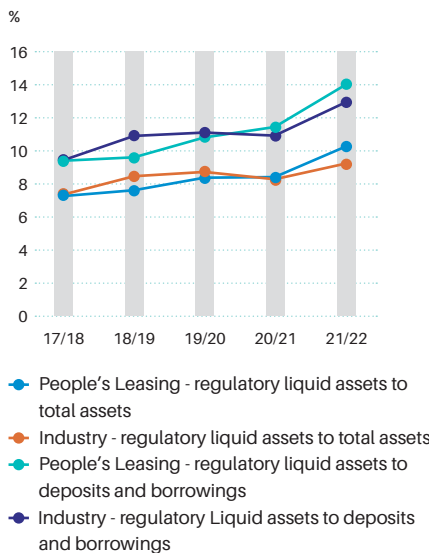
People’s Leasing traded liquidity, asset quality and nurturing employees and customer for growth and profitability amidst the uncertainty of the past three years. As a result, the Company’s return on assets and return on equity has been lower than the industry as we opted to strengthen our financial resilience, positioning ourselves for growth at the right time. The waivers of default interest and the increase in personnel expenses were necessary to sustain the long term relationships which underpin our success and we believe these will support sustainable growth over the long term, maintaining credit quality.



Liquidity Position

With the CBSL relaxing the liquid asset requirement for NBFIs in addition to slow growth of credit due to the economic slowdown resulting from the COVID-19 pandemic, our liquidity position was well above regulatory minimum levels. The excess liquidity at People’s Leasing, a characteristic observed of the overall market, resulted in a negative carry situation, which was overcome to an extent during the last quarter of the year as business volumes grew and deposit outflows were encouraged.

Company Liquidity



Engaging with Investors

We engage with investors for a number of reasons:

- to provide information on our performance, financial resilience
- to provide information on related party transactions
- to provide specific information required by law, regulations and listing rules
- to request for additional capital or repay debt.
- to distribute returns (interest payments and dividend payments)

| Method of Engagement | Frequency |
|--|------------------------------|
| Annual General Meeting | Annually |
| Annual Report | Annually |
| Interim Financial Statements | Quarterly |
| Interim newspaper publications | Semi Annually |
| Press releases | As required |
| Corporate website | Ongoing |
| Corporate disclosures to CSE | As required |
| Correspondence through Company Secretary | As initiated by shareholders |
| Updates on investor | As required |

All disclosures were made within the prescribed periods and in the prescribed formats and were approved by the Board of Directors. The Annual General Meeting was held on 05 August 2021 via an online meeting platform with the participation of shareholders or their proxies. All shareholders received the Annual Report in a digital format, while 60 printed copies were issued for those who specifically requested it in printed format.

Value to Investors

Investors include both shareholders and debenture holders who invest in equity and debt securities issued by the Company. These financial instruments are listed on the Colombo Stock Exchange, enabling investors to trade in these securities in accordance with the investment strategies and plans. Investors are key providers of financial capital that is necessary for the Company’s operations and expect a return for the risks they undertake. Shareholders bear the highest risk and earn a return from dividends and capital gains or losses depending on share price movements. Debenture holders rank above shareholders and earn interest but do not participate in dividends. This section seeks to provide additional information to investors in formulating their investment strategies and decision which is not discussed elsewhere in this report.

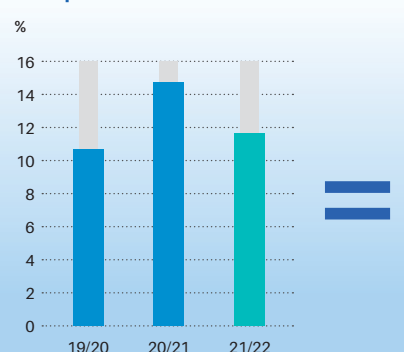


Dupont Analysis

An investor can use DuPont analysis to identify the organization’s strengths and weaknesses, while comparing the operational efficiency and efficient use of assets of similar firms. Utilizing this method, enables decomposition of the different drivers of return on equity (ROE).

During the financial year 2021/22, the Group reported a slight decline in net profit margin, return on assets, and equity multiplier, which ultimately led to a decline in the Group ROE and a minor decline in shareholder value.

Group ROE



Investor Expectations

Sound Corporate Governance

see pages 124 to 155

Financial Stability

see pages 60 to 68

Financial Returns

see pages 60 to 68

Good corporate citizenship

see Social and Relationship Capital and Human Capital on pages 96 to 105 and 88 to 95

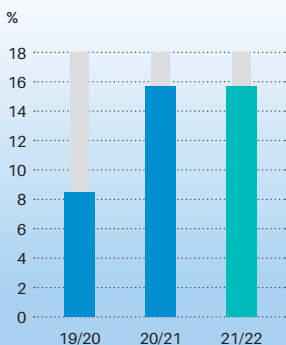
Value Delivered to Shareholders in 2021/22

We seek to provide sustainable growth in earnings for shareholders, carefully balancing concerns of other stakeholders to manage the ability of the Group to create value in the short, medium and long term. Accordingly, we have adopted a consistent dividend policy that provides a sound return on investment for shareholders through dividends and capital gains. The public float of the Company was 24.96% as at 31 March 2022 held by 10,918 shareholders. The public float at the beginning of the year was 24.94% held by 10,018 shareholders.

Float adjusted market capitalisation as at 31 March 2022 was Rs. 3,815,455,367 Company was compliant with option No. 04 of Rule 7.14.1 (i) (a) of the Listing Rules of the Colombo Stock Exchange on minimum Public Holding requirement.

The following measures of performance provide insights into the value created for investors by the Company and Group.

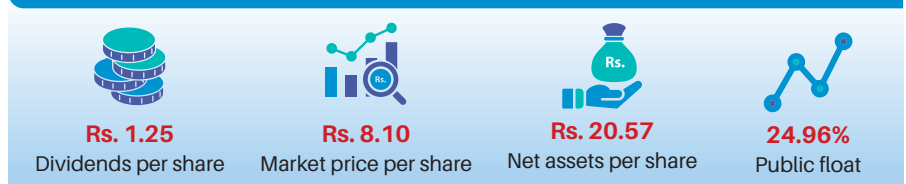
Net Profit Margin



| | 2021/22 | 2020/21 |
|--|---------|---------|
| Group earnings per share (Rs.) | 2.68 | 3.11 |
| Dividend per share (Rs.) * | 1.25 | 0.60 |
| Dividend payout (%) * | 46.79 | 24.22 |
| Dividend yield (%) * | 15.43 | 5.08 |
| Dividend cover (times) * | 2.14 | 4.13 |
| Net asset value per share (Rs.) | 20.57 | 20.15 |
| Price earning (times) | 3.28 | 4.99 |
| Price to book value | 0.39 | 0.59 |
| Return on equity (%) | 12.74 | 12.49 |
| Earnings growth (%) | 15.52 | 37.06 |
| Float adjusted market capitalisation (Rs. billion) | 3.82 | 5.02 |

* Proposed dividend of Rs. 0.50 per share is not included in the above amount for 2021/22. The Final dividend paid for 2020/21 is included.

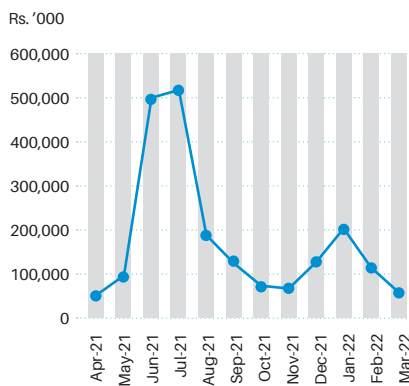
Value to Shareholders



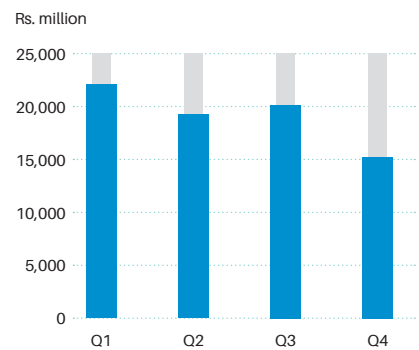
Performance of People’s Leasing Shares on the Colombo Stock Exchange

Ordinary shares issued by People’s Leasing are listed on the CSE and the code assigned in PLC.N0000.

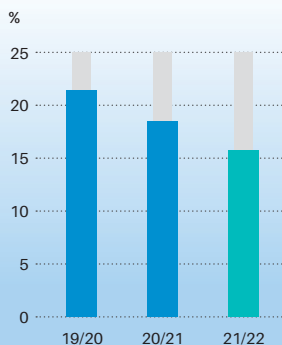
People’s Leasing share trading (Turnover)



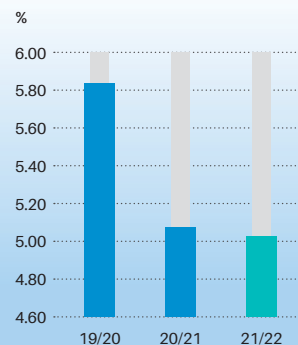
Market Capitalisation



Return on Assets



Equity Multiplier



Financial Capital

Share Information

Share Capital

| | 2022 | | 2021 | |
|------------------------|---------------|------------|---------------|------------|
| | Number | Rs. '000 | Number | Rs. '000 |
| Balance as at 1 April | 1,704,602,760 | 14,892,036 | 1,627,703,388 | 13,915,414 |
| Scrip Dividend | 182,592,242 | 2,179,925 | 76,899,372 | 976,622 |
| Balance as at 31 March | 1,887,195,002 | 17,071,961 | 1,704,602,760 | 14,892,036 |

Information on Movement of Shares Represented by Stated Capital

| Year ended | No. 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 |
| 2019/20 | 1,579,862,482 | - | 47,840,906 | - | 1,627,703,388 | - | 13,915,414,175 |
| 2020/21 | 1,627,703,388 | - | 76,899,372 | - | 1,704,602,760 | - | 14,892,036,208 |
| 2021/22 | 1,704,602,760 | - | 182,592,242 | - | 1,887,195,002 | - | 17,071,960,891 |

Analysis of Shareholdings

Distribution of Ordinary Shareholders

| Distribution of Ordinary Shareholders | 31-Mar-22 | | | | 31-Mar-21 | | | |
|---------------------------------------|---------------------|---------------|---------------|---------|---------------------|---------------|---------------|---------|
| | No. of Shareholders | Shareholder % | No. of Shares | Share % | No. of Shareholders | Shareholder % | No. of Shares | Share % |
| Less than or equal to 1000 | 3,263 | 29.86 | 928,802 | 0.05 | 3,049 | 30.41 | 874,598 | 0.05 |
| 1,001 - 10,000 | 5,581 | 51.08 | 16,968,884 | 0.90 | 5,201 | 51.87 | 14,722,045 | 0.86 |
| 10,001 - 100,000 | 1,761 | 16.12 | 49,438,645 | 2.62 | 1,540 | 15.36 | 41,308,690 | 2.42 |
| 100,001 - 1,000,000 | 281 | 2.57 | 74,366,187 | 3.94 | 204 | 2.03 | 54,571,331 | 3.20 |
| Over 1,000,000 | 40 | 0.37 | 1,745,492,484 | 92.49 | 33 | 0.33 | 1,593,126,096 | 93.47 |
| Total | 10,926 | 100.00 | 1,887,195,002 | 100.00 | 10,027 | 100.00 | 1,704,602,760 | 100.00 |

Composition of Ordinary Shareholders

| Composition of Ordinary Shareholders | 31-Mar-22 | | | | 31-Mar-21 | | | |
|--------------------------------------|---------------------|---------------|---------------|---------|---------------------|---------------|---------------|---------|
| | No. of Shareholders | Shareholder % | No. of Shares | Share % | No. of Shareholders | Shareholder % | No. of Shares | Share % |
| Resident - Individuals | 10,524 | 96.32 | 125,219,931 | 6.64 | 9,670 | 96.44 | 98,936,870 | 5.80 |
| Resident - Institutions | 349 | 3.19 | 1,750,299,666 | 92.75 | 301 | 3.00 | 1,532,638,128 | 89.91 |
| Non-resident - Individuals | 47 | 0.43 | 3,782,369 | 0.19 | 49 | 0.49 | 3,337,558 | 0.20 |
| Non-resident - Institutions | 6 | 0.05 | 7,893,036 | 0.42 | 7 | 0.07 | 69,690,204 | 4.09 |
| Total | 10,926 | 100.00 | 1,887,195,002 | 100.00 | 10,027 | 100.00 | 1,704,602,760 | 100.00 |

Profile of Ordinary Shareholders

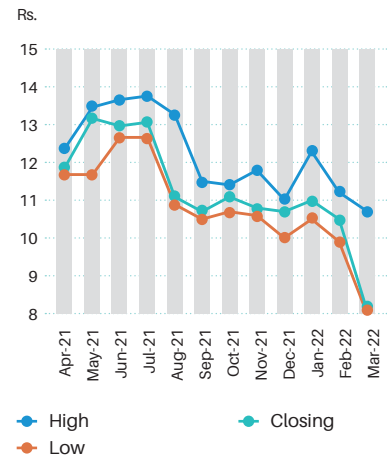
| | 2021/22 | Q4 | Q3 | Q2 | Q1 | 2020/21 |
|---|-----------|----------|----------|----------|----------|----------|
| Share price (Rs.) | | | | | | |
| Highest | 13.80 | 12.30 | 11.80 | 13.80 | 13.70 | 15.40 |
| Lowest | 8.00 | 8.00 | 10.00 | 10.50 | 11.70 | 9.10 |
| Closing | 8.10 | 8.10 | 10.70 | 10.70 | 13.00 | 11.80 |
| Number of transactions | 33,020 | 9,244 | 7,832 | 10,833 | 5,111 | 33,248 |
| Number of shares traded (million) | 178 | 35.47 | 24.46 | 67.64 | 50.37 | 181.88 |
| People's Leasing Turnover (Rs. million) | 2,127 | 375.37 | 264.99 | 834.61 | 651.55 | 2,256.03 |
| People's Leasing turnover to total market turnover (%) | 0.18 | 0.12 | 0.07 | 0.25 | 0.48 | 0.34 |
| Number of days traded | 240 | 58 | 62 | 63 | 57 | 219 |
| Average daily turnover (Rs. million) | 8.86 | 6.47 | 4.27 | 13.25 | 11.43 | 10.30 |
| Market capitalisation - CSE (Rs. billion) | 3,826.50 | 3,826.50 | 5,489.17 | 4,215.63 | 3,470.24 | 3,111.26 |
| Market capitalisation - People's Leasing (Rs. billion) | 15.29 | 15.29 | 20.19 | 19.29 | 22.16 | 20.11 |
| People's Leasing market capitalisation to total market capitalisation (%) | 0.40 | 0.40 | 0.37 | 0.46 | 0.64 | 0.65 |
| Market turnover- Rs. million | 1,151,629 | 302,926 | 380,160 | 332,050 | 136,493 | 668,812 |

Financial Capital

Share Price Movement

| | Apr-21 | May-21 | Jun-21 | Jul-21 | Aug-21 | Sep-21 | Oct-21 | Nov-21 | Dec-21 | Jan-22 | Feb-22 | Mar-22 |
|---------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| High (Rs.) | 12.40 | 13.50 | 13.70 | 13.80 | 13.30 | 11.50 | 11.40 | 11.80 | 11.00 | 12.30 | 11.20 | 10.70 |
| Low (Rs.) | 11.70 | 11.70 | 12.70 | 12.70 | 10.90 | 10.50 | 10.70 | 10.60 | 10.00 | 0.50 | 9.90 | 8.00 |
| Closing (Rs.) | 11.90 | 13.20 | 13.00 | 13.10 | 11.10 | 10.70 | 11.10 | 10.80 | 10.70 | 11.00 | 10.50 | 8.10 |

People's Leasing & Finance PLC Share Price Movement



Twenty Largest Shareholders

| No. | Name of the Shareholder | 31-Mar-22 | | Comments | 31-Mar-21 | |
|-----|--|----------------------|---------------|------------------|------------------------|---------------|
| | | No. of Shares | % | | No. of Shares | % |
| 1 | People's Bank | 1,415,396,247 | 75.00 | No change | 1,278,452,068 | 75.00 |
| 2 | Employee's Provident Fund | 102,429,667 | 5.43 | No change | 92,519,266 | 5.43 |
| 3 | National Savings Bank | 52,162,973 | 2.76 | 1 Position up | 47,116,037 | 2.76 |
| 4 | Sri Lanka Insurance Corporation Ltd-Life Fund | 23,251,615 | 1.23 | New entrant | - | - |
| 5 | Rubber Investment Trust Ltd A/C No 01 | 22,146,695 | 1.17 | No change | 17,713,821 | 1.04 |
| 6 | Employees Trust Fund Board | 17,981,739 | 0.95 | No change | 12,482,939 | 0.73 |
| 7 | Bank of Ceylon No. 1 Account | 13,681,680 | 0.72 | No change | 12,357,934 | 0.72 |
| 8 | Perera and Sons Bakers Pvt Limited | 11,000,000 | 0.58 | No change | 8,000,000 | 0.47 |
| 9 | Sri Lanka Insurance Corporation Ltd-General Fund | 10,366,140 | 0.55 | No change | 7,577,469 | 0.44 |
| 10 | Ceylon Investment PLC A/C # 02 / Ceylon Investment PLC A/C No. 01 | 7,210,797 | 0.38 | 1 Position up | 1,581,888 5,161,675 | 0.40 |
| 11 | Mercantile Investments and Finance PLC | 7,033,570 | 0.37 | New entrant | - | - |
| 12 | AIA Insurance Lanka Limited A/C No.07 | 5,133,072 | 0.27 | 2 Positions down | 5,204,702 | 0.31 |
| 13 | Ceylon Guardian Investment Trust PLC A/C # 02 | 4,273,247 | 0.23 | No change | 3,396,923 | 0.20 |
| 14 | Mellon Bank N.A-Acadian Frontier Markets Equity Fund | 3,932,508 | 0.21 | 3 Positions up | 2,735,108 | 0.16 |
| 15 | Mr W. A. S. P. De Saram | 3,855,488 | 0.20 | New entrant | 2,388,626 | 0.14 |
| 16 | Commercial Bank Of Ceylon PLC/Metrocorp (Pvt) Ltd | 3,478,264 | 0.18 | 2 Positions down | 3,141,732 | 0.18 |
| 17 | Hatton National Bank PLC A/C No.4 (HNB Retirement Pension Fund) | 3,248,816 | 0.17 | 2 Positions down | 2,934,483 | 0.17 |
| 18 | J. B. Cocoshell (Pvt) Ltd | 3,226,807 | 0.17 | New entrant | 500,000 | 0.03 |
| 19 | Mr M. J. Fernando | 3,049,015 | 0.16 | 2 Positions down | 2,765,895 | 0.16 |
| 20 | Mr K. D. H. Perera | 2,881,010 | 0.15 | New entrant | 323,686 | 0.02 |
| | Subtotal | 1,715,739,350 | 90.88 | | 1,504,772,364 | 88.36 |
| | Other shareholders | 171,455,652 | 9.12 | | 199,830,396 | 11.64 |
| | Total | 1,887,195,002 | 100.00 | | 1,704,602,760 | 100.00 |

Directors' and CEO's Shareholding**As at 31 March 2022**

| Name | Position | Appointed Date / Resigned date | No of shares |
|------------------------|----------|--------------------------------|--------------|
| Mr Sujeewa Rajapakse | Chairman | | 165,858 |
| Mr Rohan Pathirage | Director | | 402,628 |
| Mr Azzam A. Ahamat | Director | | - |
| Mr Ranjith Kodituwakku | Director | | - |
| Mr S. Ahangama | Director | Resigned w.e.f 24 August 2021 | - |
| Mr K. C. J. C. Fonseka | Director | | 57,932 |
| Mr C. J. Wijetillake | Director | | 5,233 |
| Mr U. L. A. W. Bandara | Director | | - |
| Ms M. C. Pietersz | Director | | - |
| Mr S.J.M. Marcelline | CEO | | - |

As at 31 March 2021

| Name | Position | Appointed Date / Resigned date | No of shares |
|------------------------|----------|-----------------------------------|--------------|
| Mr Sujeewa Rajapakse | Chairman | | 149,812 |
| Mr Rohan Pathirage | Director | | 363,673 |
| Mr Azzam A. Ahamat | Director | | - |
| Mr S. Ahangama | Director | | - |
| Mr K. C. J. C. Fonseka | Director | | 52,358 |
| Mr C. J. Wijetillake | Director | | - |
| Mr U. L. A. W. Bandara | Director | | - |
| Ms M. C. Pietersz | Director | | - |
| Mr S. J. M. Marcelline | CEO | Appointed w.e.f. 25 November 2020 | - |

Value to Debenture holders

People's Leasing issues debentures to strengthen the funding position and minimise the maturity mismatches. All debentures in issue at present are unsecured and listed on the CSE. During the year, People's Leasing raised Rs.10 billion through the issue of senior unsecured listed redeemable rated three year (2021/2024) and five year (2021/2026) debentures at a par value of Rs.100/- each. Initial issue was Rs. 4 billion with an option to raise up to a further Rs. 6 billion at the discretion of the company in the event of an oversubscription. The issue was oversubscribed, strengthening the funding position of the Company.

Maintaining financial stability is a sine qua non for sustainable growth. Accordingly, our solvency ratios are as follows reflecting the prudent management of the group.

Solvency and Debt Capital

| | 2021/22 | 2020/21 | Change % |
|---|---------|---------|----------|
| Debt to equity ratio excluding deposits (Times) | 0.75 | 0.59 | 26.59 |
| Tier 1 capital ratio, % | 18.76 | 17.72 | 0.06 |
| Total capital ratio, % | 19.67 | 18.58 | 0.06 |
| Interest cover (Times) | 1.61 | 1.45 | 11.30 |
| Current ratio (Times) | 0.79 | 0.76 | 4.26 |

Value To Debenture Holders

Rs. 1.88 billion
Interest paid to Debenture holders

Rs.10 billion
Debentures Issued in
2021/22

Rs.17.24 billion
Debentures in issue

Financial Capital

Debenture Market Information

As at 31 March 2022

| Type | Type A | Type B | Type A | Type B | Type C | Type D |
|--|---------------|---------------|--------------|--------------|--------------|--------------|
| Tenure (Years) | 4 years | 5 years | 3 years | 3 years | 5 years | 5 years |
| Issue Date | 18 April | 18 April | 21 July | 21 July | 21 July | 21 July |
| Maturity Date | 22 April | 23 April | 24 July | 24 July | 26 July | 26 July |
| Interest Rate | Fixed | Fixed | Fixed | Zero Coupon | Fixed | Zero Coupon |
| Coupon Rate (%) | 12.40 | 12.80 | 8.00 | - | 9.00 | - |
| Effective Annual Yield (%) | 12.40 | 12.80 | 8.00 | 8.00 | 9.00 | 9.00 |
| Interest Rate Comparable Government Security (%) | 9.25 | 9.77 | 6.25 | 6.25 | 6.93 | 6.93 |
| Frequency of Interest Payable | Annual | Annual | Annual | - | Annual | - |
| Rating | A+ | A+ | A+ | A+ | A+ | A+ |
| Amount (Rs. million) | 705 | 5,295 | 2,943 | 2,420 | 4,272 | 365 |
| ISIN No. | LKR0399D23997 | LKR0399D23989 | LK0399D24847 | LK0399D24839 | LK0399D24821 | LK0399D24854 |
| Market Value (Rs.) | | | | | | |
| Highest | Not traded | Not traded | Not traded | Not traded | Not traded | Not traded |
| Lowest | Not traded | Not traded | Not traded | Not traded | Not traded | Not traded |
| Closing | Not traded | Not traded | Not traded | Not traded | Not traded | Not traded |
| Current Yield (%) | 12.40 | 12.80 | 8.00 | - | - | - |
| Yield to Maturity (%) | 12.40 | 12.80 | 8.00 | 8.00 | 9.00 | 9.00 |

As at 31 March 2021

| Type | Type A | Type B |
|--|---------------|---------------|
| Tenure (Years) | 4 years | 5 years |
| Issue Date | 18 April | 18 April |
| Maturity Date | 22 April | 23 April |
| Interest Rate | Fixed | Fixed |
| Coupon Rate (%) | 12.40 | 12.80 |
| Effective Annual Yield (%) | 12.40 | 12.80 |
| Interest Rate Comparable Government Security (%) | 9.25 | 9.77 |
| Frequency of Interest Payable | Annual | Annual |
| Rating | A+ | A+ |
| Amount (Rs. million) | 705 | 5,295 |
| ISIN No. | LKR0399D23997 | LKR0399D23989 |
| Market Value (Rs.) | | |
| Highest | Not traded | Not traded |
| Lowest | Not traded | Not traded |
| Closing | Not traded | Not traded |
| Current Yield (%) | 12.40 | 12.80 |
| Yield to Maturity (%) | 12.40 | 12.80 |

Way Forward



Financial Capital Trade-offs





Our Branch right-sizing initiative continued during the year, as we sought to maximise space utilisation and enhance our digital footprint.

Components of Manufactured Capital

Nurturing Manufactured Capital



111
Branches



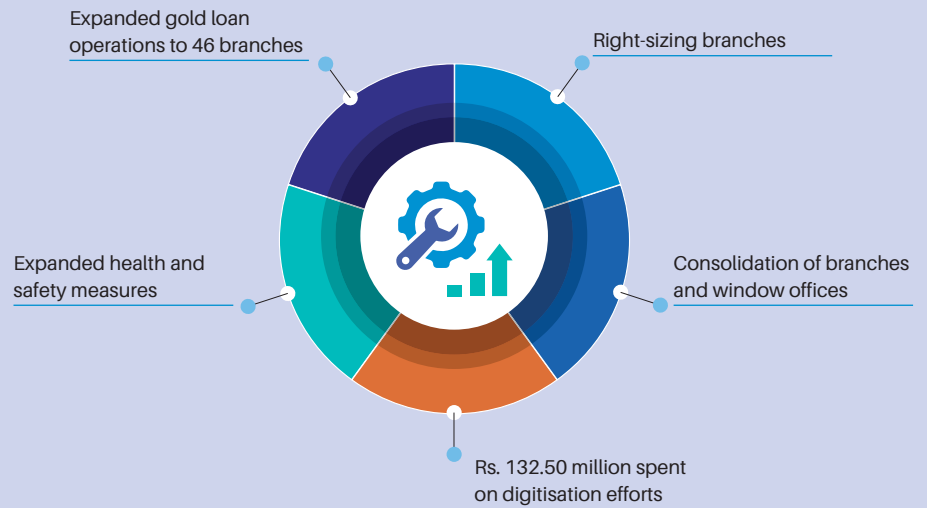
62
Window Offices



46
Gold Loan Operating Branches



Digital Infrastructure



Support of Manufactured Capital towards overall value creation

Our physical and digital infrastructure enable us to expand our reach, enhance customer service and improve operational efficiencies to create sustainable value for our stakeholders.

Key Outcomes

- Upgraded 8 window offices
- More than 470,000 digital transactions
- Process automation and process efficiencies leads notable savings to the Company



Progress achieved on 2021/22 Goals

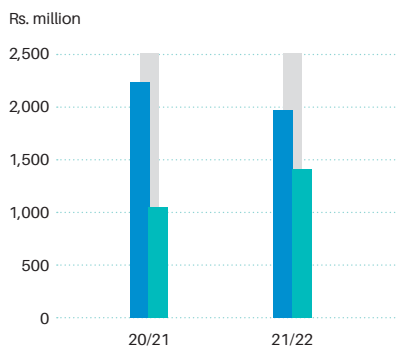
| | |
|--|--------------|
| Right size Branches | |
| Increase operational efficiency through better space utilisation | |
| Progress Key | |
| Initiated | Ongoing |
| Completed | Not Achieved |

Contribution to SDG’s



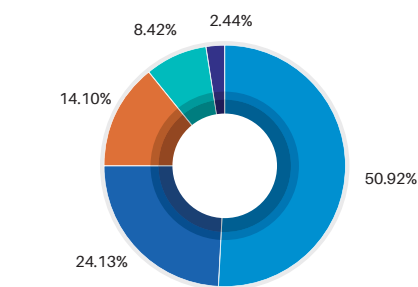
Measuring Success

Our Manufactured Capital



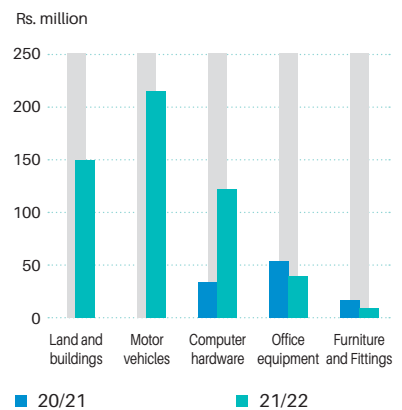
■ Right of use assets
■ Property plant and equipment

Property, Plant and Equipment Composition



■ Land and buildings
■ Motor vehicles
■ Computer hardware
■ Office equipment
■ Furniture and fittings

Addition to Property Plant and Equipment



■ 20/21
■ 21/22

34.74% growth in Property Plant and Equipment during the year

Manufactured Capital

Our Manufactured Capital

Manufactured Capital consist of our physical and digital infrastructure which include property plant and equipment, investment property and right-of-use assets and property, plant and equipment (PPE).

| Net Book Value | | As at 31 March 2022 Rs. million | As at 31 March 2021 Rs. million | Growth |
|-------------------------------|---|---------------------------------------|---------------------------------------|----------|
| Property, Plant and Equipment | PPE consisted of freehold land and buildings, improvements to leasehold properties, motor vehicles, computer hardware, office equipment, furniture and fittings | 1,413.78 | 1,049.25 | 34.74% |
| Right-of-use Assets | Right-of-use assets comprised prepaid lease rentals to acquire land use rights and leasehold property containing land use rights. | 1,972.38 | 2,242.44 | (12.04)% |
| Investment Property (Group) | The land and building owned by People's Leasing Havelock Properties Ltd located at Nos. 7 and 9 Havelock Road, is rented out to People's Bank, People's Insurance PLC and People's Leasing & Finance PLC. The portion of the property rented out to People's Bank, based on the square footage, is the value of the Group's investment property | 820.66 | 820.66 | - |

GRI 102-6

Physical Infrastructure

Our physical infrastructure include the 111 branches, 62 window offices and 46 gold loan operating branches spread out across all nine provinces.

| | % of Total Loan Portfolio | Branches | Window Offices | Gold Loan Operating Branches |
|------------------------|---------------------------|------------|----------------|------------------------------|
| Central Province | | 11 | 7 | 8 |
| Eastern Province | | 8 | 8 | 3 |
| North Central Province | | 7 | 6 | 4 |
| North Western Province | | 11 | 7 | 4 |
| Northern Province | | 7 | 6 | 6 |
| Sabaragamuwa Province | | 9 | 10 | 2 |
| Southern Province | | 16 | 9 | 3 |
| Uva Province | | 6 | 5 | 1 |
| Western Province | | 36 | 4 | 15 |
| Total | | 111 | 62 | 46 |

Enhancement of Physical Infrastructure

- Upgraded Window Offices **08**
- Right sizing Branches **02**
- Gold Loan Operating Branches **05**
- Branch Re-locations **05**

We continued with our branch space maximisation initiative by upgrading and renovating branch infrastructure to maximise space utilisation. Several low footfall branches were also re-located in prime locations to expand our reach.

Meanwhile we continued to ensure the health and safety of our customers and staff by implementing the highest health and safety protocols across all our locations.

GRI | 416-1

Digital Infrastructure

Responding to the rapid shift to digitisation and new working models post COVID-19, we continued to enhance our digital value proposition through ongoing investments in IT infrastructure. During the year we invested Rs. 132.50 million to strengthen our IT infrastructure. Further details of our digitisation efforts can be found in our Intellectual Capital Report on pages 80 to 87.

Way Forward

Short Term 2022/23

- Decentralise some functional areas and give branches more autonomy to provide speedy service to customers
- Increase operational efficiency through better space utilisation

Medium Term - 3 years

- Update the Company’s products with technological features to ensure customer convenience.
- Promote environment friendly measures in the establishment and maintenance of the branch network

Long Term

- Establishment of green branches

Manufactured Capital Trade-offs



Investments in manufactured capital negatively impact financial capital in the short-run, however the operational efficiencies achieved positively impact financial capital in the long term.



Process automation improves employee productivity and moral.



Operational efficiencies brought about by enhancing manufactured capital improve customer satisfaction, positively impacting social and relationship capital



Efficient space utilisation and greater digitisation reduce consumptions of resources thereby positively impacting natural capital



Intellectual capital underpins the sustainable value creation to stakeholders in knowledge-based service organisations such as People’s Leasing. It is also a source of key competitive advantage and differentiation in an increasingly competitive landscape.

Components of Intellectual Capital



Product Portfolio



Brand Equity



Organisation Culture



Tacit Knowledge



Systems and Processes

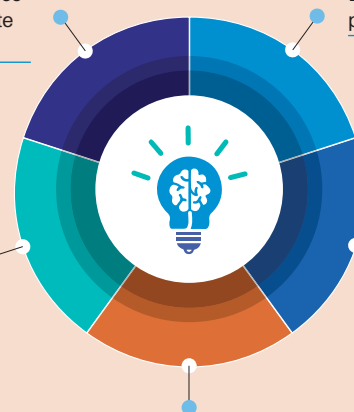


Software Licenses

Nurturing Intellectual Capital

Among the top 20 Companies of Transparency in Corporate Reporting

Reinforced risk management processes



Digitalisation of key processes

Continuous strengthening of our domestic franchise

Encouraging employee led process and product innovation

Support of the Intellectual Capital towards overall value creation

Intellectual capital being a key strength and a competitive differentiator for People’s Leasing continuously supports the value creation process. Comprehensive product portfolio, brand image, culture of the organisation, knowledge of employees and updating systems and processes

collectively contribute towards delivering an outstanding service to customers .

Key Outcomes

- Brand value of Rs. 6.51 billion
- Cumulative experience
- Digital transformation
- “Most loved brand” in leasing sector
- Prestigious awards and accolades for integrated annual report



Progress achieved on 2021/22 Goals

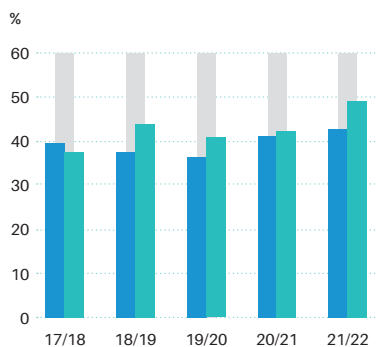
| | |
|---|----------------------|
| <p>Re-engineering of Business Processes Successfully implemented regional operations monitoring systems and introduced CAPP process to speed up credit approval process</p> | |
| <p>Paperless Drive Introduction of e-memos, DCHEQUE process and processing board papers through digital platform</p> | |
| <p>Progress Key</p> | |
| <p>Initiated </p> | <p>Ongoing </p> |
| <p>Completed </p> | <p>Not Achieved </p> |

Contribution to SDG’s

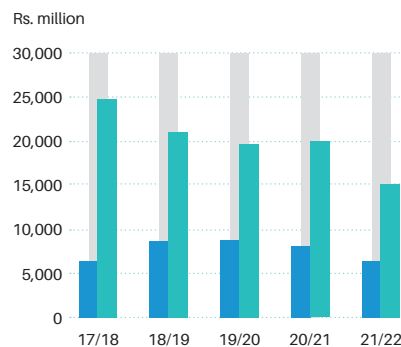


Measuring Success

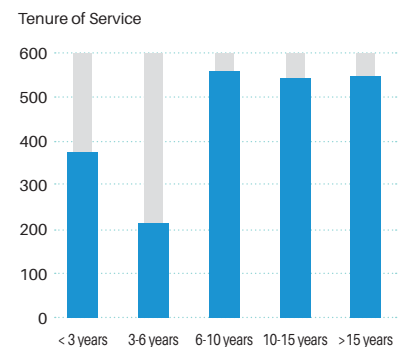
Efficiency (Cost to Income)



Brand Value and Market Capitalisation



Tacit Knowledge



■ Company
 ■ Industry

■ Brand value
 ■ Market capitalisation

Brand Value assessed at
Rs. 6.51 billion
by Brand Finance, Sri Lanka

Intellectual Capital



Accolades

- Ranked amongst “The Next 100 Global Awards 2021” in the Non-Banking Financial Institutions category at the Global Banking and Finance Awards
- Ranked 48th amongst Sri Lanka’s Most Respected Entities for 2021 by LMD
- Ranked at 27th in the ‘Top 40’ by Business Today in 2021
- Ranked as the Highest Rated Financial Services Provider in Sri Lanka in the Brands Annual 2021
- Ranked No 1 as the ‘Most Loved Brands’ in the Country in Leasing in the Brands Annual 2021
- Among top 20 Companies from 75 Public Limited Companies in Sri Lanka in Transparency of Corporate Reporting (TRAC) 2021.



Annual Report Awards

- **Joint Second Runner up (Category: Financial Services)** – Best Presented Annual Report Awards, Integrated Reporting Award and SAARC Anniversary Award for Corporate Governance Disclosures 2020 by South Asian Federation of Accountants
- **Silver Award** in Finance Companies and Leasing Companies (Total Asset Above LKR 20 BN) category at the 56th Annual Report Awards Ceremony of the Institute of Chartered Accountants of Sri Lanka
- **Ranked among the “Ten Best Integrated Reports”** at the CMA Excellence in Integrated Reporting Awards , 2021 by Certified Management Accountants of Sri Lanka
- **“Best Disclosure on Strategic Focus”** at the CMA Excellence in Integrated Reporting Awards - 2021



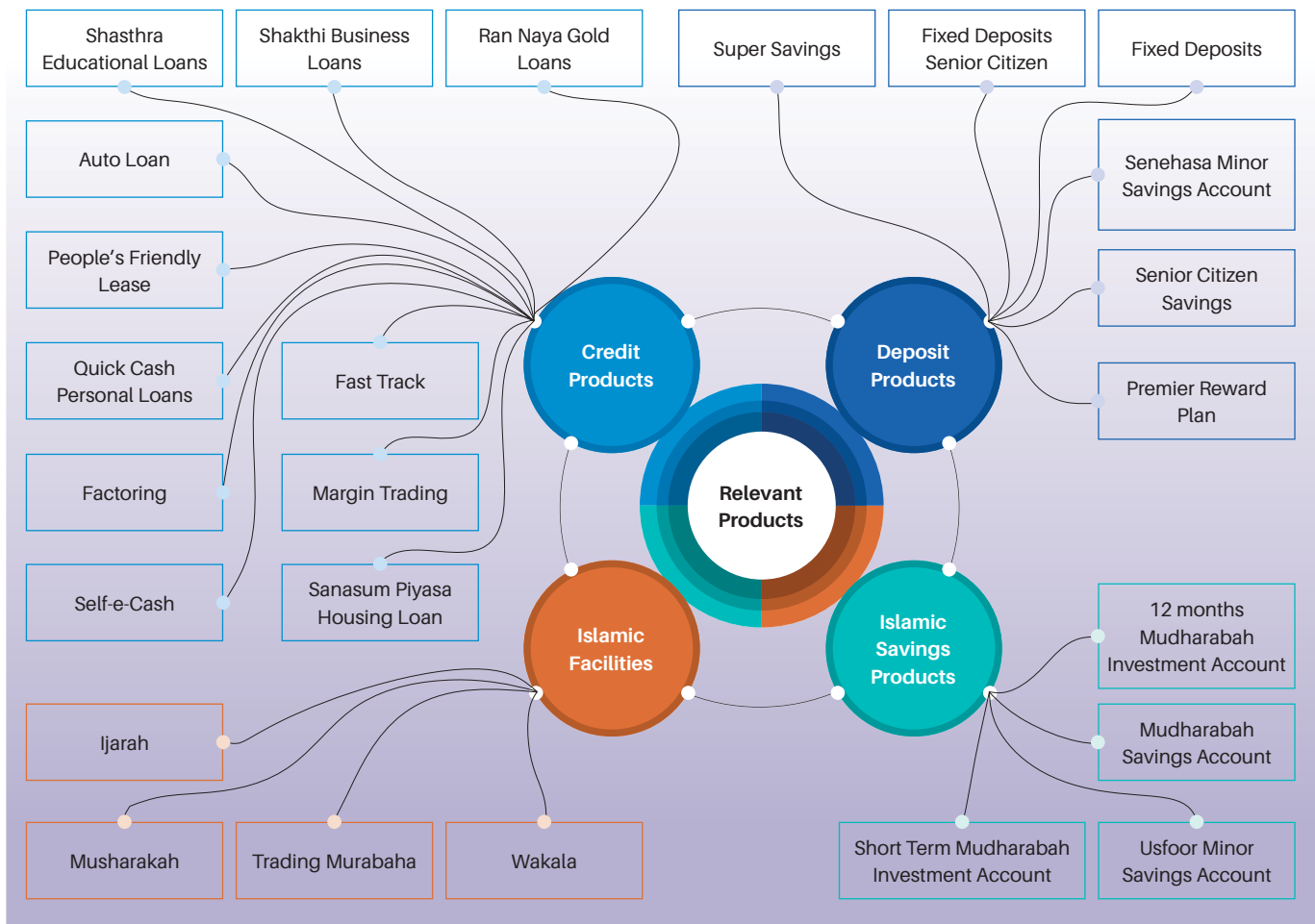
Intellectual Capital

GRI 102-2

Our Brand

We celebrated our 25th Anniversary during the year which was an appropriate time to thank our customers who made our amazing journey possible. Their support enabled us to become Sri Lanka’s Best Loved Brand in Leasing in this milestone year, affirming the value created for our customers and the reputation we built in the process through strong commitment to corporate values. Our brand value was also assessed at Rs. 6.51 billion by Brands Finance Sri Lanka in 2022. The accolades set out on the previous page also serve as testimony to the trust built over the years by providing access to finance for over 380,000 customers, paving the way for our customers to grow their business.

Our commitment to transparency in reporting our performance has supported building of the brand. People’s Leasing was an early adopter of Sustainability Reporting with the GRI Framework, evolving over the years to add on the Integrated Reporting Framework. Our quest for excellence ESG reporting as it is better known today has been inspired with early recognition of our efforts at national award programmes and more recently, at international award programmes. We have won many awards for excellence in corporate reporting during the past decade and reporting year as same. The awards won during the reporting year are set out on the previous page. The Corporate Governance Report on pages 124 to 155 provides further information on how Integrated Reporting is embedded into our governance and decision making processes. We remain committed to contributing and setting benchmarks in this rapidly evolving area.

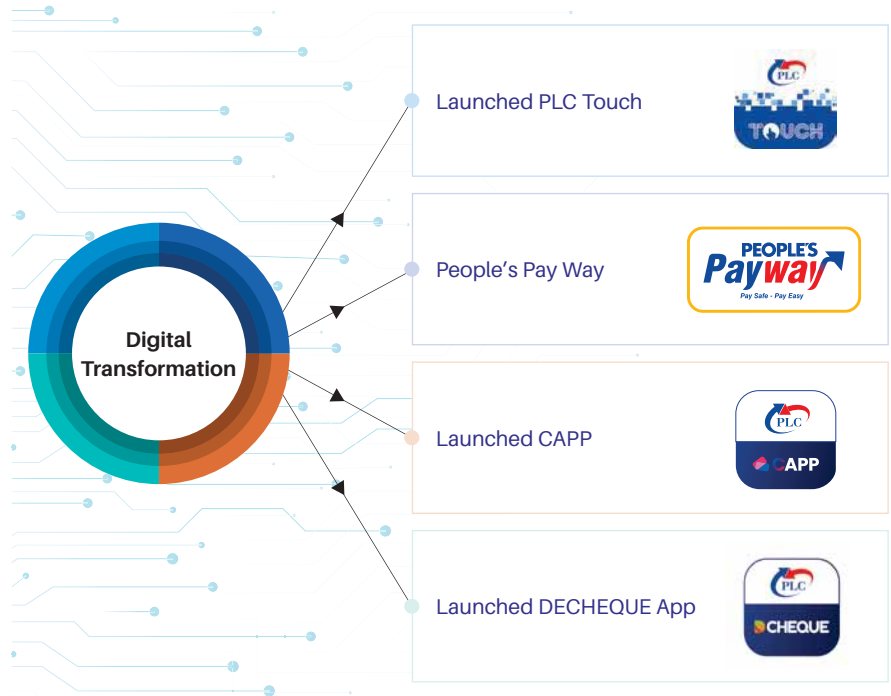


Digital Transformation

People’s Leasing made considerable progress on its digital transformation, launching several applications that will empower our employees to do their routine tasks more efficiently and effectively.

People’s Leasing & Finance PLC recently unveiled its mobile application – **PLC Touch** - to facilitate a convenient user experience. The state-of-the-art app has interesting features including an insurance component which is a first for a banking app in Sri Lanka.

People’s Leasing is the first NBFi to deliver a product of this nature to the market. This has the ability to make QR code-based and utility bill payments, ability to manage savings while mapping activities of any other account with any other bank, PLC loan and leasing rental payment through any bank account via the app, “Call & Go” feature to simplify the claim process in the event of an accident and ability to obtain a new insurance policy within minutes minus the tedious paperwork.



People’s Leasing & Finance PLC and its affiliate company, People’s Insurance together with People’s Bank launched a multi-service network for all customer payments enhancing customer convenience. This latest service facility has been introduced as **“People’s Pay Way”** and the People’s Bank Self Banking Unit now facilitates People’s Leasing’s Lease/ Loan installments, Gold Loan payments and the payments of insurance premiums of People’s Insurance. Customers can make their premiums or any other payment by cash through People’s Pay Way by using the Cash Deposit Machines (CDM) and if credit/debit card are used through People’s Bank KIOSK machines.

Launch of **CAPP** empowered our sales teams, enabling initiation of credit proposals through an online portal which moves via a seamless process to online approval, significantly improving customer turnaround times.

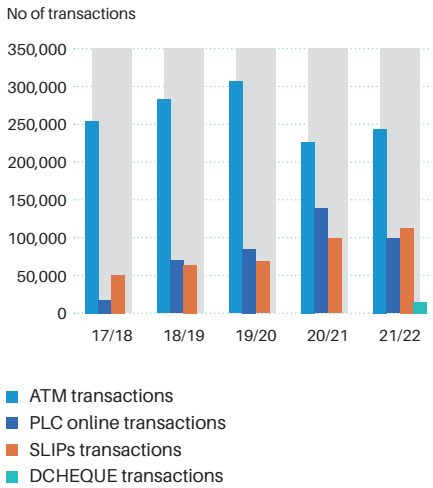
The **DCHEQUE** is another digital transformation initiative developed by the People’s Leasing IT Team in partnership with People’s Bank. This new payment proposition includes SLIPS, CEFT, RTGS

and internal fund transfers options. This solution is designed and interfaced with People’s Bank to ensure the most secured and controlled way to verify the payments issued by the platform. This will facilitate to eliminate the physical signature requirement by enabling digital signature printing, based on a secured approval process, automating the Company’s payments.

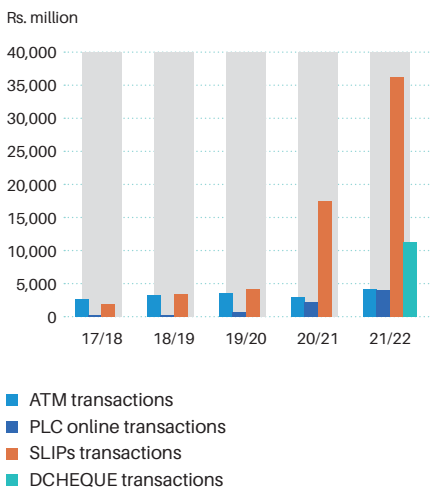
| Effectiveness of Virtual Platforms | |
|------------------------------------|-----|
| Total active users | 97 |
| Active channels | 53 |
| Guests | 1 |
| Meetings Organised | 512 |

Intellectual Capital

Digital Transaction Volumes



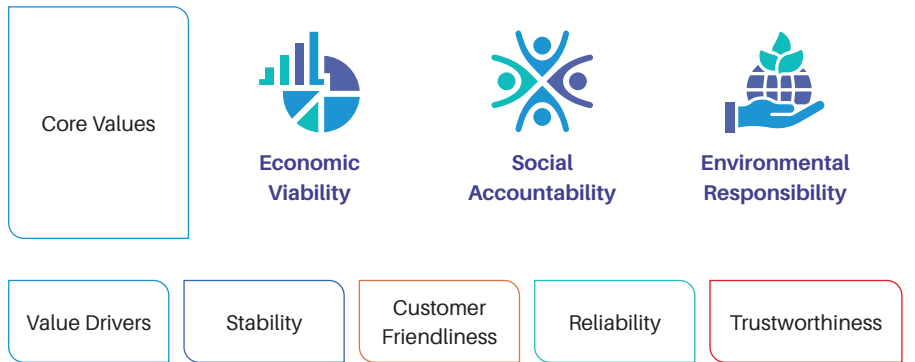
Digital Transaction Values



Several process improvements were also carried out as part of our digital transformation drive. Our Human Resource Information System (HRIS) was upgraded and a new Learning Management Solution (LMS) has been implemented in order to improve the employee knowledge and operational efficiency. Meanwhile a new inventory management system and e-memo workflow management system is also being implemented as part of paper-less drive initiatives.

Our Culture

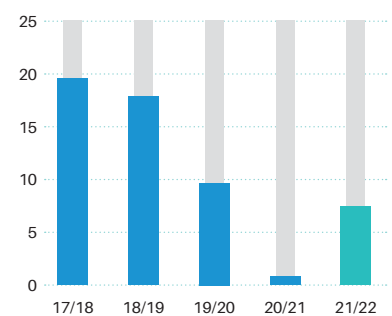
Corporate culture defines who we are as an organisation. People's Leasing nurtures an open and collaborative culture where our values are reinforced. The need for balancing stakeholder concerns is well understood and recalibrated in an appropriate manner, particularly during times of extreme stress as we have seen through the past three years. Customer centricity is balanced with due regard for process and risk awareness. Employees are encouraged to voice their concerns and take ownership for driving the change in a continuously evolving organisation. The digital transformation within the organisation is also transforming the effectiveness of our people and creating a digitally enabled workforce that is also connected to customers who are at different stages of their own digital journeys. It is a culture that is enriched by the diversity of skills, location, gender, ethnicity, religion, age and other criteria as we work together harmoniously towards the achievement of our Vision, Mission and Goals.



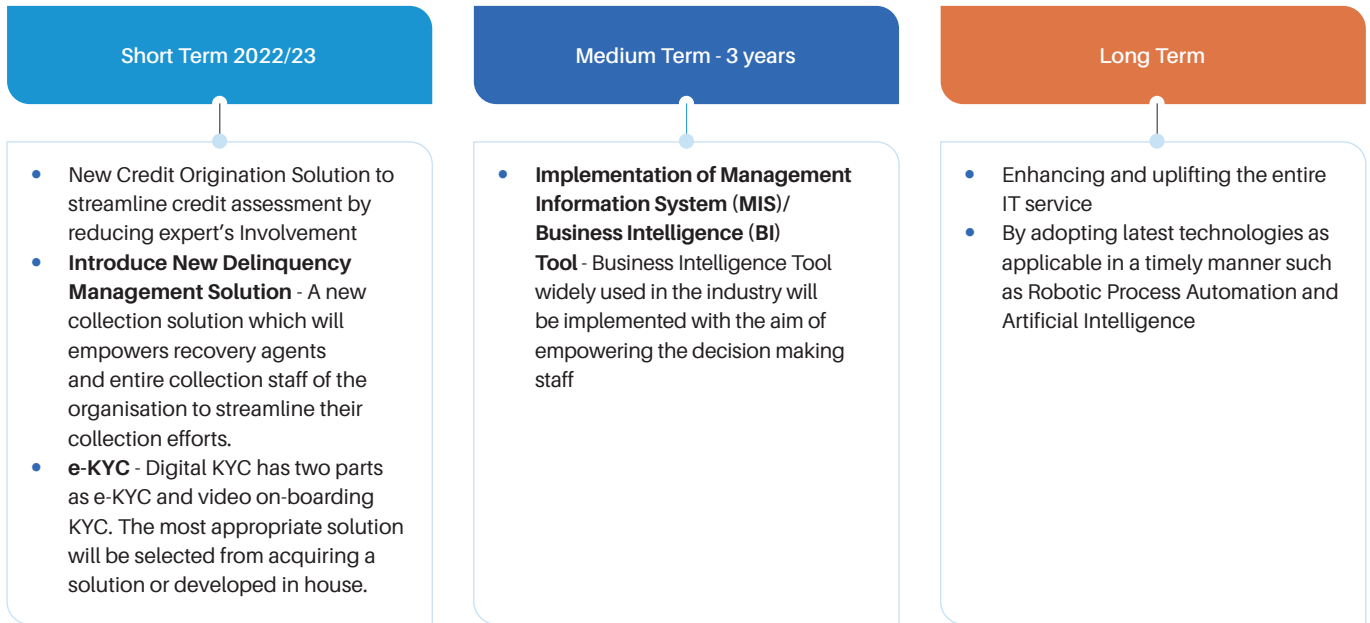
Tacit Knowledge, Skills and Experience

People's Leasing has been committed to the training, mentoring and development of our staff, nurturing the Company's tacit knowledge which underpins every aspect of how we do business. The mentoring culture nurtured over the years is a key strength in the passing of expertise and experience to new generations of employees which is reinforced through formal training. The Group also offers competitive remuneration to support retention of people which supports the retention of tacit knowledge. It is noteworthy that we have relied significantly on tacit knowledge during the past two years as the pandemic disrupted training which has now resumed. The experience gained during the past three years as we worked to find solutions for unprecedented challenges for which text book guidance was limited has served to enrich the tacit knowledge of the organisation as we increased our reliance on it. As we progress on our digital journey, harnessing the tacit knowledge of our people and shaping it to suit a digital era will be a critical success factor in maintaining our competitive edge in the market.

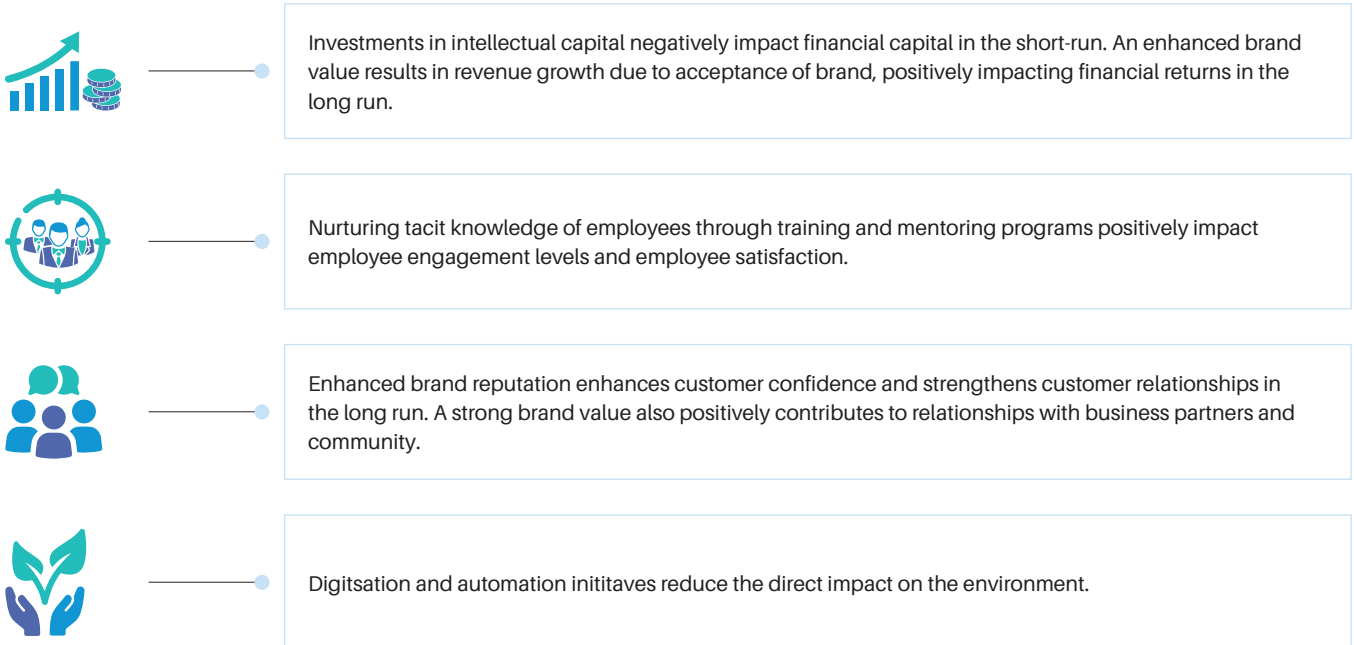
Average Training Hours per Employee



Way Forward



Intellectual Capital Trade-offs





We continued to support our employees navigate the disruptions caused by the pandemic whilst focusing on training and development to create a future-fit team.

Components of Human Capital



Diverse skills, qualifications and education of our employees

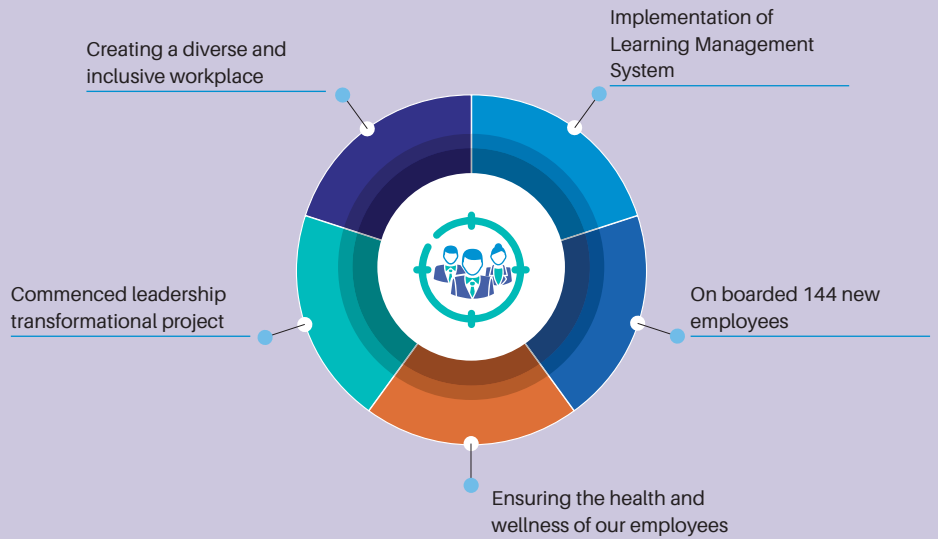


Work Experience of our senior team



Dedication and drive of our employees

Nurturing Human Capital

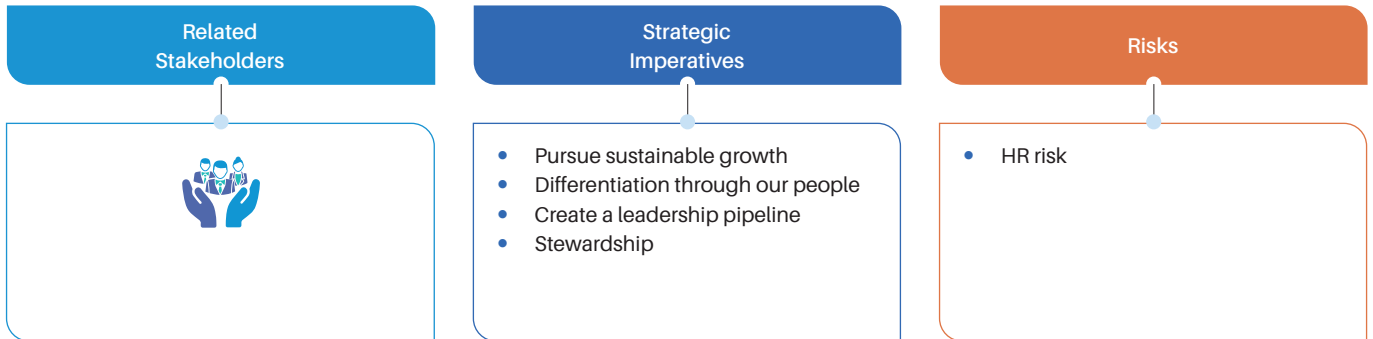


Support of Human Capital towards overall value creation

As a service organisation, our team of 2,245 employees play a critical role in our value creation process, directly contributing to service quality and customer satisfaction levels.

Key Outcomes

- High levels of customer satisfaction
- Continuation of operations with minimal disruptions
- Product innovation
- Great place to work



Progress achieved on 2021/22 Goals

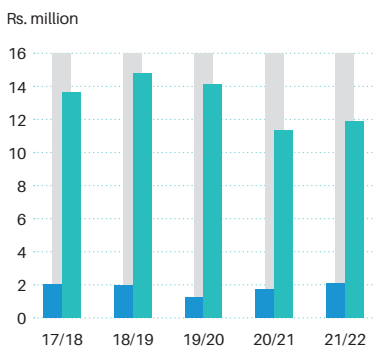
| | | | |
|---|---------|-----------|--------------|
| Increase employee knowledge through training and development Progress Achieved 62,742.55 training hours via electronic learning platforms (LMS) conducted during the year. | | | |
| Progress Key | | | |
| Initiated | Ongoing | Completed | Not Achieved |

Contribution to SDG’s

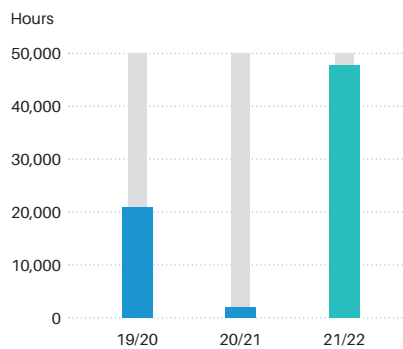


Measuring Success

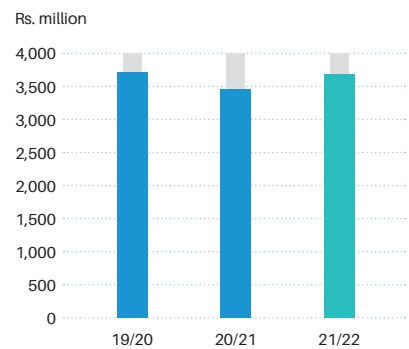
Employee Productivity



Total Training Hours



Total Payments to Employees



- Profit /employee (Rs. million)
- Revenue /employee (Rs. million)

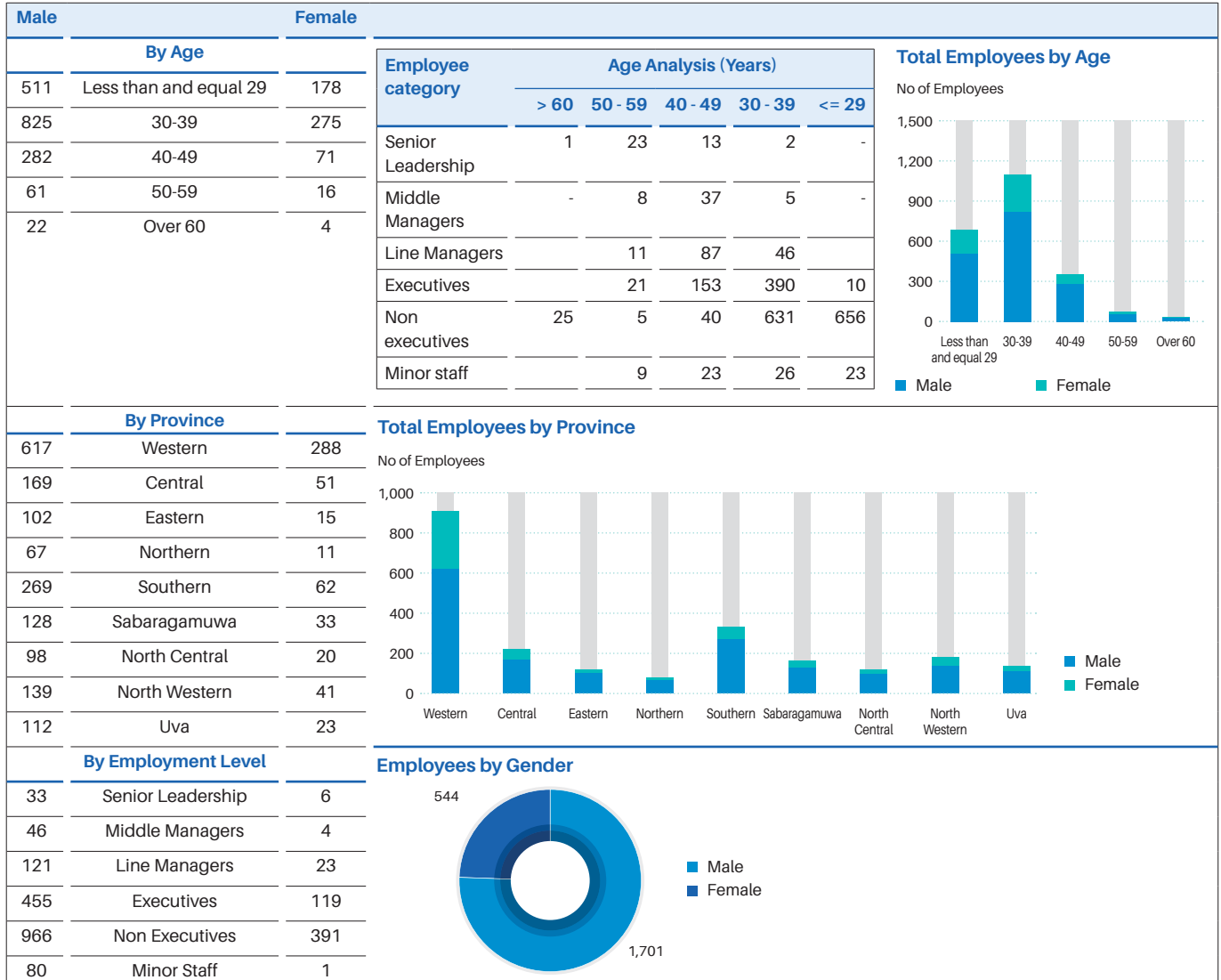
Retention rate has averaged at 91.59% during the last three years reflecting a high satisfaction rate among employees

Human Capital

GRI 102-8,405-1

Team Profile

Employee Analysis by Gender



Employee Analysis by Contract Type

| | Permanent | Probation | Contract | Casual |
|---------------|-----------|-----------|----------|--------|
| Male | 1594 | 83 | 24 | 10 |
| Female | 511 | 24 | 9 | 10 |
| Western | 855 | 35 | 15 | 7 |
| Central | 212 | 5 | 3 | 3 |
| Eastern | 102 | 14 | 1 | 0 |
| Northern | 71 | 6 | 1 | 1 |
| Southern | 311 | 15 | 5 | 2 |
| Sabaragamuwa | 152 | 9 | 0 | 3 |
| North Central | 106 | 10 | 2 | 3 |
| North Western | 167 | 9 | 4 | 1 |
| Uva | 129 | 4 | 2 | 0 |

* The entire workforce made up of the full-time employees

GRI 102-16, 407-1

HR Governance

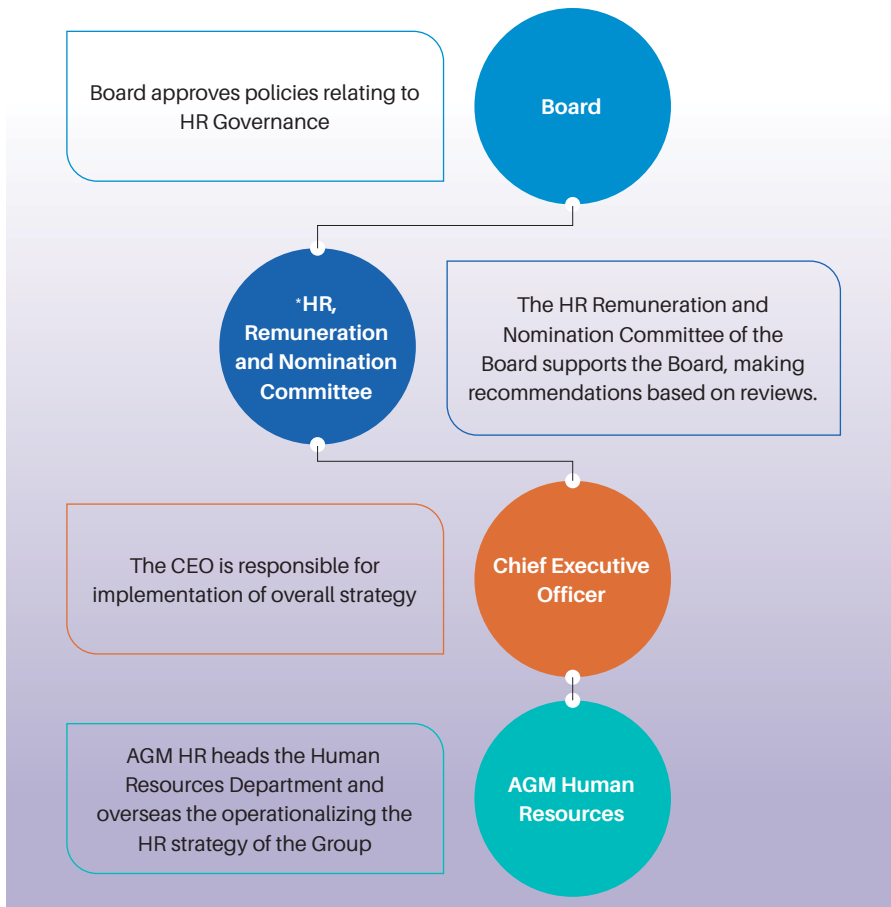
A robust governance structure is in place to ensure transparency and accountability in the HR function. The Human Resources Department (HRD) is responsible for the formulation and operationalisation of the HR strategy with the oversight from the CEO and the Board. The Remuneration and Nomination Committee supports the Board with recommendations based on reviews conducted in collaboration with the HRD.

A comprehensive HR policy framework has also been developed to facilitate effective management and development of human capital. These policies continue to be reviewed and updated to reflect changing requirements. During the year the Code of Conduct and Disciplinary Procedure was updated. We also formalised the grievance handling mechanism with a

laid-out procedure for grievance handling. Meanwhile several policies including the Promotions policy, Social Media Policy, Remote Access Policy, Mobile Phone Usage Policy and Work from Home Policy were reviewed and updated during the year.

As part of our overall digitisation efforts, we are also in the process of upgrading our Human Resource Information System (HRIS) to increase operational efficiencies of the HR function. User Acceptance Testing (UAT) of the new system is currently underway and training is being provided to HR staff to use the system.

As a responsible corporate entity, we ensure that all laws and regulations pertaining to child labour and forced/ compulsory labour are strictly adhered to. There were no reported instances with non-compliance with labour or any other laws during the year.



*HR, Remuneration and Nomination Committee was discontinued w.e.f. 27 January 2022 and the responsibilities were reassigned under two separate independent Sub Committees as the Human Resources and Remuneration Committee and the Nomination Committee.

GRI 401-1

Recruitment and Turnover

Despite ongoing disruptions caused by the pandemic, our recruitment activities picked up pace during the year. A total of 144 new employees were on boarded during the year with a majority of our new recruits being among the non-executive carder.

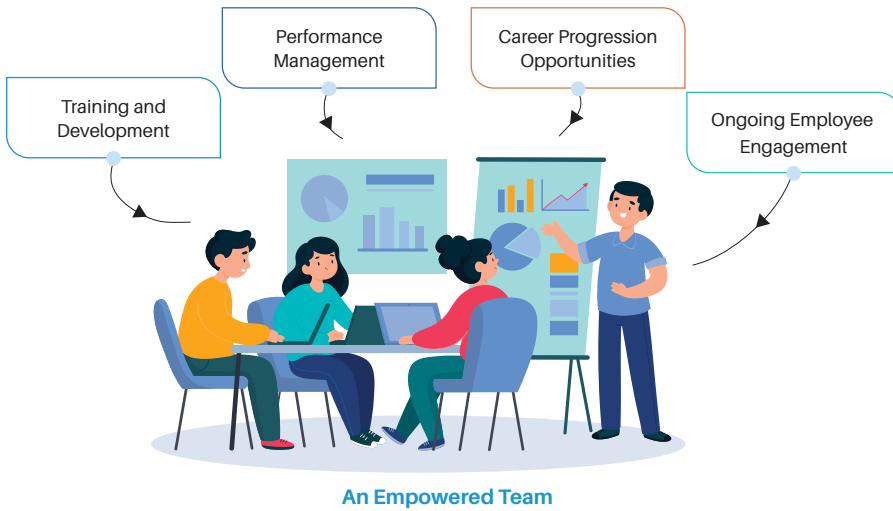
Our recruitment policies are aimed at attracting the right talent for the right job in a fair and transparent manner. Potential candidates go through a structured recruitment process to ensure that we recruit the talent that is a best-fit for the role and the Company. Meanwhile as an equal opportunity employer we ensure that no candidate is discriminated on gender, age, ethnicity or any other basis.

| | New Recruits | Exits |
|------------------------|--------------|------------|
| Gender | | |
| Male | 102 | 176 |
| Female | 42 | 45 |
| Age | | |
| Less than and equal 29 | 113 | 117 |
| 30-39 | 18 | 75 |
| 40-49 | 4 | 14 |
| 50-59 | - | 7 |
| Over 60 | 9 | 8 |
| Province | | |
| Western | 50 | 120 |
| Central | 5 | 15 |
| Eastern | 15 | 5 |
| Northern | 7 | 19 |
| Southern | 21 | 15 |
| Sabaragamuwa | 10 | 9 |
| North Central | 14 | 7 |
| North Western | 14 | 27 |
| Uva | 8 | 4 |
| Total | 144 | 221 |

Human Capital

Empowering our Employees

Creating an empowered team that is able and willing to embrace change will be a critical success factor as we navigate in an increasingly complex operating environment.



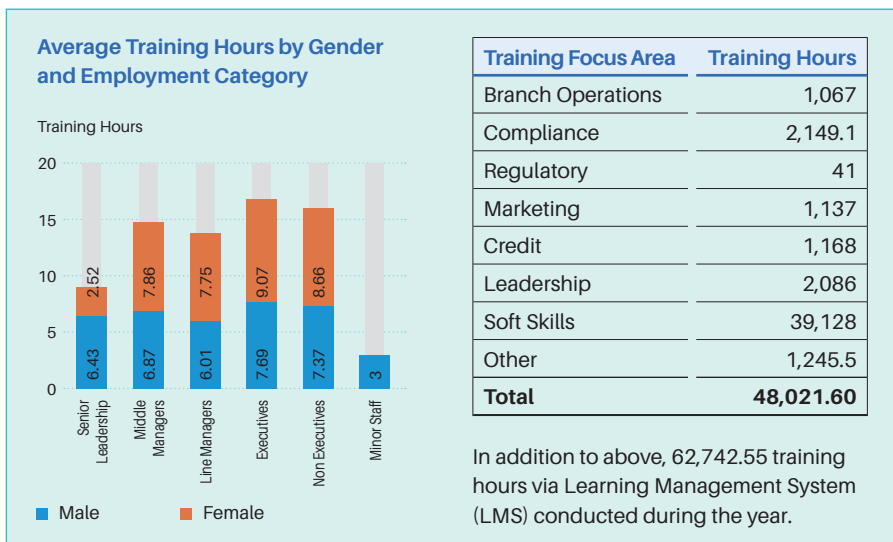
GRI 404-1

Training and Development

A wide range of training opportunities are made available to employees to enhance technical and soft skills on an ongoing basis. Training programmes are conducted involving the internal resource personnel as well as external resource personnel to ensure the widest possible exposure to employees.

Training needs are identified through the performance appraisal process and are linked to the strategic needs of the organisation through periodic Training Needs Analysis. Post training evaluations are conducted to assess the outcome.

With physical training activities continuing to be impacted by the pandemic, we gradually increased learning opportunities offered on electronic learning platforms to continue our training activities uninterrupted. During the year we rolled out a Learning Management solution increasing the percentage of e-learning hours and offering a range of innovative training options to our employees.



Performance Management

Employees are appraised based on KPI’s that have been communicated at the beginning of the year. Despite the disruptions caused by the pandemic, entire staff received performance evaluation reviews during the year. An in-house online evaluation system was introduced to the Head Office and will be rolled-out across the Company in the next evaluation cycle. During the year we updated all our KPI’s for Head office staff based on the evolving market conditions. We are also in the process of developing a new Performance Management system for senior and chief managers to bring greater alignment between performance and recognition.

Career Progression and leadership Development

All positions including leadership positions are first advertised internally, to ensure that internal employees are provided opportunities for career progression. Meanwhile a structured process which includes customised training and on-the job training is in place to identify and develop employees for management positions within the organisation. A key initiatives during the year was to carry our job evaluations and develop job descriptions for Corporate Management in order to bring about greater role clarity. A new promotions policy was also approved during the year to strengthen our promotions process within the organisation.

We also initiated a leadership transformational project during the year aimed at strengthening our leadership pipeline. The program involved training and development opportunities for identified employees with leadership potential.

Employee Engagement

Ongoing employee engagement ensures that employee voices are heard and that they are true partners in the organisation’s growth journey. Employee engagement also serves to build camaraderie among employees contributing to a strong team spirit. While many of the planned employee engagement activities could not be conducted during the year due to health restrictions, we recommended CEO led Townhall meetings where employees are apprised of the way forward and key priorities. We also carried out several virtual and physical engagement activities such as singing competition,

PLC Award Ceremony - 2020/21 (Virtual engagement activities) and skip level meetings (Physical engagement activity). Meanwhile employees at every level are encouraged to contribute with ideas and suggestions for improving operational excellence through a virtual strategic forum.

As part of our efforts to increase employee engagement, we also strengthened our grievance handling mechanism during the year. Accordingly, guidelines were developed for an escalation mechanism and to ensure confidentiality of the aggrieved party.

Employee Engagement Mechanisms

- Intranet
- Emails and memos
- New policies and policy revisions
- Branch visits
- Virtual meetings Strategic planning session
- People’s Knowledge Hub
- HR portal
- Employee union
- Grievance mechanism
- Toastmasters’ Club
- Performance appraisals

GRI 102-41, 407-1

Labour Relations

65.12 % of our employees belong to our Employee Union although the company has no Collective Agreement with the Union. Three members of the corporate team have been appointed to address concerns raised by the union and to engage in an ongoing dialog with the Union. We respect the right of freedom of association and continue to maintain ongoing and cordial relationship with our unions . Any significant operational changes are communicated in advance to employees.

Caring for Our Employees

Our employees are our greatest asset and we remain committed to ensuring their safety and wellbeing.

GRI 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-9

Employee Health and Safety

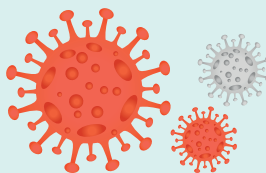
Ensuring the health and safety of our employees remained a key concern during the year. In addition to adhering to

highest safety protocols at all our locations, measures such as Work-from-Home options, duty/ relaxed work arrangements to pregnant and vulnerable staff, allowing outstation staff to report to branches closest to them, random antigen testing continued during the year as we sought to minimise the risk of infection to employees. Meanwhile we also provided financial support to employees infected with the virus with a grant in the case of an employee, and interest free loan in the case of a family member. Dry ration packs were also offered to employees in quarantine.

Apart from these special measures taken to address the health threat from COVID-19, general health and safety measures such as regular fire drills, fire safety equipment and the appointment of trained fire-drill captains have been adopted across all our locations . Employees are also provided a quarterly medical allowance for outdoor medical expenses and health insurance for hospitalisation based on respective employment grade. Ongoing awareness programs are also conducted to ensure the general wellbeing of our employees and employees are encouraged to highlight any potential risks or concerns regarding health and safety issues.

COVID-19 Health and Safety Response

- COVID-19 Special Task Force was formed to monitor developments and implement precautionary measures
- Implementation of Business Continuity Plan
- Work- from- Home Policy and rotational shifts for essential employees
- Flexible work arrangements for vulnerable groups
- Financial support
- Stringent safety protocols including random antigen testing



| Work-related ill health | |
|---|------|
| Total Cases of recordable work-related ill-health (no of cases) | 03 |
| lost days recorded due to these accidents | 78.5 |

GRI 401-2

Remuneration and Benefits

Total payments to employees during the year amounted to Rs. 4,002.41 million. Employees are entitled to a range of benefits in addition to a fixed pay and variable pay component that is based on company and individual performance. Equal opportunity policies of People’s Leasing also ensure that there is no gender, ethnic or other form of discrimination in its remuneration, recognition and rewards schemes and structures. People’s Leasing has 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.

Benefits Offered to Permanent Employees

EPF and ETF, overtime payment, leave encashments, gratuity, Medical, accident, and life insurance | Critical illness fund for illnesses not covered by medical insurance | A concessionary vehicle loan scheme | Housing loan interest reimbursement scheme | Reimbursements on the cost of mobile phones for designated staff | Death donation benefits | Reimbursement of exam fees for professional examinations | Holiday Bungalow facility at Bandarawela, and residential facility at Maradana and Maharagama for visiting outstation staff members at concessionary rates. | Fully-equipped gymnasium at the Head Office.

Human Capital

| Key Benefits | 2021/22 Rs. million | 2020/21 Rs. million |
|---------------------------|------------------------|------------------------|
| Salaries and bonus | 2,526.68 | 2,190.18 |
| EPF | 195.50 | 188.76 |
| ETF | 48.89 | 47.46 |
| Overtime | 33.16 | 29.02 |
| Leave encashment | 76.62 | 1.80 |
| Allowances and incentives | 873.71 | 731.06 |
| Casual wages | 0.82 | 1.17 |
| Medical insurance | 164.14 | 164.18 |
| Gratuity | 82.89 | 111.74 |
| Total | 4,002.41 | 3,465.37 |

GRI 406-1

Respecting Diversity

We are committed to creating a diverse, inclusive workforce that accepts and celebrates diversity in all its forms. We adopt a zero-tolerance policy on any form of discrimination based on gender, ethnicity, religion or any other grounds and responsibly state that there were no reported incidents of discrimination during the year.

Striving for gender parity remains a key focus and we continued to achieve steady progress in these efforts. We have reported on the progress achieved in the ensuing Gender Parity Report. The report has been prepared in compliance with the Gender Reporting Framework of the Institute of Chartered Accountants of Sri Lanka.

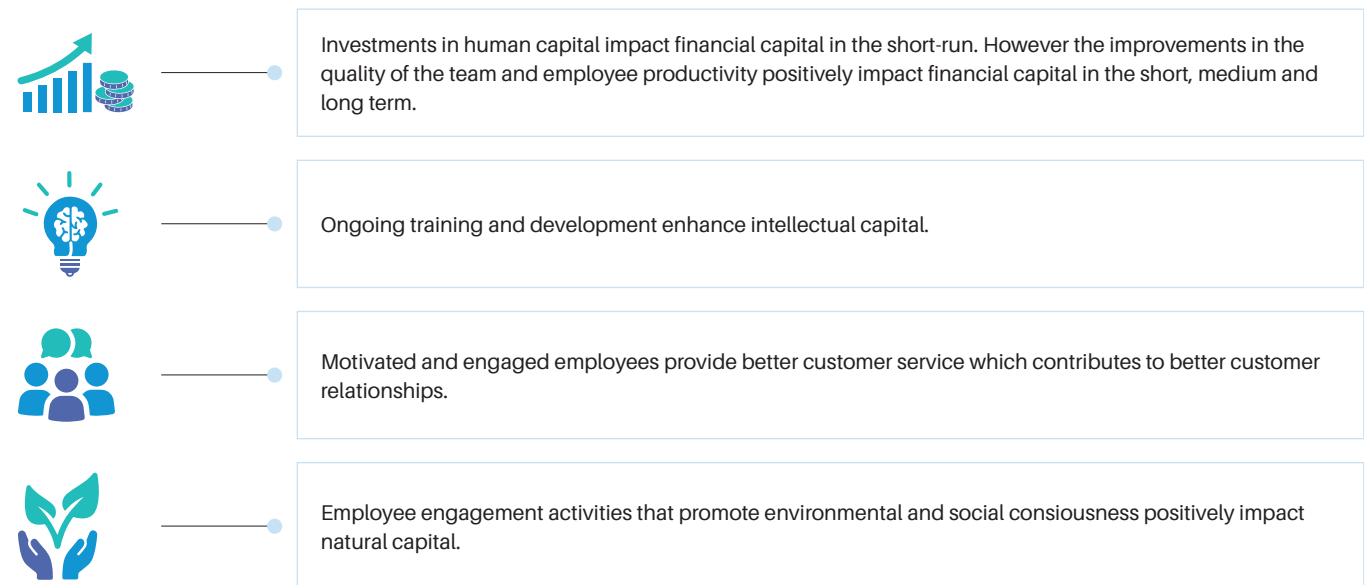
| Gender Parity Report | | | | | | | | | | | | | |
|--|---|---------------|--|--------|---|---------------|---|------------|---|---------------|-------|---------------|--------------|
| We strive to create a culture that promotes gender equality by having in place policies and procedures that empower women. | | | | | | | | | | | | | |
| Enablers Policies <ul style="list-style-type: none"> Equal opportunity employer Policy against sexual harassment No gender discrimination in pay Grievance Policy Work Place Practices that Promote Gender Parity <ul style="list-style-type: none"> Maternity leave in line with Shop and Office Act Flexible working arrangements for pregnant women during the COVID-19 pandemic | Composition <table border="1"> <thead> <tr> <th></th> <th>Male</th> <th>Female</th> </tr> </thead> <tbody> <tr> <td>Recruitments</td> <td>102 70.83%</td> <td>42 29.17%</td> </tr> <tr> <td>Promotions</td> <td>837 77.07%</td> <td>249 22.93%</td> </tr> <tr> <td>Exits</td> <td>176 79.64%</td> <td>45 20.36%</td> </tr> </tbody> </table> <p><i>*For gender breakdown by employment category and geography refer page 90 above.</i></p> | | Male | Female | Recruitments | 102 70.83% | 42 29.17% | Promotions | 837 77.07% | 249 22.93% | Exits | 176 79.64% | 45 20.36% |
| | Male | Female | | | | | | | | | | | |
| Recruitments | 102 70.83% | 42 29.17% | | | | | | | | | | | |
| Promotions | 837 77.07% | 249 22.93% | | | | | | | | | | | |
| Exits | 176 79.64% | 45 20.36% | | | | | | | | | | | |
| Gender Gap Indicators <table border="1"> <thead> <tr> <th></th> <th>2021</th> </tr> </thead> <tbody> <tr> <td>Proportion of females who received a performance bonus</td> <td>24.23%</td> </tr> <tr> <td>Proportion of Women Who Received Training</td> <td>30.68%</td> </tr> <tr> <td>Percentage of Women who returned to work after parental leave and were still employed 12 months after returning to work</td> <td>75.00%</td> </tr> </tbody> </table> | | 2021 | Proportion of females who received a performance bonus | 24.23% | Proportion of Women Who Received Training | 30.68% | Percentage of Women who returned to work after parental leave and were still employed 12 months after returning to work | 75.00% | Responsible Brand As a responsible brand we are committed to promoting a positive narrative on female empowerment within our organisation and in the wider society. | | | | |
| | 2021 | | | | | | | | | | | | |
| Proportion of females who received a performance bonus | 24.23% | | | | | | | | | | | | |
| Proportion of Women Who Received Training | 30.68% | | | | | | | | | | | | |
| Percentage of Women who returned to work after parental leave and were still employed 12 months after returning to work | 75.00% | | | | | | | | | | | | |

| Gender Parity Report | | |
|----------------------|--------|--------------------|
| Employee Category | Gender | Basic Salary Ratio |
| Senior Leadership | M | 1.00 |
| | F | 0.72 |
| Middle Managers | M | 1.00 |
| | F | 0.86 |
| Line Managers | M | 1.00 |
| | F | 1.06 |
| Executives | M | 1.00 |
| | F | 1.11 |
| Non executives | M | 1.00 |
| | F | 1.03 |
| Minor staff | M | 1.00 |
| | F | 1.06 |

Way Forward



Capital Trade-offs





We continued to strengthen our relationships with our customers, business partners and community by proactively anticipating their evolving requirements.

Components of Social and Relationship Capital



Customer Relationships



Relationships with Strategic Business Partners



Relationships with local Communities

Nurturing Social and Relationship Capital

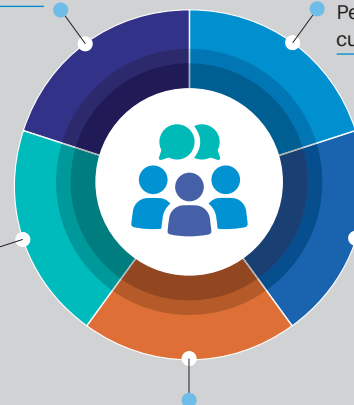
Rs. 27.53 million towards community outreach CSR initiatives

Introduction of several digital applications including CAPP, DCHEQUE, PLC Touch and People’s Pay Way to enhance customer convenience

Strengthened engagement with business partners

Launch of “Hitha Mithuru” Bus Relief Scheme

Moratoriums granted for 105,950 facilities within last two years

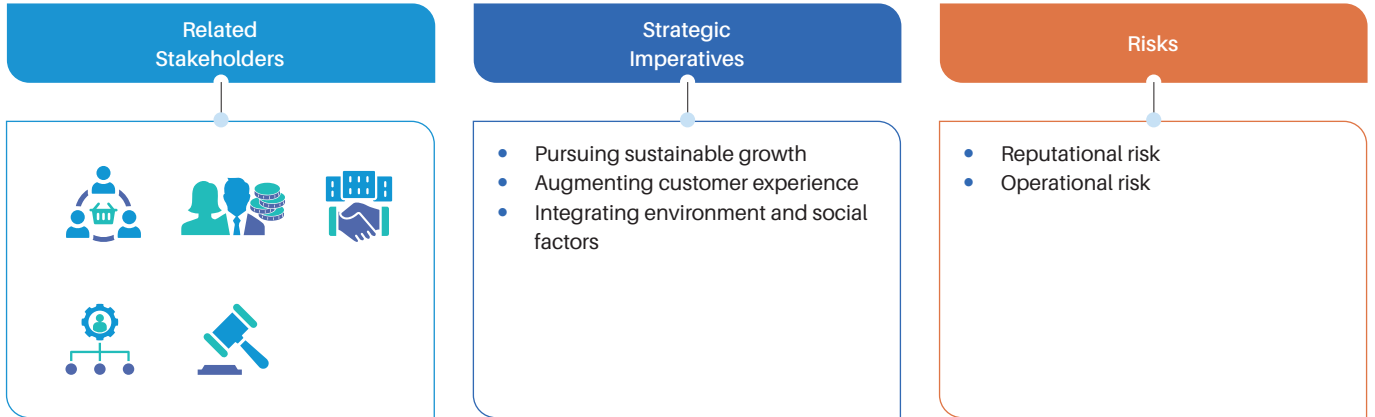


Support of Social and Relationship Capital towards overall value creation

Stronger relationships with customers, business partners and community directly contribute to our brand image and long term sustainability.

Key Outcomes

- 29,499 new customers
- Stronger business partnerships
- CSR initiatives that bring about positive change through community empowerment



Progress Achieved on 2021/22 Goals

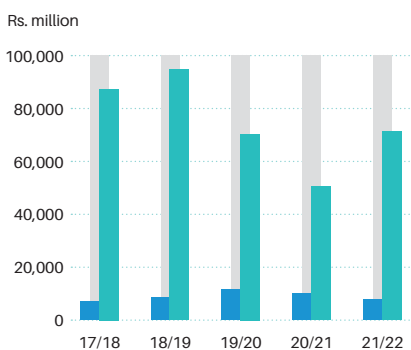
| | |
|--|--------------|
| Digitisation of products and services | |
| Streamline supplier selection process | |
| Support national preparedness response to COVID-19 | |
| Progress Key | |
| Initiated | Ongoing |
| Completed | Not Achieved |

Contribution to SDG's

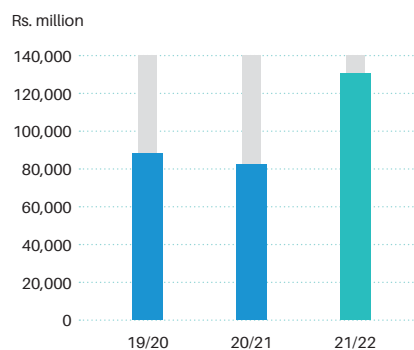


Measuring Success

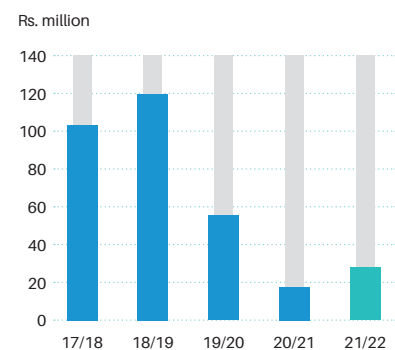
Value to Customers



Payments to Suppliers



Value to Community



- Interest payments to customers
- Disbursements

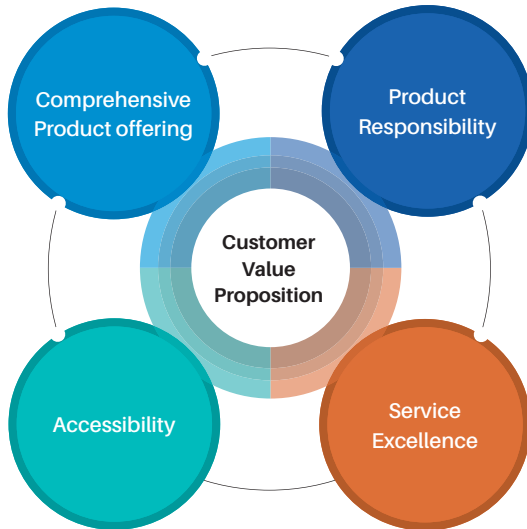
More than 470,000 transactions via digital platforms

Social and Relationship Capital

GRI 102-6

Customer Relationships

Our customer base including over 380,000 lending and deposit customers are spread out across all nine provinces of the country. During the year our customer base widened with 29,499 new customer relationships being forged.



GRI 418-1

Strengthening our Digital Offering

We continued to strengthen our digital value proposition with the introduction of several digital applications during the year. CAPP, our online leasing APP was launched during the year enabling online approval for leasing facilities. DCHEQUE was another revolutionary digital transformation rolled out during the year.

We also launched our trilingual mobile application ‘PLC touch’ and relaunched our online portal ‘PLC online’ with added features. Meanwhile ‘People’s Pay Way’ a multi-service network for payments was launched together with People’s Insurance and People’s Bank further enhancing customer accessibility and convenience. (More on our digitalisation efforts can be found in our intellectual capital report on pages 80 to 87).

Growth in digital channels has necessitated a greater focus on data security and privacy of customer information and we continue to invest in data security systems to protect customer information. There were no reported incidents of substantiated complaints concerning breaches of customer privacy and losses of customer data during the year.

| Geographical Distribution of Customers | | | |
|--|----------------|----------------|---------|
| Province | Depositors | Borrowers | Total % |
| Central | 35,573 | 16,367 | |
| Eastern | 17,375 | 5,701 | |
| North Central | 20,072 | 6,824 | |
| North Western | 28,307 | 11,453 | |
| Northern | 10,608 | 4,142 | |
| Sabaragamuwa | 23,507 | 8,750 | |
| Southern | 38,012 | 17,893 | |
| Uva | 27,857 | 8,945 | |
| Western | 108,666 | 45,714 | |
| Total | 309,977 | 125,789 | |

*Cross selling exists

Financial Inclusivity

Our island-wide branch network, along with the synergies provided by our parent company, People’s Bank, through its extensive ATM and CDM network, as well as digital reach through PLC online, enables People’s Leasing to be financially inclusive.

| F/Y | Disbursement Via Branch Footprint | Transaction Via Digital Platform | Transaction Volume Via CDM Network of Parent Bank |
|---------|-----------------------------------|----------------------------------|---|
| | Rs. million | Rs. million | Rs. million |
| 2020/21 | 50,881.00 | 19,788.04 | 598.51 |
| 2021/22 | 71,703.20 | 51,755.45 | 3,428.87 |



A Comprehensive Product Range

A comprehensive product range is available to meet our customers’ varied financial requirements. We continue to review our product offering and offer innovative products aimed at meeting customers evolving needs. More details on our products are available at our web site www.plc.lk.

Supporting Our Customers Through the COVID-19 Pandemic

We continued to grant CBSL mandated concessions including moratoriums for capital and interest payments to over 105,950 customers during past two the years. The “Hitha Mithuru” Bus Relief Scheme was introduced during the year with the objective of supporting the private passenger transport customer segment as they rebuild their businesses post COVID-19. The financial relief scheme offers a payment deferral programme with concessionary interest rates. Over 2, 000 facilities were also offered support through “Hitha Mithuru” Bus Relief Scheme.

Lending Products



People’s Friendly Lease



Auto Loan



Shakthi Business Loan



Shasthra Educational Loan



Sanasum Piyasa Housing Loan



Ran Naya Gold Loan

Margin Trading

Margin Trading

Factoring

Factoring

Self-e-cash

Self-e-cash



Quick Cash Personal Loan



Fast Track



Ijarah



Trading Murabaha



Musharakah



Wakala

Social and Relationship Capital

Deposits and Savings Products

| | | | |
|---|--|---|--|
|  Super Savings |  Senior Citizen Savings |  Senehasa Minor Savings Account |  People’s Leasing Fixed Deposits |
|  Premier Reward Plan |  Fixed Deposits Senior Citizen | | |
|  Mudharabah Savings Account |  Usfoor Minor Savings Account |  Short Term Mudharabah Investment Account |  12 months Mudharabah Investment Account |

We also enhanced our product offering by entering into partnerships with reputed partners. During the year People’s Leasing and People’s Bank joined hands to introduce a co-branded Credit Card to its customers. It enhances group synergy and develops an edge over the competitors. As part of further synergies, Co-Branded Credit Card is going to be introduced which will benefit both parties in different aspects. The Co-Branded Credit Card relationships can be treated as an important part of retail financing, which attracts a broader customer base. It works like any other Credit Card and can be used anywhere for any purchase while entitling to all merchandise offers granted by Peoples’ Bank. The Card features both brands of the People’s Leasing & Finance PLC and People’s Bank.

We also signed a MOU with Sri Lanka’s leading vehicle importer, distributor and dealers of motor vehicle spare parts, Indra Traders (Pvt) Ltd to launch a special business promotional program. Through this program customers are offered a wide range of benefits during the promotional period.

Enhanced Customer Engagement Levels

Engaging with our customers on an ongoing basis enables us to proactively address our customer requirements and pain points. In addition to regular engagement carried out during the normal course of business we also have in place a dedicated unit for customer complaints and grievances. All complaints are recorded in a centralised complaint handling system and investigated impartially by the customer complaints and grievances unit. This ensures that all customer complaints are systematically addressed and resolved. Although promotional activities were impacted by COVID-19 restrictions we managed to conduct several one-day island-wide promotional campaign to raise awareness about our products.

| Customer Satisfaction |
|-----------------------------|
| Direct Complaints - 56 |
| Complaints through CBSL -89 |

| Customer Satisfaction |
|---|
| Complaints through the Financial Ombudsman of Sri Lanka - 41 |
| *All complaints raised during the year have been resolved amicably. |

GRI | 417-1, 417-2, 417-3

Ensuring Product Responsibility

Updated product information including product features, rates, terms and conditions etc are easily accessible through our corporate website. Meanwhile product information is made available through brochures published in English, Sinhala and Tamil and multilingual employees in branches ensure that customers clearly understand product features and terms. There were no reported incidents of non-compliance concerning products and service information and labeling or marketing communications during the year.

GRI 102-9

Relationships with Business Partners

Our network of business partners include a wide range of Financial service providers such as correspondent banks, local and international financial institutions and a large number of vehicle dealers across the country. In addition we have a network of suppliers that provide products and services that are essential for the smooth operation of our business. We also actively engage with industry stakeholders including industry associations to collectively address industry issues and promote best practices. We continue to develop these relationships deriving mutual value in terms of operational synergies, market access and new business opportunities.



| | 2021/22 | 2020/21 | Change (%) |
|---------------------------------------|------------|-----------|------------|
| Active business partners (Nos.) | 46,560 | 38,890 | 19.72 |
| Vehicle suppliers (Nos.) | 40,118 | 31,665 | 26.70 |
| Procurement expenditure (Rs. million) | 131,515.92 | 82,880.45 | 58.68 |

GRI 102-13

Reliable Partnerships

Trust and integrity form the basis of all our relationships and we remain committed to ensuring that all our transactions with business partners are transparent and fair. Strict compliance with industry regulations and ongoing engagement with business partners, provide business partners including other financial institutions confidence and assurance. All contracts and agreements are regularly monitored to ensure that all obligations including payments are adhered to as per agreed terms and conditions.

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

A Focus on Local Procurement

When procuring products and services we strive to give priority to local suppliers as part of our efforts to support local industries. With the exception of specific customer interfacing IT products and certain software tools, the Company obtains a majority of its supplies from local suppliers. Out of the total payments to local suppliers during the year, almost the majority were from the SME suppliers.

GRI 308-1, 410-1, 414-1

Responsible Sourcing

People’s Leasing Procurement policy and procedures are clearly set out in our procurement manual and are designed to ensure a timely, efficient and transparent procurement process. During the year we introduced a new outsourcing policy to streamline the outsourcing process.

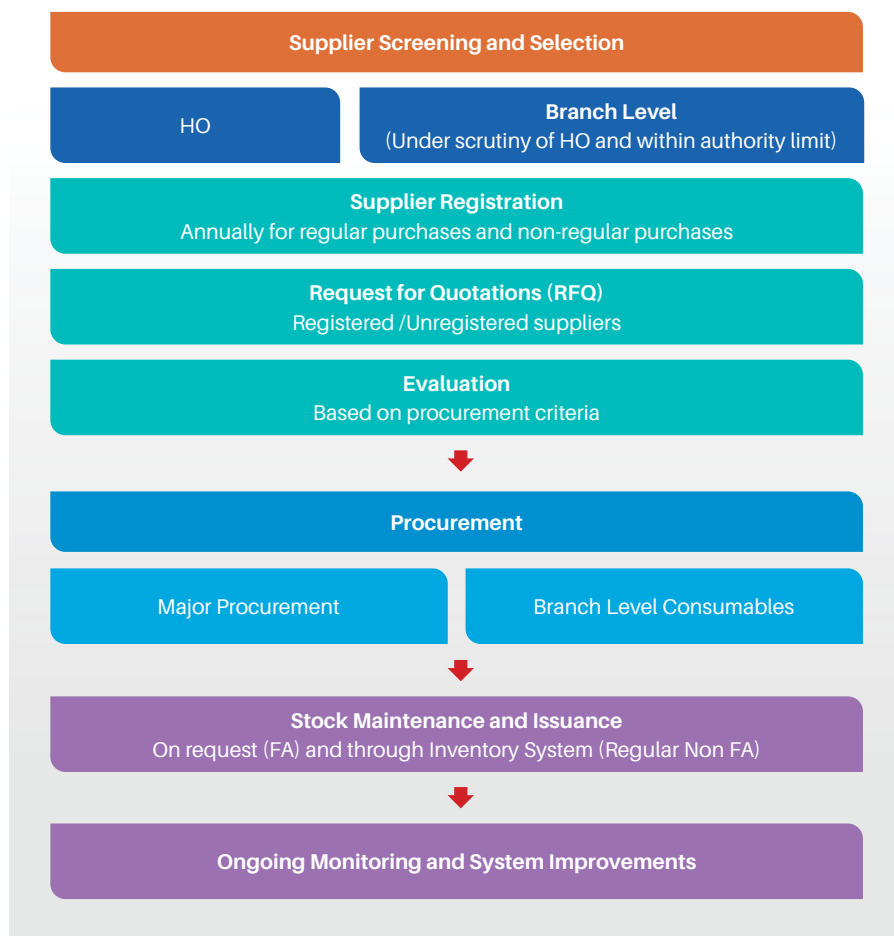
Major procurements such as equipment, ICT Hardware and stock items are the responsibility of the Logistics Department. Minor procurements such as branch consumables are undertaken by the respective branch/department. An independent technical evaluation committee selects suppliers based on above criteria.

Reputable outsourced service providers provide security services at the head office and branches, ensuring that security procedures preserve the dignity of employees and other stakeholders. At our head office and branches, security staff members were educated on safeguarding basic human rights in general including responsible visitor/customer management, even though no specific programme was run.

Social and Relationship Capital

Environmental and social risks are taken into account in the supplier selection process. Suppliers are evaluated against an exclusion list at the time of registration. Suppliers are verified through desk reviews and on-the-ground visits. A supplier will be removed from the Company’s supplier list if they fail to meet the appropriate requirements, which include environmental and social considerations. A total of 13,362 new suppliers screened using afore mentioned criteria. There were no identified negative social or environmental impacts in our supply chain during the year under review.

Procurement Process



Government

People’s Leasing adhered to CBSL guidelines on granting and extending moratoriums on loans and leases to its customers, provided loans at concessionary rates, and carried on with business as usual throughout the year under safety and health regulations issued by the Ministry of Health as the economy struggled under the effects of the COVID-19 pandemic. In addition, we paid the government Rs. 2,791.99 million in taxes during the year, as detailed in note 17.9 to the Financial Statements on page 237.

Value Created for the Government

- Investment in Government Securities such as Treasury Bills and Bonds - Rs. 9,827.22 million as at 31 March 2022.
- Supporting Government initiatives by extending relief to individual and business affected by COVID-19.
- Donation of essential medical and non-medical equipment to Government hospitals and COVID-19 Intermediate Care Centres to strengthen COVID-19 treatment and care
- Taxes amounting to Rs. 2,791.99 million paid during the year

GRI 413-1, 419-1

Relationship with Community

We firmly believe that our long-term sustainability as a business depends on the positive impact we have on our community. As a financial services provider we directly contribute to the socio-economic development of communities through financial inclusivity and access to finance. We also played an important role in supporting communities recover post COVID-19 by extending CBSL moratoriums to over 105,000 facilities and by granting over Rs. 29,000 million of concessionary funding to customers impacted by the pandemic. We also joined hands with the

Central Bank of Sri Lanka (CBSL) to promote ‘Rata Puraama LANKAQR’ innovative digital payment program in order to support the Government’s efforts to promote digital payment systems in rural areas.

We also strive to act as a catalyst for positive change through our CSR initiatives in the core areas of Environmental Conservation, Empowering Local Communities, Uplifting Education and Entrepreneurship Skill Development and Financial Literacy Building. Responding to the urgent need of the country we also sought to enhance public health facilities across the country to better face the COVID-19 pandemic by contributing funds

and equipment to hospitals and intermediate care centers around the country.

We ensure strict compliance with all regulations and laws in the country. There were no instances of non-compliance with laws and regulations in the social and economic areas during the year under review. Further our community outreach CSR projects are driven under the CSR focus areas of Empowering Local Communities, Uplifting Education and Entrepreneurship Skill Development and Financial Literacy.

Investment on Community Outreach CSR Initiatives in FY 2021/22
Rs. 27.53 million

Community Outreach CSR Projects



Presentation of the Medical Equipment to Base Hospital - Medirigiriya

Donation of Medical and Non-Medical Equipment to Strengthen COVID-19 Treatment and Care

Rs. 25.93 million worth of medical and non-medical equipment was donated to Teaching Hospital - Peradeniya, Base Hospital - Tangalle, Divisional Hospital - Beliatta, District General Hospital - Kegalle, District General Hospital - Gampaha, District General Hospital - Trincomalee, Base Hospital - Dickoya, District Base Hospital - Theldeniya, Base Hospital - Medirigiriya, Base Hospital - Marawila, District General Hospital - Hambanthota and Three Intermediate Care Centers in District Base Hospital - Dickoya, Kundasale- Korale and Mahamevnawa Monastery - Kandy during the year.



Testimonial

I sincerely appreciate the donation of real time PCR Micro Analyzer by People’s Leasing on 06 of June 2021 to facilitate diagnosis

of COVID-19 in District General Hospital - Trincomalee. It was a real time need for early diagnosis of COVID-19 patients. Up to now 576 tests were performed using the analyzer. The early diagnosis helped to minimise the spread of disease and early care to the COVID-19 infected patients. It helped to reduce the burden of COVID-19 infection. Once again, I really appreciate your humanitarian mission during this COVID-19 global pandemic.

Dr I. W. M. J. Wickramaratne
Director
District General Hospital - Trincomalee



Testimonial

It is with great pleasure that I take this opportunity to express my gratitude to People’s Leasing & Finance PLC for their prompt assistance to the nation at a critical time when the COVID-19 Pandemic was at its peak. The District General Hospital in Kegalle is one of the hospitals that has undertaken on the task of treating COVID-19 patients from ground level intermediate care to intensive care. Nearly 10,000 patients were successfully treated in the intermediate care centers, Inpatient and Outpatient care at the hospital.

People’s Leasing has donated Rs. 4.35 million worth of 2 Multipara Monitors, 2 C-PAP/Bi- PAP machines and one High Oxygen Nasal Therapy unit to District General Hospital in Kegalle by enabling us to treat most of the patients who were in desperate condition. Even though we don’t encounter many of COVID-19 patients right now, the given medical equipment is still curing patients in the Neonatal Intensive Care Unit, Medical Intensive Care Unit and High Dependency Care Units. It is my wish that the People’s Leasing & Finance PLC will continue to be one of the most successful finance companies in the country, serving the nation and finding new ways to express their responsibility towards humanity.

Dr Y. M. Mihiri Priyangani
Act. Director
District General Hospital - Kegalle

Social and Relationship Capital



Unveiling the educational awareness boards display unit at Pinnawala Elephant Orphanage

Installation of Educational Awareness Boards Display Unit at Pinnawala Elephant Orphanage

Pinnawala Elephant Orphanage is renowned as a tourist destination in Sri Lanka, which has attracted a large number of foreigners and locals. Based on a pre identified need, People’s Leasing & Finance PLC has provided financial support to establish an awareness board display unit on elephants in Pinnawala Elephant Orphanage. The unveiling of the installed educational awareness boards display unit coincided with the 47th anniversary of the Pinnawala Elephant Orphanage. The project serves to create awareness about elephants among tourists and locals who visits the elephant orphanage.



Testimonial

The Pinnawala Elephant Orphanage (PEO) is under the preview of the Department of National Zoological Gardens and it is a prominent tourist destination for local and foreign visitors in Sri Lanka. Educating visitors about the value of Asian elephants is an urgent need of PEO. On behalf of PEO, I extend a warm thank you for your generous sponsorship of the valuable informational boards about the Asian elephants that were erected at the premises to educate the local and foreign visitors who visit PEO. As an endangered species, it is essential to socialise this information about this magnificent species, as it contributes to its future extinction, ensuring biodiversity in Sri Lanka. Thank you very much for your generous support of our conservation efforts.

Mr Mihiran Medawala

Deputy Director

Pinnawala Elephant Orphanage



Opening Ceremony of the Renovated Children Park in Mahiyanganaya

Renovation of the Children’s Park - Mahiyanganaya

People’s Leasing & Finance PLC renovated the Children’s Park in Mahiyanganaya in a child-friendly manner based on the request received from Mahiyanganaya Pradeshiya Sabha. Sign boards promoting good habits were also re-installed in the inside and outside of the park to promote individuals to gain positive attitudes. People’s Leasing has constructed this Children’s Park in Mahiyanganaya town in 2015. This was an ideal recreation center for Children in Mahiyanganaya to spend their quality time.



Handovering of the wheel chairs to the Hospital authority of Base Hospital- Tangalle

Refurbishment of the Front area of the Base Hospital - Tangalle

People’s Leasing has refurbished the front area of the Base Hospital - Tangalle and donated critically required wheelchairs to the Hospital.

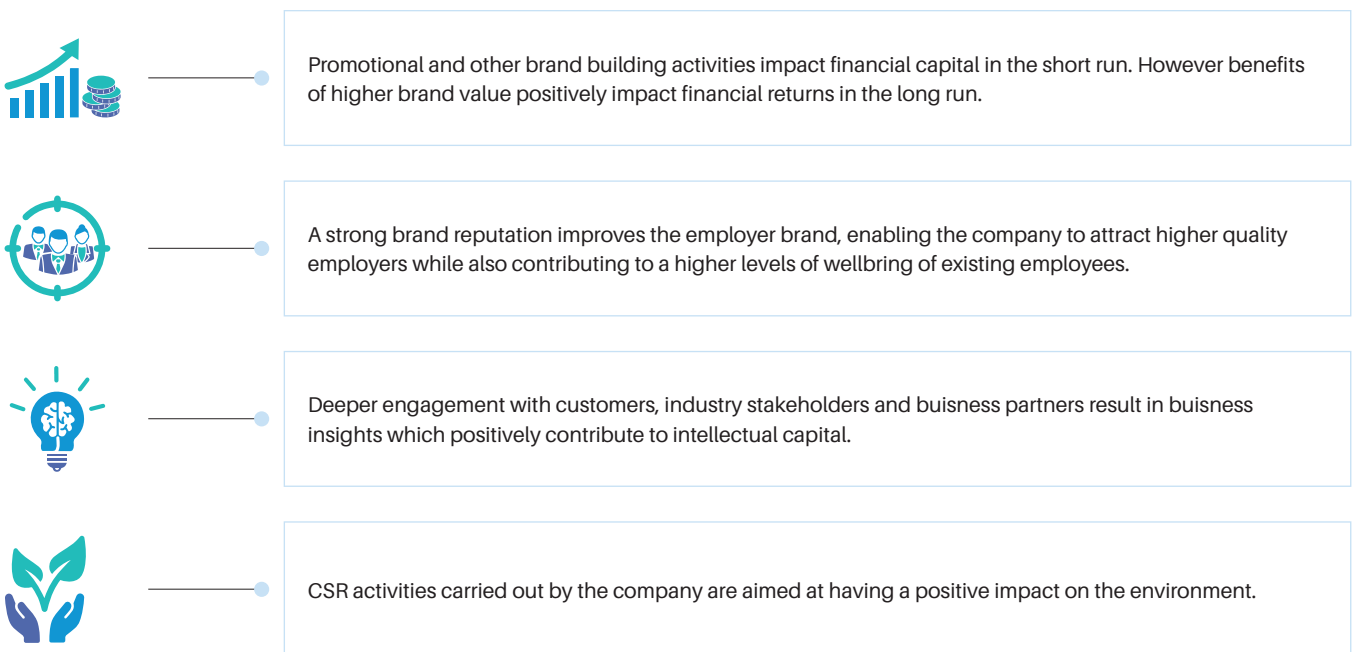
Continuation of the Maintenance of Fish Aquarium at Lady Ridgeway Hospital and Apeksha Hospital - Maharagama
 People’s Leasing maintained fish aquariums at ward no. 07 pediatric ward in Lady Ridgeway Hospital and Apeksha Hospital in Maharagama. The aquariums serve to provide a pleasant environment to in-house and daily visit patients.

Continuation of the commitment for Association of Accounting Technicians (AAT) Sri Lanka prize fund
 People’s Leasing has committed to provide sponsorship for the “Second in order of Merit” prizes for the both Foundation and Intermediate Level Exams in July and January for the period of 2013 to 2022 conducted by the AAT Sri Lanka.

Way Forward



Social and Relationship Capital





Environmental sustainability is a part of our business ethos, and we continue to strive to reduce our environmental footprint with an ongoing focus on responsible consumption of resources.

Components of Natural Capital



Energy Consumed



Emissions Released



Waste Generated

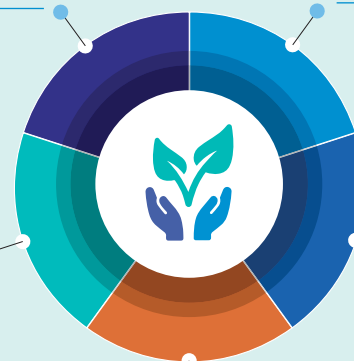
Nurturing Natural Capital

Ongoing employee training on environmental awareness

Continuation of energy saving measures such as branch optimisation

Rs. 1.87 million spent on environmental conservation related CSR initiatives

Rs. 3,030.99 million in Green Finance Lending



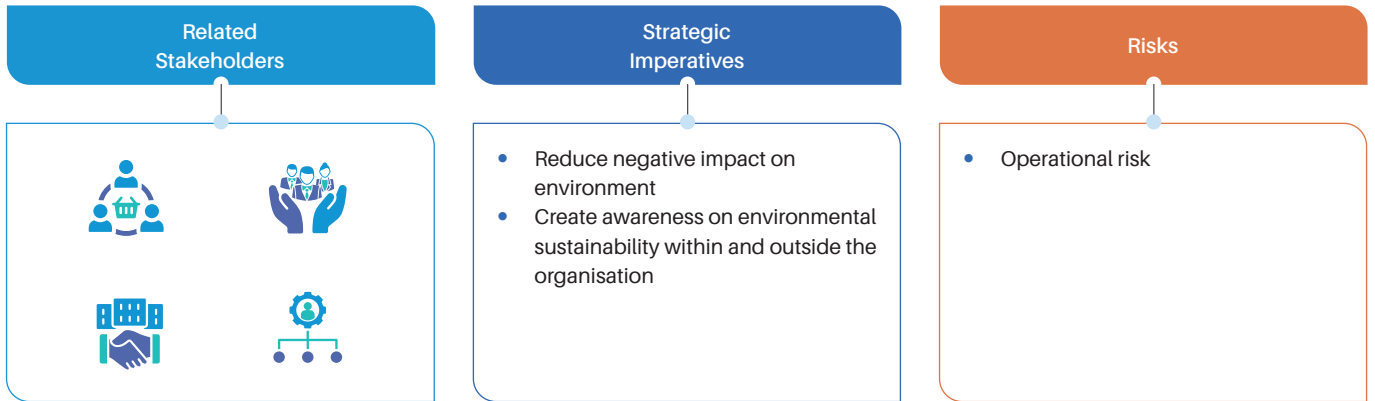
Process automation to improve efficiency and reduce paper consumption

Support of Natural Capital Towards Overall Value Creation

Although as a service organisation People’s Leasing does not rely heavily on the use of natural resources, efficient consumption of resources and responsible behavior bring about significant cost and efficiency savings which contribute to overall value creation.

Key Outcomes

- Operational Efficiencies
- Costs Savings
- Positive Corporate Image



Progress Achieved on 2021/22 Goals

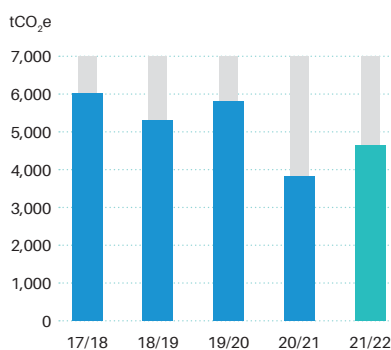
| | |
|--|----------------|
| As a result of raising the digital competencies within our staff members company launched two digital applications CAPP and DCHEQUE to provide online leasing facilities and to digitalise and decentralise the cheque printing process. | ○ |
| People’s Leasing recently launched PLC Touch mobile application to facilitate a convenient user experience for activated customers to use more of our digital solutions including the ability to make QR code based payments. | ○ |
| The new and improved People’s Leasing website will further accentuate the customer centricity as a ‘one stop portal’ for one’s financial needs which has re-launched in trilingual. | ○ |
| The Company has conducted a feasibility assessment to identify the requirements/Investment of Installation of Solar panels in Branch premises and Head office. | ○ |
| Progress Key | |
| Initiated ○ | Ongoing ○ |
| Completed ○ | Not Achieved ○ |

Contribution to SDG’s

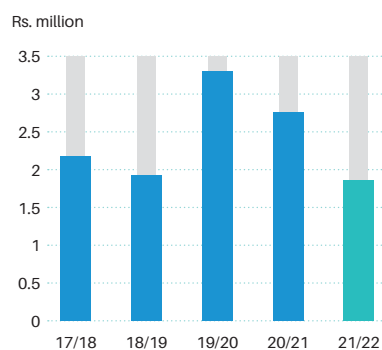


Measuring Success

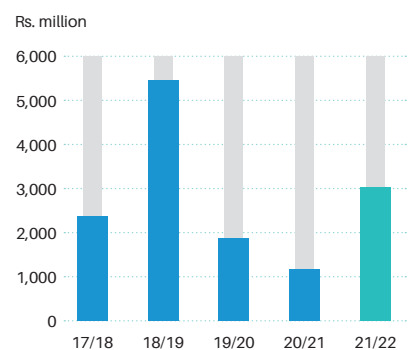
Company Carbon Footprint



Investment in Environmental Conservation Initiatives



Green Finance Disbursement



Natural Capital

GRI 102-11, 307-1

Environmental Management Framework

The Group’s Environmental Agenda which is guided by a comprehensive Environment Policy and Sustainability Policy revolves around the four strategic pillars of Green Awareness, Green Operations, Responsible Finance and Green Outreach CSR.

An in-house developed Environmental Management System (EMS) supports the real time tracking of the key environment indicators enabling us to keep close track of our progress. The data will also support the quantification of greenhouse gas emissions in accordance with the ISO 14064: 2018.

We ensure strict compliance with all environmental laws and regulations and responsibly state that there were no reported incidents of non-compliance with environmental laws and regulations during the year.

Environmental Governance

The Board spearheads formulation of the company’s environmental strategy and has delegated the responsibility for coordinating and monitoring sustainability initiatives to the Sustainability Governance Steering Committee.

| | | | |
|---|---|--|---|
|  <p>Green Operations</p> | <p>Our Commitment Manage and optimise our direct positive impact on the environment</p> | <p>How we achieve this</p> <ul style="list-style-type: none"> • Energy efficiency measures • Responsible waste management • Investment on green technology • Responsible procurement | <p>Contribution to SDG’s</p>    |
|  <p>Responsible Finance</p> | <p>Our Commitment Optimise green impact of our products and services and reduce indirect negative impact</p> | <p>How we achieve this</p> <ul style="list-style-type: none"> • Provision of Accountable, Ethical and Transparent financial services • Green financing • ESG considerations in credit screening | <p>Contribution to SDG’s</p>  |
|  <p>Green Awareness</p> | <p>Our Commitment Promote green consciousness across our value chain</p> | <p>How we achieve this</p> <ul style="list-style-type: none"> • Develop an environmentally conscious workforce through regular training and awareness session • Promote sustainable practices among suppliers | <p>Contribution to SDG’s</p>   |
|  <p>Green Outreach CSR</p> | <p>Responsible Finance Conserve the environment</p> | <p>How we achieve this</p> <ul style="list-style-type: none"> • Develop an environmentally conscious workforce through regular training and awareness session • Promote sustainable practices among suppliers | <p>Contribution to SDG’s</p>    |

Green Operations

We strive to reduce our environmental footprint by ensuring efficient and responsible consumption of resources and by adopting measures to minimise the negative impact of our operations on the environment. Therefore Energy Efficiency, Emission Control and Waste Management are the key focus areas of green operations. We have also embedded environmental KPIs to company performance metrics further reiterating our commitment to incorporating environmental concerns into our overall business strategy.

GRI 302-1

Energy Efficiency

Energy consumption and energy efficiency levels are closely monitored on an ongoing basis through our head office Building Management System (BMS). This has enabled us to identify areas of energy wastage or inefficiency and proactively take required steps to address areas of concern. Meanwhile work-from-home arrangements that continued during the year also contributed to an overall reduction in energy consumption at branches and head office.

The imported energy(grid electricity) consumption in People’s Leasing group is 5,056,470.70kWh during 2021/22 financial year.

Energy Saving Initiatives Implemented During the Year

Branch space utilisation to increase energy efficiency

GRI 305-1, 305-2, 305-3

Emission Management

The Company has been measuring emissions levels since FY 2014/15. GHG emissions are tracked from the most material onsite and offsite activities according to the globally accepted emissions accounting standard ISO 14064:2018 and United Nations inter-governmental panel on climate change (IPCC). Total emissions during the period increased by 800.91 tCO₂e(Group) due to the higher diesel consumption of generators, increase the emission factor of grid electricity and transmission and

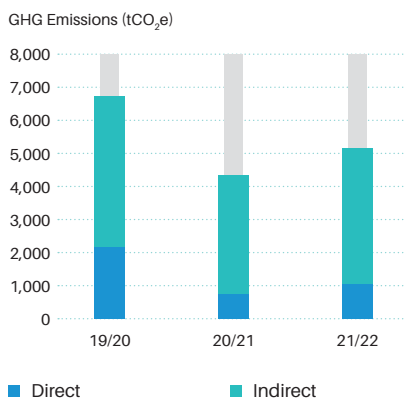
distribution loss and use the private (owned) vehicles for employee commuting due to the COVID-19 pandemic situation.

| Direct Emissions | Indirect Emissions |
|---|--|
| Company Owned Vehicles | Imported Energy (Grid Electricity) |
| Stationary Combustions (Standby Generators) | Transmission and Distribution Losses |
| Fire Extinguishers Refilling/ Replacement | Employee Commuting (not paid by the company) |
| Refrigerant Leakages | Waste Disposal |
| Employee Commuting (paid by the company) | Municipal Water Consumption |
| Rented Vehicles (paid by the company) | Business Air Travel |
| Business Travel (Land) | Rented Vehicles (not paid by the company) |
| | Hired Vehicles |
| | Waste Transport |
| | Transport Locally Purchased Items |

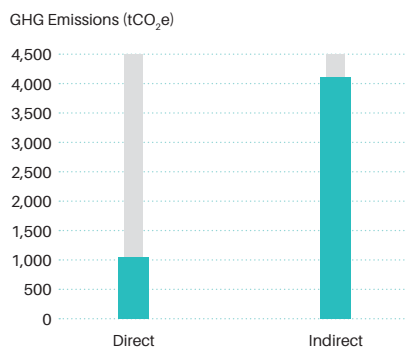
| GHG Emissions FY 2021/22 | Group (tCO ₂ e) |
|---------------------------|----------------------------|
| Direct emissions | 1,050.15 |
| Indirect emissions | 4,132.43 |
| Total emissions | 5,182.58 |
| Increase of GHG emissions | 800.91 |

During 2021/22, the total carbon footprint of People’s Leasing was calculated as 4,681.72 tCO₂e (Company) at an increase by 870.84 tCO₂e than the previous year. Per capita emissions and emissions intensity for the group was reported as 2.31 tCO₂e (per employee) and 1.11 tCO₂e (per million rupees).

Comparison of the GHG Emissions Over the Financial Years (Group) tCO₂e



GHG Emissions for Financial Year 2021/22 (Group) tCO₂e



GRI 306-1, 306-2, 306-3

Waste Management

We ensure that all waste generated including e-waste is responsibly disposed of segregated waste management and recycling is practiced across our network while the Central Environment Authority (CEA) registered waste collection solution providers ensuring that the segregated waste is responsibly disposed. Meanwhile our paperless drive continued during the year with the ongoing automation of workflows and the introduction of a paperless platform. These efforts together with paper recycling efforts have contributed to a decline in paper consumption.

Natural Capital

During 2021/22, type of waste by method of disposal at People’s Leasing Head Office was reported as follows.

| Type of Waste | Quantity (Kg) |
|----------------------------------|---------------|
| Recycled Paper | 13,146 |
| Reused food waste as animal feed | 3,180 |

Responsible Finance

We are committed to creating a more environmentally sustainable economy through our lending activities. Environmental Social Governance (ESG) considerations are incorporated into our lending decisions and we continue to create awareness on environmental and social aspects among our customers and business partners. Meanwhile we continue to pursue green financing while optimizing green impact of products and services offered by People’s Leasing.

Leasing/Loan Facilities for Electric Vehicles
Rs. 3,030.99 million

Green Awareness

Creating awareness about the importance of environmental suitability among our customers, business partners/ suppliers and community is a key aspect of our environmental agenda. In addition to ongoing training programs, sustainability champions across the branch network serve to create awareness to drive sustainability initiatives.

Employees

- Training and awareness sessions for employees
- Sustainability champions across the branch network to create awareness and drive sustainability initiatives

Customers

Engaging with customers to promote environmentally friendly choices



Suppliers

Incorporating Environmental and Social considerations in procurement decisions

Community

Creating awareness on waste management and environmental conservation through CSR projects

Green Outreach CSR Projects

Biodiversity Conservation is a key focus area of our green outreach CSR initiatives and we continue to invest in CSR Initiatives that promote environmental conservation. During the year, our Investment on environmental conservation related initiatives amounted to Rs. 1.87 million.



Life project 4th year partner visit on 03 February 2022

‘Life’ Reforestation Project in Kanneliya Forest Reserve

People’s Leasing continued to support this long-term multi stakeholder forest restoration project aimed at restoring 10ha degraded fern land adjacent to the Kanneliya Forest Reserve, Halgahawala in Opatha since 2018. The project is implemented by Biodiversity Sri Lanka and guided by the Forest Department while technical assistance is provided by the International Union for Conservation of Nature (IUCN). 10 leading corporates are a part of this pathbreaking initiative which is also the country’s first carbon accrual project . Based on the plant monitoring which was carried out at the end of March 2022, more than 18,500 plants were currently growing in the restoration site. This count does not include the large trees, which naturally grow in forest fragments of the restoration area. 1ha plot was allocated to People’s Leasing. During the reporting year People’s Leasing has invested Rs. 0.41 million for this initiative.

Establishment of Solid Waste Management Segregation Units at Sigiriya Rock Fortress and Polonnaruwa Gal Viharaya

45 waste bins were installed at the Sigiriya World Heritage site while another 20 waste bins were installed at the Polonnaruwa Gal Viharaya to streamline the waste management process and assisting in achieving the United Nations Sustainable Development Goals. The bins are a part of Solid Waste Management that segregate Organic, Paper and Polythene and Plastic waste at these sites that attract a large number of local and foreign visitors. Total investment for the project was Rs.1.29 million.



Handovering Ceremony of the waste segregation bins at Polonnaruwa Gal Viharaya



Handovering Ceremony of the waste segregation bins at Sigiriya Premises



Testimonial

The Polonnaruwa Gal Viharaya is an unique landmark of Sri Lankan Buddhist heritage. It is also a cultural icon that reflects the ancient ancestor’s artistic abilities, as well as an important place of religious and reverence for

hundreds of thousands of local and foreign visitors. People’s Leasing & Finance PLC has made it a great legacy for us to present 20 nos of Solid Waste Segregation bins as a part of their CSR projects to streamline the waste management appropriately, realizing the environmental and historical value of this ancient heritage. I appreciate this charitable service rendered by your institution.

Ven Kanda Katiya Aththadassi Thero
Chief Incumbent of Polonnaruwa Gal Viharaya



Testimonial

Sigiriya is a UNESCO World Heritage Site in Sri Lanka, and it is a masterpiece of architectural and garden layout. As citizens of Sri Lanka, we have quite responsibility to contribute to the safeguarding of such heritages. People’s Leasing & Finance PLC has initiated a project to install Solid Waste Segregation bins in and around the Sigiriya World Heritage Site in order to sustain the beauty of the site. 45 bins, labeled as organic, paper and plastic/polythene were positioned in pre-determined locations. It is commendable that a corporate citizen implements such meaningful CSR projects at a crucial time to support in achieving Sustainable Development Goals while contributing towards the National Level priorities. We wish and hope that People’s Leasing & Finance PLC will be able to continue such projects in future.

Mr R Upul Nishantha
Project Manager
Central Cultural Fund - Sigiriya Project

Patron member of Biodiversity Sri Lanka Platform



the Biodiversity and Environmental Conservation in Sri Lanka since 2013. BSL actively promotes strong leadership of the private sector in the areas of biodiversity and environmental conservation, through the provision of technical support, sharing of information, knowledge and experience, the promotion of best practices through active learning and understanding mechanisms and by initiating and facilitating dialogue between State and civil society partners and the private sector, advocating biodiversity-friendly policies and positive instruments that campaign for the conservation of Sri Lanka’s fragile environment.

People’s Leasing & Finance PLC is a patron member of Biodiversity Sri Lanka (BSL), a private sector driven national platform established to promote active engagement of the corporates in

Natural Capital



Installation of Environmental Awareness Signboards in Beddagana Wetland Park

As an environmental conservation initiative People’s Leasing partnered with the Beddagana Wetland Park to install awareness boards on Biodiversity and Ecosystems across the park. The boards serve to provide information and thereby create awareness about the rich in biodiversity value of the park among the large number of local and foreign visitors who visit the park. The total investment of the project was Rs.0.24 million.

Unveiling the Environmental Awareness Signboards in Beddagana Wetland Park for public display

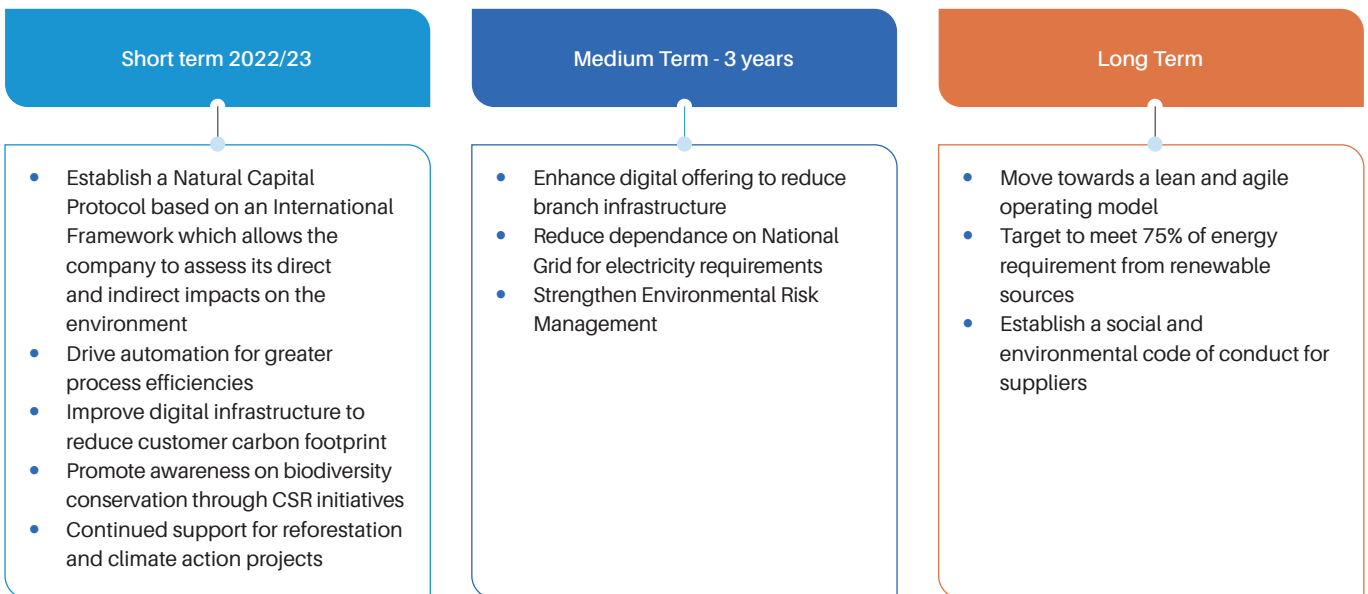


Testimonial

As nature educators and ecologists, it’s our responsibility to engage people in nature conservation. Raising public awareness is an effective strategy during this process. As a wetland education center in Colombo city, Beddagana Wetland Park performs this duty through guided walks and workshops for school children, teachers, university students and for many other nature enthusiasts on nature conservation. Apart from this, displaying educational signs is an added benefit for general visitors and we had an urgent need in establishing these interpretation panels. We were seeking sponsors and we got a prompt response from People’s Leasing & Finance PLC. They took the responsibility in providing financial aid for this project within their CSR programmes and became the partners in conservation. By setting up these educational signage panels, anyone who visits the wetland can guide themselves and get the understanding about the urban wetland ecosystems while walking along the nature trails. My heartiest gratitude goes to People’s Leasing & Finance PLC for being the precious sponsor in this project and the work you did will remain for generations to come.

Ms Narmadha Dangampola
Park Manager
 Beddagana Wetland Park

Way forward



Natural Capital Trade-offs



Investments in process improvements and environmentally friendly technology require significant investments in the short run but bring about cost savings in the long term.



Investments in energy efficient technology, reducing emissions and green building result in better quality physical infrastructure.



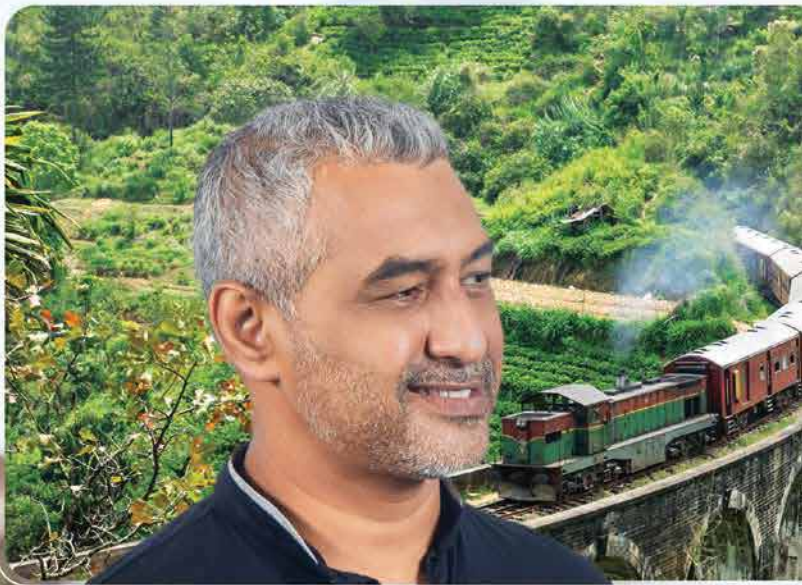
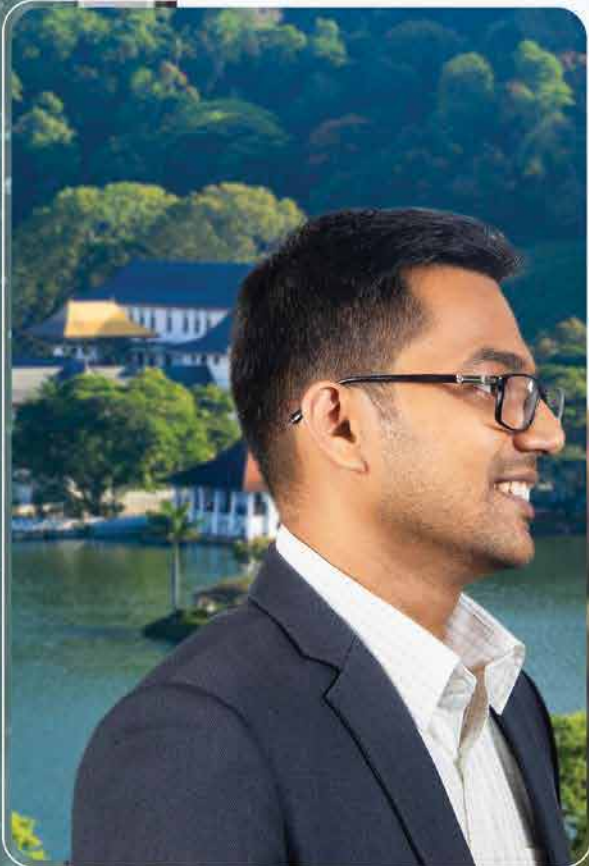
A reputation for being an environmentally conscious corporate further enhances brand value resulting in an enhancement to intellectual capital.



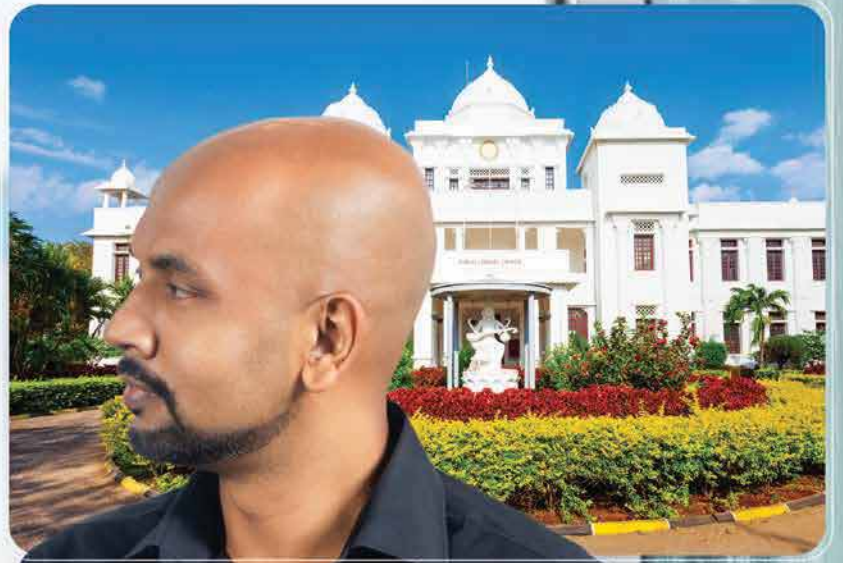
An environmentally responsible corporate culture encourages employees to be more socially and environmentally responsible as individuals.



The companies efforts to promote green awareness among its stakeholders through greater engagement levels strengthen relationships with customers, business partners and community.



Linked to our solid, unshakeable work ethics



Stewardship

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Board of Directors



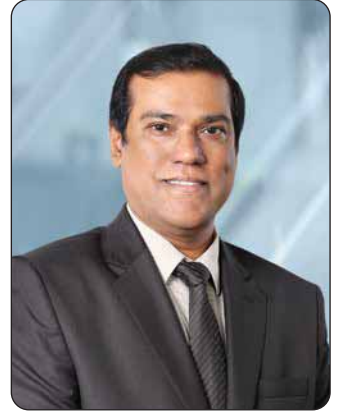
Mr Sujeewa Rajapakse
Chairman/ Non-Executive Non Independent Director



Ms Miriam Coralie Pietersz
Non-Executive Senior Independent Director



Mr Rohan Pathirage
Non-Executive Non-Independent Director



Mr Ranjith Kodituwakku
Non-Executive Non-Independent Director



Mr Chanura Wijetillake
Non-Executive Independent Director



Mr Asoka Bandara
Non-Executive, Independent Director



Mr Clive Fonseka
Non-Executive, Non Independent Director



Mr Azzam A. Ahamat
Non-Executive, Non-Independent Director



Mr Michael Pradeep Amirthanayagam
Non-Executive, Independent Director



Ms Shaalini Silva
Company Secretary

Board of Directors

1. Mr Sujeewa Rajapakse

Chairman/ Non-Executive Non Independent Director

Mr Sujeewa Rajapakse was appointed as Chairman of the Company on 19 February 2020.

Qualifications

A Fellow of the Institute of Chartered Accountants of Sri Lanka (FCA) and a Fellow of Institute of Chartered Management Accountants of Sri Lanka (FCMA), Mr Rajapakse holds a Master of Business Administration (MBA) from Postgraduate Institute of Management (PIM), University of Sri Jayewardenepura.

Positions Held/Experience

During his professional career that spanned nearly four decades, he held the honorary positions of President, Vice President and Council Member (elect) of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), Former Chairman of Auditing Standards Committee of CA Sri Lanka, President of Practicing Accountants Forum of Sri Lanka, Treasurer of Sri Lanka Cricket, Treasurer of Cricket World Cup 2011, Board Member and Technical Advisor to South Asian Federation of Accountants (SAFA), Technical Advisor to Confederation of Asia Pacific Accountants (CAPA). He has also served in the directorates of National Development Bank PLC, NDB Capital Ltd - Bangladesh, The Finance Company PLC, Uni Dil Packaging Ltd, Uni Dil Packaging and Solutions Ltd and Softlogic Life Insurance PLC.

Current Positions

Mr Rajapakse is a Managing Partner of BDO Partners which is the local representative of BDO an accounting network in the world. At present he serves as the Chairman of People's Bank. Also, an Independent Non-Executive Director of Haycarb PLC, Dipped Product PLC, Hayleys Agriculture Holdings Ltd and Director - Lankan Alliance Finance Limited, Bangladesh. Mr Rajapakse is a Council member of the University of Sri Jayewardenepura.

His expertise includes all accounting and auditing standards and practices, Government regulations related to financial disciplines and ethics, human resource management and overall management practices and principles in both private and public sectors.

2. Ms Miriam Coralie Pietersz

Non-Executive Senior Independent Director

Ms Coralie Pietersz was appointed as Director to the Board on 01 March 2020.

Qualifications

Ms Pietersz is an Associate Member of the Institute of Chartered Accountants in England and Wales and a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and of the Institute of Certified Management Accountants of Sri Lanka. She holds a B.Sc (Honours) degree in Physics from the University of Sussex and an MBA from Heriot-Watt University, Edinburgh.

Positions Held/Experience

Ms. Coralie counts over 25 years of senior level experience in corporate finance, accounting and auditing in both private and public sectors. She joined Finlays Colombo in 2010 as Finance Director and was also appointed as Finance Director of Hapugastenne Plantations PLC and Udapussellawa Plantations PLC in 2016 and held these roles until 2020. Prior to that she functioned as the Group CFO at Richard Pieris, a role that entailed responsibility for the finance function of this diversified group, which included five listed companies.

Current Positions

Ms. Coralie Pietersz is an Independent Director and Chair of Bogala Graphite Lanka PLC, Senior Director/ Independent Director and Chair of the Audit Committees at Seylan Bank PLC and an Independent Non-Executive Director and Chair of the Audit Committees at RIL Property PLC, United Motors Lanka PLC and Hemas Pharmaceuticals (Private) Limited.

She is a Member of the Council of the Institute of Chartered Accountants of Sri Lanka.

3. Mr Rohan Pathirage

Non-Executive, Non-Independent Director

Mr Rohan Pathirage was appointed as Director to the Board on 07 July 2020.

Qualifications

An Attorney-at-Law, Mr Pathirage holds a Law Degree from the University of Colombo and is a Master's Degree Holder in Bank Management from the Massey University, New Zealand. He is also a holder of a Postgraduate Diploma in Banking.

Position Held/Experience

He counts for over 27 years' experience across Human Resources, Legal and Administration relating to People's Bank. As the Senior Deputy General Manager (Human Resources and Legal) of People's Bank, he managed the Bank's 10,000 plus strong workforce and its Senior Executive recruitments in line with its HR requirements. In addition, he also leads the Bank's 70-member legal team. He also functioned as Deputy General Manager - Secretary to the Board of Directors of People's Bank, a position held from August 2010 up until March 2019, Mr Pathirage provided administrative support to all matters relating to the Bank's Board of Directors and its various sub committees. During his tenure as Secretary to the Board of Directors of People's Bank, he has played a key role to facilitate best practices in governance.

Current Position

Mr Pathirage is currently the Senior Deputy General Manager - Overseas Customer Services of People's Bank. He oversees the Bank's foreign remittances business and foreign currency accounts. He is also functioning as Chairman - People's Leasing Havelock Properties Limited, Director People's Leasing Fleet Management Ltd., Director- People's Micro-Commerce Ltd., Director - Lankan Alliance Finance Limited, Bangladesh, Director - People's Travels (Pvt) Ltd. Alternate Director - Institute of Bankers of Sri Lanka.

4. Mr Ranjith Kodituwakku

Non-Executive, Non-Independent Director

Mr Kodituwakku was appointed to the Board on 13 August 2020.

Qualifications

Mr Kodituwakku holds a Master's Degree in Business Administration specialised in Finance from the University of Colombo, Bachelor of Laws (Honours) from the University of New Buckinghamshire, United Kingdom and is a Senior Fellow Member of the Institute of Bankers of Sri Lanka and a Certified Member of Sri Lanka Institute of Marketing.

Positions Held/Experience

Mr Kodituwakku is a veteran banker, serving as the Chief Executive Officer/General Manager of People's Bank. He has nearly four decades of multi-faceted experience in local as well as cross border operations.

He has a wealth of banking knowledge in a wide spectrum of areas covering Branch Banking, Consumer Banking, Commercial Banking, Corporate Banking, Off-shore Banking, International Banking, Project Financing, Recoveries and Digitalisation etc.

He is a key figure in driving the bank towards digitalisation on mapping business requirements to a digital platform by adopting best practices in the industry and re-engineering business processes for which the bank was awarded many prestigious awards/recognitions both internationally and locally.

Current Positions

He also serves as the Chairperson of Financial Ombudsman Sri Lanka (Guarantee) Ltd, Lanka Financial Services Bureau Ltd & People's Travels Ltd, Vice Chairperson of Sri Lanka Banks' Association (Guarantee) Ltd, People's Insurance PLC, Lankan Alliance Finance Ltd - Bangladesh, Credit Information Bureau of Sri Lanka and Lanka Clear (Pvt) Ltd and a Governing Board Member of Institute of Bankers of Sri Lanka and National Payments Council.

5. Mr Chanura Wijetillake

Non-Executive, Independent Director

Mr Chanura Wijetillake was appointed as Director to the Board on 19 February 2020.

Qualifications

Mr Wijetillake is a Fellow Member of the Institute of Bankers - Sri Lanka and also an Associate Member of the International Professional Managers Association (UK). He has also obtained his Diploma in Management from ICAI University, India.

Position Held/Experience

Mr Wijetillake has over 35 years' experience in the Banking sector, out of which a total of 14 years in the Senior Management and the Corporate Management at the Commercial Bank of Ceylon PLC, covering the areas of Lending, Compliance and Branch Administration. He has been instrumental in implementing a risk-based compliance framework and risk-based Compliance Audit System at the Bank.

He has also successfully developed and executed strategies to maximise the sales and profit growth in two large regions of the Bank for over five years. He has been a member of the Bank's Internal Resource Faculty for its training programmes conducted for Branch Managers and the Credit Officers on Lending.

He has represented the Bank and participated in several training programmes in Singapore, Bangladesh, China and Germany during his long career at the Commercial Bank of Ceylon PLC. He has also functioned as the Assistant General Manager - Compliance at Softlogic Finance PLC for a while after his retirement from Commercial Bank of Ceylon PLC.

Current Positions/ Engagements

Mr Wijetillake currently gets involved as a Resource Person in the training programmes conducted by the Centre for Banking Studies of Central Bank of Sri Lanka.

6. Mr Asoka Bandara

Non-Executive, Independent Director

Mr Asoka Bandara was appointed as Director to the Board on 19 February 2020.

Qualifications

He holds a Post Graduate Diploma of Marketing (CIM- UK), and MBA (University of Colombo).

Position Held/Experience

Mr Asoka Bandara has over 30 years of expertise in demand generation function and business development in MNCs and leading local corporates. He has been a MANCOM member of Nestle Lanka PLC and Group Managing Director of Delmege Forsyth Group of Companies. His core competencies include building of branded businesses and development of commercial teams.

Current Positions

Director Litro Gas Lanka Ltd, Litro Gas Terminal Lanka Private Ltd. and Buildmart Lanka (Pvt) Ltd. Currently operates management consultancy services for leading local conglomerates. As a trainer, he specialises in developing team leadership and personality development including overseas assignments and imparts his knowledge via MBA teaching on topics i.e. leadership, strategic management and advanced marketing and sales management.

He also acts as a key negotiator by leveraging his issue management skills for leading industry bodies vs. key stakeholders. He is a Vice President of the Dairy Association of Sri Lanka and serves as an executive committee member for the Lanka Confectionery Manufacturers Association and Chamber of Commerce F & B Committee.

Board of Directors

7. Mr Clive Fonseka

Non-Executive, Non-Independent Director

Mr Clive Fonseka was appointed as Director to the People's Leasing & Finance PLC Board on 19 February 2020.

Qualifications

Mr Fonseka is a fellow of the Institute of Bankers of Sri Lanka and holds a Master's Degree in Business Administration from Postgraduate Institute of Management of University of Sri Jayewardenepura. He has received a Distinction for the ACI Dealing Certificate and counts more than 28 years' experience in Treasury Management. He is also a Certified Member (CMA) of the Institute of Certified Management Accountants of Australia.

Positions Held/Experience

Mr Fonseka has served at American Express Bank and Standard Chartered Bank. He has acted as the President of the Association of Primary Dealers during the period of 2018 to 2020 and was a member of the National Payment Council, Financial System Stability Consultative Committee and the task force to study and design a new alternative benchmark interest rates committee of the Central Bank of Sri Lanka during the aforesaid period. Furthermore he has acted as a Chief Examiner for Institute of Bankers of Sri Lanka's IABF/ DABF Examinations previously.

Current Positions

Mr Fonseka joined People's Bank in 2002 and has been a member of People's Bank's senior corporate management team from November 2011. He also acts as Director of People's Leasing Property Development Limited and Lankan Alliance Finance Limited - Bangladesh at present.

8. Mr Azzam A. Ahamat

Non-Executive, Non-Independent Director

Mr Azzam A. Ahamat was appointed as Director to the People's Leasing & Finance PLC Board on 30 December 2019.

Qualifications

He is a Fellow Member of the Chartered Institute of Management Accountants (United Kingdom), a Fellow Member of the Association of Chartered Certified Accountants (United Kingdom) and a Fellow Member of the Institute of Certified Management Accountants of Sri Lanka. He is a Technical Specialist of the Institute of Risk Management (United Kingdom), a Certified Practising Accountant (AUST.) and is a member of the Chartered Institute of Securities & Investment (United Kingdom).

Position Held/Experience

Mr Ahamat has close to 18 years' experience both locally and internationally across strategic financial management, alternate investments and risk. His prior employers include some of the largest multi-national professional service firms and other tier I service providers across respective market spaces.

Current Positions

Mr Ahamat functions as the Head of Finance of People's Bank since January 3, 2017. He is Director in Lankan Alliance Finance Limited, Bangladesh.

9. Mr Michael Pradeep Amirthanayagam

Non-Executive, Independent Director

Mr Amirthanayagam was appointed as Director to the Board on 15 July 2022.

Qualifications

Mr Amirthanayagam is a Fellow Member of the Chartered Institute of Marketing (UK) and an Associate Member of Trinity College of Music, UK in speech and drama.

Positions Held/Experience

Mr Amirthanayagam is a reputed advertising and media personality in Sri Lanka who counts over 35 years of experience in the advertising industry. He is currently the Chairman and Managing Director of the leading advertising agency Holmes Pollard & Stott, which he was instrumental in setting up over 30 years ago.

Mr Amirthanayagam is also a media icon. He was a News presenter for media networks Rupavahini, ITN and SLBC, and was also an interviewer and cricket commentator. He has the distinction of having trained at Bush House - the headquarters of the BBC in London. Mr Amirthanayagam was the 50th President of the Rotary Club of Colombo West and was awarded the Rotarian of the year in 2012.

Mr Amirthanayagam was the Former Chairman of People's Leasing & Finance PLC, Director of Lankan Alliance Finance Limited Bangladesh and People's Merchant Finance PLC.

Current Positions

He is the Vice President of Society for the Uplift and Rehabilitation of Leprosy Affected Persons (SUROL) and a Director of the Anura Bandaranaike Foundation.

10. Ms Shaalini Silva

Company Secretary

Ms Silva was appointed as the Company Secretary to the Board on 15 July 2021.

Qualifications

She is an Associate Member of the Institute of Chartered Secretaries and Administrators UK (now known as Chartered Governance Professional of the Chartered Governance Institute UK). A graduate of the Institute of Chartered Corporate Secretaries of Sri Lanka and a Bachelor of Arts Degree holder from the University of Colombo.

Position Held/Experience

Ms Silva has over 18 years of experience in Corporate Secretarial functions in both Private and Public Quoted Companies, Guarantees and Associations.

Current Positions

She also functions as the Company Secretary to People's Leasing Fleet Management Limited, People's Leasing Property Development Limited, People's Leasing Havelock Properties Limited and People's Micro-Commerce Ltd.

Corporate Management



Mr Shamindra Marcelline
Chief Executive Officer/ General
Manager



Mr Lionel Fernando
Senior Deputy General Manager



Mr Rohan Tennakoon
Deputy General Manager – Risk
and Control



Mr Damith Malavithanbila
Deputy General Manager –
Recoveries and Administration



Mr Laksanda Gunawardena
Deputy General Manager –
Operations



Mr Prabath Gunasena
Deputy General Manager – ICT
(Group)



Mr Udesch Gunawardena
Deputy General Manager –
Internal Audit



Mr Ranil Perera
Assistant General Manager –
Recoveries



Ms Sujeeva Ranasinghe
Assistant General Manager – HR
(Group)



Ms Sherine Dabarera
Assistant General Manager – Legal

Corporate Management

1. Mr Shamindra Marcelline

Chief Executive Officer/ General Manager

Joined People's Leasing & Finance PLC in November 2020.

Qualifications

B.Sc. (Hons) City University, London, UK 1996, Financial Advisors' International Qualification (FAIQ), Chartered Insurance Institute, UK 2008.

Positions Held

Senior Vice President / Head of Corporate Banking at DFCC Bank. Member of the DFCC Bank, Executive Management Committee (EXCO).

The Country Manager of HSBC Maldives, Head of Financial Institutions Group and Public Sector at HSBC Sri Lanka and Manager - Wealth Management and Insurance at HSBC Sri Lanka.

Experience

24 years of multifaceted experience in Corporate and Global Banking, Investment Banking, Retail Banking, Credit Administration and Operations Management.

Experience in Product Development, Advisory, Structuring and Financing, Credit Administration and Operations relating to the branch and cross border business within HSBC Group entities.

Expertise in designing and implementing new business initiatives, systems/ procedures to enhance the overall efficiency of the organisation in line with corporate business goals.

Current Positions

Serves as the Director 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 Lankan Alliance Finance Limited-Bangladesh.

Accolades

Bestowed with the award 'CEO of the Year 2022' from Sri Lanka Best Employer Brands Award 2022, the award, certified by the World Federation of Human Resources Professionals and endorsed by CHRO Asia, recognises leaders of organisations who have 'contributed to the growth of the economy embracing all adversities'.

2. Mr Lionel Fernando

Senior Deputy General Manager

Joined People's Leasing & Finance PLC in 1995.

Qualifications

ACA, Associate member of the IBSL. Post Graduate Diploma in Business and Financial Administration (CA Sri Lanka). Associate member of Certified Management Accountants of Sri Lanka (ACMA).

Experience

Over 33 years' experience in the Banking and Finance Industries, including People's Bank.

Current Positions

Director/General Manager of People's Leasing Havelock Properties Ltd. Head of Al-safa Islamic Financial Services Unit, and in charge of gold loan operations. Director of National Railway Museum (Guarantee) Ltd.

3. Mr Rohan Tennakoon

Deputy General Manager - Risk and Control

Joined People's Leasing & Finance PLC in 1998.

Qualifications

MBA (Colombo), MSc (Mgt.) - (Sri Jayewardenepura), BSc- Business Admin (2nd Class Upper/Sri Jayewardenepura), AIB (Sri Lanka), FICM(SL), member APBSL, Licentiate of CA Sri Lanka.

Positions Held

Vice President of the Finance House Association (FHA) of Sri Lanka and Project Chairman of the Sports Sub-Committee for the year 2015 and 2017. Served in panel representing the FHA in Chamber of Commerce. Served as the Head of Al-Safa Islamic Financial Services Unit.

Experience

32 years of experience in diversified fields such as accounting, manufacturing, exporting and banking prior to joining the Leasing sector, experienced in marketing and business development, operations, branch operations, credit, and presently in risk and control.

Current Positions

Head of Risk of People's Leasing & Finance PLC, Non-Executive, Non- Independent Director of the People's Insurance PLC, Chairman of Finance Houses Association, Director of Leasing Association of Sri Lanka, Director of Sri Lanka Institute of Credit Management, Compliance Officer of the Credit Information Bureau of Sri Lanka. Serving on the panel of Jury in SLIM - NASCO.

4. Mr Damith Malavithanila

Deputy General Manager - Recoveries and Administration

Joined People's Leasing & Finance PLC in 1996.

Qualifications

Finalist of the CA Sri Lanka and Intermediate of the IBSL.

Experience

Over 37 years' experience in Banking and Finance and several years of experience in Auditing and Accounting. Served as General Manager of People's Leasing Fleet Management Limited for over nine years. Served as the Head of Recoveries for 10 years at People's Leasing & Finance PLC and later joined Branch Operations in 2007 and handled branches covering all island. Presently perform as Head of Recoveries and Administration. Further overlooking operational functions inclusively Customer Care and Grievance Handling Unit.

Current Positions

Director of People's Leasing Fleet Management Ltd., a fully owned subsidiary of People's Leasing & Finance PLC.

5. Mr Laksanda Gunawardena

Deputy General Manager - Operations

Joined People's Leasing & Finance PLC in 2002.

Qualifications

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

Positions Held

Functioned as the Head of Corporate Leasing for 10 years.

Experience

Over 27 years' experience in corporate and SME financing in the areas of credit, marketing, recoveries, branch development and operations.

Current Positions

Director of People's Micro-commerce Ltd, a fully-owned subsidiary of People's Leasing & Finance PLC.

6. Mr Prabath Gunasena

Deputy General Manager - ICT (Group)

Joined People's Leasing & Finance PLC in 1999.

Qualifications

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

Experience

23 years experience at People's Leasing & Finance PLC.

Current Positions

Member of the British Computer Society, Head of ICT at People's Leasing & Finance PLC.

7. Mr Udesh Gunawardena

Deputy General Manager - Internal Audit

Joined People's Leasing & Finance PLC in 1999.

Qualifications

ACA, ACMA (Sri Lanka), Dip. in Treasury, Investments and Risk Management (IBSL), World Prize winner of Australian Computer Society.

Positions Held

Served as Chief Financial Officer and the Company Secretary of Lankan Alliance Finance Limited Bangladesh on a Secondment basis.

Experience

Over 22 years' experience at senior levels in finance, with particular emphasis on accounting, auditing, financial management and treasury operations.

Current Positions

Secretary to the Board Audit Committee (BAC) of People's Leasing & Finance PLC. Non-Executive Director Lankan Alliance Finance Limited Bangladesh.

8. Mr Ranil Perera

Assistant General Manager - Recoveries

Joined People's Leasing & Finance PLC in 1999.

Qualifications

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

Experience

Has over 22 years of experience at People's Leasing Group.

9. Ms Sujeeva Ranasinghe

Assistant General Manager - HR (Group)

Joined People's Leasing & Finance PLC in February 2021.

Qualifications

LL.B - University of Colombo.

Positions Held

Head of Human Resources at a private commercial bank.

Experience

Over 26 years' experience at a private commercial bank, with over 23 years experience in Human Resource Management.

10. Ms Sherine Dabarera

Assistant General Manager - Legal

Joined People's Leasing & Finance PLC in January 2022.

Qualifications

LL. M in International Business Law (Distinction) University of Staffordshire, UK 2021, LL. B, University of Colombo 2001, Attorney-at-Law of the Supreme Court of the Democratic Socialist Republic of Sri Lanka, Notary Public of Colombo and registered Company Secretary.

Experience

Over 18 years of experience in legal, regulatory, and corporate affairs in diversified and multi-jurisdictional projects in telecommunication and banking sectors. Specialised in International Business Law, with a focus on ICT Law, IP Law, Corporate Finance Law, Transnational Corporate Governance and International Labour Law.

Corporate Governance

The increasingly challenging environment has underscored the need for strong corporate governance. At People's Leasing Group, we are committed to the highest standards of integrity, transparency and accountability. Good governance has been the bedrock of our sustainable growth, and on which we depend on our social license to operate.

Highlights - FY 2021/22

- Continued to regularly review the impact and risks to the organization arising from the COVID-19 pandemic and economic volatility
- Gave oversight to the Group's transformation strategy in line with the long-term vision. Integrated Environment, Social and Governance aspects to the business model.
- Gave oversight to the technology and digital strategy of the Group while enhancing system security and cyber safeguards.
- Strengthened governance structure. Adopted in advance selected provisions of the Central Bank of Sri Lanka (CBSL), Finance Companies (Corporate Governance) Direction No. 05 of 2021. Replaced HR, Remuneration and Nomination, Committee with separate HR and Remuneration Committee and Nomination Committee
- Established two new subcommittees - Board Credit Committee and Board Investment Committee
- Approved the issue of Rs. 10 billion Debentures in July 2021 to increase balance sheet stability and support organization growth.
- Complied with all regulations and reporting requirements
- Resignation of Mr S. Ahangama Non-Executive, Non-Independent Director with effect from August 24, 2021.
- Authorised and recommended a Rs. 0.50 final dividend in the form of a scrip Dividend.

1.1 Our Approach to Governance

As the apex governance body, the Board leads by example, setting the tone from the top. Embracing globally accepted best practices, the Board has established a robust governance framework to foster a culture of enhanced accountability, strong risk and performance management, transparency, and effective and ethical leadership. Adopting an integrated approach, the Board incorporates Environmental, Social and Governance (ESG) metrics into decision making to create long term value for both the organisation and its key stakeholders.

Governance Framework and Structure

The framework is bound by several external and internal steering instruments of industry rules, codes and standards, and internal control systems. Particularly, it references the Principles of the Central Bank of Sri Lanka (CBSL), Finance Companies Direction No. 03 of 2008 on Corporate Governance and the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka in 2017. Details of full compliance are set out on pages 143 to 155 and 140 to 142, respectively.

Corporate Governance Compliance Summary

| REGULATION / CODE | ADOPTION | ADHERENCE | DISCLOSURE TABLE |
|--|---|----------------------|------------------|
| The Companies Act No.7 of 2007 (Companies Act) | Mandatory | Fully Compliant | |
| Listing Rules of the Colombo Stock Exchange (CSE) | Mandatory | Fully Compliant | pages 139 to 140 |
| Central Bank of Sri Lanka (CBSL), Finance Companies (Corporate Governance) Direction No. 03 of 2008 as amended by Directions No. 04 of 2008, No. 06 of 2013 and No. 05 of 2020 * | Mandatory | Fully Compliant | pages 143 to 155 |
| Central Bank of Sri Lanka (CBSL), Finance Companies (Corporate Governance) Direction No. 05 of 2021 | Voluntarily adopted (Mandatory w.e.f. April 01, 2022) | Selective Compliance | |
| Code of Best Practice on Corporate Governance (2017) issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) | Voluntary | Fully Compliant | pages 140 to 142 |

* The External Auditors, Messrs. Ernst & Young, have performed procedures as set out in the Sri Lanka Related Services Practice Statement 4752 (SLRSPS 4752) issued by Institute of Chartered Accountants of Sri Lanka to meet the compliance requirement of the Corporate Governance directive.

Key Board Responsibilities

- Provide strategic direction.
- Monitor implementation of strategy.
- Set corporate values and promote ethical behaviors.
- Establish systems of risk management, internal control, and compliance.
- Be responsive to the needs of society.
- Meet shareholders, employees, and other stakeholder’s obligations, balancing their interests in a fair manner.
- Present a balanced and understandable assessment of the Group’s position and prospects.
- Safeguard assets and ensure legitimate use.
- Ensure succession planning and the continued ability of the Group to operate without any disruption.

The Group’s Code of Business Conduct and Ethics binds all employees and Directors to high standards of ethical conduct.

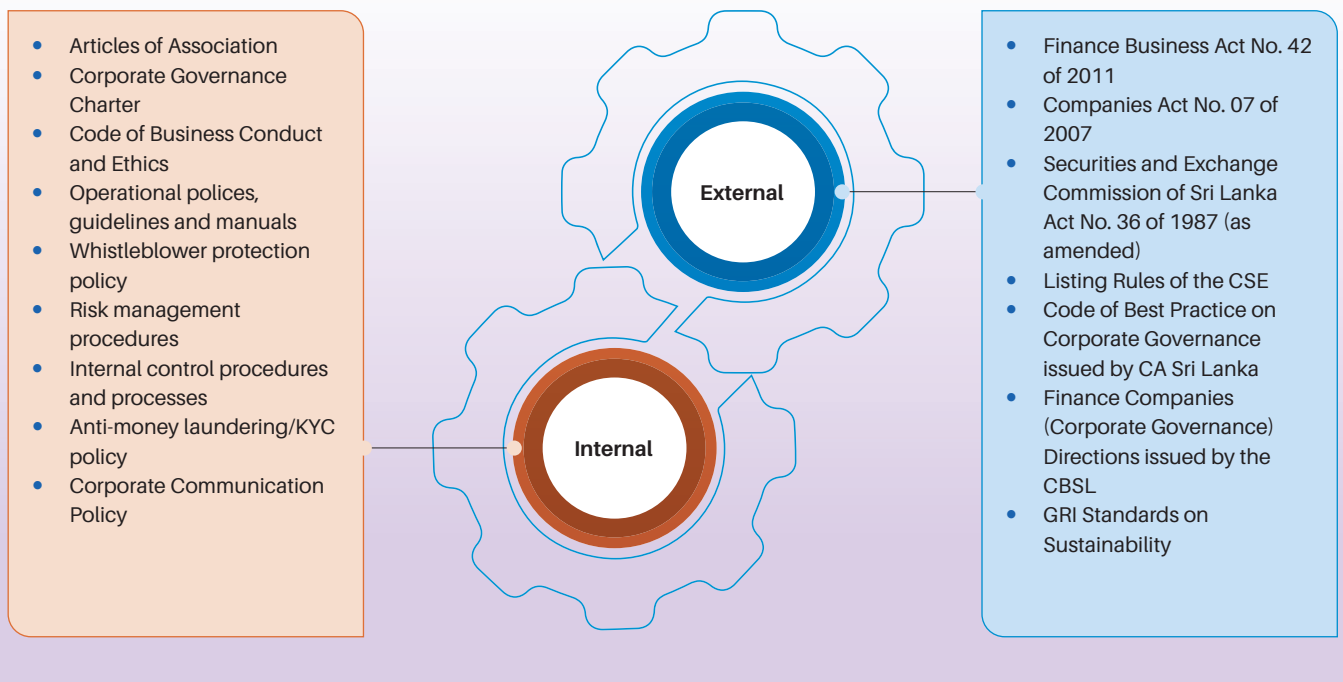
The Board assumes collective responsibility for the performance and affairs of the Group, as mandated in the organization’s Corporate Governance Charter. Key responsibilities are listed alongside.

Functions warranting greater attention has been delegated by the Board to seven (7) Board Sub-Committees as at the end of the financial year, while daily management of the Group and implementation of People’s Leasing Group’s strategic plan has been delegated to the Executive management led by the CEO/GM. Strategically aligned Key Performance Indicators (KPI) drive performance and the achievement of objectives, while regular reporting on key matters enables effective oversight by the Board. The reports of the five statutory Committees are given on pages 162 to 172.

The Governance framework is regularly reviewed to adapt to the evolving business environment and ensure that it is fit for purpose.

Key Governance Steering Instruments

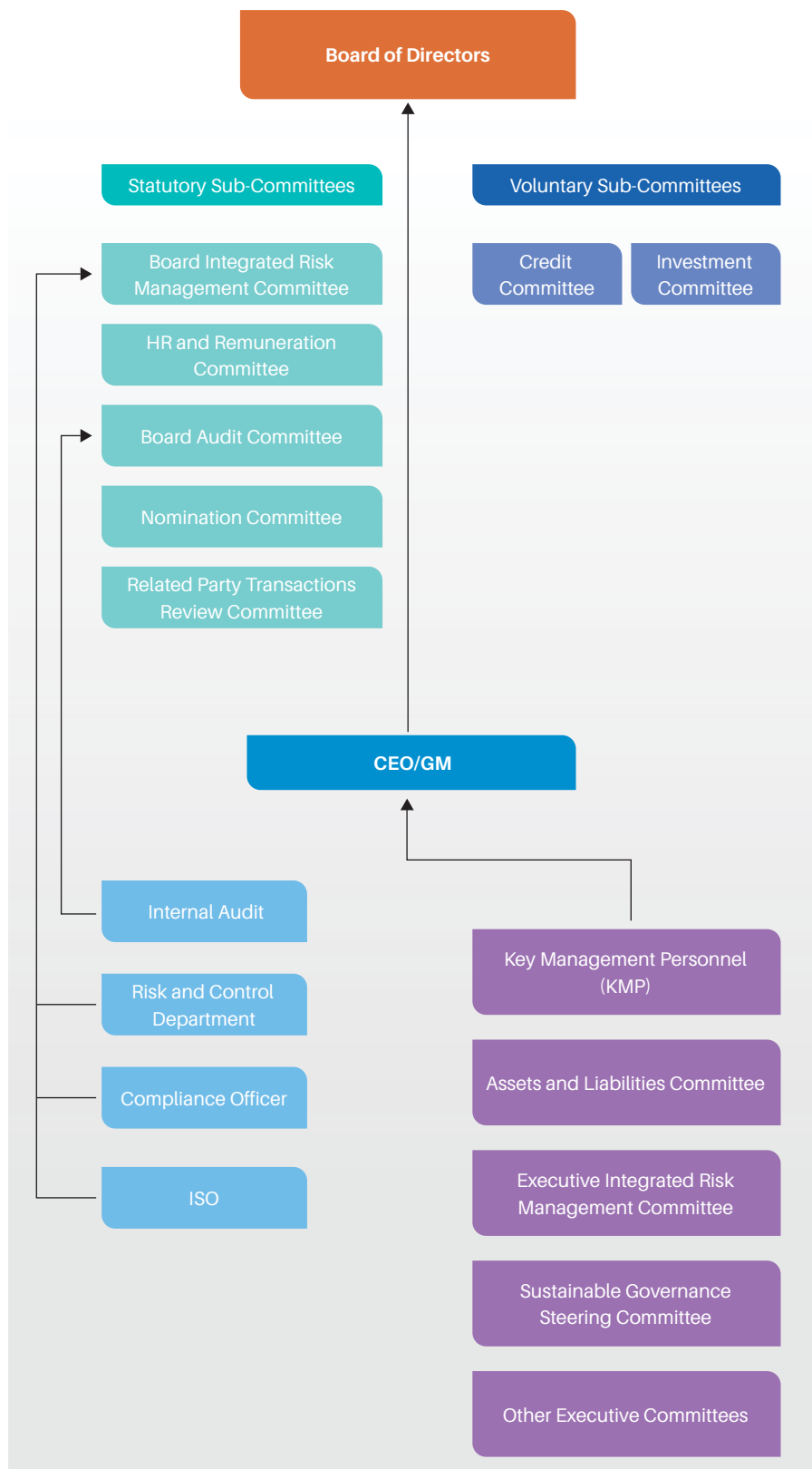
The Governance framework is bound by several external and internal steering instruments.



Corporate Governance

GRI 102-18

Organization Structure



Delegation Of Authority (DLA) Framework

Structures of delegation provide for the assignment of authority while enabling the Board to retain effective control. The Board recognises that delegating authority does not reduce the responsibility of directors to discharge their statutory and common-law fiduciary duties. Regular reporting on key matters aids effective oversight.

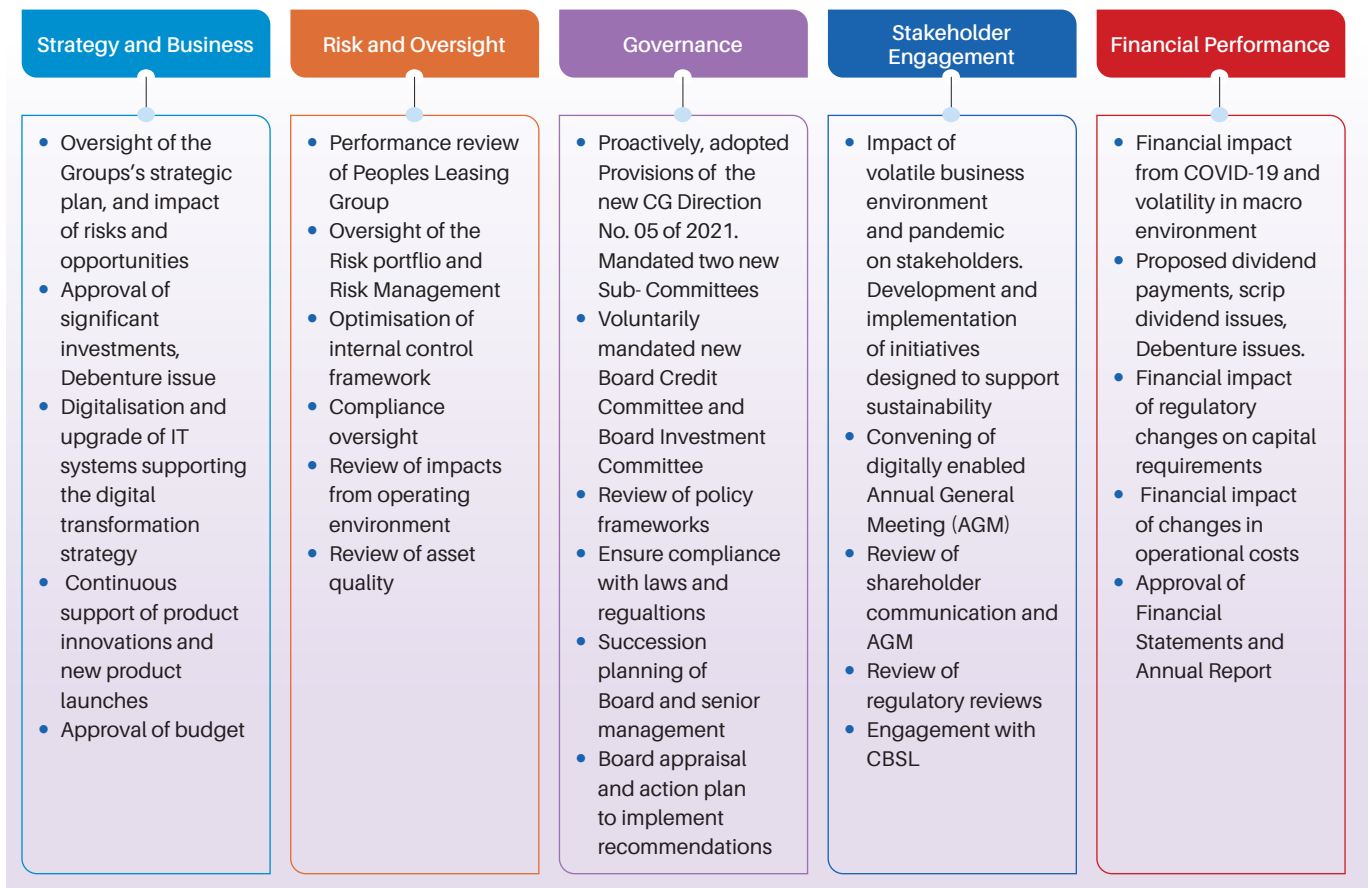
Key Highlights

- Regular reporting on key matters enables effective oversight by the Board.
- Management is open and transparent with the Board and escalates concerns to its attention in the appropriate fora and in a timely manner
- The Board strives to create an effective balance between meeting the Board’s oversight responsibilities and maintaining an entrepreneurial environment in which management can operate.
- Roles are clearly clarified (by mandates and job descriptions) and authority and responsibilities are effectively exercised.
- Strategically aligned financial and non-financial Key Performance Indicators (KPIs) drive performance and the achievement of objectives.
- All functional departments are headed by competent individuals and are adequately resourced.
- The Chief Internal Auditor reports directly to the BAC while the Chief Risk Officer and the Compliance Officer report directly to BIRMC ensuring independence of these key functions
- DLA by the Board is reviewed periodically to ensure limits are aligned to the Group’s evolving needs and business context. The Company Secretary monitors the implementation of DLA.

1.2 Governance in FY 2021/22

In order to strengthen the Corporate Governance framework, the Company resolved to adopt the new Corporate Governance Direction No. 05 of 2021 proactively. Selected Provisions in the new direction have been voluntarily incorporated into the company structure as at the end of the financial year.

Key Areas of Board Focus in 2021/22



We are cognizant that our long-term sustainability and success are contingent on the degree to which we deliver value to our stakeholders. Through the considered development and delivery of products and services that satisfy societal needs, and through our own operations, we aim to play our part in the recovery of the economy, create long-term value and maintain stakeholder trust.

Increased vigilance and oversight by the Board continued into FY 2021/22, as the Board together with Corporate Management reviewed the socio-economic impacts of the pandemic and ballooning national economic crisis, on the Group. The health of all our employees remained paramount, and all necessary adjustments required to safeguard

The Company’s comprehensive policy framework serves as a guide to behavior and decision making at all levels of the organisation. The framework is reviewed on an on-going basis to meet the evolving needs of the Group.

New Policies formulated in 2021/22

- Comprehensive Corporate Communication Policy
- Procedure for selection and appointment of Senior Management
- Anti Money Laundering Policy and Procedure
- Succession Plan Policy
- New TORs adopted for HR and Remuneration Committee and Nomination Committee
- Procedure for selection/ appointment of Directors

Policies reviewed and updated in 2021/22

- Share Trading Policy
- Related Party Transaction Policy and Manual

Corporate Governance

them continued to be addressed. Risk management, recoveries, and internal control were key areas of Board’s focus. The Board, directly and through its sub-committees, considered actions to successfully face these challenges, manage crisis and harness opportunities to protect and create value for the Group and its stakeholders.

The Board also ensured effective compliance with legal and regulatory reporting, following heightened reporting requirements by the Central Bank of Sri Lanka on implementation of urgent fiscal and monetary measures. People’s Leasing Group has diligently complied with all regulations during the year.

The Board continued to support management in the Group’s overall transformation journey, to serve customers and employees better. The Board reviewed in detail the digital transformation and IT strategy of the Group, Increased investments to secure digital platforms and in management of cyber security, expedited the delivery of digital solutions and the progressive migration of customers to electronic channels.

In support of the organization’s transformation strategy, Governance structures, policies and internal controls, systems and processes are being strengthened.

The HR, Remuneration and Nomination committee functions were reassigned under two separate Sub Committees as follows;

1. HR and Remuneration Committee
2. Nomination Committee

This is a requirement of the Corporate Governance Direction No. 05 of 2021 dated December 31, 2021, proactively complied with by the Group in January 2022. Further, two new voluntary sub committee’s – Board Credit Committee and Investment Committee were mandated while the policy framework reviewed to meet the evolving needs of the Group. 06 new policies were introduced and 02 revised during the year.

GRI 405-1

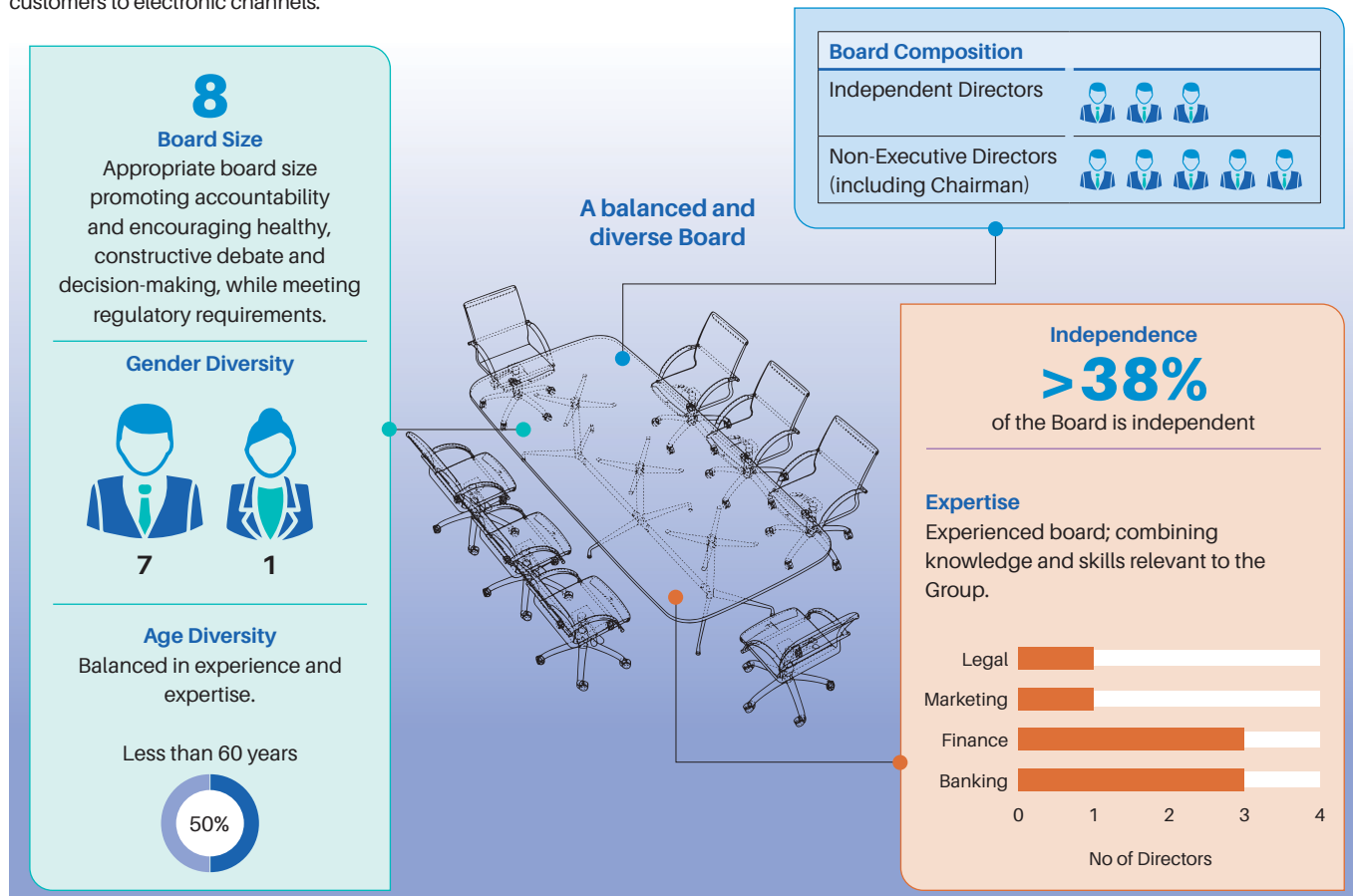
1.3 Board Governance

The Board of Directors continues to provide ethical and effective leadership, to safeguard stakeholder value creation within a framework of robust and effective controls. The Board is satisfied that it fulfilled all its duties and obligations during the past financial year.

1.3.1 Board Composition

The Board comprises 8 members, all of whom are Non-Executive Directors.

Except for the Non-Executive Independent Directors, other directors are recommended by the parent, People’s Bank and subject to re-appointment by the Shareholders at the next AGM in terms of the Articles of Association. Independent Directors are eminent professionals in their respective fields and bring invaluable insights and varied perspectives to board deliberations.



The collective background of the Board of Directors provides a balanced mix of skills and experience to enable the Board to fulfill its roles and responsibilities objectively and effectively. All Directors exercise independent judgement in the effective discharge of duties, engaging in constructive Board deliberations and objective evaluation of matters set before them.

The Board, through the Board Nomination Committee reviews the composition on an ongoing basis. Three directors including the Chairman, are finance professionals ensuring sufficient financial acumen within the Board.

1.3.2 Board Sub-Committees

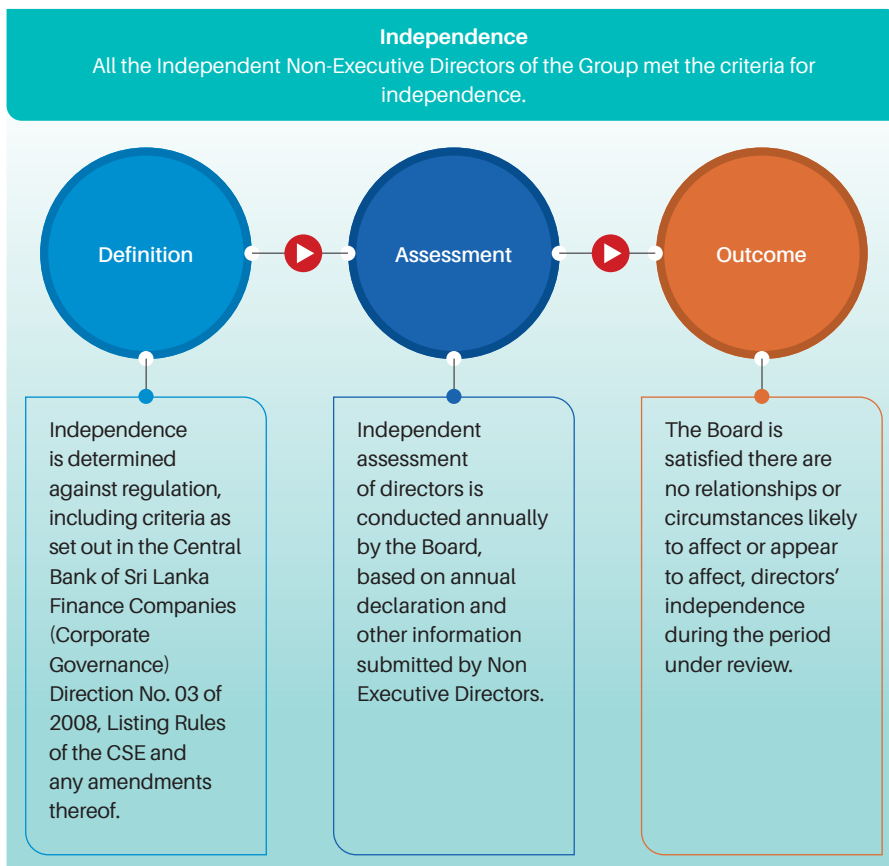
Delegation of authority to Board Sub-Committees, enables the Main Board to allocate sufficient time to matters reserved for its decision making, while ensuring delegated matters receive in-depth focus. It also allows the Board to capitalise on the specific expertise of individual board members.

1.1.1 Company Secretary

The office of the Company Secretary is integral to the effective functioning of the Board. The Company Secretary guides the Board on discharging its duties and responsibilities, promoting best practices in Corporate Governance.

All Directors have access to the advice and services of the Company Secretary, Ms. Shaalini Silva, a qualified Chartered Secretary. Appointment and removal of the Company Secretary is a matter for the Board.

The Committees are governed by Board approved mandates and Terms of References. Committee Chairpersons are responsible for the effective functioning of the Committees and report regularly to the Board on Committee activities. Committee mandates are reviewed regularly.



Corporate Governance

| | Board Committee | Areas of Oversight | Composition | Further Information |
|----------------------|--|---|--|---|
| Statutory Committees | Board Audit Committee (BAC) | <ul style="list-style-type: none"> Integrity of financial reporting and disclosures Internal controls and internal audit External audit Compliance | <ul style="list-style-type: none"> Two Independent Non-Executive Directors including the Chairman of the Committee One Non-Executive Non-Independent Director | Report of the BAC on pages 162 to 163 |
| | Board Integrated Risk Management Committee (BIRMC) | <ul style="list-style-type: none"> Comprehensive Risk Management Framework Risk measurement, monitoring, and management Compliance with regulatory and internal prudential requirements | <ul style="list-style-type: none"> One Independent Non-Executive Directors including the Chairman of the Committee Two Non-Executive Non-Independent Directors CEO/GM Two SDGMs - Operations DGM - Risk and Control | Report of the BIRMC on pages 170 to 172 |
| | HR Remuneration and Nomination, Committee (NRHRC) (Ceased with effect from January 27, 2022) | <ul style="list-style-type: none"> Selection and appointment of Directors, CEO /GM, and KMP Expertise gaps, succession, and re-election Board Corporate Governance HR Policies including remuneration. Organisation values and Code of Conduct Compliance with labour laws HR Systems including performance evaluation, talent management and succession | <ul style="list-style-type: none"> Two Independent Non-Executive Directors including the Chairman of the Committee One Non-Executive Non-Independent Director | |
| | HR and Remuneration Committee (HRRC) (With effect from January 27, 2022) | <ul style="list-style-type: none"> HR Policies including remuneration Organisation values and Code of Conduct Compliance with labour laws HR Systems including performance evaluation, talent management, succession planning | <ul style="list-style-type: none"> Two Independent Non-Executive Directors including the Chairman of the Committee One Non-Executive Non-Independent Director | Report on pages 164 to 165 |
| | Nomination Committee (With effect from January 27, 2022) | <ul style="list-style-type: none"> Selection and appointment of Directors, CEO/GM and KMP Expertise gaps, succession, and re-election Board Corporate Governance | <ul style="list-style-type: none"> Two Independent Non-Executive Directors including the Chairman of the Committee One Non-Executive Non-Independent Director | Report on pages 168 to 169 |
| | Related Party Transactions Review Committee (RPTRC) | <ul style="list-style-type: none"> Review of related party transactions | <ul style="list-style-type: none"> Two Independent Non-Executive Directors including the Chairman of the Committee One Non-Executive Non-Independent Director | Report of the RPTRC on pages 166 to 167 |

| | Board Committee | Areas of Oversight | Composition | Further Information |
|----------------------|------------------------|--|--|---------------------|
| Voluntary Committees | Board Credit Committee | <ul style="list-style-type: none"> Review Credit Functions | <ul style="list-style-type: none"> One Non-Executive Non-Independent Director (Chairman) Two Independent Non-Executive Directors | Non Mandatory |
| | Investment Committee | <ul style="list-style-type: none"> Review and recommend investments options | <ul style="list-style-type: none"> Two Non-Executive Non-Independent Directors including Chairman One Independent Non-Executive Director | Non Mandatory |

1.3.3 Clear Roles and Responsibilities

Key roles of Chairman and CEO/GM are separate strengthening the decision-making process. Their principle duties and responsibilities are documented in the Corporate Governance Charter of the Group and by which means authority is delegated and accountability is established.

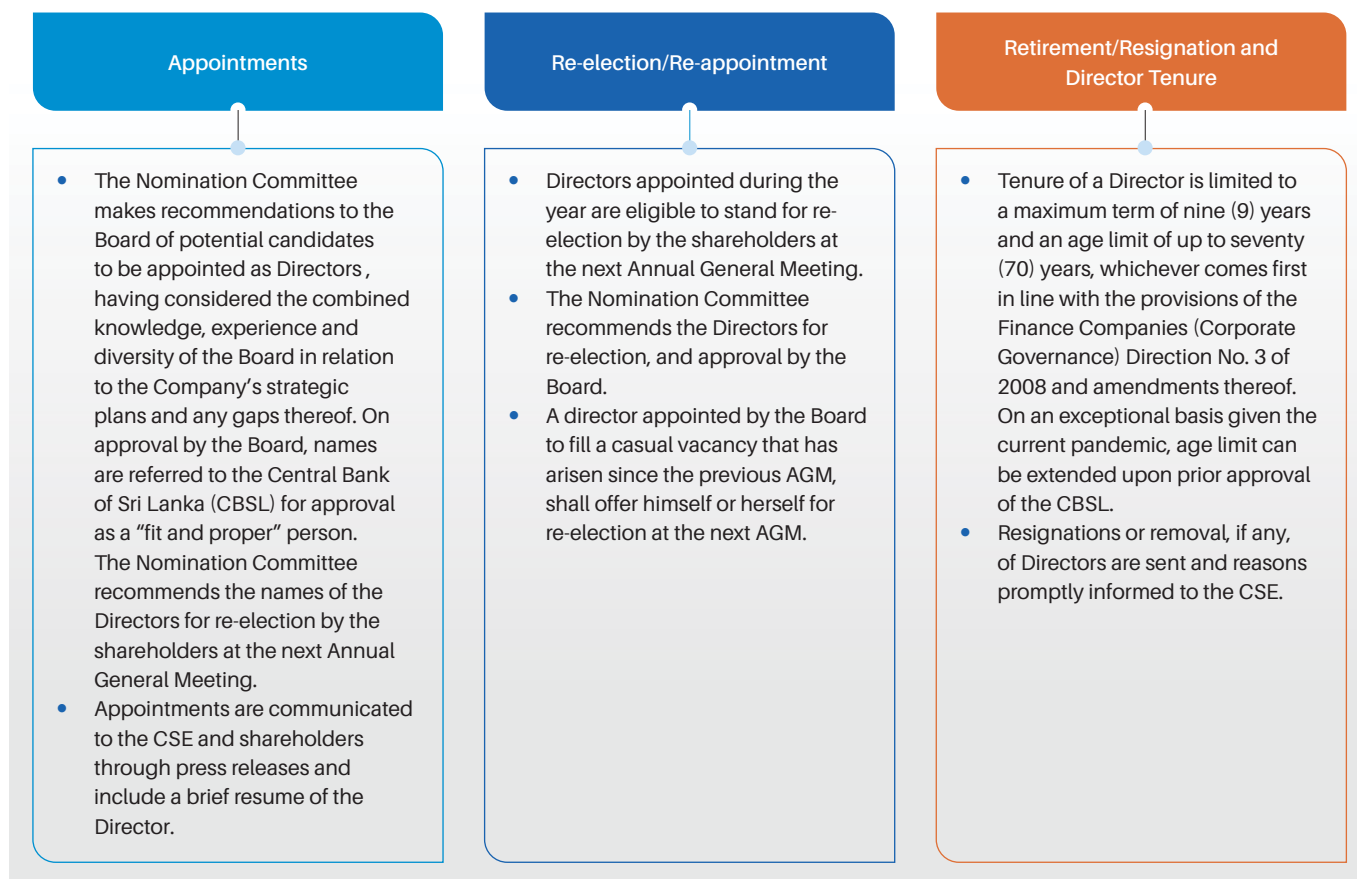
The Chairman of Peoples Bank (parent Company) serves as the Chairman of Peoples Leasing & Finance PLC.

| Chairman | Senior Independent Director (SID) | CEO/GM |
|--|--|---|
| Role | Role | Role |
| Leads the Board, preserving good corporate governance and ensuring that the Board works effectively. | Further strengthens the independence of the board. | Is accountable for implementation of strategic plan and driving performance. |
| Responsibilities | Responsibilities | Responsibilities |
| <ul style="list-style-type: none"> Setting the Board's annual work plan and the agendas, in consultation with the Company Secretary Building and maintaining stakeholder trust and confidence. Ensuring effective participation of all Board members during Board meetings. Monitoring the effectiveness of the Board. | <ul style="list-style-type: none"> Acts as a sounding board for the Chair and, if and when appropriate, serves as an intermediary for the other Directors. Chairs Board discussions on matters where the Chairperson may have a conflict of interest | <p>Appointing and ensuring proper succession planning of the corporate management team and assessing their performance.</p> <ul style="list-style-type: none"> Developing the Group's strategy for consideration and approval by the Board. Developing and recommending to the Board budgets supporting the Group's long-term strategy. Monitoring and reporting to the Board on the performance of the Group and its compliance with applicable laws and Corporate Governance principles. Establishing an organizational structure for the Group which is appropriate for the execution of strategy. Ensuring a culture that is based on the Group's values. Ensuring that the Group operates within the approved risk appetite. |

Corporate Governance

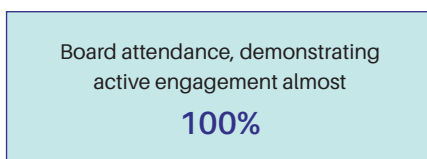
1.3.4 Board Refreshment

The Board is refreshed periodically through new appointments, retirement, resignation, and re-election. Board refreshment allows for the introduction of members with new skills, insights, and perspectives, while retaining valuable industry knowledge and maintaining continuity.



1.3.5 Meetings and Attendance

Board meetings are held at monthly intervals with the flexibility to arrange ad-hoc meetings to supplement these when required. Twelve meetings were held during the year. A hybrid model using video-conferencing facilities was adopted.



Governance of Meetings

Before the Meeting

Setting the Date

- The dates for the Board meetings are set at the beginning of the year. The Board Meeting Schedule is communicated to all members before the start of the next calendar year.

Board Agenda

- Chairman sets the Board agenda, assisted by the Company Secretary.
- The agenda is prioritised and timed to ensure all items are discussed adequately .
- Agenda and Board Papers for Meetings are sent generally seven (7) days before the Meeting, allowing Members sufficient time to review same.

During the Meeting

Quality of Information

- Directors are provided accurate, relevant, and timely information on which they base their decisions
- CEO / GM briefs the Board on the business operations, financial performance, industry trends and developments.
- Heads of Dept / KMP are invited to attend Board meetings to discuss relevant areas of business.

Transparency

- Management is open and transparent with the Board and brings to attention any matters of concern in a timeous manner.

Resolutions by Circulations

- Resolutions concerning business matters may be passed by circulation, within regulations.
- However, if a single Director deems it necessary that such resolution must be decided at a Board Meeting and not by circulation, the Chairman shall present the resolution to be decided at a Meeting.

After the Meeting

Minutes

- Directors’ concerns regarding matters which are not resolved unanimously are recorded in the minutes.
- Board minutes are circulated to Members within a reasonable time of the Meeting being held, in compliance with code.

Tracking Action

- All follow-up action required is tabulated by the Company Secretary and forwarded to the respective departments / committees for action.
- Action is tracked and a formal update compiled and included in the Board Pack for the next meeting.

Corporate Governance

| Name of Director | Director Status | Meeting Attendance - Attended / Eligibility | | | | | Nomination Committee ** | Related Party Transaction Review Committee | Board Investment Committee **** | Board Credit Committee ***** |
|---|-----------------|---|-----------------------|--|--|--|----------------------------|--|------------------------------------|---------------------------------|
| | | Board | Board Audit Committee | Board Integrated Risk Management Committee | Human Resources, Remuneration and Nomination Committee * | Human Resources and Remuneration Committee ** | | | | |
| Sujeewa Rajapakse (Chairman) | NED | 12/12 | | | | | | | | |
| Miriam Coralie Pietersz (Senior Independent Director) | INED | 12/12 | 12/12 | | 4/4 | 2/2 | 2/2 | | | |
| Rohan Pathirage | NED | 11/12 | | | 4/4 | 2/2 | 2/2 | 2/2*** | | |
| Azzam A. Ahamat | INED | 12/12 | 10/12 | 6/7 | | | | 2/2 | | |
| Sudarshana Ahangama (Resigned w.e.f. August 24, 2021) | INED | 04/04 | | | | | | 0/1 | | |
| K.C.Clive Fonseka | NED | 12/12 | | 7/7 | | | | C-1/2 | | |
| Chanura J. Wijetillake | INED | 12/12 | | C-7/7 | | | | C - 4/4 | 2/2 | |
| U.L.Asoka W.Bandara | INED | 12/12 | 12/12 | | C - 4/4 | C - 2/2 | C - 2/2 | 4/4 | | |
| Ranjith Kodituwakku | NED | 11/12 | | | | | | | C | |
| INED - Independent Non-Executive Director | | | | | ED - Executive Director | | | | | |
| NED- Non-Executive Director | | | | | C- Chairman | | | | | |

* Ceased w.e.f. January 27, 2022.

** Formed on January 27, 2022 in terms of the Corporate Governance Direction No. 05 of 2021 issued by CBSL

*** Appointed with effect from September 24, 2021

**** Formed on November 26, 2021

***** Effective April 01, 2022

Meeting of Independent Directors Chaired by SID

In furthering the good governance practices adopted by the Group to strengthen the independence and effectiveness of the Board, the SID met with the Independent Directors twice during the year to discuss governance related matters. Feedback was provided to the Chairman, who briefed the Board at the following meeting.

1.3.6 Directors Interests and Related Party Transactions

Directors declare their business interests at appointment and quarterly thereafter. Details are maintained in an Interest Register by the Company Secretary. The Register is available for inspection in terms of the Companies Act. Directors have no direct or indirect interest in a contract or a proposed contract with the Company other than those disclosed on pages 308 to 314 in IR.

The Group Related Party Transactions Review Committee considers all transactions that require approval, in line with the Group's Related Party Transactions Policy and in compliance with regulations, ensuring transactions are fair and in the best interest of People's Leasing Group. Related party transactions are disclosed in note 55 to the financial statements on pages 308 to 314.

The total number of Board seats (excluding directorship in People's Leasing Group) held by each director as of 31st March 2022 is given below. The Board is satisfied that all directors allocate sufficient time to enable them to discharge their duties and responsibilities effectively.

1.3.7 Conflict of Interest

The Group's Code of Business Conduct and Ethics prohibits a Director or KMP to use his or her position to divulge confidential or price-sensitive information, for personal benefit or benefit of any third party, whether financially or otherwise. Directors notify the Board promptly of any conflicts of interest they may have in relation to items of business or other Directorships. Directors do not participate in and excuse themselves from the Meeting when the Board considers matters in which a conflict may arise.

1.3.8 Informed Decision Making

The Group's reporting and information systems enable the Board to receive relevant and objective information, in a timely manner.

1.1.1.1 Supply of Information

The BoardPac is uploaded with the papers for discussion generally circulated seven (7) days in advance of a Board Meeting, provides comprehensive qualitative and quantitative information on matters to be raised at the Board Meeting.

Further, Corporate Management and external experts make regular presentations regarding the business environment, strategy and operations through deep dive sessions that are held regularly on each business unit's performance supporting strategy development.

1.1.1.2 Access to Information

Directors have unrestricted access to Executive Management, organisation information, as well as resources required to facilitate discharge of their duties. Access to external specialist advice is available to directors at the Company's expense, co-ordinated through the Company Secretary. Copies of such advice obtained are circulated to Directors who request for it.

1.1.1.3 Knowledge Development

Directors are kept abreast of applicable legislation and regulation, relevant sector developments and changes in the risk and general business environment on an on-going basis. Directors undertake training and professional development as they consider necessary, which requirements are coordinated through the Company Secretary.

An annual evaluation is conducted to assess the effectiveness of the Board as a whole and its sub-committees, the procedure of which is set out in the Corporate Governance Charter of the Group. Led by the Board Chairman and administered by the Company Secretary, Directors assess their collective performance against key drivers of effectiveness. Collated results are made available to the Board for information and consideration on areas for improvement.

The 2021/22 evaluations were conducted in March 2022 and findings tabled to the Board in June 2022. The outcome of the appraisal indicated that the Board and its committees were effective in discharging their roles during the year under review.

1.3.10 Appraisal of CEO/GM

The Board assesses the performance of the CEO/GM annually using criteria aligned to the short, medium, and long-term objectives of People's Leasing Group which are agreed with the CEO/GM at the beginning of the year. Performance is reviewed at the end of the financial year against the backdrop of the operating environment, and remuneration is revised based on performance.

1.3.9 Board and Sub-Committee Appraisal

Areas Covered

- Board Composition and Quality
- Board Meetings and Procedures
- Board Development
- Board Strategy and Risk Management
- Ethics, Compliance and Legal Framework
- Board and Management Relations Succession Planning

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1.3.11 Succession Planning

The Board is assisted by the NRHRC (now Nomination Committee) in identifying suitable candidates and developing succession plans for the Board and CEO/ GM, to ensure continuity of leadership and that the Board has the relevant mix of skills and experience that support delivery of the Group's strategic plan. The Committee is in the process of developing a comprehensive succession plan for KMPs, focusing on developing a talent pool to assume current and future responsibilities in key positions. The HR Department is responsible for the rollout of these career development plans.

1.4 Responsible and Fair Remuneration

The Board strives to ensure that remuneration is fair, responsible, and transparent. The Nomination, Remuneration and Human Resource Committee (NRHRC) (now HR and Remuneration Committee) is responsible for making recommendations to the Board regarding the remuneration of KMP within agreed terms of reference and in accordance with the PL Group Remuneration Policy. Remuneration packages for KMP are designed to attract eminent professionals with the requisite skills and experience. Remuneration is structured taking into consideration performance and risk factors entailed in the job and aligned to corporate and individual performance. Refer pages 164 to 165 for the Report of the NRHRC.

The Board determines the remuneration of the NEDs who receive a fee for being a Director of the Board and additional fee for being a member of a committee as recommended by the regulatory authority. Remuneration for Non-Executive Directors reflects the time commitment and responsibilities of their role, taking into consideration market practices. They do not receive any performance related / incentive payments.

The aggregate remuneration paid to Directors in FY 2021/22 is Rs. 4.94 million.

Our policies seek to harness the full potential of all our employees by providing equal opportunity and a safe environment, in the workplace.

- Equality and Diversity Policy
- Employee Recognition and Rewards Policy
- Anti-Harassment Policy
- Grievance Handling Policy
- Management and Resolution of Complaints Policy
- Human Rights Policy
- Health and Safety Policy
- Code of Business Conduct and Ethics

1.5 Gender Diversity

The Board appreciates the positive impact on productivity and competitiveness in engaging a gender diverse workforce. People's Leasing Group has in place policies that promote equal opportunity, a safe workplace, flexible working arrangements and has implemented flexible, family friendly practices, disclosed on pages 88 to 95, HR practices also empower female employees to fulfill their career aspirations.

1.6 Information Technology and Cyber Security Governance

Information and Cyber Security risk remains inherently high in the financial services industry as a result of the increase in volumes of digital transactions and remote working vulnerabilities driven by the pandemic. High levels of cybercriminal activities globally and the sophistication of tactics used (i.e. phishing) remain a key concern. The Group is committed to protecting its customers and invests extensively in cyber risk management systems.

People's Leasing Group's ICT Department is responsible for implementing the digital strategy including adopting ICT policies and safeguarding against cyber threats. In meeting the information security objectives and requirements of the Group, governance structures, policy frameworks and competency of teams were strengthened, and surveillance and monitoring tools enhanced during the year.

A dedicated officer has been appointed as the Information Security Officer (ISO) and is responsible for all information security related functions. Information security governance and cyber risk are recurring items on the BIRMC and Board Meeting agendas.

1.7 Board Control 1.7.1 Compliance

People's Leasing Group is compliant with all relevant statutory and regulatory requirements. Controls have been placed to provide reasonable assurance of compliance, including establishment of a dedicated compliance function. The function is headed by a Compliance Officer who reports direct to the BIRMC. The Compliance Officer tables a report on compliance at the quarterly meetings of the Committee and where necessary, and concerns are escalated to the Board for necessary action.

The Group also has a whistle-blower policy in place which is clearly communicated to all employees and the Audit Committee and Board receive information in this regard. During the year under review, no incident was reported through the whistle blower process.

In the year under review, there were no material violations of any laws or regulations, nor were any material penalties or fines imposed on the Company or its Directors for contraventions of any laws or regulations.

1.7.1 Risk Governance

The overall risk profile of the Group increased in the period under review, as explained in the Operating Environment -pages 31 to 33. In response, People's Leasing Group enhanced its risk management capabilities to mitigate exposure as described in the Risk Review, pages 176 to 195.

Our robust risk management system is governed by mandated Board and management committees with appropriate expertise. Through the Board Integrated Risk Management Committee (BIRMC) the Board oversees the Risk Management Framework (RMF) which includes identifying risks, developing risk strategy, formulating policies, setting procedures, establishing limits and managing exposures, among others. Our well-developed framework supports

a consistent approach to risk and capital management. The Risk Department supports the BIRMC in execution of responsibilities.

During the year the Board and BMIRC increased the rigor of their oversight functions to effectively and proactively manage risk. The Group remained resilient throughout the pandemic, confirming it’s strong risk culture.

1.7.2 Internal Controls

Combined with Risk management, the Board formulates and implements effective internal controls to safeguard shareholder interests and the assets of the Group, in meeting strategic objectives. These systems cover all controls, including financial, operational and compliance and are monitored and regularly reviewed for systems effectiveness by the Board. The Board Audit Committee assists in the discharge of its duties with regards to internal controls, supported by the Internal Audit Department. Details of the Internal Audit function and systems of internal control are explained in the Board Audit Committee Report given on pages 162 to 163, The Board is satisfied with the integrity of financial information and the robustness of the internal controls and systems of the Group.

1.7.3 Financial and Business Reporting

The Board has sought to present a balanced and understandable assessment of the Group’s financial position, performance and prospects through the Annual Report, combining narrative and visual elements to facilitate readability and comprehension. Interim Quarterly Reports have also been published. All statutory requirements have been complied with and the reports reviewed and recommended by the Board Audit Committee and approved by the Board of Directors, prior to publication.

Apart from the Integrated Report, the following reports set out further information required by the Code:

- Annual Report of Board of Directors on the Affairs of the Company on pages 156 to 161
- The Statement of Directors Responsibility for Financial Reporting pages 200 to 201
- Independent Auditor’s Report pages 205 to 207

1.7.4 Assurance

The Board ensures that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision making and of People Leasing Group’s external reports. The Board Audit Committee (BAC) on behalf of the Board reviews the plans and work outputs of both external and internal auditors.

GRI 102-16

1.8 Promoting an Ethical Culture

1.8.1 Code of Conduct and Ethics

People’s Leasing Company is committed to conducting its business operations with integrity, professionalism and with respect to the rights and interests of all stakeholders. The Company is bound by the Code of Business Conduct and Ethics documented in the Corporate Governance Charter. It applies to all employees including KMP and Directors. The code is available on the intranet for information of all employees and is reinforced at all levels through structured communication.

The Board is not aware of any material violations of any of the provisions of the Code by any Director or employee of the Company.



GRI 102-17

1.8.2 Whistle Blowing /Grievance Mechanism

Mechanisms are in place for employees and other stakeholders to seek advice or report concerns about unfair, unethical, or unlawful behaviour.

Whistle Blowing Policy of the Company enables anonymous reporting of matters of concern regarding possible inappropriate financial reporting, internal controls or other issues that may require internal investigation. Employees may choose from one of four key personnel - Chairman to the BAC, CEO/GM, Head of Internal Audit or Head of HR to report whistle blowing matter. Concerns raised are then escalated to the Audit Committee for investigation. Information on accessibility, anonymity, processes, and the policy relating to the whistle-blowing service is available on the intranet and communicated to all employees.

Corporate Governance

GRI 207-3

1.9 Relations with Shareholders

The Board is conscious of their responsibility towards stakeholders and is committed to fair disclosure, with emphasis on integrity, timeliness and relevance of the information provided. Information is communicated accurately and in such a manner as to avoid the creation of a false market.

1.10 Sustainability Governance

The Board is very focused on sustainable development to make sure the People’s Leasing adds value for both the Company and its major stakeholders. The Board is confident that the business model and value creation described in the following sections of the Annual Report contain Environmental, Social, and Governance (ESG) indicators.

| | | |
|--|---------------------------------|------------------|
| Economic Sustainability | Financial Capital | Pages 60 to 75 |
| Environment | Natural Capital | Pages 106 to 113 |
| Labour Practices | Human Capital | Pages 88 to 95 |
| Society | Social and Relationship Capital | Pages 96 to 105 |
| Customer Satisfaction | Social and Relationship Capital | Pages 96 to 105 |
| Shareholder Identification, Engagement and Effective Communication | Value to Investors | Pages 68 to 75 |

In response to the COVID 19 pandemic restrictions imposed by the Government of Sri Lanka, the AGM 2020/21 was conducted as a Virtual meeting via an extended teleconference facility. The Board ensured that shareholders were given the opportunity to submit questions in real time on the AGM platform, and their queries answered.

The Board is conscious of their responsibility towards stakeholders and is committed to fair disclosure, with emphasis on the integrity, timeliness and relevance of the information provided. Information is communicated accurately and in such a manner as to avoid the creation of a false market.

1.1. Communication with Shareholders

Shareholders are engaged through multiple channels of communication, including the Annual General Meeting (AGM) (detailed below), Annual Report, interim financial statements, a dedicated investor relations page on the Group’s website and notification of key events through announcements in the CSE.

The Annual Report presents a fair and balanced review of People’s Leasing’s financial position, performance and prospects combining narrative and visual elements to facilitate readability and comprehension. The Annual Report and the interim financials have been reviewed and recommended by the Audit Committee and approved by the Board of Directors, prior to publication.

Shareholders also have the opportunity to ask questions, comment or make suggestions to the Board through the Company Secretary. All significant issues and concerns of Shareholders are referred to the Board with the views of the Management.

1.2. Constructive use of Annual General Meeting (AGM)

The Board ensures that proactive engagement with shareholders is encouraged by the Company, including engagement at Group AGMs. Board members and key members of management are available at the AGM to interact with and respond to questions raised by the Shareholders. The external auditors also attend to address any queries raised.

Notice of the AGM, the Annual Report and Accounts and any other resolution together with corresponding information, are circulated to shareholders minimum 15 working days prior to the AGM allowing for all the shareholders to review the documentation and attend the AGM. PLC proposes a separate resolution for each item of business, giving shareholders the opportunity to vote on each of such issue, separately. Voting procedures at the AGM are circulated to the shareholders in advance.

All shareholders are encouraged to exercise their voting rights. The Company has an effective mechanism to record and count all proxy votes lodged for each resolution. The outcome of the vote on each resolution is informed to the CSE, soon after conclusion of the AGM.

1.10 Appendix I- Compliance with the Continuing Listing Requirements Section 7.10 on Corporate Governance Rules for Listed Companies issued by the Colombo Stock Exchange.

| Rule No. | Subject | Requirement | Complied | Reference within the Report | Page |
|--------------|--|---|----------|---|-------------------|
| 7.10.1(a) | Non-Executive Directors (NED) | At least 2 or 1/3 of the total number of Directors on the Board whichever is higher should be NEDs | ✓ | Board Composition | 128 |
| 7.10.2(a) | Independent Directors (ID) | 2 or 1/3 of NEDs, whichever is higher, should be independent | ✓ | Board Composition | 128 |
| 7.10.2(b) | Independent Directors (ID) | Each NED should submit a signed and dated declaration of his/her independence or non-independence | ✓ | Directors Independence | 129 |
| 7.10.3(a) | Disclosure relating to Directors | <ul style="list-style-type: none"> The Board shall annually determine the independence or otherwise of the NEDs, and Names of each IDs shall be disclosed in the Annual Report (AR) | ✓ | Directors Independence Board Profiles | 129 117 to 120 |
| 7.10.3(b) | Disclosure relating to Directors. | The basis for the Board's determination of ID, if criteria specified for independence is not met | ✓ | Not Applicable | |
| 7.10.3(c) | Disclosure relating to Directors. | A brief resume of each Director should be included in the AR including the Director's areas of expertise | ✓ | Board Profiles | 117 to 120 |
| 7.10.3(d) | Disclosure relating to Directors. | Provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3(a), (b) and (c) to the CSE | ✓ | Board Profiles | 120 |
| 7.10.4 (a-h) | Criteria for defining Independence | Requirements to be an Independent Director | ✓ | Directors Independence | 129 |
| 7.10.5 | Remuneration Committee (RC) | A listed company shall have a Remuneration Committee | ✓ | HR and Remuneration Committee | 164 - 165 |
| 7.10.5(a) | Composition of Remuneration Committee | RC Shall comprise of NEDs, a majority of whom will be independent. One NED shall be appointed as Chairman of the committee by the Board of Directors | ✓ | HR and Remuneration Committee | 164 - 165 |
| 7.10.5.(b) | Functions of Remuneration Committee | The RC shall recommend the remuneration of Executive Directors | ✓ | HR and Remuneration Committee There were no Executive directors on the Board during the year 2021/2022 | 164 - 165 |
| 7.10.5.(c) | Disclosure in the Annual Report relating to Remuneration Committee | <ul style="list-style-type: none"> Names of Directors comprising the RC. Statement of Remuneration Policy Aggregated remuneration paid to Executive and Non-Executive Directors Should be included in the Annual Report | ✓ | HR and Remuneration Committee | 164-165 |
| 7.10.6 | Audit Committee (AC) | The Company shall have an AC | ✓ | Board Audit Committee Report | 162 to 163 |

Corporate Governance

| Rule No. | Subject | Requirement | Complied | Reference within the Report | Page | | |
|-----------|---|---|----------|--|------------|---|------------|
| 7.10.6(a) | Composition of Audit Committee | Shall comprise of Non-Executive Directors, a majority of whom are Independent | ✓ | Board Audit Committee Report | 162 to 163 | | |
| | | Chief Executive Officer and the Chief Financial Officer should attend Audit Committee Meetings | ✓ | | | | |
| | | The Chairman of the Audit Committee or one member should be a member of a professional accounting body | ✓ | | | | |
| 7.10.6(b) | Audit Committee Functions | <ul style="list-style-type: none"> Should be as outlined in the Section 7.10 of the Listing Rules | ✓ | Board Audit Committee Report | 162 to 163 | | |
| 7.10.6(c) | Disclosure in Annual Report relating to Audit Committee | a) Names of the Directors comprising the Audit Committee | ✓ | Board Audit Committee Report | 162 to 163 | | |
| | | b) The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination | ✓ | | | | |
| | | c) The Annual Report shall contain a Report of the Audit Committee in the prescribed manner | ✓ | | | | |
| 9.3.2 | Related Party Transactions Review Committee | a) Details pertaining to Non-Recurrent Related Party Transactions | ✓ | There were no Non-Recurrent transactions that exceeded the threshold during the Financial year 2021/22 | | | |
| | | b) Details pertaining to Recurrent Related Party Transactions | ✓ | | | | |
| | | c) Report of the Related Party Transactions Review Committee | ✓ | | | Note 55.5 to the Financial Statements | 314 |
| | | d) Declaration by the Board of Directors as an affirmative statement of compliance with the rules pertaining to Related Party Transactions, or a negative statement otherwise | ✓ | | | Report of the Related Party Transactions Review Committee | 166 to 167 |
| | | | | Annual Report of the Board of Directors on the Affairs of the Company | 161 | | |

1.11 Appendix II: Compliance with the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka in 2017

Requirements of the Code have been discussed in the Corporate Governance Report. We have provided here the relevant references to the report.

| Code Ref. | Requirement | Complied | Reference within the Report | Page |
|-----------|--|----------|--|---------------|
| A | Directors | | | |
| A.1 | An effective Board should direct, lead and control the company | | | |
| A.1.1 | Regular Board meetings, provide information to the Board on a structured and regular basis | ✓ | Meetings and Attendance | 134 |
| A.1.2 | Roles and Responsibilities of the Board | ✓ | Governance Framework | 125 |
| A.1.3 | Act in accordance with laws of the Country Seek Independent professional advice | ✓ | Compliance Informed Decision Making | 124 to 155 |
| A.1.4 | Access to advise and services of the Company Secretary | ✓ | Company Secretary | 129 |
| A.1.5 | Independent judgement | ✓ | Board Composition | 128 |
| A.1.6 | Dedicate adequate time and effort to matters of the Board and the Company | ✓ | Meetings and Attendance | 134 |
| A.1.7 | Calls for resolutions by at least 1/3rd of Directors | ✓ | Meetings and Attendance | 133 |

| Code Ref. | Requirement | Complied | Reference within the Report | Page |
|---------------|--|----------|---|----------------------------------|
| A.1.8 | Board induction and Training | ✓ | Informed Decision Making | 135 |
| A.2 | Chairman and CEO | ✓ | Clear Roles and Responsibilities | 131 |
| A.3 | Chairman's role in preserving good corporate governance | ✓ | Clear Roles and Responsibilities | 131 |
| A.4 | Availability of financial acumen | ✓ | Board Composition | 128 |
| A.5 | Board Balance | ✓ | Board Composition | 128 |
| A.5.1 | The Board should include sufficient number of NEDs | ✓ | Board Composition | 128 |
| A.5.2 | If the Board includes only 3 NEDs, they should be independent | N/A | | |
| A.5.3 | Independence of Directors | ✓ | Director Independence | 128 |
| A.5.4 | Annual declaration of independence by Directors | ✓ | Director Independence | 129 |
| A.5.5 | Annual determination of independence of NEDs | ✓ | Director Independence | 129 |
| A.5.6 | Alternate Directors | N/A | | |
| A.5.7 & A.5.8 | Senior Independent Directors | ✓ | Clear Roles and Responsibilities | 131 |
| A.5.9 | SID Annual meeting with NEDs | ✓ | Meetings and Attendance | 134 |
| A.5.10 | Recording of dissent in minutes | ✓ | Meetings and Attendance | 133 |
| A.6 | Supply of Information | ✓ | Informed Decision Making | 135 |
| A.7 | Appointments to the Board and Re-election | ✓ | Board Refreshment | 132 |
| A.7.1 | Establishing a Nomination Committee, Chairman and Terms of Reference | ✓ | Nomination Committee Report | 168-169 |
| A.7.2 | Annual assessment of Board composition | ✓ | Board Refreshment/ Board Appraisal | 132, 135 |
| A.7.3 | Disclosures on appointment of new directors | ✓ | Annual Report of the Board of Directors on the Affairs of the Company | 158 |
| A.8 | Directors to submit themselves for re-election/re-appointment | ✓ | Annual Report of the Board of Directors on the Affairs of the Company | 158 |
| A.9 | Appraisal of Board and sub-Committee Performances | ✓ | Board and Sub-committee Appraisal | 135 |
| A.10 | Annual Report to disclose specified information regarding Directors | ✓ | Board Profiles Meetings and Attendance Directorships in Other Companies Membership in Sub-committees | 117-120 134 117-120 134 |
| A.11 | Appraisal of the CEO | ✓ | Appraisal of CEO/GM | 135 |
| B. | Directors Remuneration | | | |
| B.1 | Establish process for developing policy on executive and director remuneration. | | Responsible and Fair Remuneration There were no Executive Directors on the Board of the Company during the year 2021/22 and therefore, the necessity to consult the Chairman and/or CEO /GM on their remuneration did not arise. | 136 |
| B.2 | Level and Make Up of Remuneration | ✓ | Responsible and Fair Remuneration | 136 |
| B.3 | Disclosures related to remuneration in Annual Report. <ul style="list-style-type: none"> Remuneration Policy statement Aggregate Board remuneration paid | ✓ | <ul style="list-style-type: none"> HR and Remuneration Committee Responsible and Fair Remuneration | 164 - 165 136 |

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| Code Ref. | Requirement | Complied | Reference within the Report | Page |
|------------|---|----------|--|----------------------------|
| C | Relations with Shareholders | | | |
| C.1. | Constructive use of the AGM and Other General Meetings | ✓ | Constructive use of the Annual General Meeting (AGM) | 138 |
| C.2. | Communication with shareholders | ✓ | Corporate Governance - Communication with Shareholders | 138 |
| C.3 | Disclosure of major and material transactions | ✓ | During the year, there were no major or material transactions as defined by Section 185 of the Companies Act No. 07 of 2007 which materially affect the net asset base of Company. | |
| D. | Accountability and Audit | | | |
| D. 1 | Present a balanced and understandable assessment of the Company's financial position, performance and prospects | ✓ | Corporate Governance - Communication with Shareholders | 138 |
| D1.1 | Balanced Annual Report | ✓ | Corporate Governance - Communication with Shareholders | 138 |
| D.1.2 | Balanced and understandable communication | ✓ | Relations with Shareholders | 138 |
| D.1.3 | CEO/CFO declaration | ✓ | Chief Executive Officer's and Chief Financial Officer's Responsibility Statement | 204 |
| D.1.4 | Directors Report declarations | ✓ | Annual Report of the Board of Directors on the Affairs of the Group | 156 -161 |
| D.1.5 | Financial reporting -statement on board responsibilities, Statement on internal control | ✓ | Directors' Responsibility for Financial Reporting Directors' Statement on Internal Control | 200-201 203 |
| D.1.6 | Management Discussion and Analysis | ✓ | Capital reports | 44-113 |
| D.1.7 | Net Assets < 50% | ✓ | In the unlikely event of the net assets of the Group falling below 50% of Shareholders Funds the Board will summon an Extraordinary General Meeting (EGM) to notify the shareholders of the position and to explain the remedial action being taken. | |
| D.1.8 | Related Party Transactions Report | ✓ | Directors' Interest in Contracts with the Group | 159, 166-167 |
| D.2. | Process of risk management and a sound system of internal control to safeguard shareholders' investments and the Company's assets | ✓ | Risk Management and Internal control Report of the Audit Committee Directors' Statement of Internal Control Risk Review | 162-163 203 176 -195 |
| D.3. | Audit Committee | ✓ | Audit Committee Report | 162 -163 |
| D.4 | Related Party Transactions Review Committee | ✓ | Related Party Transactions Review Committee report | 166-167 |
| D.5 | Code of Business Conduct and Ethics | ✓ | Code of Conduct and Ethics | 137 |
| D.6 | Corporate Governance Disclosures | ✓ | Corporate Governance Report | 124 -155 |
| E/F | Institutional and other investors | | | |
| | Institutional and other investors, | ✓ | Relations with Shareholders | 138 |
| G. | Internet of Things and Cybersecurity | ✓ | Information Technology and Cyber Security | 136 |
| H | Principles of Sustainability Reporting | ✓ | Delivering stakeholder value | 138 |

Compliance with Finance Business Act 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, No. 06 of 2013 and No 5. of 2020, issued by Central Bank of Sri Lanka. The Company has voluntarily adopted Corporate Governance (Direction No. 05 of 2021 dated 31.12.2021 and certain provisions in Direction No. 05 of 2021 have been complied proactively.

| Rule Ref. | Principle and Compliance | Status of Compliance |
|-----------|---|----------------------|
| A | Responsibilities of the Board of Directors | |
| 2 (1) | Strengthening the Safety and Soundness of the Company | |
| | The Board’s responsibilities are set out in the Corporate Governance Charter of the Company. The Board is accountable for the management of the affairs and for the safety and soundness of the Company. | |
| a) | Approving and overseeing strategic objectives and corporate values | ✓ |
| | <p>The strategic objectives of the Company are stated 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.</p> <p>In terms of the Code of Business Conduct, values such as transparency, quality and integrity have been absorbed by the Company in its operational and administrative environment and preserves such integrity in accordance with policies approved by the Board.</p> <p>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.</p> <p>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.</p> | |
| b) | Approving overall business strategy including risk policy and management procedures | ✓ |
| | <p>The 2021 - 2026, five-year business strategy (Corporate Strategic Plan) was approved by the Board in March 2021 . The strategy and execution thereof is regularly reviewed by the Board. The Annual budget, derived from the business strategy is approved, and monitored monthly, by the Board.</p> <p>The Board also approved the overall risk strategy of the Company, determining the Risk Appetite, Policies and Risk Management Framework and Mechanisms. The Corporate Strategic Plan is aligned to the overall risk strategy of the Company, where Risk Appetite is considered in areas such as capital allocation and in the adoption of risk matrix to measure the risk levels. Governance and Compliance which are embedded in the Risk Management Policy Framework have also been included in the strategic plan. Further, the risk management procedures and mechanisms with time bound implementation milestones were approved and monitored by the Board Integrated Risk Management Committee (BIRMC) on a regular basis.</p> | |
| c) | Risk management | ✓ |
| | <p>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.</p> <p>The Board takes overall responsibility for risk management of the Company.</p> <p>The following reports provide further insights in this regard:</p> <p>Risk Management on pages 176 to 195. Board Integrated Risk Management Committee Report on pages 170 to 172.</p> | |
| d) | Communication with stakeholders | ✓ |
| | Recognising the importance of two-way communication with its stakeholders, the Board has adopted a comprehensive Corporate Communication Policy that governs communications with both internal as well as external parties including shareholders and depositors, creditors, borrowers, suppliers and other related stakeholders. | |

Corporate Governance

| Rule Ref. | Principle and Compliance | Status of Compliance |
|-----------|---|----------------------|
| e) | <p>Reviewing Internal Control systems and Management Information Systems (MIS)</p> <p>The Board has the overall responsibility for ensuring that the Company maintains an adequate level of internal control and for reviewing its effectiveness.</p> <p>The Board Audit Committee and BIRMC on behalf of the Board undertakes the detailed monitoring and reviewing of the internal controls and reports to the Board on its findings on a quarterly basis.</p> <p>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.</p> | |
| f) | <p>Key Management Personnel (KMP)</p> <p>The Board of Directors, Chief Executive Officer, Deputy General Managers, Assistant General Managers, Head of Finance and the Compliance Officer have been identified and designated as the KMP of the Company.</p> | ✓ |
| g) | <p>Authority and responsibility for the Board and KMP</p> <p>Principle 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.</p> <p>The respective delegated authority limits of the Chief Executive Officer and the Deputy General Managers have also been defined by the Board.</p> | ✓ |
| h) | <p>Oversight of affairs of the Company by KMP</p> <p>Affairs of the Company are reviewed and discussed by the Board at Board meetings on a monthly basis. At these meetings, KMP are represented by the Chief Executive Officer who appraises the Board on the operations and performance of the Company against set targets.</p> <p>Affairs of the Company are also reviewed and discussed by the Senior Management at Management level.</p> | ✓ |
| i) | <p>Assess effectiveness of governance practices</p> <p>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 with regulatory approval. The appointments of KMP are made by the Board on the recommendation of the Chief Executive Officer and subject to regulatory approval.</p> <p>The management of conflicts of interests is addressed in a timely manner. 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 judgment. 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.</p> <p>Self-declarations on potential conflicts of interest are obtained from the Directors at the time of their appointment to the Board and subsequently annually. These declarations together with the interests disclosed by the Directors at Board meetings assist the Company to manage conflicts (if any) in an effective manner.</p> <p>The effectiveness of the Board's own governance practices including Board performance, determination of its weaknesses, concerns and implementation of changes required are discussed and determined by the Board at year-end following the submission of the summary of annual self-evaluations. The Board carried out its annual self-evaluations for the FY 2021/22 in March 2022.</p> | ✓ |

| Rule Ref. | Principle and Compliance | Status of Compliance |
|-----------|---|----------------------|
| j) | Succession Plan for KMP | ✓ |
| | The Board approved Succession Plan for KMP is in place. Further identification of a talent pool based on the existing succession Plan and future needs of the Company are viewed and redesigned into the succession Plan on a need basis. | |
| k) | Regular meetings with KMP's | ✓ |
| | <p>The Board maintains a sound relationship with the Corporate Management Team/Senior Management led by the CEO/GM, who in turn assists the Board to formulate policies, strategies, processes and practices in achieving corporate objectives. The Management is open and transparent with the Board, bringing all significant matters to its attention.</p> <p>Furthermore, where relevant, the KMP are invited to participate in Board and Board Sub Committee meetings to review policies, establish lines of communication and monitor progress towards corporate objectives.</p> <p>Further the Chairman/Board Members meet the KMPs at Senior Management Meetings or Strategy Meetings.</p> | |
| l) | Understanding the regulatory environment | ✓ |
| | <p>The Board is well versed with the Group's values, business, operations, financial affairs, governance framework and strategic position of the Company.</p> <p>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.</p> <p>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.</p> | |
| m) | Hiring and oversight of External Auditors | ✓ |
| | The Company's External Auditor is the Auditor General in terms of Section 55 of the National Audit Act No. 19 of 2018. The Auditor General has appointed Messrs Ernst & Young, Chartered Accountants to assist to perform the audit of the Company for the financial year ended 31 March 2022, under the provision of Article 154 (4) (a) of the Constitution of the Democratic Socialist Republic of Sri Lanka. | |
| 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 distinctive and have been defined in the Corporate Governance Charter of the Company. | |
| 2 (3) | Obtaining independent professional advice by the Directors | ✓ |
| | The Corporate Governance Charter provides for the Directors to seek the advice of the Company Secretary and other professional independent advice on matters related to the exercise of their duties and responsibilities, at the expense of the Company. The Board collectively has sought the advice of external professionals to assist in carrying out their responsibilities during the financial year 2021/22. | |
| 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 judgment. 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. Such abstentions from decisions are duly recorded by the Company Secretary in the minutes. | |
| 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. | |

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| 2 (6) | Disclosure of probable solvency issues | ✓ |
| | No such situation has arisen during the year 2021/22. 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. | |
| 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. In accordance therewith, the Board carried out a comprehensive evaluation of its performance and its committees in March 2022. | |
| | Each member of the Board carried out a self-assessment of his/her effectiveness as well as the Board Committees. | |
| | The full results of the Board evaluations were analysed by the Company Secretary and the findings were presented to the Board in June 2022. | |
| 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 12 times for the financial year 2021/22 and obtaining the Board's consent via circulation was kept to a minimum of 08 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 dates of the Board meetings are agreed upon by the members in advance and is included in the Annual Meeting Schedule which is circulated to the Members before the end of the previous Financial year. Formal Notice of Meetings, Agenda and Board Papers for the Meetings are sent generally seven (7) days before the Meeting, giving members sufficient time to attend the Meeting and study the documents. Urgent Board Papers are included on an exceptional basis, with the consent from the Chairman. | |
| | Reasonable notice is given of any other special Board meeting. | |
| 3 (4) | Attendance of Directors at Board meetings | ✓ |
| | Directors' attendance at the 12 Board meetings held during the year 2021/22 was near 100%. No Director has been absent for three consecutive meetings. | |
| | Attendance at Board Meetings is given on page 134. | |
| 3 (5) | Appointment of a Company Secretary | ✓ |
| | A Chartered Secretary with adequate experience has been appointed by the Board as the Company Secretary. | |
| | The Company Secretary advises the Board and ensures that matters concerning the Companies Act, Board procedures and other applicable rules and regulations are followed. | |
| 3 (6) | Delegating responsibility to the Company Secretary for the function of preparing the agenda | ✓ |
| | 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. | |

| Rule Ref. | 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 a Chartered Secretary 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 beginning of the year there were nine (09) directors on the board. Mr S. Ahangama resigned w.e.f. 24 August 2021. As at the end of 2021/22 there were eight (08) 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 2021/22 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 3 Non-Executive Independent Directors during the Financial Year 2021/22 and who met the one-third criteria for independence as specified in this rule. . | |
| | The Directors satisfy the criteria for determining independence, which is reviewed annually by the Board based on self-declaration forms submitted by the 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 judgment | ✓ |
| | 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. | |
| 4 (7) | Quorum at Board meetings | ✓ |
| | Since all of the Directors of the Company during the year 2021/22 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 for 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. | |
| | There were no new appointments made during the year. | |

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| 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. | |
| | There were no casual vacancies filled during the year | |
| 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. | |
| | There was one (01) resignation during the year. | |
| D | Fitness and Propriety of Directors | |
| 5 (1) | Age of Directors should not exceed 70 years, except with the prior approval of the Monetary Board (applicable for a period of three years ending 18/06/2023) | ✓ |
| | 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. | |
| 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 is empowered to delegate to a committee of Directors or to any person it deems fit, any of the powers vested in the Board which are permissible for delegation in terms of the applicable law. | |
| | Accordingly, 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 posts 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 also holds the office of Chairman of the parent company, People's Bank. | |
| | Hence, Ms Coralie Pietersz, an Independent Non-Executive Director, functions as the present Senior Independent Director of the Company. | |
| 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. | |
| 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. | |

| Rule Ref. | Principle and Compliance | Status of Compliance |
|-----------|--|----------------------|
| 7 (5) | <p>Role of Chairman in the preparation of the agenda for Board meetings</p> <p>The Chairman has delegated the function of preparing the agenda to the Company Secretary.</p> | ✓ |
| 7 (6) | <p>Ensure that all Directors are informed adequately and timely of the issues arising at Board meetings</p> <p>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</p> | ✓ |
| 7 (7) | <p>Encouraging all Directors to make an active contribution to Board's affairs</p> <p>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</p> | ✓ |
| 7 (8) | <p>Encourage participation of Non-Executive Directors and relationship between Executive and Non-Executive Directors</p> <p>The Company does not have any Executive Directors.</p> <p>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.</p> <p>This process is further strengthened through the annual self-evaluations of the Board where views of all Directors are canvassed in respect of the performance of the Board as a whole as well as of its committees.</p> | ✓ |
| 7 (9) | <p>Avoidance of engaging in activities involving direct supervision of KMP or executive duties by the Chairman</p> <p>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 KMP.</p> | ✓ |
| 7 (10) | <p>Effective communication with shareholders</p> <p>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. Accordingly, these meetings provide the principal opportunity for the Board to meet the shareholders and for the Chairman to explain the Company's progress and clarify matters that shareholders refer to the Board and the Management.</p> | ✓ |
| 7 (11) | <p>Role of Chief Executive Officer (CEO)</p> <p>The CEO/GM, 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/GM is detailed in the Corporate Governance Charter of the Company.</p> | ✓ |

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| Rule Ref. | Principle and Compliance | Status of Compliance |
|--------------|---|----------------------|
| G | Board Appointed Committees | |
| 8 (1) | <p>Establishing Board Committees, its functions and reporting</p> <p>The Company had four mandatory Board appointed Committees directly reporting to the Board which as at the end of financial year increased to five as a result of adoption of the new Corporate Governance Direction No. 05 of 2021.</p> <ul style="list-style-type: none"> • Board Audit Committee (BAC), • Board Integrated Risk Management Committee (BIRMC), • HR, Remuneration and Nomination Committee (R&NC) (ceased w.e.f.27.01.2022). in terms of the Corporate Governance Direction No. 05 of 2021 which was adopted voluntarily, the duties of the HR, Remuneration and Nomination Committee were reassigned to two separate Sub Committees as follows <ul style="list-style-type: none"> - HR and Remuneration Committee (w.e.f.27.01.2022) - Nomination Committee (w.e.f. 27.01.2022) • Related Party Transactions Review Committee (RPTRC). <p>These mandatory sub-committees set up in compliance with the applicable rules and regulations.</p> <p>Further the Company has formed the following Board Sub Committees on a voluntary basis for better operational/monitoring efficiency</p> <ul style="list-style-type: none"> • Board Investment Committee • Board Credit Committee <p>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.</p> | ✓ |
| 8 (2) | Audit Committee | |
| a) | <p>Chairman of Audit Committee</p> <p>The Chairman of the Audit Committee, Ms Coralie Pietersz was appointed to the Board with effect from 1 March 2020 as a Non-Executive Independent Director. She is an Associate Member of the Institute of Chartered Accountants in England and Wales and a Fellow member of The Institute of Chartered Accountants of Sri Lanka.</p> <p>She has over 25 years of extensive experience at senior level in auditing, finance, accounting in several industries in both private and public sectors.</p> | ✓ |
| b) | <p>Composition of Audit Committee</p> <p>All three members of the Board Audit Committee are Non-Executive Directors, two of whom are Independent.</p> | ✓ |
| c) | <p>Appointment of External Auditors</p> <p>The Auditor General has informed the Company that, according to the National Audit Act No. 19 of 2018, the Auditor General shall carry out the audit by himself or any person authorised by the Auditor General. Further, the Company has been informed that, Messrs. Ernst & Young, Chartered Accountants has been appointed by the Auditor General to assist to perform the audit of the Company and the audit fee for the year ended 31 March 2022 has been determined.</p> <p>Therefore, the Committee has no role to play in the engagement of the External Auditor.</p> <p>The Board Audit Committee at its meetings discusses application of relevant accounting principles and standards.</p> | ✓ |
| d) | <p>Review and monitor External Auditor's independence and objectivity and the effectiveness of audit processes</p> <p>The Company's Auditor is the Auditor General appointed under the Constitution hence the requirement does not arise.</p> | ✓ |

| Rule Ref. | Principle and Compliance | Status of Compliance |
|-----------|--|----------------------|
| e) | Provision of non-audit services by External Auditor | ✓ |
| | This is not applicable since the Company's Auditor is the Auditor General. However, a policy has been formulated by the Committee to ensure that non-audit services provided by an audit firm (appointed by the Auditor General to assist him in the audit of the Company) does not impair that firm's independence or objectivity. | |
| f) | Determine scope of external audit | ✓ |
| | The scope and the extent of audit is determined by the Auditor General. However, the Committee met with the External Auditors for this purpose. | |
| g) | Review financial information of the Company by the Audit Committee | ✓ |
| | The Board Audit Committee 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 Annual and Quarterly Financial Statements prepared for disclosure, 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 with the External Auditors and provided them opportunity to discuss material issues, problems or reservations arising from audits without the presence of the Key Management Personnel. | |
| i) | Review of External Auditor's management letter and Management's response | ✓ |
| | During the year, the Board Audit Committee reviewed the External Auditor's Management Letter and the Management's responses thereto. | |
| j) | Review of Internal Audit function | ✓ |
| | The Committee reviewed the adequacy of the scope, functions and resources of the Internal Audit department, and satisfy itself that the department has the necessary authority to carry out its work. The Committee also reviewed the internal audit programme and results of the internal audit process and ensured that appropriate actions are taken on the recommendations of the Internal Audit Department. The Committee assessed the performance of the head and senior staff members of the Internal Audit Department. There were no appointments or terminations of the head, senior staff members of Internal Audit Department or outsourced service providers have taken place during the year under review. The Internal Audit function is independent as they report direct to the Board Audit Committee. Internal Audit Charter that was reviewed during the year also addresses the independence of Internal Audit Department. Internal Audit Charter in place also ensures that the audit work performed with impartiality, proficiency and due professional care. | |
| 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 | ✓ |
| | The Chief Internal Auditor and The Chief Finance Officer participate at the Committee meetings. The Chief Executive Officer, Compliance Officer and representatives of the external auditors and other personnel are attend meetings upon the invitation of the committee. The Board Audit Committee does not comprise any Executive Directors. | |

Corporate Governance

| Rule Ref. | Principle and Compliance | Status of Compliance |
|--------------|---|----------------------|
| m) | Authority and resources of the Audit Committee | ✓ |
| | The Board approved Terms of Reference of the Committee provides explicit authority to investigate into any matter within its terms of reference, the resources which it needs to do so, full access to information and authority to obtain external professional advice. | |
| n) | Meetings of Audit Committee | ✓ |
| | The Board Audit Committee met 12 (Twelve) times during the financial year under review. | |
| o) | Disclosure in Annual Report | ✓ |
| | The Board Audit Committee Report details <ul style="list-style-type: none"> • Activities of the Board Audit Committee during the year • Number of Board Audit Committee meetings held in the year • Attendance of members at meetings of the Committee <p>Refer the "Board Audit Committee Report" on pages 162 to 163 for further information and functions of the Committee.</p> | |
| p) | Recording and maintenance of minutes of meetings | ✓ |
| | In accordance with the Terms of Reference, Head of Internal Audit acts 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 committee reviewed the arrangements by which employees of the Company may in confidence, raise concerns about possible improprieties. | |
| | The Whistleblower Protection Policy enables the employees to, in confidence, report violations of laws, rules, regulations or unethical conduct to the Board Audit Committee. The confidentiality of those reporting violations is assured and they are not subjected to any discriminatory action. The policy has been published in the Company's intranet for information of all employees. | |
| | The Audit Committee acts as the key representative body for overseeing the Company's relations with the External Auditor and met with the external auditors to discharge this function. | |
| 8 (3) | Integrated Risk Management Committee | |
| a) | Composition of Integrated Risk Management Committee | ✓ |
| | During the year under review, the Integrated Risk Management Committee comprised three Non-Executive Directors, Chief Executive Officer/General Manager, SDGM-Operations (Zone 1) and DGM-Risk and Control supervising broad risk categories such as credit, market, liquidity, operational and strategic risk. | |
| | In April 2022, the TOR of BIRMC was revised in line with the Finance Business Act (Corporate Governance) Direction No. 05 of 2021. The Committee Membership was thereby amended by defining three Non-Executive Directors as Committee Members and other officers, including CEO/GM, DGM - Risk and Control, as participants on invitation. | |
| | Head of Internal Audit, key risk owners of subsidiaries and the Compliance Officer also attended Integrated Risk Management Committee meetings on invitation. | |
| | Refer the "Board Integrated Risk Management Committee Report" on pages 170 to 172 for further information and functions of the Committee. | |
| 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/Risk Indicator Reports of the Company and its all subsidiaries 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. | |

| Rule Ref. | Principle and Compliance | Status of Compliance |
|--------------|---|----------------------|
| c) | Review adequacy and effectiveness of all Executive Level Committees | ✓ |
| | <p>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 Integrated Risk Management Committee.</p> <p>The Management Credit Committee (MCC) has been formed with the purpose of reviewing and recommending/approving credit facilities, procedures related to credit administration and credit processes.</p> <p>The Committee reviewed the adequacy and effectiveness of the functions carried out by the ALCO and MCC by reviewing the annual self-assessments performed against their TORs.</p> | |
| 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 | ✓ |
| | <p>The Integrated Risk Management Committee met 07 times during the financial year 2021/22.</p> <p>The Committee meetings were held electronically where necessary, through video and tele-conferencing to manage and reduce the health and safety risk to all participants due to COVID-19 situation.</p> | |
| 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 within a week of the Integrated Risk Management Committee meeting. | |
| h) | Establish a compliance function | ✓ |
| | <p>Committee has established a compliance function to assess the Company's compliance with laws, regulations and regulatory guidelines.</p> <p>The compliance function is headed by an experienced Senior Manager who directly reported to the Integrated Risk Management Committee on the Company's compliance with laws, regulations, directions, rules, regulatory guidelines and internal controls.</p> | |
| H | Related Party Transactions | |
| 9 (2) | Avoid conflict of interest | ✓ |
| | <p>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. In accordance with the RPT Policy self-declarations are obtained from each Director and KMP for the purpose of identifying parties related to them. Based on the information furnished in these declarations, the Company has developed a system that enables the Company to retrieve data on related party transactions throughout the Company's network.</p> <p>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 judgment. 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.</p> <p>The Related Party Transactions Review Committee further strengthens the effective management and oversight of related party transactions.</p> <p>Refer Related Party Transaction Review Committee Report on pages 166 to 167 for further information and functions of the Committee.</p> | |

Corporate Governance

| Rule Ref. | Principle and Compliance | Status of Compliance |
|-----------|--|----------------------|
| 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 favorable treatment" as defined in this rule. | |
| | This is further supplemented by the existing on-line preventive system which enables the Company to monitor and report related party transactions and retrieve data thereof throughout the Company's network. | |
| 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 2021/22 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 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. | |
| | Refer - Director's Responsibility for Financial Reporting Independent Auditor's Report on pages 205 to 207 for more insights | |
| b) | Report on Company's Internal Control systems | ✓ |
| | The Board of the Company confirms that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and the preparation of financial statements has been done in accordance with the applicable accounting principles and regulatory requirements. | |
| | Refer - Directors' Statement on Internal Control over Financial Reporting on page 203 for more insights. | |
| c) | External Auditor's Certification on the effectiveness of the internal control mechanism | ✓ |
| | The Board has obtained the Assurance Report from the External Auditor on the Internal Control over Financial Reporting. | |
| d) | Details of Directors, including names, transactions with the Company | ✓ |
| | Details of the Directors, including names and transactions with the Company have been adequately disclosed. | |
| | Profile of Board member are give on pages 117 to 120. | |
| | Refer Note 55.2.3 to the Financial Statements - Transaction with KMP and their family members. | |
| e) | Fees/remuneration paid by the Company to the Directors in aggregate | ✓ |
| | The details of the remuneration paid to the Board of Directors are adequately disclosed. | |
| | Refer Note 55.2.1 to the Financial Statements - Remuneration to KMP. | |

| Rule Ref. | Principle and Compliance | Status of Compliance |
|-----------|--|----------------------|
| 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 adequately disclosed. Refer Note 58.3 to the Financial Statements - Net accommodation and Net accommodation as a percentage of Capital Funds. | |
| g) | Aggregate value of remuneration paid to and transactions with KMP's. | ✓ |
| | The details of the aggregate values of remuneration paid by the Company to its KMP and the aggregate values of the transactions of the Company with its KMP during the financial year 2021/22 are adequately disclosed. | |
| h) | Certification of Compliance | ✓ |
| | The details on Company's compliance with prudential requirements, regulations, laws and internal controls during the year 2021/22 are explained in the 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 2021/22 affecting the Company. Refer Annual Report of the Board of Directors on the Affairs of the Company-Corporate Governance Report on pages 156 to 161 and 124 to 155 for further insights. | |
| 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 Auditor's certification of compliance | ✓ |
| | The factual findings report has been issued by the External Auditors on the level of compliance with the requirements of these regulations. The findings presented in their report addressed to the Board did not identify any inconsistencies to those reported above. | |
| J | Transitional Provisions | |
| 11 | Transitional and other provisions | ✓ |

Annual Report of the Board of Directors on the Affairs of the Company

The 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. It also provides information required by the 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 of the Company and the Audited Consolidated Financial Statements of the Group for the year ended 31 March 2022 and the Auditors' Report on these Financial Statements conforming to all statutory requirements. This report was approved by the Board of Directors on 26 July 2022.

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 3 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 and the issuance of debt instruments and mobilisation of public deposits. The Company had six subsidiaries as at 31 March 2022 and the nature of business activities of these subsidiaries are described in "About Us" Section on pages 3 to 9 and in Accounting Policies on page 215. The Company and its subsidiaries have not

engaged in any activities which contravene any laws or regulations during the year under review.

2.3 Changes to the Group Structure

There has been no change to the Group structure during the financial year under consideration.

2.4 Branch Network

The total branch network of the Company as at 31 March 2022 comprised 111 fully-fledged branches and 62 window offices.

2.5 Review of Operations

An overall assessment of the Company's financial position and performance during the year 2021/22, with comments on financial results and special events that took place, is contained in the Chairman's Message on pages 14 to 17, the Chief Executive Officer's Message on pages 18 to 22, and the Management Discussion and Analysis on pages 44 to 113 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 Note 53 to the Financial Statements on pages 306 to 307 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 'Strategy' section on pages 40 to 41 and at the end of each Capital Report of this Annual Report.

3. Financial Statements

(Section 168 (1) (b) and (2))

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

The Financial Statements of the Company and the Group, duly certified by the Chief Manager- Finance and the Chief Executive Officer with the approval of the Chairman and a Director, 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 198 to 339 of this Annual Report.

3.1 Directors' Responsibility for Financial Reporting

In terms of Section 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 Statements of the Company and the Group, which reflect a true and fair view of the financial position and performance of the Group and Company. In this regard, the Board of Directors wishes 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 SLFRSs and LKASs as mandated by the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, Companies Act No.07 of 2007, Finance Business Act No.42 of 2011 and 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' is provided on pages 200 to 201 and 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. 23,881.53 million (Rs. 24,983.45 million in 2020/21) and Rs. 25,926.79 million (Rs. 26,821.84 million in 2020/21) respectively for the year ended 31 March 2022. A more descriptive analysis of the interest income is given in Note 6.1 and 6.1.1 to the Financial Statements on page 225.

Performance and Appropriations

The Company and the Group recorded a net profit of Rs. 4,659.01 million and Rs. 4,818.17 million respectively for the financial year 2021/22 (Rs. 4,033.02 million and Rs. 5,596.33 million in 2020/21). This represents an increase in net profits of the Company by 15.52% and 13.90% decline of the Group profit compared to the previous year.

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

| Company | 2021/22 Rs. Million | 2020/21 Rs. Million |
|---|------------------------|------------------------|
| Profit before income tax | 6,650.09 | 5,872.59 |
| Income tax expense | 1,991.08 | (1,839.57) |
| Profit for the year | 4,659.01 | 4,033.02 |
| Profit brought forward from previous year | 17,159.78 | 14,227.99 |
| Profit available for appropriation | 21,818.79 | 18,261.01 |
| Appropriations | | |
| Dividend paid for previous/ current year | (2,179.93) | (976.62) |
| Other comprehensive income | 25.70 | 77.04 |
| Transfers to reserves | (182.95) | (201.65) |
| Total appropriation | (2,337.17) | (1,101.23) |
| Unappropriated profit carried forward | 19,481.61 | 17,159.78 |

GRI 207-1, 207-2, 207-4

Provision of Taxation

The income tax rate applicable on profits earned during the year is 24%. The rate of VAT on financial services was increased to 18% in the last three months of the financial year 2021/22 and the 15% rate was affected for an initial nine months period of the current year.

Accordingly the current year income tax expenses of the Company is Rs. 1,991.08 million and a comprehensive note on income tax expense and deferred tax asset/liability of the Company and the Group disclosed in Notes 17 and 44 respectively to the Financial Statements.

Property, Plant and Equipment, Right of use Assets 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 2022 amounted to Rs. 535.42 million and Rs. 457.16 million respectively (Rs. 104.69 million and Rs. 152.32 million in 2020/21).

The total additions to right of use assets of the Company and the Group in the year ended 31 March 2022 amounted to Rs. 239.44 million to Rs. 238.11 million respectively (Rs. 858.51 million and Rs. 293.05 million in 2020/21)

In the year ended 31 March 2022, the Company and the Group invested Rs. 10.32 million and Rs. 12.84 million respectively to acquire intangible assets. (In 2020/21, the Company invested Rs. 0.36 million and the Group invested Rs. 11.66 million to acquire intangible assets)

The Directors confirm that there were no other significant changes in the Company's or its subsidiaries' fixed assets and market value of land which substantially differ from the book values thereof as disclosed in Note 32.4 on page 279.

The details of property, plant and equipment, right of use assets and intangible assets are presented in Notes 32, 33 and 34 to the Financial Statements on pages 275 to 283.

Freehold Land and Building

Extents, locations, valuations and the number of buildings of the entity's land holding are detailed in Note 32.4 on page 279 of this Annual Report and the net book values of freehold land and buildings owned by the Company and the Group as at 31 March 2022 as included in the Financial Statement was Rs. 719.84 million and Rs. 3,241.57 million respectively.

The Company engages independent professional valuers for revaluation of its freehold land and buildings as specified by the Direction No 04 of 2018 on 'Valuation

of Immovable Properties' and subsequent amendments thereto issued by CBSL.

Revaluation of immovable properties obtained as collaterals against any accommodation granted are assessed based on the requirements in the Direction No 04 of 2018 on 'Valuation of Immovable Properties' and subsequent amendments thereto issued by CBSL. The assessment of immovable properties is carrying out by independent professional valuers as required by the said direction issued by CBSL.

The assessed fair value of the immovable properties does not consider for measurement of regulatory provisions for bad and doubtful debts as per Direction No 03 of 2006 and subsequent amendments thereto issued by CBSL.

Investments

Details of investments held by the Company are disclosed in Notes, 22,23,24,27,28 and 29 on pages 248 to 251 and 268 to 272 to the Financial Statements.

Equity Stated Capital

The Stated Capital of the Company and the Group as at 31 March 2022 amounted to Rs. 17,071.96 million, compared to Rs. 14,892.04 million as at 31 March 2021. Consequent to final dividend for the financial year 2020/21 and the interim dividend for the financial year 2021/22 paid by way of scrip dividend, the stated capital increased by Rs. 2,179.93 million.

Reserves

The total reserves of the Company and the Group as at 31 March 2022 stood at Rs. 21,746.35 million and Rs. 26,749.31 million respectively. During the financial year under review Rs.182.95 million was transferred from retained earnings to the statutory reserves. Information on the movement of reserves is given in the 'Statement of Changes in Equity' on pages 212 to 213 and in Notes 46 to 48 to the Financial Statements.

Debt Securities Issued

The details of debt securities issued are given in Note 37 and more comprehensive analysis of the Company's debentures is set out in Note 37.2 to the Financial Statements.

Annual Report of the Board of Directors on the Affairs of the Company

Capital Adequacy

Tier 1 capital ratio and total capital ratio of the Company computed as per the Finance Business Act Direction No. 03 of 2018 Capital Adequacy Requirement issued by the Central Bank of Sri Lanka stood at 18.76% and 19.67% respectively as at 31 March 2022. The information on minimum capital requirement is given on page 300 of this Annual Report.

4. External Auditors

(Section 168 (1) (c) (i) and (j))

The above sections define the 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 Auditors as audit fees and fees for other services rendered during the accounting period and Auditors' relationship or any interest with the Company and its subsidiaries.

4.1 Auditors and Their Independence

In accordance with 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 and their responsibilities in relation to the Financial Statements set out in the 'Independent Auditors' Report' given on pages 205 to 207.

4.2 Auditors' Report

The Report of the Auditor on the Financial Statements of the Company and the Group is given on pages 205 to 207.

4.3 Auditors' Remuneration

Auditors were paid the following sums by the Company and the Group for audit and related services as well as for non-audit services including tax related services:

| Fees | Company | | Group | |
|----------------------------|------------------------|------------------------|------------------------|------------------------|
| | 2021/22 Rs. million | 2020/21 Rs. million | 2021/22 Rs. million | 2020/21 Rs. million |
| Audit and related services | 7.38 | 7.38 | 14.44 | 13.32 |
| Non-audit Services | 1.32 | 1.89 | 1.32 | 2.22 |

4.4 Appointment of Auditors

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))

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 adopted in the preparation of the Financial Statements are given on pages 215 to 339. The significant changes to accounting policies adopted if any, in the preparation of the Financial Statements are given in Note 3.4 on page 219.

6. Board of Directors

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

The above sections define particulars of the entries in the Interests Register of the Company and its subsidiaries during the accounting period with remuneration and other benefits paid to the Directors of the Company and its subsidiaries during the accounting period and information on the 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 117 to 120 of this Annual 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 page 135.

6.3 Other Directorships/Significant Positions of Directors

Information of the other directorships/significant positions of the present Directors of the Company are given on pages 117 to 120.

6.4 Resignations and Appointments

Mr Sudarshan Ahangama, Non-Executive/ Non Independent Director of the Company has resigned from the Board with effect from 24 August 2021 and Ms. Shaalini Silva has been appointed as Company Secretary of People's Leasing & Finance PLC with effect from 15 July 2021. Mr Michael Pradeep Amirthanayagam has been appointed as an Independent Non-Executive Director of the Company with effect from 15 July 2022.

6.5 Directors' Remuneration

Directors' fees and emoluments paid by the Company and the Group for the year ended 31 March 2022 was Rs. 4.94 million and Rs. 11.77 million respectively. Comparative figures are given in Note 55.2.1 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 309 to 310 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.

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 'Value to Investors' on page 73 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 132 to 134 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 'Value to Investors' on pages 68 to 74 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

The Company declared an interim dividend for the financial year 2021/22 in the form of a scrip dividend on 21 December 2021. With respect to that, 84,249,776 ordinary voting

shares of the Company have been listed with effect from 13 January 2022, pursuant to the scrip dividend in the proportion of 1: 21.4000002326.

The Directors also recommended a final dividend of Rs. 0.50 per share for the year ended 31 March 2022. 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.

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 said interim dividend well as the proposed final dividend required by Section 56 (2), the Board of Directors has obtained a certificate from the Auditor on the Statement of Solvency in respect of dividend payment conforming to the above statutory provision.

8. Donations

(Section 168 (1) (g))

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

During the financial year 2021/22, the Company made donations (including CSR) amounting to Rs. 29.40 million (Rs. 20.37 million in 2020/21). 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 'Social and Relationship Capital' and 'Natural Capital' on pages 96 to 105 and pages 106 to 113 respectively.

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 are 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, No. 4 of 2008 and No. 6 of 2013.

Chairman's Affirmation on the Code of Business Conduct and Ethics

The Chairman affirms that People's Leasing & Finance PLC has introduced a Code of Business Conduct and Ethics where the Company-wide procedure is set for disseminating, monitoring and compliance with the Code of Business Conduct.

The Directors declare that:

1. The Company has not engaged in any activity which contravenes laws and regulations.
2. The Company has made all endeavors to ensure the equitable treatment of shareholders.
3. The business is a going concern.
4. Effectiveness of and successful adherence to 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 124 to 155 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.

KMP's Declaration on Compliance with Code of Business Conduct and Ethics

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 Sub Committees

The Board Audit Committee, Board Integrated Risk Management Committee, HR and Remuneration Committee, Nomination Committee and Related Party Transactions Review Committee function as Board Sub Committees with Directors who possess the requisite qualification and experience. The composition of the said committees is set out in the respective committee reports given in this Annual Report.

Annual Report of the Board of Directors on the Affairs of the Company

9.2 Compliance with Laws and Regulations

To the best 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 made in time.

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 is detrimental 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 should contain sufficient information on ESG risks and opportunities that are recognised, managed, measured and reported as set out on page 138.

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 content of this Annual Report as disclosed on page 160.

11. Stakeholder Management and Integrated Reporting

The Company has taken several measures to manage its valued stakeholders, including customers, employees, investors, suppliers and community, in portraying its value creation process. Aspects of economy, environment and social impacts have also been addressed adequately in the reporting process. These capital management reports are presented under Management Discussion and Analysis on pages 44 to 113 of this Annual 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 50.1.1 to the Financial Statements on page 303.

13. Human Resources

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

As at 31 March 2022, a total of 2,245 persons were in employment (2,343 persons as at 31 March 2021) with 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 an Information Security Officer (ISO) with sufficient expertise and authority and allocated regular and adequate time on the Board meeting agenda for discussions on cyber-risk management. Related information is set out in the Corporate Governance Report on page 136.

15. Events After the Reporting Period

Details of events after the reporting period are disclosed in Note 58 to the Financial Statements on page 339.

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 person who were Directors of the Company during the financial year | ✓ | 117 - 120 |
| 7.6 (ii) | Principal activities of the Company and its subsidiaries during the year | ✓ | 4, 215 |
| 7.6 (iii) | Information on 20 largest shareholders at the end of the year | ✓ | 72 |
| 7.6 (iv) | The public holding percentage | ✓ | 69 |
| 7.6 (v) | Directors' and Chief Executive Officer's holding in shares | ✓ | 73 |
| 7.6 (vi) | Information pertaining to material foreseeable risk factors | ✓ | 176 - 195 |
| 7.6 (vii) | Details of material issues pertaining to employees and industrial relations | During the year under review, there were no material issues pertaining to employees and industrial relations. | |
| 7.6 (viii) | Information on buildings/land holdings and investment properties as at the end of the year | ✓ | 279 - 280 |
| 7.6 (ix) | Number of shares representing the stated capital as at the end of the year | ✓ | 70 |

| Rule Reference | Information Required to be Disclosed | Status of Compliance | Page Reference |
|----------------|---|---|--------------------|
| 7.6 (x) | A distribution schedule of the number of holders in each class of equity securities and related information | ✓ | 71 |
| 7.6 (xi) | Ratios and market price information on equity, debt, change in credit rating | ✓ | 69, 71, 72, 73, 74 |
| 7.6 (xii) | Significant changes in the Company's or subsidiaries' fixed assets. | ✓ | 276-277 |
| 7.6 (xiii) | Details of funds raised through a public issue, rights issue and a private placement during the year | We did not raise funds through a public issue, Right issue or a private placement during the year | |
| 7.6 (xiv) | Information in respect of employee share ownership or stock option schemes | The Company does not have any employee share ownership or stock option scheme at present. | |
| 7.6 (xv) | Disclosure pertaining to corporate governance practice in term of Rules 7.10, 7.10.5c. and 7.10.6 c.of Section 7 of the Listing Rules | ✓ | 139-140 |
| 7.6 (xvi) | Related Party Transaction exceeding 10% of the equity or 5% of the total assets of the entity | ✓ | 308-314 |

17. Related Party Transactions

(CSE Listing Rules Section 9)

The Directors declare that the rules pertaining to Related Party Transactions in Section 9 of CSE Listing Rules have been complied with.

18. Going Concern

(Code of Best Practice D1.4)

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 in the foreseeable future. Furthermore, the Management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on a going concern basis.

In determining the basis of preparing the Financial Statements for the year ended 31 March 2022, the Management has assessed the existing and anticipated effects of COVID-19 on the Group Companies and the appropriateness of the use of the going concern basis, based on available information.

The Group evaluated the resilience of its businesses considering a wide range of factors under multiple stress-tested scenarios, relating to expected income, cost management, profitability, the ability to defer non-essential capital expenditure, unused credit lines and the ability to continue providing services to ensure businesses continues with the least possible impact. Having presented the outlook for each industry of the Group to the Holding Company's Board and post evaluation of the above by the Management, and following due consideration of

the range and likelihood of outcomes, the Management is satisfied that the Company has adequate resources to continue in operational existence in the foreseeable future and continue to adopt the going concern basis in preparing and presenting these Financial Statements.

19. Annual General Meeting

The 26th Annual General Meeting will be held as a virtual meeting from the Boardroom of People's Leasing & Finance PLC Head Office, 10th Floor, No.1161, Maradana Road, Colombo 08 on 7th September 2022 at 2.30 p.m. Notice of the meeting relating to the 26th Annual General Meeting is provided on page 356 of this Annual Report.

By order of the Board of Directors



Coralie Pietersz
Director



Sujeewa Rajapakse
Chairman



Shaalini Silva
Company Secretary

26 July 2022
Colombo

Board Audit Committee Report



“The Committee assessed the Company’s compliance with financial reporting requirements, information requirements under the Companies Act, Finance Business Act and other relevant financial reporting related regulations (such as SLASs/IFRS) and requirements”

Board Audit Committee (“Audit Committee” or “the Committee”) of the Company presents its report for the year ended 31.03.2022. This Report was approved by the Board of Directors.

Composition and Attendance

During the year, the Board Audit Committee comprised two Independent and one Non-Executive Director which is in line with the composition requirements specified by the regulators. The Board is satisfied that the current members of the Committee are competent in financial matters and have recent and relevant experience.

| Attendance at Board Audit Committee Meetings (held quarterly or as required) | | | | | | |
|--|--|-----------|---------------|-------------|-----------------|-------------------------|
| No. | Name of the Director | | | | | No of Meetings Attended |
| | | Executive | Non-Executive | Independent | Non-independent | |
| 1 | Ms. Miriam Coralie Pietersz - Chairperson of the Committee | | ✓ | ✓ | | 12/12 |
| 2. | Mr U. L. Asoka W. Bandara | | ✓ | ✓ | | 12/12 |
| 3 | Mr. Azzam A. Ahamat | | ✓ | | ✓ | 10/12 |

The profiles of the members are given on pages 117 to 120 of the Annual Report.

Mr. Udesh Gunawardena, Head of Internal Audit, functions as the Secretary to the Board Audit Committee.

The Committee held twelve (12) meetings during the financial year ended 31 March, 2022. Proceedings of these meetings, with adequate details of matters discussed are regularly reported to the Board. Representatives of the Company’s External Auditors; Auditor General and Messrs. Ernst & Young participated in two (02) meetings during the year. The Chief Executive Officer and other members of the senior management of the Company attended the meetings by invitation from time to time on a needs basis.

Attendance at the meetings during the year under review was satisfactory.

Activities of the Committee during the Financial Year 2021/22

Terms of Reference of the Committee

The Board Audit Committee is appointed by the Board of Directors of People’s Leasing & Finance PLC to assist and provide the board oversight of the integrity of financial reporting, adequacy of the system of internal control, assessment of the Company’s compliance with legal and regulatory requirements.

The composition, scope, responsibilities and authority of the Committee is set out in the Terms of Reference of the Committee, which is reviewed annually to address any developments in Committee’s functions and concerns. The Terms of Reference of the Committee were last reviewed and approved by the Board in March 2022.

The Committee has the explicit authority to investigate into any matter, unrestricted access to records, data, and reports and to the management and the staff, to obtain information considered necessary for the discharge of duties. The Committee is also authorised to obtain external professional advice at the Company’s expense and to form and delegate authority to subcommittees.

Financial Reporting

The Committee assisted the Board of Directors in discharging its responsibility for the preparation of the quarterly and annual Financial Statements to reflect a true and fair view of the affairs of the Company in conformity with the Sri Lanka Accounting Standards, the Sri Lanka Financial Reporting Standards, Finance Business Act No. 42 of 2011, the Companies Act No. 7 of 2007, Sri Lanka Accounting and Auditing Standards Monitoring Board Act No.15 of 1995, Rules and Regulations of the Colombo Stock Exchange and the Securities and Exchange Commission of Sri Lanka and Central Bank of Sri Lanka Directions.

The Committee reviewed and discussed the Company’s interim and annual financial statements, assessed the acceptability of accounting principles, significant estimates and judgments, reviewed the profit reconciliation based on CBSL directions and LKAS/SLFRS and the impact of dividend declarations to the prudential ratios, in discharging their oversight responsibilities.

The Committee reviewed the Impairment Policy Manual including the assessment of adequacy of provision for Expected Credit Loss (ECL) recognised in the financial statements, by factoring the potential implications of the COVID-19 pandemic and the moratorium schemes introduced by the government to support the recovery of the economy.

External Audit

National Audit Act No. 19 of 2018, requires the Auditor General to carry out the audit by himself or any person authorised by the Auditor General. Accordingly, the Auditor General informed the Company of the appointment of Messrs. Ernst & Young to assist the Auditor General in performing the external audit for the FY 2021/22. Since the Auditor General is the External Auditor of the Company, as appointed under the Constitution, the Committee has no role to play in the engagement of the External Auditor.

The Committee met the external auditors in two occasions during the financial year and discussed the audit plan, scope and the methodology proposed to be adopted in conducting the annual audit. The opportunity was provided to the external auditors to raise material issues, problems or reservations that they may wish to discuss further, with the Audit Committee, in the absence of Key Management Personnel.

The Committee reviewed the policy for non-audit services provided by the Auditors, with a view to ensuring that such functions do not fall within the restricted services and that the provision of such services do not impair the independence and objectivity of External Auditors, who are appointed to assist the Auditor General.

The Committee reviewed the External Auditor's Management Letters and the Report of the Auditor General under Section 154(6) of the Constitution together with management responses thereto. The Committee also initiated action to ensure that the recommendations contained in the Management Letter and Auditor General's Report were implemented by the Management.

Internal Audit

A dedicated Internal Audit Department carries out the internal audit function and reports to the Audit Committee. The Committee ensured that the internal audit function is independent of the activities it audits and ensures that the department has the necessary authority to perform its work independently.

The Committee reviewed and approved the Internal Audit plan and the strategy for the financial year. The Company's Internal Audit Department carried out, online and on-site inspection of business units. The significant findings and recommended remedial action were reported to the Committee for deliberation. The Committee evaluated the recommendations and followed up on the implementation of such recommendations. The Committee also met the internal auditors in the absence of executive management.

Regulatory Compliance

The Committee assessed the Company's compliance with financial reporting requirements, information requirements under the Companies Act, Finance Business Act and other relevant financial reporting related regulations (such as SLASs/IFRS) and requirements. The Committee scrutinised the reports submitted by the Compliance Officer and the Internal Audit to monitor compliance with such legal and regulatory requirements

The Committee also monitored the progress of implementation of the recommendations of Statutory Examination Reports of the Central Bank of Sri Lanka together with the management response thereto.

Internal Controls

The Committee assisted by the Internal Audit Division assesses the adequacy and effectiveness of the Company's internal controls. The Committee also reviewed the observations and recommendations of the External Auditors and the management responses thereto.

The report on internal controls system over financial reporting was reviewed and approved by the Committee to be included in the annual report.

Whistleblowing

The Company's Whistleblower Protection policy is intended to provide channel for the corporate fraud risk management. The Whistleblower Protection policy, which guarantees the maintenance of strict confidentiality of the whistleblowers, was reviewed by the Committee and has been published in the Company intranet.

Any employee, who observes or notices any improper or illegal activity or unethical practices in the Company or receives credible information of the same is encouraged to report such activity.

The Committee further improved the arrangements by which employees of the company may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters.

All appropriate procedures are in place to conduct independent investigations into incidents reported through whistleblowing or identified through other means.

Evaluation of the Committee

The Board Audit Committee carried out its responsibilities within the scope of its authority as mandated by its Terms of Reference. The Committee undertook an appraisal of executing these responsibilities and concluded that the Committee had carried out its responsibilities satisfactorily during the financial year.



Miriam Coralie Pietersz
Independent Director/Chairperson
Board Audit Committee

26 July 2022
Colombo

Report of the Human Resources and Remuneration Committee



“The Committee worked to ensure that the Remuneration Policy of the Group remains fair, transparent and competitive, and that remuneration is linked to business strategy and drives sustainable performance .”

Areas of Focus in 2021/22

- Policy Review
- Rewards and Remuneration
- Succession Planning

The Company has voluntarily adopted the Corporate Governance Direction No. 05 of 2021 dated 31 December 2021 issued by the Central Bank of Sri Lanka (CBSL)

The new Corporate Governance Direction mandated that the responsibilities of the Nomination Committee and the Remuneration Committee be demarcated and segregated into two separate Sub Committees, as such the existing HR Remuneration and Nomination Committee was discontinued w.e.f. 27 January 2022 and the responsibilities reassigned under two separate independent Sub Committees i.e.

1. Human Resources and Remuneration Committee
2. Nomination Committee

The committee has adopted terms of reference in line with the Corporate Governance Direction No. 05 of 2021.

Remuneration Policy

The Committee oversees the reward strategy of the Company to ensure that the employees are rewarded based on their performance, skills, experiences and level of responsibility enabling the Company to retain the right people to deliver on the strategy.

Aligning with the principles of good governance, our remuneration policy reinforces our desired culture and encourages behaviour consistent with our values while motivating the employees to deliver and sustain high levels of performance supporting achievement of our strategic priorities

Objectives of the Committee

The Objective of the Committee is to ensure that equitable human resource policies and practices are adopted by the Group and a robust remuneration framework is in place to attract, retain and motivate high calibre Key Management Personnel (KMP)/Employees who contribute positively to achieving the Company’s strategic goals. It includes structuring a performance-based incentive scheme for KMP, CEO and Senior Management and setting performance related formulae which are relevant, stretching and designed to enhance stakeholder value.

Composition and Attendance

The Committee consists of three Non-Executive Directors majority of whom are independent. During the year under review, there were no changes in the membership of the Human Resources and Remuneration Committee. The Chairman of the committee is an Independent Non-Executive Director.

Attendance at Human Resource, Remuneration and Nomination Committee Meetings (Ceased w.e.f. 27.01.2022) (held quarterly or as required)

| No. | Name of the Director | | | | | No of Meetings Attended |
|-----|-----------------------------------|-----------|---------------|-------------|-----------------|-------------------------|
| | | Executive | Non-Executive | Independent | Non-independent | |
| 1. | U. L. Asoka W. Bandara (Chairman) | | ✓ | ✓ | | 4/4 |
| 2 | Ms. Miriam Coralie Pietersz | | ✓ | ✓ | | 4/4 |
| 3. | Rohan Pathirage | | ✓ | | ✓ | 4/4 |

Attendance at Human Resources and Remuneration Committee Meetings (Formed on 27 January 2022 in terms of the Corporate Governance direction No. 05 of 2021 issued by CBSL) (held quarterly or as required)

| No. | Name of the Director | | | | | No of Meetings Attended |
|-----|-----------------------------------|-----------|---------------|-------------|-----------------|-------------------------|
| | | Executive | Non-Executive | Independent | Non-independent | |
| 1. | U. L. Asoka W. Bandara (Chairman) | | ✓ | ✓ | | 2/2 |
| 2 | Ms. Miriam Coralie Pietersz | | ✓ | ✓ | | 2/2 |
| 3. | Rohan Pathirage | | ✓ | | ✓ | 2/2 |

Attendees by Invitation

Chief Executive Officer, AGM - Human Resources

Secretary to the Committee

The Company Secretary of the Company functions as the Committee Secretary .

The profiles of the members are given on pages 117 to 120 of the Annual Report.

Key Responsibilities

The Board approved TOR of the Committee provide a platform to the management to escalate human resource matters which require deliberation above management level including the reviewing and recommendation of:

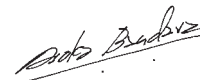
- personnel policies/ procedures of recruiting, developing and motivating the staff;
- recruitment requirements and related appointments of KMPs;
- salaries, allowances, benefits and all other forms of employee remuneration relevant to KMPs;
- succession strategy of KMPs;
- change of designation/ position/role of pre-identified grades of employees due to business reasons.
- structuring and deciding salaries and benefits of Corporate Management; disciplinary action relating to employees belonging to pre-identified grades;
- Fixed term employment contracts of Corporate Management and Consultants.
- service extensions of Corporate Management;
- annual promotions of employees belonging to preidentified grades;
- annual increments to remuneration and benefits including non-monetary benefits;
- bonuses and salary revision. The Committee is also mandated to approve staff loan and staff benefit schemes and set goals and targets for the KMPs

Matters Relating to Remuneration of Directors

The Board determines the remuneration of the Non-Executive Directors based on the recommendation of the HR and Remuneration Committee subject to relevant regulatory approval. A fixed allowance has been paid to the Non-Executive Directors for attending Board and Committee meetings. Fees paid to the Non-Executive Directors are neither performance related nor pensionable. Details of the fees paid to Directors are given on page 136 of this Annual Report.

Conclusion

The Committee will continue to assist the Board of Directors by strengthening and introducing policies, practices and systems in the development of Human Capital and provide opportunities to the employees to enhance and acquire new skills and knowledge within the group for their career development. The Committee will also continue to ensure that plans and programmes relating to remuneration support the Group's business strategy and are closely linked to stakeholder interests.



U. L. Asoka W. Bandara
Chairman of the Committee

26 July 2022
Colombo

Activities in 2021/22

Policy Review

During the year the Committee reviewed the policies with regard to employment after retirement (of those who retire prior to 60 years), compensation, promotion and appointment of Senior Management (Key Responsible Officers) of the company. In considering the review of these policies the Committee was mindful of the need for retention of tacit knowledge and transfer of such knowledge to ensure smooth transition and succession. Further the policies needed to ensure that the competent staff are motivated and focused on career progression creating a talent pipeline ready to meet the future succession requirements

Succession Planning

The Company is currently on a transformation path with a need to carefully plan succession within the Company. The Committee has provided direction and reviewed the Succession Plan for the Company which has been approved by the Board of Directors. The Committee is and has been supportive of proposals within policy, to address the succession requirements of the company.

Rewards and Remuneration

The Committee supported the need to effect salary increments in the context that increments had not been considered since 2019. The increments proposed were reviewed in the context of the market position through independent Compensation and Benefits survey. Consequent to such survey the committee also reviewed the revised employee benefits.

Related Party Transactions Review Committee Report



"Our key focus has been to ensure that all Group Related Party Transactions have been properly identified and were compliant with regulations."

Related Party Transaction Review Committee of the Company acting within the Board approved Terms of Reference (TOR) ensures the strict compliance with the rules and regulations governing related party transactions for listed entities.

Composition and Committee Meetings

The Related Party Transaction Review Committee comprises three Non-Executive Directors out of whom two members including the Chairman to the Committee are Independent Directors.

The Chief Executive Officer/ General Manager of the Company, Compliance Officer and the Chief Manger - Finance attend Committee meetings by invitation. The proceedings of the Committee are reported to the Board and the Chairman to the Committee briefs the Board on significant matters that requires deliberation of the Board.

The Committee met four times during the year and reviewed all Related Party Transactions carried out during this period. The members have deliberated at length on the related party transactions to ensure compliance with relevant rules and regulations governing the related party transactions. The proceedings of the Committee meetings were regularly reported to the Board of Directors with its comments and observations.

Attendance of the meeting during the Financial Year

| Attendance at Related Party Transactions Review Committee Meetings (held quarterly or as required) | | | | | |
|---|---|-----------|---------------|-------------|-------------------------|
| No. | Name of the Director | Executive | Non-Executive | Independent | No of Meetings Attended |
| | | | | | |
| 1 | Chanura J. Wijetillake (Chairman) | | ✓ | ✓ | 4/4 |
| 2. | U. L. Asoka W. Bandara - Member | | ✓ | ✓ | 4/4 |
| 3 | Sudarshana Ahangama (ceased w.e.f. 24 August 2021) | | ✓ | | 0/1 |
| 4. | Rohan Pathirage - Member (appointed 24 September 2021) | | ✓ | | 2/2 |

Secretary to the Committee

The Company Secretary of the Company functions as the Secretary of the Committee.

Brief profiles of the members of the Related Party Transaction Review Committee as at 31 March 2022 are given on pages 117 to 120 of this Annual Report.

Key Highlights of Year 2021/22

The Company has voluntarily adopted the Corporate Governance Direction No. 05 of 2021 dated 31 December 2021 issued by the Central Bank of Sri Lanka (CBSL)

- reviewing and recommendation of Share Trading Policy providing guidelines for Directors, KMPs and all the employees with regard to the dealings in securities of the Company for the approval of the Board of Directors.
- review of Related Party Transaction Policy and Manual
- Reviewed all the Related Party Transactions of the Company during the period under review.

Scope of the Committee Mandate

The Committee reviews all proposed related party transactions in advance other than those transactions explicitly exempted in the TOR which are in conformity with the Listing Rules of the Colombo Stock Exchange (CSE).

The functions of the Committee includes,

- Reviewing in advance all proposed related party transactions of the Company except those explicitly exempted by the Listing Rules of the CSE
- Adopting policies and procedures to review related party transactions of the Company and overseeing existing policies and procedures.
- Recommending to the full Board where necessary that the approval of the shareholders of the Company be obtained by way of a Special Resolution prior to the concerned transaction being entered into as specified in Section 9.1 and 9.4 of the Listing Rules.
- Establishing guidelines to be followed by the employees of the Company in respect of ongoing related party transactions.

- Ensuring that no Director of the Company shall participate in any discussion of a proposed related party transaction for which he or she is a related party, unless such Director is requested to do so by the Committee solely for the purpose of providing information thereon to the Committee without influencing voting on the matter.
- Ensuring that immediate market disclosures and disclosures in the Annual Report as required by the applicable rules/regulations are made in a timely and sufficiently detailed manner.
- Monitoring the Related Party Transactions, if any, to ensure that they are conducted in a manner that will prevent or mitigate the impact of any conflict of interest which may arise between the Company and its Related Parties.
- Reviewing the TOR of the Committee periodically to ensure that it reflects the best practices of the industry at all time.
- Performs other activities which the Committee deems appropriate and necessary for the performance of its duties and undertake other responsibilities which the Board may assign to the Committee from time to time.

Authority

The recommendations of the Committee are reported to the Board to take final decisions on the matters where necessary. The Committee is authorised by the Board to obtain professional advice as and when it deems necessary at the expense of the Company which is coordinated by the Company Secretary.

Policies and Procedures on Related Party Transactions Policy

The categories of person who shall be considered as "related parties" are defined in Related Party Transaction Policy as approved by the Board which is in line with LKAS 24 of Sri Lanka Accounting Standards and the Listing Rules.

Related Party Transaction Policy sets out the Self- declarations to be obtained from each Director and KMPs of the Company to identify the parties related to them.

The Code of Business Conduct and Ethics of the Company 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 judgment. Directors who have such potential or actual conflict of interests are required to immediately disclose such conflict to the Board of Directors as soon as he/she becomes aware of it.

Procedures

An on-line preventive system is implemented by the Company to ensure that no favorable treatment is accorded to related parties. This system enables the Company to monitor and report related party transactions and retrieve data thereof throughout the Company's network.

Related Party Transactions during 2021/22

The Committee reviewed Related Party Transactions of the Company during the period of 01 April 2021 to 31 March 2022 and has thus complied with the rules pertaining to Related Party Transactions as set out in Section 9 of the Listing Rules of the CSE.

The Company has not entered into any transactions as contemplated in Sections 9.1.1, 9.1.2 and 9.3.2 (a) of the Listing Rules of the CSE. All transactions entered into by the Company which fall under section 9.3.2 (b) of the Listing Rules have been disclosed in Note 55.5 to the Financial Statements on page 314.

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 2021/22 is contained in the Annual Report of the Board of Directors on the Affairs of the Company on page 161.



Chanura J. Wijetillake

Chairman

Related Party Transaction Review Committee

26 July 2022
Colombo

Report of the Nomination Committee



“ The Committee ensures the Board has the collective skills and experience to operate effectively in the delivery of the Group’s strategy, and in the execution of its duties.”

Areas of Focus in 2021/22

- Board Evaluation
- Board Succession
- Re-Election of Directors

The Company has voluntarily adopted the Corporate Governance Direction No. 05 of 2021 dated 31 December 2021 issued by the Central Bank of Sri Lanka (CBSL).

The new Corporate Governance Direction mandated that the responsibilities of the Nomination Committee and the Remuneration Committee be demarcated and segregated into two separate Sub Committees, as such the existing HR Remuneration and Nomination Committee was discontinued w.e.f. 27 January 2022 and the responsibilities reassigned under two separate independent Sub Committees i.e.

1. Human Resource and Remuneration Committee
2. Nomination Committee

The committee has adopted terms of reference in line with the Corporate Governance Direction No. 05 of 2021.

Objective of the Committee

The structure, size and composition of the Board is reviewed by the Committee as and when required and recommendations are made to the Board with regard to any change that needs to be introduced and advises the Board on selection of members to the Board. The members preclude themselves from participating in decision making with regard to his/her own appointment.

Activities in 2021/22

During the year the Committee reviewed the list of Key Responsible Persons (KRPs) as set out in the Finance Business Act Directions No. 05 of 2021(Corporate Governance) and Finance Business Act Directions No. 05 of 2021 (Assessment of Fitness and Propriety of Key Responsible Persons).

The KRPs and senior Management has been identified and designated in terms of the Finance Business Act Directions No. 05 of 2021(Corporate Governance).

The Committee also recommended a policy for Selection and appointment of Senior Management and a policy for Selection and appointment of new Directors to the Board ensuring proper transparency and clarity in such matters.

Composition and Attendance

The Committee consists of three Non-Executive Directors majority of whom are independent. During the year under review, there were no changes in the membership of the Human Resources and Remuneration Committee. The Chairman of the committee is an Independent Non-Executive Director.

Attendance at Human Resource, Remuneration and Nomination Committee Meetings (Ceased w.e.f. 27 January 2022) (held quarterly or as required)

| No. | Name of the Director | | | | | No of Meetings Attended |
|-----|-----------------------------------|-----------|---------------|-------------|-----------------|-------------------------|
| | | Executive | Non-Executive | Independent | Non-independent | |
| 1. | U. L. Asoka W. Bandara (Chairman) | | ✓ | ✓ | | 4/4 |
| 2. | Ms. Miriam Coralie Pietersz | | ✓ | ✓ | | 4/4 |
| 3. | Rohan Pathirage | | ✓ | | ✓ | 4/4 |

Attendance at Nomination Committee Meetings (Formed on 27 January 2022 in terms of the Corporate Governance direction No. 05 of 2021 issued by CBSL) (held quarterly or as required)

| No. | Name of the Director | | | | | No of Meetings Attended |
|-----|-----------------------------------|-----------|---------------|-------------|-----------------|-------------------------|
| | | Executive | Non-Executive | Independent | Non-independent | |
| 1. | U. L. Asoka W. Bandara (Chairman) | | ✓ | ✓ | | 2/2 |
| 2. | Ms. Miriam Coralie Pietersz | | ✓ | ✓ | | 2/2 |
| 3. | Rohan Pathirage | | ✓ | | ✓ | 2/2 |

Secretary to the Committee

The Company Secretary of the Company functions as the Secretary of the Committee .

The brief profiles of the members of the Related Party Transaction Review Committee as at 31 March 2022 are given on pages 117 -120 of this Annual Report.

Key Responsibilities

- Propose suitable Guidelines for the appointment and re- appointment of Directors to the Board.
- The Chairman of the Committee shall discuss with the independent members and provide feedback to the Chairman of the Board on board effectiveness.
- Monitor compliance with the Corporate Governance Statutory Guidelines.
- Establish the process for conducting the review of the GM/CEO performance annually.

Authority

The recommendations of the Committee are brought to the notice of the Board to make a final decision. The Committee is authorised to obtain professional advice as and when required at the expense of the Company and this is coordinated by the Company Secretary.

Succession Planning

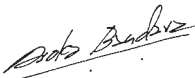
The Company is currently on a transformation path with a need to carefully plan succession within the Company. The Committee has provided direction and reviewed the Succession Plan for the Company which has been approved by the Board of Directors. The Committee is and has been supportive of proposals within policy, to address the succession requirements of the company.

Selection and Appointment of Directors/Senior Management

The committee implements a formal and transparent procedure to select/appoint new directors and senior management. It makes recommendation to the Board for the appointment and re-appointment of Directors to the Board and Senior Management by considering such as a Director being fit and proper including but not limited to; qualifications, competencies, independence and relevant provision of the Companies Act and/or Finance Business Act and any other regulations;

Conclusion

The Committee will continue to assist the Board in selecting the right candidate with the necessary skills, knowledge and experience , ensuring the desired diversity of the Board to meet the strategic demands of the Company.


U. L. Asoka W. Bandara

Chairman of the Committee

26 July 2022

Colombo

Board Integrated Risk Management Committee Report



“The Committee was mainly concerned of the deterioration of the credit quality level of the industry amidst the socio-economic challenges due to COVID-19 pandemic. In the latter part of the year, the Committee focused on the impact on asset quality due to the economic crisis.”

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 the Board Integrated Risk Management Committee (“BIRMC” or “Committee”) to review and assess the adequacy and effectiveness of the risk profile of the Company and the Group, in terms of Section 10.3 of the Finance Business Act (Corporate Governance) Direction No. 05 of 2021.

Terms of Reference (TOR)

The Committee revised the TOR in line with the Corporate Governance Direction No.5 of 2021 issued in December 2021 by the Central Bank of Sri Lanka, changes in the governance structure and the operating environment.

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.

Composition

The BIRMC comprised the following members and whose profiles are given on pages 119 to 120:

| Name of the BIRMC Member | Directorship Status |
|---------------------------|--|
| Mr Chanura J. Wijetillake | Committee Chairman (Non-Executive, Independent Director) |
| Mr Azzam A. Ahamat | Committee Member (Non-Executive, Non-Independent Director) |
| Mr K. C. J. C. Fonseka | Committee Member (Non-Executive, Non-Independent Director) |

Regular Attendees by Invitation

- Chief Executive Officer/ General Manager
- SDGM - Operations
- DGM - Risk and Control/Chief Risk Officer
- DGM - Operations
- DGM - Recoveries and Administration
- DGM - Internal Audit
- Compliance Officer
- Key Management Personnel from PLC Subsidiaries
 - Chief Executive Officer - People's Insurance PLC (PI)
 - Senior Manager - Head of People's Micro-commerce Limited
 - Officer-in-charge of People's Leasing Fleet Management Limited
 - Chief Executive Officer - Lankan Alliance Finance Limited
 - Director - People's Leasing Property Development Limited

Secretary to the Committee

DGM - Risk and Control/Chief Risk Officer

Meetings

The Committee held seven (07) meetings during the year under review. The attendance of the members of the Committee was as follows.

| Attendance at Board Integrated Risk Management Committee Meetings (held quarterly or as required) | | | | | | |
|--|---|---------------------|---------------|-------------|-----------------|---|
| No. | Name of the Director | Directorship Status | | | | No. of Meetings (Attended/Eligible to attend) |
| | | Executive | Non-Executive | Independent | Non-Independent | |
| 1 | Mr Chanura J. Wijetillake - Committee Chairman | | ✓ | ✓ | | 7/7 |
| 2. | Mr Azzam A. Ahamat - Committee Member | | ✓ | | ✓ | 6/7 |
| 3 | Mr K. C. J. C. Fonseka - Committee Member | | ✓ | | ✓ | 7/7 |

Reporting to the Board

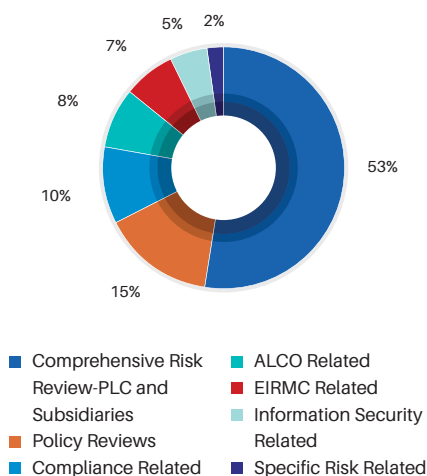
Minutes of the Committee which include the deliberations and conclusions reached were submitted to the subsequent BIRMC meeting for the confirmation and adoption. All minutes of the meetings were formally approved by the Committee Chairman. Approved Minutes

were also submitted to the Board seeking their views, concurrence and/or specific directions.

Activities

The BIRMC effectively assisted the Board of Directors in performing its oversight function 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 meetings.

Key Areas of Discussion and Time Allocated



Integrated Risk Management

- The Committee reviewed and improved the Risk Appetite Statement (RAS) in line with the Corporate Governance Direction no. 05 of 2021.
- The Committee reviewed the Risk Tolerance Statement in line with the Corporate Governance Direction No.5 of 2021 and changes in the operating environment. The risk profile of People’s Leasing was reviewed quarterly against the set tolerance limits.
- The Committee reviewed the Branch Risk Rating Methodology developed to comply with the branch level risk assessment requirement set out in the Finance Business Act Direction No.06 of 2020 of Business Expansion and Operations issued by the Central Bank of Sri Lanka. Upon the adoption of risk rating methodology, the Committee reviewed the Branch Risk Assessments quarterly.

- Reviewed the quarterly risk reports (Risk Dash-board/Risk Indicator reports) of PLC and its subsidiary companies. All participants at meetings were actively encouraged to review all risks comprehensively and also to undertake analyses going beyond the requirement of the regulation.
- Reviewed the TOR of the Executive Integrated Risk Management Committee (EIRMC).
- Reviewed Product Development and Approval Procedure and recommended to the Board for approval.

Assessment of Management Level Committees

- Reviewed the adequacy and effectiveness of the functions carried out by the Assets and Liability Committee (ALCO) and the Management Credit Committee by reviewing the annual self-assessments performed against their TORs.
- Reviewed the effective functionality of the Executive Integrated Risk Management Committee (EIRMC) by reviewing the meeting highlights/ minutes of the EIRMC meetings which include the deliberations carried out particularly on the credit risk and operational risk matters.

Credit Risk

- The Committee was mainly concerned of the deterioration of the credit quality level of the industry amidst the socio-economic challenges due to COVID-19 pandemic. In the latter part of the year, the Committee focused on the impact on asset quality due to the economic crisis.
- Reviewed the portfolio quality through non-performing loan analysis based on assets and products together with other credit risk indicators such as sector-wise credit concentration and compliance with the Single Borrower Limits etc.
- The Committee reviewed stress tests to assess the impact of increase in the level of loss ratio with the increase of objective evidences, on the profitability and capital adequacy.
- The Committee deliberated in detail on the necessary course of action to improve the asset quality of the Company.

- Reviewed the deliberations that were carried out by the EIRMC in respect of managing the credit risk.
- The Committee reviewed the revised the write-off policy and recommended to the Board for approval.

Liquidity and Market Risk

- In the latter part of the year, the Committee particularly focused on managing liquidity and market risk in response to tightened market liquidity and rising interest rates.
- Reviewed the adequacy of liquid assets maintained and the maturity mismatch, sensitivity analysis and interest rate repricing gaps.
- Reviewed liquidity stress test results and adequacy of contingent funding lines.
- Reviewed the highlight reports of ALCO meetings submitted to the Committee in assessing the effectiveness of liquidity and market risk management.

Operational Risk

- Reviewed key operational risk indicators established in respect of Human Resources and Frauds etc.
- Reviewed the status of unsatisfactory rated audits determined based on the strength of the internal control system.
- Reviewed the adequacy of operational risk management based on the Branch Level Operational Risk Assessment results, Gold Inspections, deliberations carried out by the EIRMC on operational risk related areas.

Information and Cyber Security Risk

- The Committee, jointly with the Board Audit Committee, reviewed and deliberated on the proposed consultation paper on Regulatory Framework on Technology Risk Management and Resilience for Licensed Finance Companies (LFCs) issued by the Central Bank of Sri Lanka, together with the Gap Assessment performed thereon and made recommendations to the Board.
- Reviewed the ICT Risk Assessment performed based on numerous asset categories related to ICT operations and the Risk Assessment on Change Management submitted by the Information Security Officer (ISO) quarterly.

Board Integrated Risk Management Committee Report

Business Continuity

- Reviewed the progress of the Business Continuity Plan implementation process and the adequacy of disaster recovery plans.

Regulatory and Compliance Risk

- Reviewed the effectiveness of the Compliance function to assess 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 Company Annual Compliance Risk Assessment and Group Compliance Risk Assessments.
- Reviewed the new directions, circulars and guidelines issued by the Central Bank of Sri Lanka.
- Reviewed the money laundering and terrorist financing risk assessment performed at the Company level.
- Reviewed the Compliance Policy Manual revised in line with the Corporate Governance Direction No.5 of 2021 and recommended for the Board approval.

Strategic Risk

- Reviewed the effectiveness of strategies implemented in response to the changes in the business environment.
- Reviewed strategic risk indicators against set risk tolerance levels.

Assessing the Risk Profile of Subsidiary Companies

During the year under review, the following subsidiary companies submitted Risk Dash-board/key risk indicator reports to the BIRMC 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.
- 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)
- The Committee deliberated and reviewed the future strategies of the Company.

• People's Micro-commerce Limited (PML)

- PML involves in the business of providing microfinance facilities to ensure financial inclusivity of the under privileged, rural and urban population and operates with a different risk profile.
- The Committee quarterly reviewed the Company's risk profile against set risk tolerance limits.
- The Committee deliberated and reviewed the future strategies of the Company.

• People's Leasing Fleet Management Limited (PLFML)

- During the period under review, PLFML operations were mainly confined to the valuation services.
- BIRMC quarterly reviewed the Risk Dash-board reports submitted by PLFML.
- The Committee deliberated and reviewed the future strategies of the Company.

• Lankan Alliance Finance Limited (LAFL) - (PLC's Bangladesh Subsidiary)

- BIRMC quarterly reviewed the Risk Dash-board reports submitted by LAFL.
- CEO of LAFL participated in BIRMC meetings through video conferencing to explain the operations of the Company and risk mitigating strategies.

• Property Development Subsidiaries

- The Committee reviewed the Risk Indicator reports submitted by People's Leasing Property Development Limited and People's Leasing Havelock Properties Limited.
- The Committee reviewed the operations of these companies including occupancy details.

The Risk and Control Department co-ordinated with the aforementioned subsidiaries of People's Leasing and briefed the Committee with the relevant information through various risk indicators and additional information.

Others

- Worked with the Senior Management closely 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 BIRMC 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 and the Group.



Chanura J. Wijetillake

Chairman

Board Integrated Risk Management Committee

26 July 2022
Colombo

Compliance Risk Management

Compliance Risk Assessment framework of People's Leasing & Finance PLC (People's Leasing) effectively assess legal and reputational key exposure of the company's business activities, not only in terms of adhering to applicable laws and regulations, but also to relevant internal firm policies and standards of conduct.

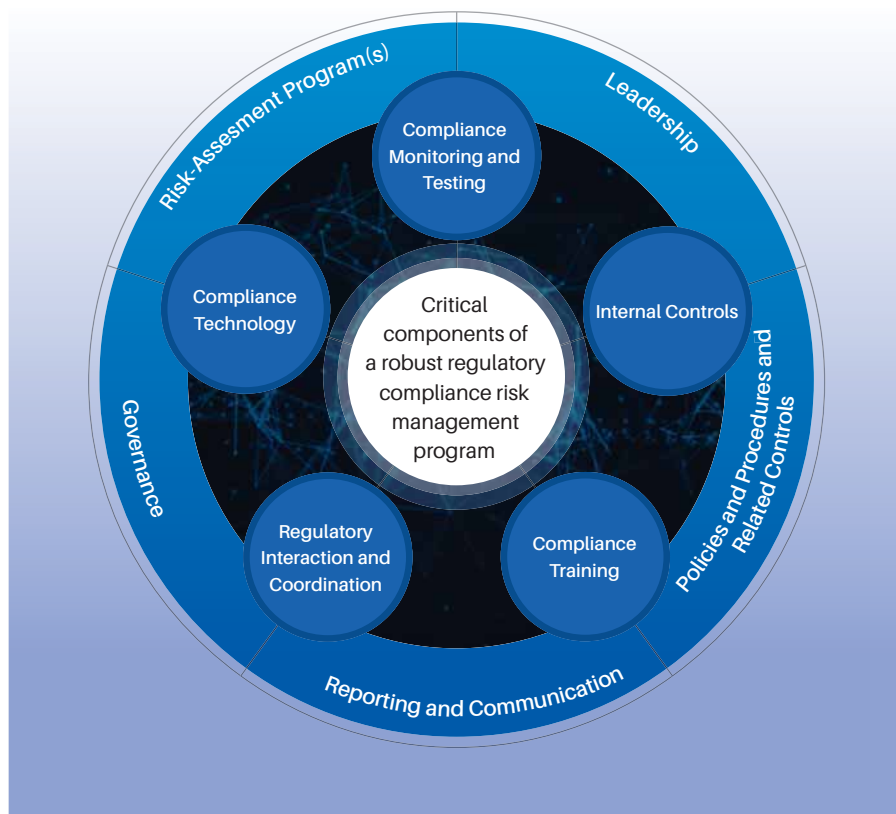
Compliance and Regulatory Risk

Compliance and regulatory risk refers to the potential risk to the Company resulting from non-compliance with applicable laws, rules and regulations and codes of conduct and could result in regulatory fines, financial losses, and disruptions to business activities and reputational damage.

Compliance and Regulatory Risk Management Approach

A compliance function reporting directly to the BIRMC has been established to assess the Company’s compliance with external and internal regulations on an ongoing basis. The Company’s culture and the shared values too play a key role in managing this risk.

Regulatory Compliance Risk Management Program at PLC



GRI | 205-1

Maintaining Compliance

The Company has put in place a range of policies and procedures related to employees, their rights and privileges as well as their duties and responsibilities. They are useful in making employees aware about conducting themselves in day-to-day situations and during unexpected occurrences.

The importance of compliance in financial institution of the world is increasing. People’s Leasing manages the Compliance risk by managing “the risk of legal or regulatory sanctions, financial loss, or loss to reputation that a financial institution may suffer as a result of its failure to comply with all applicable laws, regulations, and codes of conduct and standards of good practice”. This includes the conduct of banking and financial business (including conflicts of interest), privacy and data protection, and in particular, provisions on the prevention of money-laundering and terrorist financing.

Compliance framework is designed, and operating, in a way that provides comfort that regulations are being identified and managed appropriately and with sufficient visibility. The Compliance function is effective in its role, as a second line of defence, in facilitating, overseeing and challenging risk management activities within the company.

System to Monitor Compliance

Technology is used for collecting information, monitoring, customer screening, and compliance controls in line with the current industry practices. During the year, People's Leasing upgraded its customer screening system to a real-time screening solution and has also taken steps to install a Transaction Monitoring System in order to be better equipped to identify and report suspicious transactions in order to curb money laundering and terrorist financing.

Compliance Risk Management



Leadership

- Provides adequate funding and staffing for the compliance
- Ensures to do a performance evaluation with the department



Policies and Procedures and Related Controls

- Develops and maintains formalised regulatory compliance risk policies, procedures and related controls documentation
- Anchor policies, procedures and related controls documentation to regulatory guidance as appropriate



Reporting and Communication

- Identify reporting requirements develop dashboards, and critical key risk indicators
- Provide ongoing and periodic reporting to senior management and the Board, Regulators and Internal Audit
- Establish compliance communication plan and frequency for critical messaging
- Establish formal communication protocols to escalate identified regulatory compliance issues to responsible parties



Governance

- Establish clear roles and responsibilities
- Set and maintain a "culture of compliance"
- Establishes and maintain library of applicable regulatory requirements and/or governance and management compliance



Risk-Assessment Program(s)

- Map defined laws and regulations to applicable line of business and shared service functions
- Establish Common risk language, definitions and tolerance levels
- Develop methodology to prioritise and identify high-risk compliance areas of focus
- Align the risk-assessment program with other components of the compliance of the program



Internal Controls

- Ensure to develop internal policies, manuals, circulars and guidelines
- Corroborates on system controls and system screening



Compliance Training

- Conduct risk focused compliance training assessments
- Develop training plans, both at the enterprise and line of business/ shared service levels
- Develop role-based training programs as appropriate
- Conduct training sessions



Regulatory Interaction and Coordination

- Maintain an enterprise-wide view of recent and planned examination activities and findings
- Determine communication protocols with the regulations
- Establish a standard process to receive and respond to regulatory inquiries



Compliance Technology

- Develop detailed compliance requirements
- Evaluate technology platforms and leverage existing infrastructure where possible
- Identify and document critical technology platforms leverage by compliance



Compliance Monitoring and Testing

- Establish scope frequently for monitoring and testing based on compliance risk assessment results
- Develop compliance testing and monitoring of compliance controls
- Perform periodic testing and monitoring of compliance controls

Risk Management Review

GRI 102-15

Overview

The Board of People's Leasing bears ultimate responsibility for managing risk and has set in place a comprehensive risk management framework for identifying, defining, measuring, monitoring and managing potential risks. For key risks that are inherent to conducting the business of a finance company, there are clearly defined processes with specialists who are supported by dedicated systems to monitor and manage these in line with regulatory requirements and the Company's business needs. Effective risk management is critical for a Finance company as its business model is based on assuming calculated risks which are priced to reflect the risks assumed. The key risks for People's Leasing are credit, liquidity, market, operational, compliance and strategic risk which are dynamic as they are impacted by both external factors beyond our control and also by internal strategies.

The dynamic nature of the business environment increases the potential impact of the risks we face in our day-to-day operations. Consequently, effective risk management is a key success factor for realising our strategic objectives. People's Leasing has implemented a Risk Management Framework to identify risks and opportunities that may impact us and to take appropriate mitigation initiatives.

Risk Management Approach

People's Leasing has a dedicated Risk Management Department which supports the Board and Board Committees in discharge of their duties related to risk management. The department undertakes a comprehensive assessment of the risks that could impact achievement of our strategic objectives to identify potential risks. If necessary, we implement countermeasures to mitigate the risks within the defined risk appetite.

Risk Appetite

Undertaking business activity inevitably leads to taking risks and the Board has established clear guidance for the Management by defining the risk appetite for the key risks identified. Risk appetite is the level of risk we deem acceptable to achieve our objectives and is expressed in terms of quantitative parameters as risk tolerance limits under each risk category for ease of monitoring.

| Environment | Risk Type | Trend | Risk Indicator | Max risk Tolerance Limit | Risk Position as at 31.03.2022 | Risk Position as at 31.03.2021 |
|-------------|---------------------------|-------|--|--------------------------|--------------------------------|--------------------------------|
| I | Credit Risk | ▲ | Non-performing advances ratio (gross) | <5% | 8.78 | 11.30 |
| | | | Three months overdue ratio (gross) | <10% | 8.42 | 11.13 |
| | | | Profit and loss charge ratio (on profit) | <20% | 12.33 | 20.56 |
| | | | NPL/Impairment coverage ratio | <75% | 81.90 | 70.95 |
| I | Credit Concentration Risk | - | Single/group borrower limit | As per CBSL | Complied | Complied |
| | | | HHI score | <0.40 | 0.23 | 0.22 |
| I | Liquidity Risk | ▲ | Liquid asset ratio | >100% | 148.88 | 194.90 |
| | | | Maturity mismatch ratio (up to one year) | >-45% | -22.84 | -31.93 |
| | | | Facilities granted from stable sources | <150% | 101.59 | 106.71 |
| | | | Liquid assets to short-term liability ratio | >30% | 232.33 | 155.40 |
| | | | Maximum single depositor concentration | <5% | 4.53 | 4.11 |
| | | | Exposure to bulk deposits (over Rs. 50 million) | <20% | 20.54 | 21.61 |
| E | Market Risk | ▲ | Interest rate sensitivity | <6% | -1.92 | -0.43 |
| | | | Repricing gap ratio (up to three months) | >-20% | 4.07 | 1.72 |
| I | Operational Risk | ▲ | Frauds detected (value as a percentage of operational expenses) - FY 2021/22 | <0.5% | 0.16 | 0.18 |
| | | | Unsatisfactory audits (as a percentage of total audit reviews) - FY 2021/22 | <15% | 3.13 | Nil |
| | | | Staff turnover ratio (annual) | <15% | 9.84 | 6.52 |
| | | | Cost to income ratio | <50% | 43.74 | 41.32 |

| Environment | Risk Type | Trend | Risk Indicator | Max risk Tolerance Limit | Risk Position as at 31.03.2022 | Risk Position as at 31.03.2021 |
|-------------|---------------------------|-------|--|-----------------------------|--------------------------------|--------------------------------|
| E | Regulatory Risk | - | Capital adequacy ratios | | | |
| | | | Tier I capital ratio | > 10.0% | 18.76 | 17.72 |
| | | | Total capital ratio | > 14.0% | 19.67 | 18.58 |
| | | | Capital funds ratio | > 12.5% | 37.53 | 33.83 |
| I | Strategic Risk | ▲ | Return on equity ratio | > 15% | 12.74 | 12.49 |
| | | | Return on assets ratio | > 3.5% | 3.85 | 3.49 |
| | | | Net interest margin | > 7.5% | 8.11 | 7.58 |
| | | | Gearing ratio | < 7 Times | 3.41 | 3.55 |
| I | Information Security Risk | ▲ | Information Security Incident Management | Checked by ISO | Checked | Checked |
| | | | Business Continuity Management - ICT | | Checked | Checked |
| | | | Access Management | Periodic user access review | Complied | Complied |
| I Internal | E External | | | | | |

Risk Landscape 2021/22

The year commenced on a buoyant note as the first dose of vaccines were rolled out successfully. However, the new waves and variants that came within weeks resulted in intermittent lockdowns during the year, which hampered the pick-up in economic activity. The prolonged impact of the pandemic hampered the recovery of tourism sector which was a key contributor to the country's foreign exchange inflows while a decline in migrant worker remittances added to the woes. The roll out of the second dose of vaccines in the second and third quarters followed by the booster in the fourth quarter of the financial year supported a return to a semblance of normalcy by the close of the financial year. It is noteworthy that schools remained closed for significant periods, resulting in subdued demand for passenger transport services.

Increased prices of crude oil and liquid petroleum gas in global markets resulted in increased costs of imports, contributing significantly to the widening of the trade deficit and increased inflation during the year. Inflation increased exponentially during the year exerting pressure on disposable income and wages. Monetary policy was tightened during the year with increased policy rates while the wide-ranging import restrictions continued to remain in place to








curb the widening deficit. This has led to a deepening energy crisis with electricity, gas and fuel shortages affecting businesses and households as well as the passenger transport sector which has been stressed since the commencement of the pandemic.



The country's sovereign rating was downgraded during the year as the debt repayments were expected to put extreme pressure on the country's foreign exchange reserves. Island-wide power cuts were implemented in March 2022 due to the country's inability to purchase the fuel required for operations of the Ceylon Electricity Board in addition to shortages in LPG used for cooking. This resulted in social unrest which culminated in political instability with citizen protests requesting a change in government which continues to gather momentum. With the appointment of a new Central Bank Governor, Sri Lanka increased interest rates by 700 bps on 8th April 2022 targeting inflation which had soared during the year. The country also decided to default on debt repayment on 12 April 2022 as recommended by eminent economists and has commenced discussions with the International Monetary Fund for a relief facility.

More recently, Fitch Ratings Lanka Ltd., have placed 13 commercial banks on Ratings Watch Negative citing constraints in access to foreign currency funding and resultant stress in the Banking system. Bank of Ceylon's ratings which were not included in the list of 13 commercial banks have also been placed on Ratings Watch Negative and the support rating of No Support from the government has been affirmed. In April 2022, Fitch Rating Lanka placed 12 NBFIs including People's Leasing on "Rating Watch Negative" to reflect heightened downside risks to the NBFIs credit profiles, amid increased economic and financial market volatility in Sri Lanka. These indicate vulnerability in the financial system necessitating extreme caution in managing liquidity of any financial institution. This will be the priority for People's Leasing in the year ahead as the country steers a course to economic recovery. We expect the policy environment to remain tight with increases in taxation, reduced subsidies and other significant policy changes to curtail the balance of payments and trade deficits.

Risk Management Review

Externally Driven Risks

| Risk | Impact | Mitigating Actions |
|---|---|--|
| Energy crisis and rapid escalation of fuel prices | <ul style="list-style-type: none"> Company's advances portfolio is exposed to passenger transport sector  | <ul style="list-style-type: none"> Commenced Hithamithuru programme to provide relief to the stressed passenger transport sector Temporarily discontinued repossessions on leases |
| Wide ranging import restrictions curb growth potential | <ul style="list-style-type: none"> The ban on import of motor vehicles has been a significant blow to the Company as this was a key area of growth for leasing operations  | <ul style="list-style-type: none"> Formulating products for registered vehicles Drive growth in other products |
| Economic and social crisis | <ul style="list-style-type: none"> It is widely expected that taxation will be increased to manage the balance of payments issues Other sectors of the economy are also likely to be affected with policy changes in the year ahead  | <ul style="list-style-type: none"> People's Leasing will pay taxation as determined by the new regulations supporting economic recovery of the country |
| Tightening monetary policy measures | <ul style="list-style-type: none"> We expect customers to move back into deposits with the increased interest rates, strengthening the liquidity positions Higher interest rates will have an adverse/positive impact on profitability due to the negative/positive mismatches in the asset and liability maturities High interest rates will deter investment and growth in credit portfolios  | <ul style="list-style-type: none"> Attractive interest rates to grow deposit portfolios Proactive management of asset and liability mismatches Targeted marketing of credit to selected sectors |
| Inflationary pressure | <ul style="list-style-type: none"> Lower disposable incomes for people Higher operational costs Social unrest Wage pressure on businesses  | <ul style="list-style-type: none"> Cost rationalisation initiatives implemented throughout organisation Increased rigor in monitoring credit quality, particularly in retail products |
| Rupee depreciation | <ul style="list-style-type: none"> Imports are higher priced and less affordable Increase in value of registered vehicles as vehicle imports are suspended Increased value of collateral held for loans | <ul style="list-style-type: none"> Focused on registered vehicles |
| Commodity Price Risk | <ul style="list-style-type: none"> Gold prices will increase Food and fuel prices are increasing in global markets which will make these vital imports even more expensive | <ul style="list-style-type: none"> Manage loan to value ratios for gold loans Monitor impacts of increased prices of commodities in the market to determine appropriate responses |
| End of moratoria extended in the aftermath of Easter attacks and the pandemic | <ul style="list-style-type: none"> Cashflow is expected to strengthen as facilities under moratorium commence repayments  | <ul style="list-style-type: none"> Monitoring of credit portfolios for early warning signs of stress Proactive rescheduling of facilities where deemed necessary |
| Cybersecurity | <ul style="list-style-type: none"> Increased sophistication and frequency of cyber attacks  | <ul style="list-style-type: none"> Increased monitoring of cyber security and testing for breaches |

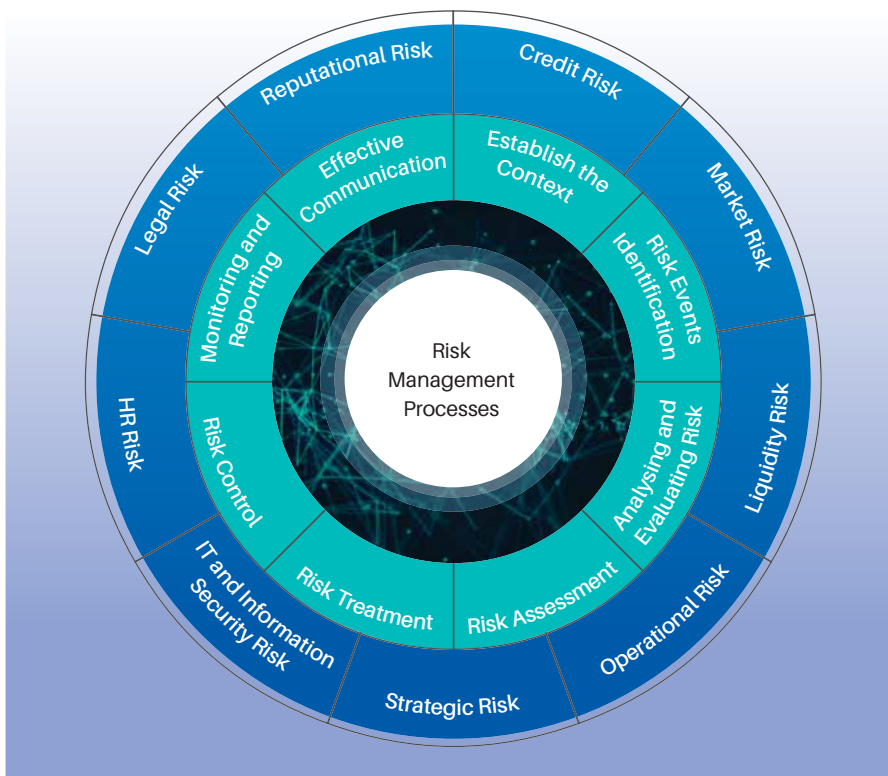
| Risk | Impact | Mitigating Actions |
|--|---|---|
| Spread of new wave/ variant of the COVID-19 pandemic | <ul style="list-style-type: none"> Business disruptions Safety of our staff and customers visiting branches   | <ul style="list-style-type: none"> Implement alternative workplace arrangements such as work from home and rotating shifts for employees. Safety protocols implemented for COVID-19 across all business locations |

Risk Management Process

Risk Management Processes are based on a clear understanding of the various risks the Company faces, and disciplined assessment, measurement and continuous monitoring in the form of risk dashboards against the predetermined risk appetite approved by its Board.

Achieving corporate objectives, both strategic and operational, is subject to external events which are not always within the Company’s control. Therefore, an effective risk management framework can provide reasonable assurance for the management and the Board in its oversight role, and are made aware, in a timely manner, of the extent to which the entity is moving towards achievement of its objectives.

The risk management process at PLC encompasses the steps of establishing the context, risk assessment, risk control, risk monitoring and reporting on the risk profile of the Company on a regular basis. The risk assessment entails risk identification, analysis and evaluation and risk treatment. This is an iterative process in which almost any component can influence another.



| Process Element | Description |
|--------------------------------------|---|
| Establish the Context | This is the process of defining the scope for the risk management process. The scope is primarily determined within the context of the Company’s strategic objectives. Clearly defined objectives help to identify risks that affect the achievement of those objectives. For this purpose, the Company assesses the macro environmental factors and strengths, weaknesses, opportunities and threats and their influence on objectives. In this regard, the Company has a clear understanding of internal and external stakeholders who have an interest and power over the activities of the Company. |
| Risk Events Identification | Potential risks arising from internal and external events which affect achieving the Company’s objectives are identified in a timely manner. Risk identification is performed through brainstorming sessions, incident reporting, Branch level self-risk assessments, internal audit report findings, using tools such as PEST analysis, Scenario Analysis, etc. |
| Analysing and Evaluating Risk | Risk analysis involves the assignment of an overall rating, likelihood and consequence of risk events and evaluating existing controls and determining the effectiveness of these controls in design and operation. Identified risks need to be analysed for dependencies to address risks in an integrated manner. Quantitative tools and qualitative information are used to effectively analyse and evaluate risks. |
| Risk Assessment | This process involves assessing risks in terms of the likelihood and impact on Company earnings and capital to mitigate any potential risks. Stress tests are performed for major categories of risks to gain understanding of impact on earnings and capital in the case of risk materialisation. |

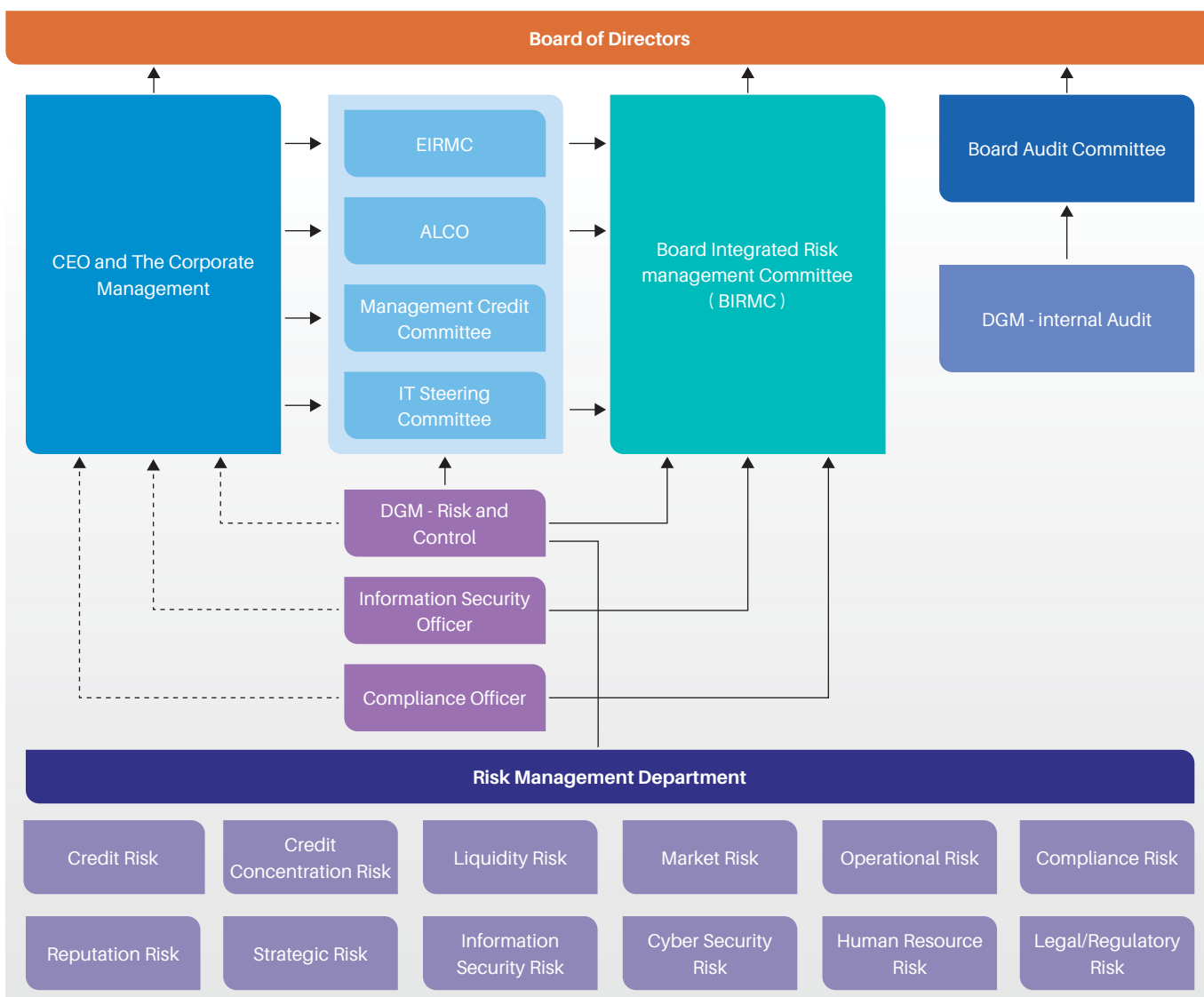
Risk Management Review

| Process Element | Description |
|---------------------------------|--|
| Risk Treatment | Risk avoidance, risk reduction, risk acceptance and risk sharing/transferring are the risk treatment options available and appropriate risk responses are selected to align with the risk appetite. In selecting the most appropriate risk response, the cost of implementing each activity and benefits are considered. |
| Risk Control | This element includes establishing key control processes and practices including limit structures, provisioning requirements and reporting standards. |
| Monitoring and Reporting | Monitor controls and adherence to risk tolerance limits and risk appetite provide early warning of control or appetite breaches. Reports are made available to EIRMC, Credit Committee and the corporate management on potential risk exposures, concentrations and risk-taking outcomes. |
| Effective Communication | This involves effectively communicating information in a broader sense, flowing down, up and across the Company. Also, the Company ensures that information flows amongst above activities in the risk management process. |

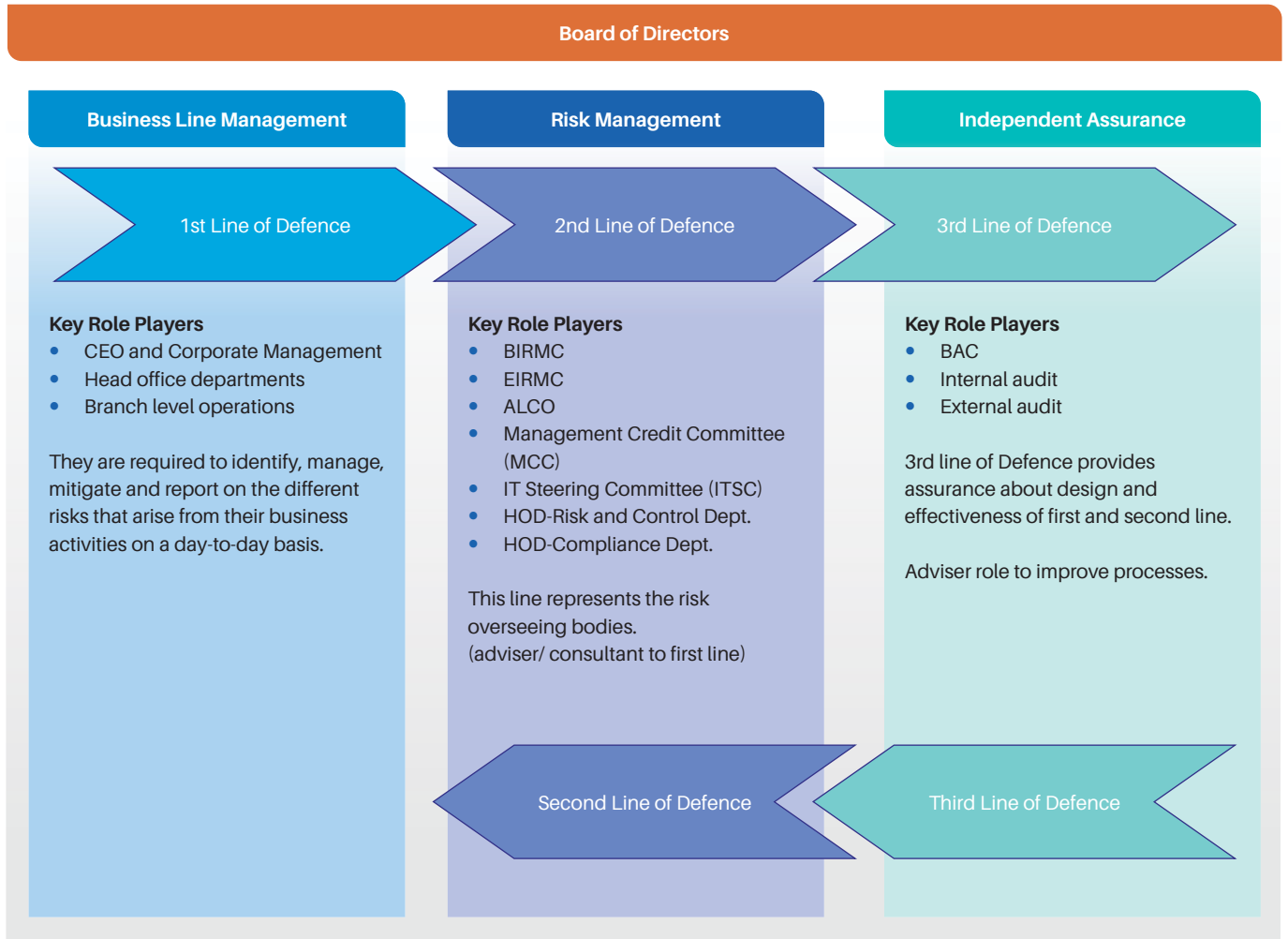
Risk Governance

The Board of Directors of PLC is responsible for setting the overall risk appetite and oversight of the risk management process and will act through the Board Integrated Risk Management Committee.

Risk Governance Structure



Risk Governance Framework



Risk Management Review

First Line of Defence

The Management (process owners) has the primary responsibility to own and manage risks associated with day-to-day operational activities. Additionally, the first line of defence is also accountable for the design, operation, and implementation of controls.

Second Line of Defence

This includes the Risk function, compliance, and for certain matters Finance, Legal and Tax, and Information Risk Security. Independent of the business side, the second-line risk and control functions formulate their own opinion regarding the risks impacting People's Leasing.

The second-line functions are tasked to identify, measure and report risks. The second-line risk and control functions also support the consistent implementation of the risk policy, the risk framework, etc., throughout the Company, and supervise how they are applied. Compliance is an independent function that aims to prevent People's Leasing from being exposed to compliance risk or suffering harm through non-compliance with the prevailing laws, regulations or internal rules.

Board Level Committees

| Board Integrated Risk Management Committee (BIRMC) | Board Audit Committee (BAC) |
|---|--|
| Chaired By: Non-Executive, Independent Director | Chaired by: Non-Executive, Senior Independent Director |
| Members: Two Non-Executive, Non-Independent Directors | Members: Two Non-Executive Directors |
| Regular invitees included: CEO/GM, SDGM - Operations, DGM - Risk and Control, DGM - Operations, DGM - Recovery and Administration, DGM - Internal Audit, Compliance Officer, Representative officers of People's Leasing subsidiary companies | Invitees included: Key Management Personnel, External Auditors |
| Key Functions: Reviewing the overall risk profile of the Company/Group | Key Functions: Overseeing financial reporting, internal controls and monitoring auditor independence |
| Meeting Frequency: Quarterly, Special meeting conducted for urgent matters | Meeting Frequency: Quarterly, Special meetings conducted for urgent matters |
| Reporting: Minutes of the BIRMC meeting to the Board (Detailed report of the BIRMC is given on pages 170 to 172) | Reporting: Minutes of the BAC to the Board. (Detailed report of the BAC is given on pages 162 to 163) |

Executive Level Committees

| Asset and Liability Management Committee (ALCO) | Executive Integrated Risk Management Committee (EIRMC) |
|--|---|
| Chaired By: CEO/GM | Chaired By: DGM - Risk and Control |
| Members: SDGM - Operations, DGM - Risk and Control, DGM - Recoveries and Administration, DGM - Operations, SM - FD and Savings, CM - Finance, SM - Corporate Finance | Members: Members of Corporate management, Compliance Officer |
| Key Functions: Reviewing treasury, asset and liability functions of the Company | Regular Invitees Included: Chief Managers - Operations |
| Meeting Frequency: Monthly, Special meetings conducted for urgent matters | Key Functions: Reviewing credit related risks and operational risks |
| Reporting: Minutes of the meeting to the Board and a report of meeting Highlights on a quarterly basis to the BIRMC | Meeting Frequency: Monthly |
| | Reporting: Recommendations to the CEO/GM Meeting Highlights quarterly to the BIRMC |

| Management Credit Committee (MCC) | IT Steering Committee (ITSC) |
|---|---|
| Chaired by: SDGM - Operations (Zone 1) | Chaired by: CEO/GM |
| Members: DGM - Operations, AGM - Recoveries, AGM - Legal, DGM - Risk and Control (Non-voting member), SM - Factoring, SM - Margin Trading, SM - Corporate Finance | Members: DGM - ICT, Information Security Officer (ISO), Divisional Heads of ICT - (Network/Server Management/Software/ Hardware/ New Business Development), Manager - Planning and Strategy |
| Key Functions: Reviewing and recommending/approving credit facilities, procedures related to credit administration and credit processes. | Permanent Invitees included; DGM - Risk and Control, SM-Compliance |
| Meeting Frequency: Daily on a pre-agreed time schedule | Key Functions: Providing support, advice, guide to ensure delivery of the project outputs, review information security programs, and other IT-related policies and procedures |
| Reporting: Recommendations of credit proposals to CEO/GM and Board of Directors | Meeting Frequency: Once in every two months and whenever necessary for urgent requirements |
| | Reporting: Proceeding of ITSC shall report to the BIRMIC |

Risk and Control Department (RCD)

The Risk and Control Department has the functional responsibility for identifying, assessing and mitigating risks, finding risk mitigation methods, monitoring early warning signs, forecasting potential for future losses and implementing plans to contain losses/risk transfer. The risk management framework depicted on pages 179 to 181 enables development and implementation of strategies, policies and procedures to manage risks, taking into account the strategic focus as defined in the Strategic Plan and the risk appetite.

Compliance Department

The Compliance Department acts as a PLC internal police force. It is the unit that ensures that a financial institution complies with applicable laws, regulations and rules, and it plays an essential role in helping to preserve the integrity and reputation of the PLC. The functionality of the Compliance Department is explained in detail on the pages from 173 to 175.

Third Line of Defence

The third layer of defence is implemented by both internal auditors and external auditors. Role of the internal auditor is much more intense in this model because they are part of the Company and is independent by design.

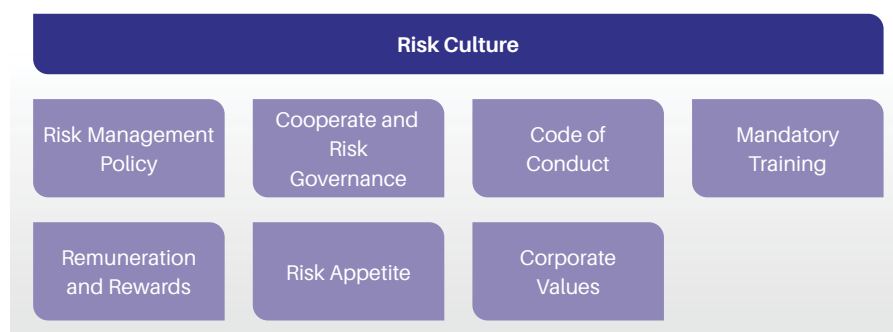
The internal auditors are expected to review and evaluate the design and implementation of risk management holistically and ensure the effectiveness of the first tier of defence and the second-tier.

The External auditors are expected to audit financial statements and assess accounts for accuracy and regulatory compliance, inspect internal systems and controls, assess risk management tactics.

Risk Culture

A sound risk culture is characterised by employee awareness of risks as well as informed decision making relating to risks. People’s Leasing’s risk culture is built on its risk governance structure, risk appetite, risk policy, risk management and internal control frameworks.

People’s Leasing strives for a culture of openness and transparency in which identified risks are disclosed proactively and unexpected events are reported as soon as they occur. The Risk and Control Department takes the lead in the development and implementation of necessary policies and procedures to ensure the principles of risk management are incorporated into the day-to-day business activities. The Risk and Control Department (RCD) provides necessary awareness/training to all employees.



Risk Management Review

Credit Risk

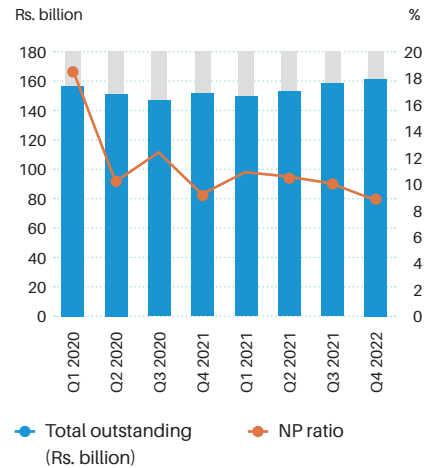
Credit risk has been a significant concern across the financial services sector as the businesses were recovering from three consecutive years of business disruptions due to the Easter Sunday attacks and the pandemic. Consequently, significant resources were dedicated to strengthening processes to manage credit risk across most entities in the sector. Asset quality of the NBFIs sector as measured by Gross Non Performing Advances to Total Advances improved marginally from 11.29% in March 2021 to 11% in December 2021 as a result. While these numbers consider the loans under moratoria as performing loans, the end of the moratoria in March 2022 may exert pressure on credit quality by June 2022.

Overview

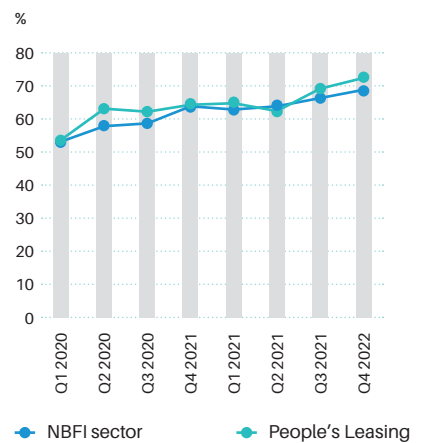
| | |
|---|---|
| <p>Definition The risk of financial loss to the Company if a customer or a counterparty to a financial instrument fails to meet its contractual obligations.</p> | <p>Credit Risk Components</p> <ol style="list-style-type: none"> 1. Default Risk 2. Concentration Risk 3. Recovery Risk |
|---|---|

| Audited | 2021/22 Maximum Exposure Rs.000's | 2020/21 Maximum Exposure Rs. 000's |
|-------------------------------------|---|--|
| Maximum Credit Exposure | | |
| Gross loans and receivables | 161,162 | 150,656 |
| Provisions for impairment | | |
| Individual Impairment | (1,655) | (1,168) |
| Collective Impairment | (8,233) | (8,100) |
| Net Loans and Receivables | 151,274 | 141,388 |
| Fair Value of loans and receivables | 161,878 | 163,635 |

NP Ratio and Total Outstanding

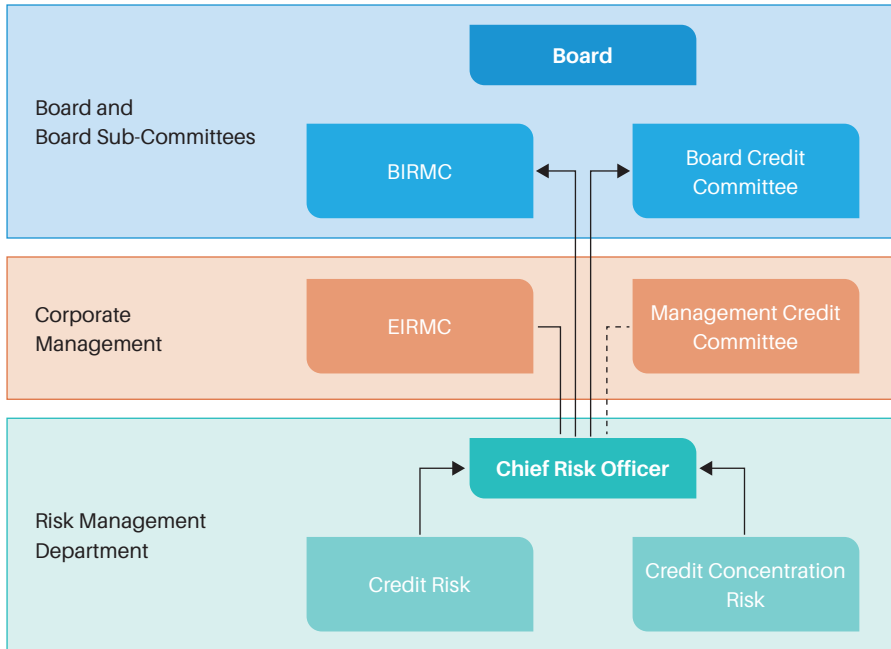


Provision Coverage Ratio



The People’s Leasing Provision coverage ratio was maintained above industry levels through prudent provisioning policies for credit risk.

Credit Risk Governance



Credit Risk Management Process

| Strategic Business Units | | | Credit Approval | | Payment Unit | Risk and Control Department |
|----------------------------|------------------|--|---|--|-----------------------------------|--|
| Originate Loan Application | Credit Appraisal | Pricing of risk and determining terms and conditions | Check the completeness of documents, security documents in particular | Credit Approvals in line with the Board Approved Credit Authority Limits | Disbursement of Credit Facilities | Perform pre (independently as set out in the credit authority structure) and post disbursement and disposal loss reviews |

Key Highlights in 2021/22

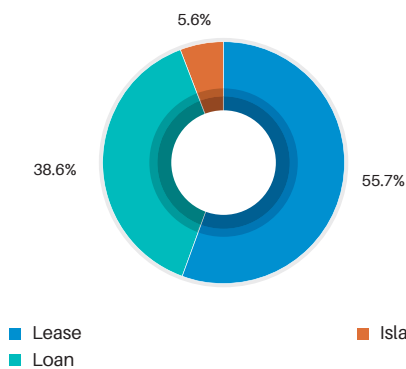
Strengthening the Process

- The RCD independently evaluated credit proposals and post disbursement reviews of active and disposal loss facilities including review of high value facilities. Identified gaps were communicated to appropriate authority levels (Branch Managers, CMS/ Zonal SDGM and DGM/ DGM – Internal Audit).
- EIRMC meetings were held monthly. The EIRMC monitored negative trends of asset quality ratios, assessed infectious ratios which is a calculation of the arrears levels of recent 1 year grantings and discussed, actioned and monitored credit operational issues.
- Reviews were carried out for existing credit risk policies.
- Review of credit authority limits. During the year, credit approval authority was mostly centered at the Head Office level, as we strived to improve credit scrutiny and credit quality.
- Maintained a panel of property valuers to assess collateral valuations for property and created a pool of approved vehicle valuers in our system.

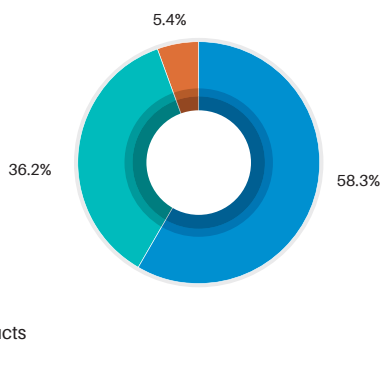
Risk Management Review

Managing Credit Concentration Risk

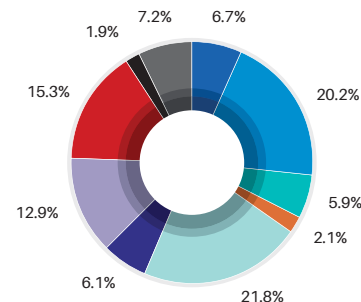
Product Concentration 2022



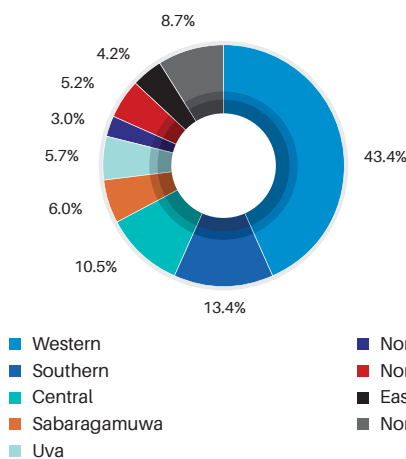
Product Concentration 2021



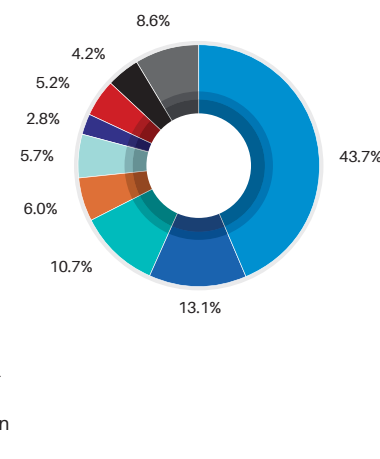
Concentration By Sector 2022



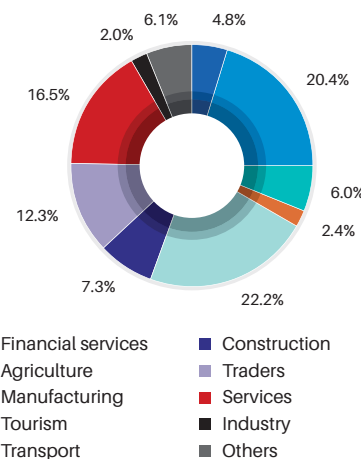
Geographic Concentration 2022



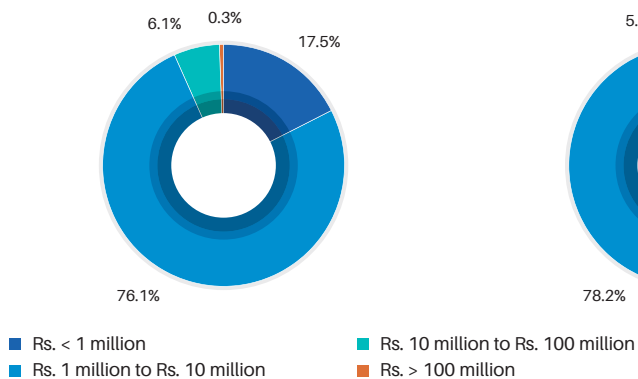
Geographic Concentration 2021



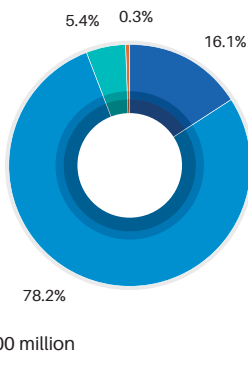
Concentration By Sector 2021



Concentration By Size of Advance 2022



Concentration By Size of Advance 2021



Liquidity Risk

The excess liquidity in the market at the beginning of the year declined as CBSL regularised the minimum liquidity requirements for NBFIs which were reduced in 2020 due to the onset of COVID-19. Despite this, the sector liquidity was maintained well above the regulatory minimum levels by end December 2021. The overall liquid assets available in the sector amounted to Rs.155.9 billion well above the Rs. 89.9 billion the regulatory minimum while the liquidity ratio (liquid assets against deposits and borrowing) improved to 14.1% by end December 2021 compared to 13% in 2020. Liquidity of People’s Leasing followed suit as set out below.

Overview

Definition
The risk of insufficient financial resources to meet company obligations as and when due or meeting such obligations at an excessive cost. Liquidity risk arises from a mismatch in the timing of cash flows.

- Liquidity Risk Components**
- Central Bank liquidity risk
 - Funding liquidity risk
 - Market liquidity risk

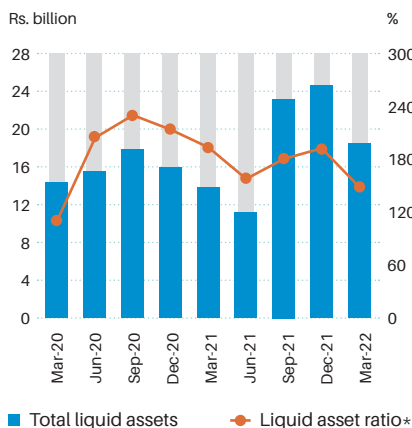
Credit Rating
A+ (lka) by Fitch Ratings Lanka

Stress Test for Liquid Assets (Immediate withdrawal of deposits)

| Scenario | 1 | 2 | 3 |
|--|---------|---------|----------|
| Magnitude of shock | 10% | 15% | 20% |
| Liquid asset ratio* | 72.46% | 28.57% | (19.89)% |
| Liquid asset ratio*-after adjusting for contingent funds | 207.83% | 170.65% | 129.59% |

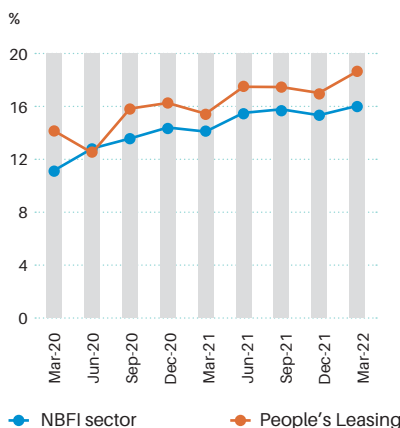
*Liqud Asset Ratio: Liquid Assets Available/Liquid Assets as per CBSL Direction

Total Liquid Assets and Liquid Asset Ratio

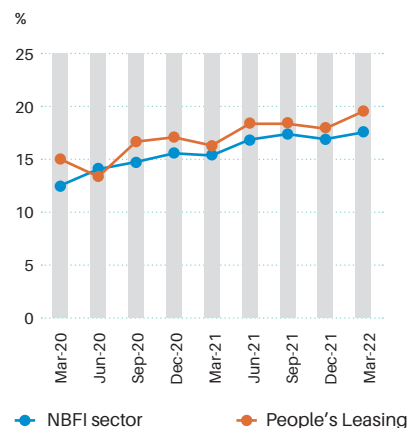


*Liqud Asset Ratio: Liquid Assets Available/Liquid Assets as per CBSL Direction

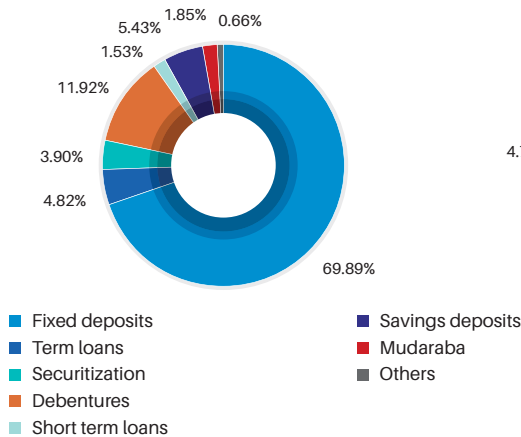
Core Capital to Risk Weighted Assets



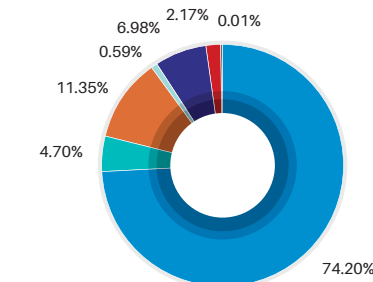
Capital Base to Risk Weighted Assets



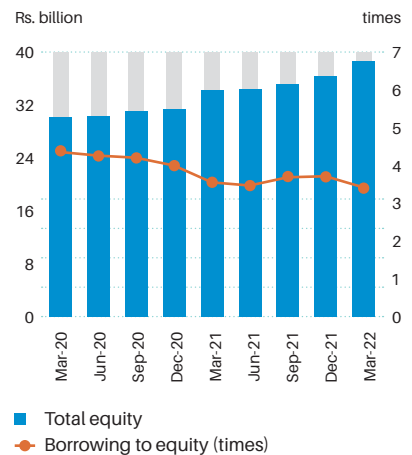
Funding Diversification 2022



Funding Diversification 2021



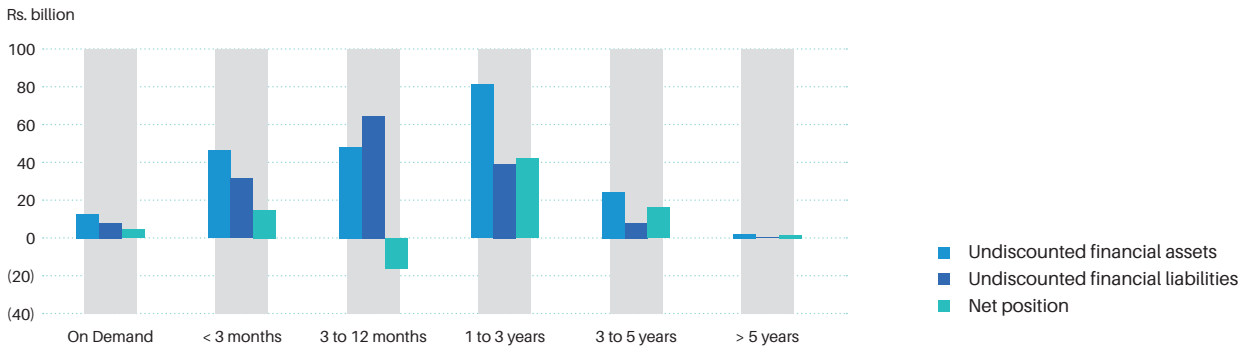
Borrowing to Equity (Times)



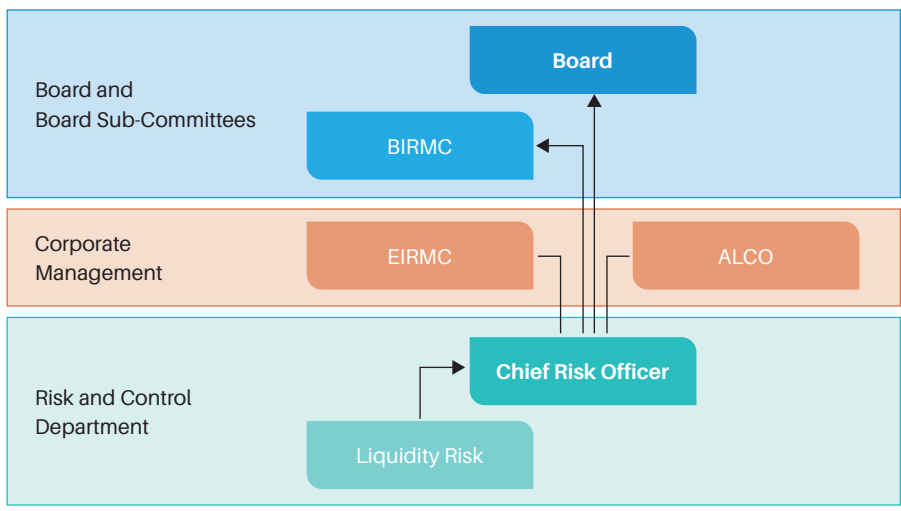
Risk Management Review

Maturity Mismatch

Maturity Profile of Undiscounted Financial Assets and Liabilities as at 31 March 2022



Liquidity Risk Governance



Effective Processes

Managing Liquidity Risk requires close monitoring of asset and liability maturity profiles, managing liquid assets and liabilities in proportions to total assets and ensuring there is adequate liquid assets for forecast business needs. The mechanisms in place at People’s Leasing are summarised below.

| Continuing Measures in place | | | |
|--|--|---|---|
| Treasury | ALCO | BIRMC | Board |
| <ul style="list-style-type: none"> Daily liquidity management within parameters set by ALCO Maintained liquid assets above the regulatory requirement Maintained adequate unutilised facilities to honour all cash outflow commitments Stress testing results are reported by RCD to BIRMC quarterly Reported to the ALCO/BIRMC | <ul style="list-style-type: none"> Monthly review of liquidity risk indicators such as maturity mismatch analysis, liquid asset ratio and capital adequacy Reported to the Board and recommended appropriate action to limit/mitigate and manage liquidity risk Capital adequacy ratios were forecasted for the next five years to ensure compliance with regulatory minimums | <ul style="list-style-type: none"> Reviewed stress testing performed on a quarterly basis Reviewed capital adequacy ratios on a quarterly basis | <ul style="list-style-type: none"> Held the primary responsibility for integrated risk management at PLC |

Market Risk

Of the various components of market risk, exposure to interest rate risk is the most significant as exposure to other components of market risk are relatively low. However, exposure to commodity price risk increased during the year with the increase in gold loans which are managed with conservative loan to value ratios. Interest rates, which were low at the beginning of the year, commenced an upward trajectory by the second quarter signaling the end of quantitative easing measures adopted with the onset of the pandemic. Increasing economic challenges including soaring inflation gave rise to an unprecedented increase in interest rates of 700 bps on 8 April 2022. The CBSL maintained an accommodative monetary policy stance to aid economic revival. We monitored market interest rate movements closely to ensure repricing of deposits and lending rates to attract business whilst simultaneously maintaining our profit margins.

Overview

Definition

The risk of loss that arise from movements in market factors, such as foreign exchange rates, interest rates, equity prices and commodity prices, will reduce our market value or earnings.

Components of Market Risk

| Risk Category | Risk Exposure |
|------------------------|---------------|
| Interest rate risk | High |
| Commodity price risk | Low |
| Equity investment risk | Negligible |
| Foreign exchange Risk | Negligible |

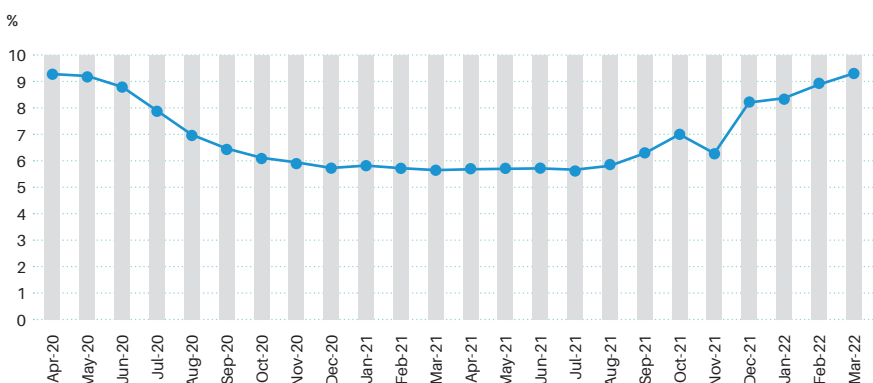
Interest Rate Sensitivity

People’s Leasing remains resilient even at a 10% shock reflecting the strengthening of the balance sheet in 2021/22 in anticipation of an increase in interest rates. This enabled us to withstand the sudden increased of 7% on 8 April 2022.

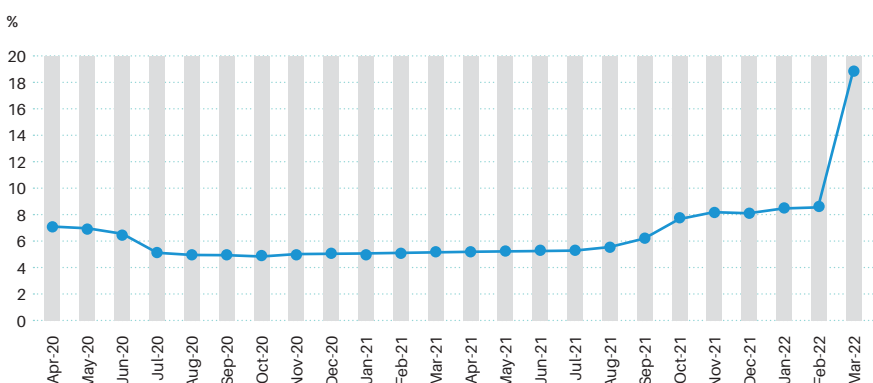
Stress Test on NII - Interest Rate Shock

| Impact on NII Rs.'000 | 2021/22 | |
|--------------------------|-----------|----------|
| | Increase | Decrease |
| 5% | (77,864) | 77,864 |
| 7% | (109,010) | 109,010 |
| 10% | (155,728) | 155,728 |

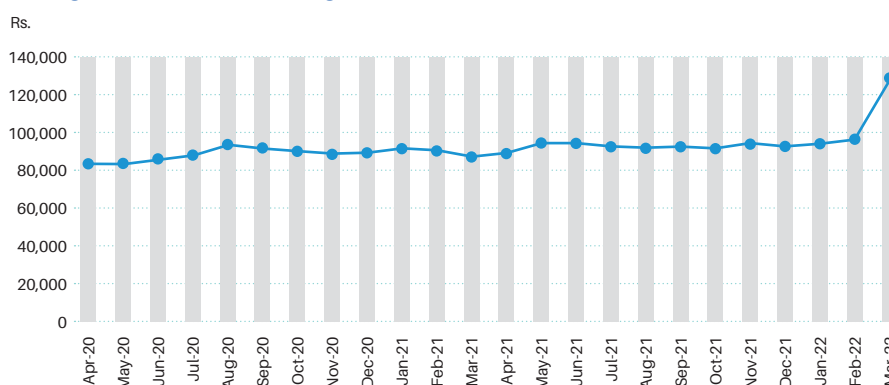
AWPLR Movements



Treasury Bill Rate Movement (Average)

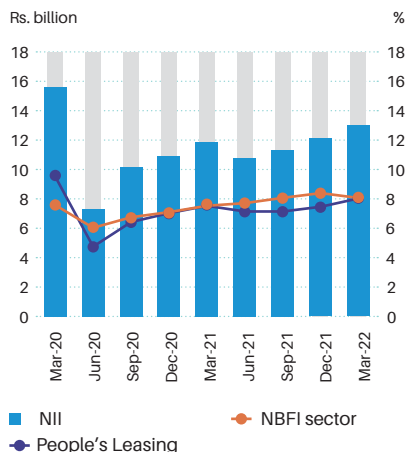


Average Gold Price (24K Sovereign) Movement

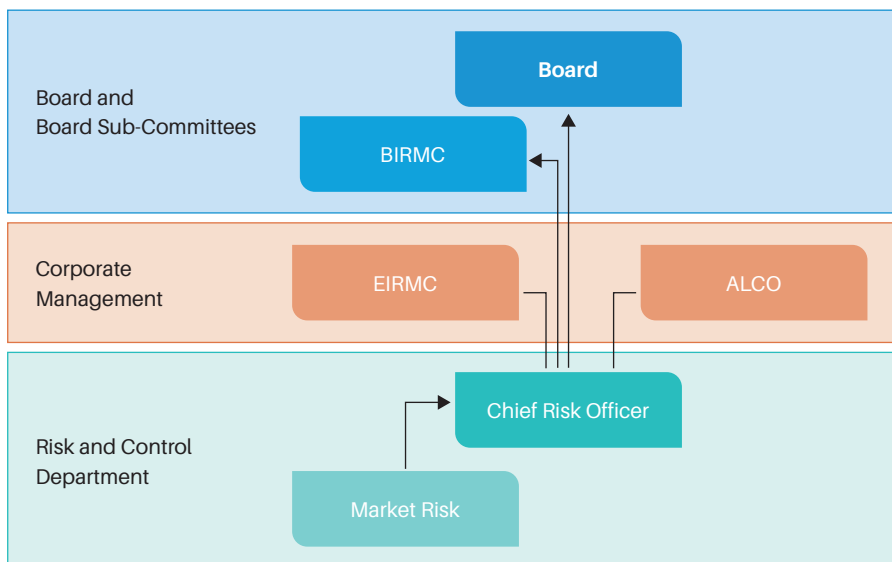


Risk Management Review

Net Interest Income and Net Interest Margins



Market Risk Governance



Effective Processes

| Interest Rate Risk | | | |
|---|--|--|---|
| Treasury | ALCO | BIRMC | Board |
| <ul style="list-style-type: none"> The Treasury regularly monitored the interest rate environment and the movement of key interest rate indices. Eg: AWPLR, Treasury Bill rates A report is provided to the ALCO for decision making on deposit and lending rates to maintain desired margins | <ul style="list-style-type: none"> Review of Interest rate re-pricing gaps and sensitivity analysis Reviewed the interest rate environment and determined deposit and lending rates to ensure desired margins are maintained | <ul style="list-style-type: none"> Quarterly review of interest rate sensitivity and re-pricing gap ratios against pre-defined risk tolerance levels Quarterly review of stress testing on the impact of interest rates in net interest margin and profitability | <ul style="list-style-type: none"> Held the primary responsibility for integrated risk management at PLC |
| Commodity Price Risk | | | |
| <ul style="list-style-type: none"> The centrally established Gold Loan Unit monitors the gold loan units in the branch network RCD monitors daily gold price movements and assesses gold price volatility | <ul style="list-style-type: none"> Monthly review of gold price movements, price volatility and product performance Action taken on immediate escalations of negative price movements in gold prices | | <ul style="list-style-type: none"> Held the primary responsibility for integrated risk management at PLC |
| Equity Investment Risk | | | |
| <ul style="list-style-type: none"> The margin trading department regularly monitors the movement in stock market prices, broader economic conditions and the political environment which could potentially have an impact on share prices | <ul style="list-style-type: none"> Monthly review of the detailed equity investment report Decided on appropriate action to be taken on equity exceeding the stop loss limit | | <ul style="list-style-type: none"> Board approved the equity investment policy and the share trading policy Held the primary responsibility for integrated risk management at PLC |
| Foreign Exchange Risk | | | |
| <ul style="list-style-type: none"> Foreign currency was not kept in open positions during the year | | | |

Operational Risk

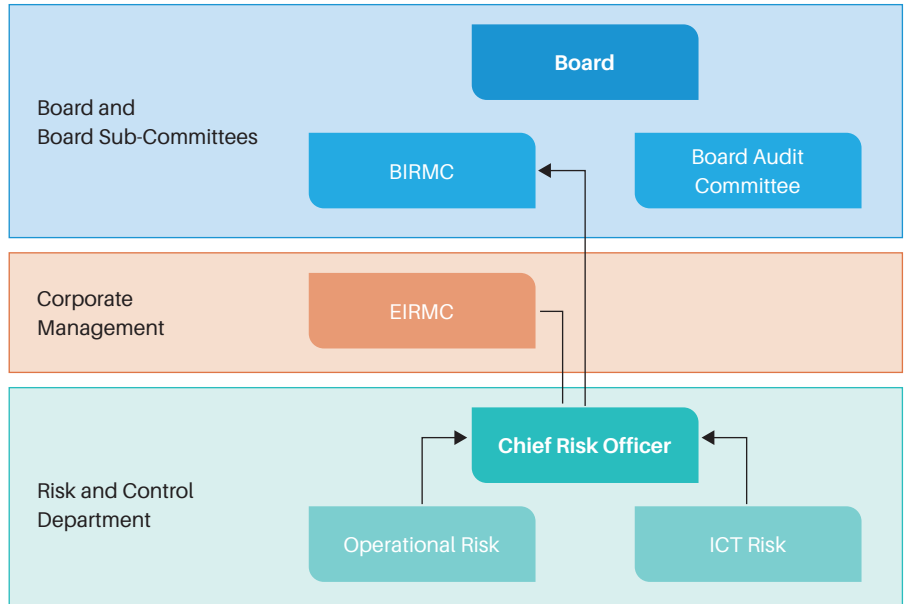
Operational risk remains at elevated levels in comparison to the pre-pandemic era as the prolonged socioeconomic stress including pressure to perform compounded the potential for both fraud and error. Additionally, cyber threats are also elevated with increasing sophistication and frequency of attacks. This was exacerbated by the need to enable employees to work from home which made systems more vulnerable as well as increased online activity by customers. Business continuity planning was key to success and we updated and tested our plans regularly. Emphasis on Health and safety of employees which remained elevated throughout the year due to pandemic has shifted to their physical safety as the current social unrest experienced in the country makes financial institutions targets for criminal activity.

Overview

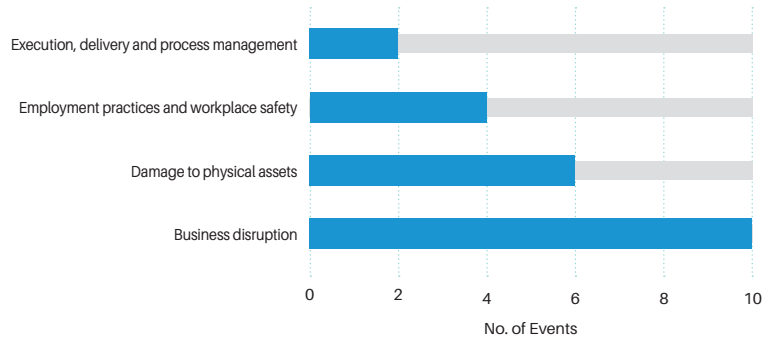
Definition
Operational risk arises due to inadequate and inappropriate internal processes, systems and people or from external events.

- Key Operational Risks**
- Fraud and Error
 - Cyber threats
 - Business continuity
 - Health and Safety of People on Our Premises

Operational Risk Governance



Operational Loss Events by Category



Risk Management Review

| Operational Risk Management | | | | |
|---|---|--|--|--|
| Identification | Assessment | Monitoring | Mitigation | Reporting |
| <ul style="list-style-type: none"> Incident Reporting mechanism – This is a mechanism established to identify operational risk events and to escalate to the Risk and Control Department. Branch Operational Risk Self-Assessment – The Risk and Control Department evaluates Branch Operational Risk self-assessments quarterly in order to assess the branch operational risk levels. Regular on-site inspections by the Risk and Control Department. Internal audit report findings were also based to identify risks. The Risk and Control Department maintains an operational loss database based on these operational risk events. | <ul style="list-style-type: none"> Carry out analyses based on the Branch level Operational Risk Self - Assessments The Risk and Control Department conducted regular on-site inspections to validate Branch self-assessments on operational risk exposures and created right level of awareness to minimise operational risks. | <ul style="list-style-type: none"> Risk and Control Department carried out regular monitoring, and escalated matters to the higher levels and followed up the action points for implementation. The Department reviewed the effectiveness of existing controls in relation to operational loss events, and near misses, and proposed additional controls if the existing controls were deemed to be inadequate. | <ul style="list-style-type: none"> Created awareness on a regular basis through e-flyers on the following aspects. <ul style="list-style-type: none"> BCP Fire preparedness Emergency Response First aid Updated Business Continuity Plans and practiced drills Ensured the safety of employees. E.g. Work from Home arrangements Formulated Operational Risk Management Related policies <ul style="list-style-type: none"> Branch Premises Access/Door Key Handling Procedure Branch Safety Procedures and Standardization of the safety process Physical access policy <p>Others</p> <ul style="list-style-type: none"> Insurance Arrangements Outsourcing Arrangements | <ul style="list-style-type: none"> All operational risk events of the Company are recorded by the Risk and Control Dept. and reported at the EIRMC meetings monthly and quarterly at the BIRMC meetings. The EIRMC provided necessary directions while the BIRMC reviewed the effectiveness of the actions implemented. |

Insurance Arrangements

The company adopts a ‘Risk transfer’ strategy for uncontrollable events such as fire and natural disasters. The company has transferred insurable risks by obtaining insurance policies from reputed insurance providers. RCD reviewed insurance policies during the year to ensure timely renewals and active status.

Outsourcing

Certain functions have been outsourced after carefully evaluating the risk factors and carrying out cost benefit analysis of such alternatives. Outsourced functions and responsibilities of outsourcing are governed by the Outsourcing of Business Operations Policy of the Company. The policy is reviewed annually and updated to reflect any changes with CBSL guidelines and industry best practice.

Details of outsourcing activities including service providers, nature of the service, cost of the service etc., are submitted to the regulator annually.

Due diligence tests of outsourced vendors are carried out by the Risk and Control Department prior to entering into new agreements and renewal of existing agreements.

Legal Risk

Legal risk as part of operational risk arises due to legal implications of failed internal systems, people, processes or external events. The Legal Department is responsible for executing legal actions on behalf of the Company. There are no major legal matters that arose during the year which had the capacity to put the Company at risk.

IT and Information Security Risk

With the PLC’s activities increasingly moving to digital platforms amidst the COVID-19 Lockdown, procedures for the management of Information Security Risk were strengthened in a holistic manner. This includes but is not limited to events such as Cyber-attacks, breakdowns, failures or interruptions which result in a system down time, and frauds and malpractices through errors and manipulations.

The PLC is dedicated to providing trusted and managed information services to internal and external customers whilst maintaining effective information security management systems. Our aim is to have zero information security incidents and this is facilitated by promoting awareness, providing management direction and support for information security in accordance with business requirements and relevant laws and regulations in Sri Lanka. These actions are necessary to manage customer data privacy as well as to ensure the integrity of our information assets and systems.

Policy Framework

The Company maintains a well-established IT risk management framework. Comprehensive IT policies for identified risks have been formulated and are updated annually.



During the year under review, the Central Bank of Sri Lanka issued a consultation paper on Regulatory Framework on Technology Risk Management and Resilience for Licensed Finance Companies. The Company performed a gap analysis thereon considering existing IT operations, risk management processes, procedures and IT capabilities, and this affirmed that the Company was already in compliance with majority of areas. The gap analysis was reviewed in detail jointly by the BAC and the BIRMC and made recommendations to the Board.

In January 2022, the Central Bank of Sri Lanka issued the Finance Business Act Directions No.1 of 2022 on Technology Risk Management and Resilience. An action plan is in place for the additional steps to be implemented for full compliance with the requirements set out in the said Direction.

Managing IT and Information Security Risk

The Company is ISO 27001:2013 certified, ensuring that we meet the requirements for establishing, implementing, maintaining and continually improving our information security management system as well as assessing and treating information security risks.

A Board approved risk assessment methodology for technology risks is in place and reviewed annually for all hardware, software, information and human assets.

Risk Assessment

PLC’s risk assessment methodology was established in 2010 and it is reviewed annually.

In August 2021, the risk tolerance limits were established to review risks related to information security, Incident Management, BCP arrangements (ICT), Access Management, Physical and Environmental Security, Compliance etc.

The report that contained the risk tolerance limits and status is prepared by the ISO every quarter and submitted to the RCD and the Information Security Auditor (ISA) for review. The RCD escalates the risks and forward the Risk Indicator Report to the EIRMC and BIRMC for their review.

Risk Management Review

ICT Change Management Risk Assessment is also performed for major technological changes in software, hardware and infrastructure (network communication) and the same is submitted along with the aforesaid ICT Risk Assessment to the BIRMC for its review.

Risk Treatment

- Based on the Risk Assessment, the ISO develops the Risk Treatment Plan with action points and timelines.
- The RCD reviews the progress of the action completion.
- Where necessary, the awareness is created Company-wide on Information Security risk through e-flyers and emails.

Risk Review

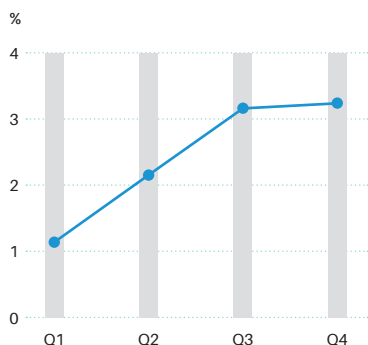
- EIRMC reviews the effectiveness of the ICT Risk Management process.
- BIRMC quarterly reviews the ICT Risk Assessment Report and provides necessary directions.
- During the year, IT Steering Committee (ITSC) was formed as a management level Committee and is responsible for assessing and making recommendations on the Company-wide information security and cyber security initiatives to manage relevant risk exposures.

Other Risks

Human Resource Risk

Management of Human resource risks are key to achievement of the strategic objectives of the organisation, ensuring that we attract, develop and retain a skilled workforce. The turnover of trained skilled staff will lead to deterioration in the competency of the Company and deliverable productivity, especially the turnover of higher/middle management staff.

Staff Turnover Ratio - 21/22



Managing HR Risk

Retaining a skilled workforce during an economic crisis has become a major concern. Accordingly, we have implemented the following to manage this risk:

- Online and physical trainings are conducted to help employees to enhance their knowledge and develop skills that are needed for job functions.
- Learning Management System launched during the year includes online training on various subject areas including online courses. Participation at LMS courses is linked to the performance appraisal of staff members.
- Regular performance appraisals facilitate alignment of organisational and career goals, assessment of training needs and provides a platform to understand employee concerns and provide feedback on performance.
- The Company always recognises employees with potential to formulate a Management Succession Plan and provide them with financial assistance for their higher studies as a capacity building measure.
- All the staff members are free to meet their senior managers at any time, in discussing their work related matters

Reputational Risk

Reputational risk is an event or incident that could adversely impact on earnings, assets, liabilities and brand value. The Company understands risk interdependency as the reputational risk is also driven by a wide range of other risks such as credit, market and operational risk etc.

Scope for reputational risk has widened with the usage of social media. Reputational risk of the Company is broadly managed through effective management of key risks such as credit, market and operational risks etc.

As part of the corporate governance process, communication policies, code of conduct, and ethics are also in place and it is expected to be followed by all employees without exception.

Key Highlights

- Established a separate unit for customer complaint handling process.
- Provided moratoria according to the CBSL guidelines for customers whose cash flows have been adversely impacted as a result of the pandemic.
- The Company formed a COVID-19 Response Team to ensure COVID related concerns are immediately attended and addressed promptly.
- Strengthened the Business Continuity Management to ensure continuity of operations of the Company.
- Implemented safety measures to safeguard the health of its employees and customers while ensuring customer touch points functioned efficiently to serve customer needs.
- The Company was recognised with many accolades during the year. Please refer pages 82 to 83.

Strategic risk

Strategic risk arises from adverse business decisions, improper implementation of decisions or lack of responsiveness to the changes in the business environment. Strategic planning and budgeting process and review of its alignment to the Company’s vision, mission, strategic objectives and risk appetite and tolerance statement facilitate management of strategic risk. The achievement of budgets and action plans is reviewed by the Board at their meetings with management updates thereon. Further, the effectiveness and performance of subsidiaries are also assessed in order to mitigate the strategic risk of diversification.

Group Risk Management

Risk profile of each subsidiary is different as they are operating in different industries with different business models. Therefore, risks should be assessed and mitigated separately. People's Insurance PLC is the largest subsidiary by size which is regulated by the Insurance Regulatory Commission of Sri Lanka (formerly known as Insurance Board of Sri Lanka).

CEO of People's Leasing is a member of the Boards of all subsidiary companies. All inter-company transactions are carried out at arms-length. People's Leasing is the holding company and owns the largest balance sheet. i.e. over 87% of the total assets and liabilities of the Group.

The Risk and Control Department co-ordinated with aforementioned subsidiaries of People's Leasing and risk reports were submitted to the BIRMC for deliberations.

| Company | Relationship | Business Operations | Reports submitted to BIRMC | Reporting Interval |
|---|-------------------------|--|--|--------------------|
| People's Insurance PLC (PI) | Subsidiary | Non-life (general) insurance business | Risk dash-board report and comparison report | Quarterly |
| People's Leasing Fleet Management Limited (PLFML) | Wholly owned subsidiary | Valuation Services | Risk Dash-Board Report | Quarterly |
| People's Micro-commerce Limited (PML) | Wholly owned subsidiary | Providing microfinance facilities to the under privileged, rural and urban population and providing hire purchase facilities | Risk Dash-board report and comparison report | Quarterly |
| People's Leasing Property Development Limited (PLPDL) | Wholly owned subsidiary | Property development | Risk indicator report | Quarterly |
| People's Leasing Havelock Properties Limited (PLHPL) | Wholly owned subsidiary | Property development | Risk indicator report | Quarterly |

People's Leasing keeps abreast of the developments in the business environment in finance, insurance, microfinance and property development industries for mitigating the Group Risk.



Linked to our sustainable efforts



Financial Report

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Financial Calendar

| | | 2021/22 | 2022/23 |
|---|--|---|--|
| Interim financial statements publication | Q1 ended 30 June | 09 August 2021 | Before 15 August 2022 |
| | Q2 ended/ending 30 September | 11 November 2021 | Before 15 November 2022 |
| | Q3 ended/ending 31 December | 14 February 2022 | Before 15 February 2023 |
| | Q4 ended/ending 31 March | 31 May 2022 | Before 31 May 2023 |
| Financial statements publication | Six months ended 30 September 2021 | 24 November 2021 | |
| | Year ended 31 March 2022 | 29 June 2022 | |
| | Six months ending 30 September 2022 | | Before 31 December 2022 |
| | Year ending 31 March 2023 | | Before 30 June 2023 |
| Annual Report publication | Publication of Annual Report | August 2022 | June 2023 |
| Annual General Meeting | Annual General Meeting | 26th Annual General Meeting September 2022 | 27th Annual General Meeting Before 30 June 2023 |
| Dividend payment | Interim Dividend - Scrip Scrip dividend for the year ended 31 March 2022 | January 2022 | |

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. 7 of 2007 is set out in this statement.

The responsibilities of the External Auditors in relation to the Financial Statements are set out in the "Independent Auditor's Report" given on pages 205 to 207.

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 2022 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) & (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 section 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 24 June 2022 as required by Sections 150 (1) (c) and 152 (1) (c) of the Companies Act No. 07 of 2007 and other regulatory requirement.

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 point of time, are maintained by the Company and the Group enabling the preparation of Financial Statements and further enabling the Financial Statements to be readily and properly audited. The Financial Statements for the year 2021/22 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 thereunder, 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).

The Board of Directors reviews financial reporting system directly at their regular meetings and through the Board Audit Committee (BAC), the report of which is given on pages 162 and 163 to ensure that the Company and Group maintain proper books of accounts. Interim Financial Statements published by the Company and the Group 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 give proper consideration to the establishment of an appropriate system of internal control for managing significant risks in the Company and the Group. The "Directors' Statement on Internal Control over Financial Reporting" is given on page 203.

As required under Section 56 (2) of the Companies Act No. 07 of 2007, the Board of Directors wish to confirm that it has authorized the interim dividend in the form of scrip. In this respect, 84,249,776 ordinary voting shares of the Company have been listed with effect from 13 January 2022, pursuant to the scrip dividend in the proportion of 1: 21.4000002326. The Board of Directors has authorized the said interim dividend after being satisfied that the Company meets the solvency test immediately after such distributions are made in accordance with section 57 of the Companies Act No. 07 of 2007 and has obtained in respect of dividends paid, certificates of solvency from the 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, it has prepared this Annual Report in time and ensured that it is released 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 Company has hosted a soft copy of this Annual Report in the Financial Information and KPI section of the Company's website (<https://www.plc.lk/financial-information-and-kpi/annual-reports/>), in addition to the soft copy thereof available in the CSE website, for the benefit of other shareholders within the stipulated period of the time as required by the Rule No. 7.5 (a) and (b) of continuing Listing Requirements of the Listing Rules of the CSE, instead of sending a soft copy in a CD.

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. 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 and their responsibilities in relation to the Financial Statements are set out in the "Independent Auditor's Report" given on pages 205 to 207.

The Company's External Auditors, The Auditor General who were appointed in terms of National Audit Act No.19 of 2018 were provided with every opportunity to undertake the inspections they considered appropriate. They carried out reviews and sample checks on the system of internal controls as they considered appropriate and necessary for expressing their opinion on the Financial Statements and maintaining accounting records. They have examined the Financial Statements made available to them by the Board of Directors of the Company together with all the financial records, related data and minutes of shareholders' and Directors' meetings and expressed their opinion in the "Independent Auditor's Report" which appears as reported by them on pages 205 to 207. The Company and its quoted subsidiary have met all the requirements under the Section 07 of continuing Listing Requirements of the Listing Rules CSE; where applicable.

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 is of the view that it has discharged its responsibilities as set out in this statement.

By order of the Board,



Shaalini Silva
Secretary to the Board

26 July 2022
Colombo

Independent Assurance Report on Internal Control Over Financial Reporting



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திகதி }
Date }

05 July 2022

The Chairman
People's Leasing & Finance PLC

Assurance Report of the Auditor General to the Board of Directors on the Directors' Statement on Internal Control of People's Leasing & Finance PLC

Introduction

This report is to provide assurance on the Directors' Statement on Internal Control over Financial Reporting (the "Statement") of People's Leasing & Finance PLC (the "Company") included in the annual report for the year ended 31 March 2022.

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.

My Responsibility and Compliance with SLSAE 3051

My 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.

I conducted my 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 I 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, I am not responsible for updating or reissuing any reports, nor have I, in the course of this engagement, performed an audit or review of the financial information.

Summary of Work Performed

I conducted my 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 me 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 me 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 my judgement, having regard to my understanding of the nature of the Company, the event or transaction in respect of which the Statement has been prepared.

I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Conclusion

Based on the procedures performed, nothing has come to my attention that causes me to believe that the Statement included in the Annual Report is inconsistent with my understanding of the process the Board of Directors has adopted in the review of the design and effectiveness of internal control system over the financial reporting of the Company.

W. P. C. Wickramaratne
Auditor General

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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 presents this report on Internal Control over Financial Reporting.

The Board of Directors (“the Board”) is responsible for the adequacy and effectiveness of the system of Internal Control 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 is regularly reviewed and enhanced by the Board taking into account the changes in business environment and regulatory guidelines.

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 risks and controls over Financial Reporting by identifying and assessing the risks faced, and in the design, operation, and monitoring of suitable internal controls to mitigate and control these risks.

Key features of the process adopted in applying and reviewing the design and effectiveness of the internal control system on financial reporting.

The key mechanisms that have been established to review the adequacy and integrity of the system of internal controls with respect to financial reporting include the following:

- The Board has appointed various sub-committees to assist in ensuring the effectiveness of the Company's day-to-day operations and to ensure that all such operations are carried out in accordance with the corporate objectives, strategies and the annual budget as well as the

policies and the business directions approved by the Board.

- Key functional areas of the company are governed by policies/charters that are approved by the Board. The board appointed committees review and recommend such policies/charters before seeking the approval of the board. Such policies/charters are regularly reviewed, updated and approved by the board.
- The company's Internal Audit Department checks for compliance with policies and procedures and the effectiveness of the internal control systems/information system controls on an ongoing basis using samples and rotational procedures. This helps to highlight significant findings of non-compliance. Audits are carried out according to the annual audit plan which is reviewed and approved by the Board Audit Committee. The type and frequency of audits of business units/processes are determined by the level of risk assessed, to provide an independent and objective report. All significant findings identified by the Internal Audit Department are submitted to the Board Audit Committee.
- The Board Audit Committee reviews internal control issues identified by the Internal Audit Department, regulatory authorities, External Auditors and the Management. The BAC also evaluates the effectiveness of the internal audit function with particular emphasis on the scope, independence of internal audit and the resources. The minutes of the Board Audit Committee meetings are forwarded to the Board on a periodic basis. Details of the activities undertaken by the Board Audit Committee are set out in the “Board Audit Committee Report”.
- 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.

The Company adopts Sri Lanka Accounting Standards comprising SLFRSs and LKASs and progressive improvements on processes to comply with requirements of recognition, measurement, classification and

disclosure are being made whilst further strengthening of processes will continue in its financial reporting and management information.

The Board has given due consideration for requirements of SLFRS 9 “Financial Instruments”. 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 reports required for model validation and compliance in line with SLFRS 9.

Confirmation

Based on the above processes, the Board of Directors 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 has been done 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 has reviewed the above Directors' Statement on Internal Control Over Financial Reporting for the year ended 31 March 2022 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 system of Internal Control of the Company.



Coralie Pietersz
Chairman – Board Audit Committee



Sujeewa Rajapakse
Chairman



Rohan Pathirage
Director

5 July 2022
Colombo

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 2022 are prepared and presented in conformity with the following requirements:

- Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka);
- Companies Act No. 07 of 2007 and amendments thereto;
- 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 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 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 judgment 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 judgments 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.

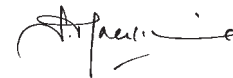
Internal Audit department has conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company and the Group were consistently followed. However, there are inherent limitations that should be recognized in weighing the assurances provided by any system 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 162 and 163 of this Annual Report. The Financial Statements of the Company and Consolidated Financial Statements of the Group were audited by Auditor General and his report is given on pages 205 to 207 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 50.1.1 on page 303 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 as at 31 March 2022 have been paid, or where relevant provided for.



Shamindra Marcelline
Chief Executive Officer



Omal Sumanasiri
Chief Manager - Finance

26 July 2022
Colombo

Independent Auditor's Report



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தேசிய கணக்காய்வு அலுவலகம்

NATIONAL AUDIT OFFICE



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BAN/D/PLF/2022/01

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திகதி }
Date }

20 June 2022

Chairman
People's Leasing & Finance PLC

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the People's Leasing & Finance PLC and its subsidiaries for the year ended 31 March 2022 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the People's Leasing & Finance PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group") for the year ended 31 March 2022 comprising the statement of financial position as at 31 March 2022, 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, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. To carry out this audit I was assisted by a firm of Chartered Accountants in public practice. My report to Parliament in pursuance of provisions in Article 154(6) of the Constitution will be tabled in due course.

In my opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2022 and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Opinion

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

1.3 Key Audit Matters

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

අංක 306/72, පොල්දැව පාර, මිත්තරමුල්ල, ශ්‍රී ලංකාව



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Independent Auditor's Report



ජාතික විගණන කාර්යාලය
 தேசிய கணக்காய்வு அலுவலகம்
 NATIONAL AUDIT OFFICE

| Key Audit Matter | How My Audit Addressed the Key Audit Matter |
|---|--|
| <p>Impairment allowances for Loan and receivables</p> <p>As at 31 March 2022, Loan and receivables net of impairment allowances amounted to LKR 163,321 million and is disclosed in note 25. These collectively contributed 79% to the Group's total assets.</p> <p>Impairment allowances for Loan and receivables is a key audit matter due to:</p> <ul style="list-style-type: none"> materiality of the reported allowance which involved complex calculations; and significant judgements used in assumptions and estimates made by the management as reflected in note 25.6, which in the current year was influenced by the need to assess the change in current economic conditions on forward looking information and the continuing impact of COVID-19 debt moratorium relief measures. | <p>My audit procedures included amongst others the following:</p> <ul style="list-style-type: none"> Assessed the level of oversight, review and approval of impairment allowances policies and procedures by the Board and management. Evaluated the design, implementation and operating effectiveness of internal controls over estimation of the impairment allowances, including testing of related system controls. Checked the completeness, accuracy and classification of the underlying data used in the computation of impairment allowances by agreeing details to relevant source documents and accounting records of the Group. For Loan and receivables assessed on a collective basis for impairment: <ul style="list-style-type: none"> Tested key calculations used in the impairment allowances. Assessed whether significant judgements used in assumptions and estimate made by the management in the underlying methodology and management overlays were reasonable. I also evaluated the reasonableness of forward-looking information used, economic scenarios considered, and probability weighting assigned to each of those scenarios. My procedures were based on the best available information up to the date of my report. For loans and advances assessed on an individual basis for impairment: <ul style="list-style-type: none"> Assessed the reasonableness and timeliness of Management's internal assessments of credit quality based on the borrower's particular circumstances. Checked the accuracy of the underlying individual impairment calculations. Evaluated the reasonableness of key inputs used in the provision for credit impairment made with the particular focus on current economic conditions. Such evaluations were carried out considering value and timing of cash flow forecasts particularly relating to elevated risk industries, status of recovery action and collateral values. Assessed the adequacy of the related financial statement disclosures set out in notes 11 & 25. |
| <p>Financial reporting related IT based Internal controls</p> <p>A significant part of the Group's financial reporting process is primarily reliant on multiple IT systems with automated processes and internal controls. Further, key financial statement disclosures are prepared using data and reports generated by IT systems, that are compiled and formulated with the use of spreadsheets.</p> <p>Accordingly, financial reporting related IT based Internal controls is considered a key audit matter.</p> | <p>My audit procedures included the following :</p> <ul style="list-style-type: none"> Obtained an understanding of the Internal control environment of the processes relating to financial reporting and related disclosures. Identified and test checked relevant controls of key IT systems related to the Group's financial reporting process. Evaluated the design and operating effectiveness of IT controls, including those related to user access and change management. Checked key source data of the reports used to generate key disclosures for accuracy and completeness, including review of general ledger reconciliations. |

1.4 Other Information Included in the Group's 2022 Annual Report.

The other information comprises the information included in the Group's 2022 Annual Report but does not include the financial statements and my auditor's report thereon, which is expected to be made available to me after the date of this auditor's report. Management is responsible for the other information.

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

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

When I read the Group's 2022 Annual Report, if I conclude that are material misstatements therein, I am required to communicate that matter to those charged with governance for correction. If further material uncorrected misstatements are existed those will be

included in my report to Parliament in pursuance of provisions in Article 154(6) of the Constitution that will be tabled in due course.

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management 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.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Group is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Group.

1.6 Auditor’s Responsibilities for the Audit of the Financial Statements

My objective is 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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. 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 Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I 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 my 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 Company’s and Group’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

2. Report on Other Legal and Regulatory Requirements

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

- I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Company as per the requirement of section 163 (2) (d) of the Companies Act, No.7 of 2007 and section 12 (a) of National Audit Act, No. 19 of 2018.
- The Financial Statements of the Company comply with the requirement of section 151 of the Companies Act, No.07 of 2007.
- The Financial Statements presented is consistent with the preceding year as per

the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.

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

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

- to state that any member of the governing body of the Company has any direct or indirect interest in any contract entered into by the Company which are out of the normal course of business as per the requirement of section 12 (d) of the National Audit Act, No. 19 of 2018;
- to state that the Company has not complied with any applicable written law, general and special directions issued by the governing body of the Company as per the requirement of section 12 (f) of the National Audit Act, No. 19 of 2018;
- to state that the Company has not performed according to its powers, functions and duties as per the requirement of section 12 (g) of the National Audit Act, No. 19 of 2018;
- to state that the resources of the Company had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12 (h) of the National Audit Act, No. 19 of 2018.

W. P. C. Wickramaratne
Auditor General

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Statement of Profit or Loss

| For the year ended 31st March | Page No. | Company | | | Group | | | |
|---|----------|------------------|-------------------|-------------------|------------------|-------------------|-------------------|----------------|
| | | 2022 Rs. '000 | 2021 Rs. '000 | Change % | 2022 Rs. '000 | 2021 Rs. '000 | Change % | |
| Gross income | 5 | 224 | 26,741,380 | 27,103,798 | (1.34) | 32,630,986 | 33,645,265 | (3.01) |
| Interest income | 6.1 | 225 | 23,881,526 | 24,983,445 | (4.41) | 25,926,792 | 26,821,838 | (3.34) |
| Less: Interest expense | 6.2 | 225 | 10,832,186 | 13,064,310 | (17.09) | 11,205,126 | 13,375,197 | (16.22) |
| Net interest income | 6 | 224 | 13,049,340 | 11,919,135 | 9.48 | 14,721,666 | 13,446,641 | 9.48 |
| Net earned premium | 7 | 226 | - | - | - | 4,939,071 | 5,028,549 | (1.78) |
| Fee and commission income | 8 | 227 | 1,876,524 | 1,818,675 | 3.18 | 1,321,513 | 1,198,054 | 10.30 |
| Net gains/(losses) on financial assets - FVTPL | 9 | 228 | 26,783 | 162,616 | (83.53) | 86,525 | 228,258 | (62.09) |
| Other operating income | 10 | 228 | 956,547 | 139,062 | 587.86 | 357,085 | 368,566 | (3.12) |
| Total operating income | | | 15,909,194 | 14,039,488 | 13.32 | 21,425,860 | 20,270,068 | 5.70 |
| Less: Impairment charges for loans and receivables and other losses | 11 | 229 | 655,425 | 1,043,837 | (37.21) | 951,756 | 1,352,489 | (29.63) |
| Impairment charges for goodwill | 34 | 281 | 121,611 | 99,209 | 22.58 | 121,611 | 99,209 | 22.58 |
| Net operating income | | | 15,132,158 | 12,896,442 | 17.34 | 20,352,493 | 18,818,370 | 8.15 |
| Less: Expenses | | | | | | | | |
| Personnel expenses | 12 | 232 | 4,002,414 | 3,465,373 | 15.50 | 4,946,747 | 4,354,636 | 13.60 |
| Depreciation and amortisation | 13 | 232 | 700,043 | 722,994 | (3.17) | 638,664 | 647,693 | (1.39) |
| Benefits, claims and underwriting expenditure | 14 | 233 | - | - | - | 3,228,475 | 2,663,347 | 21.22 |
| Other operating expenses | 15 | 234 | 2,134,497 | 1,612,859 | 32.34 | 2,607,480 | 2,048,058 | 27.31 |
| Total operating expenses | | | 6,836,954 | 5,801,226 | 17.85 | 11,421,366 | 9,713,734 | 17.58 |
| Operating profit before taxes on financial services | | | 8,295,204 | 7,095,216 | 16.91 | 8,931,127 | 9,104,636 | (1.91) |
| Less: Tax on financial services | 16 | 234 | 1,645,111 | 1,222,628 | 34.56 | 1,705,797 | 1,273,966 | 33.90 |
| Profit before income tax expense | | | 6,650,093 | 5,872,588 | 13.24 | 7,225,330 | 7,830,670 | (7.73) |
| Less: Income tax expense | 17 | 235 | 1,991,084 | 1,839,568 | 8.24 | 2,407,161 | 2,234,336 | 7.73 |
| Profit for the year | | | 4,659,009 | 4,033,020 | 15.52 | 4,818,169 | 5,596,334 | (13.90) |
| Profit attributable to | | | | | | | | |
| Equity holders of the Company | | | 4,659,009 | 4,033,020 | 15.52 | 4,805,731 | 5,294,015 | (9.22) |
| Non-controlling interest | 49 | 302 | - | - | - | 12,438 | 302,319 | (95.89) |
| Profit for the year | | | 4,659,009 | 4,033,020 | 15.52 | 4,818,169 | 5,596,334 | (13.90) |
| Basic / Diluted earnings per ordinary share (Rs.) | 18 | 238 | 2.47 | 2.14 | 15.42 | 2.55 | 2.81 | (9.25) |
| Dividend per Ordinary share (Rs.) | 19 | 238 | 1.25 | 0.60 | 108.33 | | | |

The Notes appearing on pages 215 to 339 form an integral part of the Financial Statements.

Statement of Comprehensive Income

| For the year ended 31st March | Page No. | Company | | | Group | | | |
|--|----------|------------------|------------------|-------------|------------------|------------------|-------------|------------|
| | | 2022 Rs. '000 | 2021 Rs. '000 | Change % | 2022 Rs. '000 | 2021 Rs. '000 | Change % | |
| Profit for the year | | 4,659,009 | 4,033,020 | 15.52 | 4,818,169 | 5,596,334 | (13.90) | |
| <i>Other comprehensive income, net of tax</i> | | | | | | | | |
| <i>Items to be reclassified to profit or loss in subsequent years (net of tax):</i> | | | | | | | | |
| Net gains/(losses) arising from translating the Financial Statements of the foreign subsidiary | 48.4 | 302 | - | - | - | 1,439,171 | 141,728 | 915.45 |
| Net items to be reclassified to profit or loss in subsequent years | | | - | - | - | 1,439,171 | 141,728 | 915.45 |
| <i>Items not to be reclassified to profit or loss in subsequent years (net of tax):</i> | | | | | | | | |
| <i>Net actuarial gains/(losses) on defined benefit plans</i> | | | | | | | | |
| Actuarial gains and losses on retirement benefit obligation | 43 | 294 | (31,732) | 107,003 | (129.66) | (28,272) | 106,891 | (126.45) |
| Deferred tax effect on actuarial gains and losses | 44.1 | 298 | 7,616 | (29,961) | 125.42 | 7,795 | (27,690) | 128.15 |
| <i>Financial assets - Fair value through other comprehensive income</i> | | | | | | | | |
| Gains/(losses) on re-measuring | 48.3 | 302 | (207,831) | (15,263) | (1,261.67) | (207,831) | (5,512) | (3,670.52) |
| Deferred tax effect on above | 44.1 | 298 | 49,817 | - | 100.00 | 49,817 | - | 100.00 |
| Recycling to Statement of Profit or Loss for impairment | | | - | - | - | - | - | - |
| Net items not to be reclassified to profit or loss in subsequent years | | | (182,130) | 61,779 | 394.81 | (178,491) | 73,689 | 342.22 |
| Other comprehensive income for the year, net of tax | | | (182,130) | 61,779 | 394.81 | 1,260,680 | 215,417 | 485.23 |
| Total comprehensive income for the year | | | 4,476,879 | 4,094,799 | 9.33 | 6,078,849 | 5,811,751 | 4.60 |
| <i>Attributable to:</i> | | | | | | | | |
| Equity holders of the Company | | | (182,130) | 61,779 | 394.81 | 555,132 | 212,979 | 160.65 |
| Non-controlling interest | 49 | 302 | - | - | - | 705,548 | 2,438 | 28,839.62 |
| Other comprehensive income for the year, net of tax | | | (182,130) | 61,779 | 394.81 | 1,260,680 | 215,417 | 485.23 |
| Total comprehensive income for the year | | | 4,476,879 | 4,094,799 | 9.33 | 6,078,849 | 5,811,751 | 4.60 |

The Notes appearing on pages 215 to 339 form an integral part of the Financial Statements.

Statement of Financial Position

| As at 31st March | Page Note | Page No. | Company | | | Group | | |
|---|-----------|----------|--------------------|--------------------|--------------|--------------------|--------------------|--------------|
| | | | 2022 Rs. '000 | 2021 Rs. '000 | Change % | 2022 Rs. '000 | 2021 Rs. '000 | Change % |
| Assets | | | | | | | | |
| Cash and cash equivalents | 22 | 248 | 4,668,830 | 2,703,031 | 72.73 | 5,402,587 | 3,844,694 | 40.52 |
| Balances with banks & financial institutions | 23 | 248 | 5,117,866 | 5,399,071 | (5.21) | 9,529,518 | 8,231,101 | 15.77 |
| Financial assets - Fair value through profit or loss | 24 | 249 | 25,140 | 109,787 | (77.10) | 849,298 | 1,281,753 | (33.74) |
| Loans and receivables - Amortised cost | 25 | 251 | 151,274,454 | 141,387,907 | 6.99 | 163,320,846 | 147,004,004 | 11.10 |
| Insurance and reinsurance receivables | 26 | 267 | - | - | - | 1,322,528 | 1,024,461 | 29.10 |
| Financial assets - Fair value through other comprehensive income | 27 | 268 | 1,333,278 | 309,118 | 331.32 | 1,632,941 | 735,494 | 122.02 |
| Debt instrument - Amortised cost | 28 | 269 | 9,827,221 | 6,994,206 | 40.51 | 16,013,525 | 10,931,714 | 46.49 |
| Investments in subsidiaries | 29 | 271 | 3,213,788 | 3,213,788 | - | - | - | - |
| Investment property | 30 | 273 | - | - | - | 820,664 | 820,664 | - |
| Other assets | 31 | 274 | 749,154 | 575,660 | 30.14 | 831,826 | 932,458 | (10.79) |
| Property, plant and equipment | 32 | 275 | 1,413,776 | 1,049,250 | 34.74 | 4,090,682 | 4,034,265 | 1.40 |
| Right of use assets | 33 | 280 | 1,972,380 | 2,242,444 | (12.04) | 1,539,484 | 1,591,297 | (3.26) |
| Deferred tax assets | 44 | 297 | 1,146,726 | 415,841 | 175.76 | 1,444,813 | 594,495 | 143.03 |
| Goodwill and intangible assets | 34 | 281 | 21,965 | 146,446 | (85.00) | 139,603 | 265,506 | (47.42) |
| Total assets | | | 180,764,578 | 164,546,549 | 9.86 | 206,938,315 | 181,291,906 | 14.15 |
| Liabilities | | | | | | | | |
| Due to banks | 35 | 283 | 11,749,332 | 6,439,310 | 82.46 | 15,300,361 | 9,003,873 | 69.93 |
| Due to customers | 36 | 285 | 103,367,904 | 101,502,931 | 1.84 | 111,453,750 | 103,743,716 | 7.43 |
| Debt securities issued | 37 | 287 | 17,244,313 | 13,825,553 | 24.73 | 17,103,223 | 13,684,516 | 24.98 |
| Other financial liabilities | 38 | 289 | 3,636,528 | 4,132,110 | (11.99) | 4,043,322 | 4,111,235 | (1.65) |
| Insurance liabilities and reinsurance payable | 39 | 290 | - | - | - | 5,903,363 | 5,015,885 | 17.69 |
| Operating lease liabilities | 40 | 292 | 2,059,050 | 2,286,386 | (9.94) | 1,588,115 | 1,614,660 | (1.64) |
| Current tax liabilities | 41 | 293 | 1,851,676 | 362,450 | 410.88 | 2,098,784 | 883,900 | 137.45 |
| Other liabilities | 42 | 294 | 1,369,054 | 1,069,121 | 28.05 | 1,399,030 | 1,156,822 | 20.94 |
| Retirement Benefit Obligation | 43 | 294 | 668,411 | 587,257 | 13.82 | 748,944 | 657,778 | 13.86 |
| Deferred tax liabilities | 44 | 297 | - | - | - | 323,621 | 297,568 | 8.76 |
| Total liabilities | | | 141,946,268 | 130,205,118 | 9.02 | 159,962,513 | 140,169,953 | 14.12 |
| Equity | | | | | | | | |
| Stated capital | 45 | 299 | 17,071,961 | 14,892,036 | 14.64 | 17,071,961 | 14,892,036 | 14.64 |
| Statutory reserve fund | 46 | 300 | 2,639,946 | 2,406,995 | 9.68 | 2,729,351 | 2,464,951 | 10.73 |
| Retained earnings | 47 | 301 | 19,481,611 | 17,159,777 | 13.53 | 23,122,852 | 20,682,106 | 11.80 |
| Other reserves | 48 | 301 | (375,208) | (117,377) | 219.66 | 897,111 | 421,319 | 112.93 |
| Total equity attributable to equity holders of the Company | | | 38,818,310 | 34,341,431 | 13.04 | 43,821,275 | 38,460,412 | 13.94 |
| Non-controlling interest | 49 | 302 | - | - | - | 3,154,527 | 2,661,541 | 18.52 |
| Total equity | | | 38,818,310 | 34,341,431 | 13.04 | 46,975,802 | 41,121,953 | 14.24 |
| Total liabilities and equity | | | 180,764,578 | 164,546,549 | 9.86 | 206,938,315 | 181,291,906 | 14.15 |
| Contingent liabilities and commitments | 50 | 303 | 6,852,234 | 10,998,111 | (37.70) | 6,899,223 | 11,045,100 | (37.54) |
| Net asset value per ordinary share (Rs.) | 51 | 304 | 20.57 | 20.15 | 2.10 | 23.22 | 22.56 | 2.91 |

We certify that these Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.

Omal Sumanasiri
Chief Manager - Finance

Shamindra Marcelline
Chief Executive Officer

The Board of Directors is responsible for these Financial Statements.
Approved and signed for and on behalf of the Board by;

Sujeewa Rajapakse
Chairman

Rohan Pathirage
Director

The Notes appearing on pages 215 to 339 form an integral part of the Financial Statements.

24 June 2022
Colombo

Statement of Changes In Equity

| Company | | | Other Reserves | | Total Equity |
|---|------------|------------------------|--------------------|-------------------|--------------|
| | Capital | Statutory Reserve Fund | Fair Value Reserve | Retained Earnings | |
| | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | |
| Balance as at 1st April 2020 | 13,915,414 | 2,205,344 | (102,114) | 14,227,988 | 30,246,632 |
| Total comprehensive income for the year | | | | | |
| Profit/(loss) for the year | - | - | - | 4,033,020 | 4,033,020 |
| Other comprehensive income (net of tax) | - | - | (15,263) | 77,042 | 61,779 |
| Total comprehensive income for the year | - | - | (15,263) | 4,110,062 | 4,094,799 |
| Transactions with equity holders, recognised directly in equity | | | | | |
| Transfers to reserves | - | 201,651 | - | (201,651) | - |
| Dividend paid - Interim | - | - | - | (162,770) | (162,770) |
| - Final | 976,622 | - | - | (813,852) | 162,770 |
| Total transactions with equity holders | 976,622 | 201,651 | - | (1,178,273) | - |
| Balance as at 31st March 2021 | 14,892,036 | 2,406,995 | (117,377) | 17,159,777 | 34,341,431 |
| Balance as at 1st April 2021 | 14,892,036 | 2,406,995 | (117,377) | 17,159,777 | 34,341,431 |
| Total comprehensive income for the year | | | | | |
| Profit/(loss) for the year | - | - | - | 4,659,009 | 4,659,009 |
| Other comprehensive income (net of tax) | - | - | (207,831) | 25,701 | (182,130) |
| Total comprehensive income for the year | - | - | (207,831) | 4,684,710 | 4,476,879 |
| Transactions with equity holders, recognised directly in equity | | | | | |
| Transfers to reserves | - | 232,950 | (50,000) | (182,950) | - |
| Dividend paid - Interim | 2,179,925 | - | - | (2,179,925) | - |
| Total transactions with equity holders | 2,179,925 | 232,950 | (50,000) | (2,362,875) | - |
| Balance as at 31st March 2022 | 17,071,961 | 2,639,945 | (375,208) | 19,481,612 | 38,818,310 |

The Notes appearing on pages 215 to 339 form an integral part of the Financial Statements.

| Group | | | Other Reserves | | Retained Earnings | Total | Non-controlling Interest | Total Equity |
|---|------------|------------------------|--------------------|--------------------------------------|-------------------|------------|--------------------------|--------------|
| | Capital | Statutory Reserve Fund | Fair Value Reserve | Foreign currency translation reserve | | | | |
| | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | | | | |
| Balance as at 1st April 2020 | 13,915,414 | 2,235,077 | (116,005) | 401,108 | 16,517,824 | 32,953,418 | 2,356,784 | 35,310,202 |
| Total comprehensive income for the year | | | | | | | | |
| Profit/(loss) for the year | - | - | - | - | 5,294,015 | 5,294,015 | 302,319 | 5,596,334 |
| Other comprehensive income (net of tax) | - | - | (5,512) | 141,728 | 76,763 | 212,979 | 2,438 | 215,417 |
| Total comprehensive income for the year | - | - | (5,512) | 141,728 | 5,370,778 | 5,506,994 | 304,757 | 5,811,751 |
| Transactions with equity holders, recognised directly in equity | | | | | | | | |
| Transfers to reserves | - | 229,874 | - | - | (229,874) | - | - | - |
| Dividend paid - Interim | - | - | - | - | (162,770) | (162,770) | - | (162,770) |
| Final | 976,622 | - | - | - | (813,852) | 162,770 | - | 162,770 |
| Total transactions with equity holders | 976,622 | 229,874 | - | - | (1,206,496) | - | - | - |
| Balance as at 31st March 2021 | 14,892,036 | 2,464,951 | (121,517) | 542,836 | 20,682,106 | 38,460,412 | 2,661,541 | 41,121,953 |
| Balance as at 1st April 2021 | 14,892,036 | 2,464,951 | (121,517) | 542,836 | 20,682,106 | 38,460,412 | 2,661,541 | 41,121,953 |
| Total comprehensive income for the year | | | | | | | | |
| Profit/(loss) for the year | - | - | - | - | 4,805,731 | 4,805,731 | 12,438 | 4,818,169 |
| Other comprehensive income (net of tax) | - | - | (207,831) | 733,623 | 29,340 | 555,132 | 705,548 | 1,260,680 |
| Total comprehensive income for the year | - | - | (207,831) | 733,623 | 4,835,071 | 5,360,863 | 717,986 | 6,078,849 |
| Transactions with equity holders, recognised directly in equity | | | | | | | | |
| Transfers to reserves | - | 264,401 | (50,000) | - | (214,401) | - | - | - |
| Dividend paid - Interim | 2,179,925 | - | - | - | (2,179,925) | - | (225,000) | (225,000) |
| Total transactions with equity holders | 2,179,925 | 264,401 | (50,000) | - | (2,394,326) | - | (225,000) | (225,000) |
| Balance as at 31st March 2022 | 17,071,961 | 2,729,352 | (379,348) | 1,276,459 | 23,122,851 | 43,821,275 | 3,154,527 | 46,975,802 |

The Notes appearing on pages 215 to 339 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 'Direct 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.

| For the year ended 31st March | Note | Page No. | Company | | Group | |
|--|------|----------|--------------------|--------------------|--------------------|---------------------|
| | | | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 |
| Cash flows from operating activities | | | | | | |
| Income from cash and cash equivalent | 6.1 | 225 | 159,743 | 73,753 | 176,533 | 103,501 |
| Payments to loans and receivables | | | (123,938,484) | (47,647,269) | (128,649,697) | (51,042,311) |
| Receipts from loans and receivables | | | 137,014,283 | 78,976,592 | 139,838,871 | 81,166,978 |
| Investment in balances with banks & financial institutions | | | (30,785,830) | (24,145,286) | (34,428,160) | (26,225,019) |
| Receipts from balances with banks & financial institutions | | | 31,510,851 | 22,294,433 | 34,065,096 | 25,405,664 |
| Investment in debt instrument at amortized cost | | | (31,590,690) | (22,598,347) | (37,483,431) | (23,561,339) |
| Receipts from debt instrument at amortized cost | | | 29,316,856 | 20,089,756 | 31,022,471 | 20,339,756 |
| Payment of due to customers | | | (122,737,129) | (99,054,813) | (124,719,248) | (97,571,015) |
| Receipts from due to customers | | | 116,799,179 | 83,652,942 | 124,371,580 | 83,337,190 |
| Receipt from other income | | | 2,079 | 1,711 | 219,280 | 216,256 |
| Investment in financial assets - fair value through profit or loss | | | (4,573,220) | (8,881,716) | (5,221,552) | (10,028,730) |
| Proceeds from financial assets - fair value through profit or loss | | | 4,684,650 | 9,966,264 | 5,740,532 | 10,173,826 |
| Receipt from Financial assets - fair value through OCI | | | 3,756 | - | 156,320 | 979,028 |
| Investment in Financial assets - fair value through OCI | | | (1,150,081) | - | (1,175,931) | (264,333) |
| Payment for personnel expenses | | | (3,709,482) | (3,575,458) | (4,653,596) | (4,377,522) |
| Payment for operating lease liability | | | (667,068) | (655,969) | (385,273) | (409,587) |
| Payment for other operating activities | | | (3,444,374) | (872,388) | (3,623,513) | (885,891) |
| Premium received from customers | | | - | - | 4,641,005 | 5,199,021 |
| Claims paid | | | - | - | (2,340,996) | (2,712,682) |
| Dividend income from investments | | | 711,841 | 110,673 | 6,216 | 918 |
| Gratuity paid | 43 | 294 | (33,471) | (10,353) | (39,309) | (13,148) |
| Income tax paid | 41.1 | 294 | (1,175,310) | (3,349,938) | (1,958,933) | (3,534,648) |
| Net cash generated from/(used in) operating activities | | | (3,601,901) | 4,374,587 | (4,841,735) | 6,295,913 |
| Cash flows from investing activities | | | | | | |
| Purchase of property, plant and equipment | 32 | 275 | (385,714) | (104,690) | (307,456) | (152,324) |
| Proceeds from the sale of property, plant and equipment | | | 14,005 | 54,832 | 131,604 | 210,359 |
| Purchase of intangible assets | 34 | 281 | (10,325) | (360) | (12,835) | (11,661) |
| Net cash (used in)/generated from investing activities | | | (382,034) | (50,218) | (188,687) | 46,374 |
| Cash flows from financing activities | | | | | | |
| Payment for due to banks | 35.1 | 283 | (1,946,889) | (3,886,355) | (2,504,664) | (5,315,691) |
| Borrowing from due to banks | 35.1 | 283 | 7,000,000 | 1,000,000 | 7,250,000 | 1,500,000 |
| Payment for debt securities issued | 37.1 | 287 | (8,456,772) | (6,589,468) | (8,440,722) | (6,570,514) |
| Borrowing from debt securities issued | | | 10,000,000 | - | 10,000,000 | - |
| Dividend paid to shareholders | | | 80 | (1,345) | 80 | (1,345) |
| Dividend paid to non-controlling interest | | | - | - | (150,000) | - |
| Net cash (used in)/generated from financing activities | | | 6,596,419 | (9,477,168) | 6,154,694 | (10,387,550) |
| Net (decrease) in cash & cash equivalents | | | 2,612,484 | (5,152,799) | 1,124,272 | (4,045,263) |
| Cash and cash equivalents at the beginning of the year | | | 1,986,657 | 7,139,456 | 2,952,815 | 6,998,078 |
| Cash and cash equivalents at the end of the year | | | 4,599,141 | 1,986,657 | 4,077,087 | 2,952,815 |
| Cash and cash equivalents | | | 4,668,831 | 2,703,031 | 5,402,587 | 3,844,694 |
| Bank overdraft | | | (69,690) | (716,374) | (1,325,500) | (891,879) |
| Cash and cash equivalents at the end of the year | | | 4,599,141 | 1,986,657 | 4,077,087 | 2,952,815 |

The Notes appearing on pages 215 to 339 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 22 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.

Consolidated Financial Statements

The consolidated financial statements of the Group for the year ended 31 March 2022 comprise People's Leasing & Finance PLC (Parent Company), its subsidiaries (together referred to as the 'Group').

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 31st March 2022 is 2,245 and 3,148 respectively. (2,343 and 3,304 as at 31st March 2021).

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

| Name of the Subsidiaries | Principal Activities | Country of Incorporation | % Equity Interest | |
|---|--|--------------------------|-------------------|------|
| | | | 2022 | 2021 |
| 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 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 lease/loans and advances, issue of debt instruments and mobilization of public deposits | Bangladesh | 51% | 51% |

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 31st March 2022 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 / www.slaasc.lk'.

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 Notes 3 on page 218.

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.

Notes to the Financial Statements

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;
- a Statement of Financial Position providing the information on the financial position of the Company and the Group as at the year-end;
- a Statement of Changes in Equity depicting all changes in shareholders' equity during the year under review of the Company and the Group;
- 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; and
- Notes to the Financial Statements comprising Accounting Policies and other explanatory information.

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 2022 (including comparatives) were approved and authorised for issue on 24 June 2022 in accordance with the resolution of the Board of Directors on 24 June 2022.

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 01 on "Presentation of Financial Statements".

2.9 Materiality and Aggregation

In compliance with the Sri Lanka Accounting Standard - LKAS 01 on '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 Judgments, 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 judgments, 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 judgments, 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 judgments, 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,

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 |
|--|--|------|
| Financial assets -Fair value through profit or loss | Fair Value | 24 |
| Financial assets - Fair value through other comprehensive income | Fair Value | 27 |
| Investment property | Fair Value | 30 |
| Retirement benefit obligation | Liability is recognised as the present value of the retirement benefit obligation, plus actuarial gains and losses . | 43 |

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 52 on page 305 (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 realize 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 Lanka Rupees (Rs.), which is the currency of primary economic environment, in which the Group operates (Group functional currency).

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.

Going Concern In determining the basis of preparing the financial statements for the year ended 31 March 2022, based on available information, the management has assessed the existing and anticipated effects of COVID-19 on the Group Companies and the appropriateness of the use of the going concern basis.

Group evaluated the resilience of its businesses considering a wide range of factors under multiple stress tested scenarios, relating to expected income, cost management, profitability, the ability to defer non-essential capital expenditure, unused credit lines and the ability to continue providing services to ensure businesses continue as least impacted as possible. Having presented the outlook for each industry of group to the holding company Board and After evaluating the above by the Management, and after due consideration of the range and likelihood of outcomes, the Management is satisfied that the Company have adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis in preparing and presenting these financial statements.

Classification of Financial Assets and Liabilities

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 3.5.2 on page 219.
- The contractual cash flow characteristics of the financial assets as set out in Note 3.5.2 on page 219.

Impairment losses on Financial Assets

The measurement of impairment losses both under SLFRS 9 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.

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 Statement of Profit or Loss. 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 factors 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 25.6 on page 260 to the financial statements.

Impairment charges on financial investments

Financial investments are categorised under amortised cost subject to impairment in accordance 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

Details of the 'Impairment of FVOCI' are given in Note 27 on page 268 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. Judgment of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

Useful Life Time of the Intangible Assets

Details of the 'useful life-time of the intangible assets' are given in Note 34 on page 281 to the financial statements.

GRI | 207-1, 207-2, 207-4

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 judgment to determine the impact of transfer pricing regulations. Accordingly critical judgments 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 judgments. Differences between estimated income tax charge and actual payable may arise as a result of management's interpretation and application of transfer pricing regulation.

GRI | 207-1, 207-2, 207-4

Deferred Tax

Details of the 'deferred tax' are given in Note 44 on page 297 to the financial statements.

Retirement Benefit Obligation

Details of the 'retirement benefit obligation' are given in Note 43 on page 294 to the financial statements.

Notes 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.

3. General Accounting Policies

3.1 Basis of Consolidation

The Consolidated Financial Statements of the Group for the year ended 31st March 2022 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 December 31st. 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 03 (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 acquiree, 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 combination 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 unrealized 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 affected. 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.

3.3 SLFRS 15 - Revenue from Contracts with Customers

SLFRS 15 replaces revenue recognition guidance, including LKAS 18 on "Revenue", LKAS 11 on "Construction Contracts" and IFRIC 13 on "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.

3.4 Due and Amended Standard and Interpretation

In these financial statements, the Group has applied Sri Lanka Accounting Standard - Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 - Interest Rate Benchmark Reform, and Amendments to SLFRS 16 - COVID - 19 Related Rent Concessions for financial reporting which became effective for the annual reporting periods beginning on or after 1st January 2020, for the first time. The Group has not early adopted any other standard, interpretation or amendment that has been issued but not effective.

3.4.1 Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4

The amendments to SLFRS 9 & LKAS 39 provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

IBOR reforms Phase 2 include number of reliefs and additional disclosures. Amendments supports companies in applying SLFRS when changes are made to contractual cash flows or hedging relationships because of the reform.

These amendments to various standards are effective for the annual reporting periods beginning on or after 01 January 2021. The Company/Group is currently assessing the potential impact on its Financial Statements resulting from this amendment.

3.4.2 Amendments to SLFRS 16 - COVID - 19 Related Rent Concessions

The amendments provide relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 Pandemic.

As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from Covid-19 related rent concession the same way it would account for the change under SLFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 01 June 2020. Early application of this amendment was permitted. In case entity has early adopted this amendment above disclosure should not be included under impending standard note - it may be reflected under the note "Changes in accounting policies /new and amended standards adopted during the year". The Company/Group is currently assessing the potential impact on its Financial Statements resulting from this amendment.

3.5 Financial Instruments - Initial Recognition and Subsequent Measurement

3.5.1 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.

3.5.2 Classification and Subsequent Measurement of Financial Assets

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.

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;

Notes to the Financial Statements

- 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.

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 the 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 22,23,25,26,28 and 35 to 41 on pages 248,249,251,267,269 and 283 to 293.

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 on page 268.

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 on page 249.

Financial Assets Designated at Fair Value Through Profit or Loss

As per SLFRS 9, on 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.

3.5.3 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 recognized 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.

3.5.4 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.

3.5.5 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 on page 241.

3.6 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/amortisation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognised in Statement of Profit or Loss.

Notes to the Financial Statements

3.7 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 on 'Provision, Contingent Liabilities and Contingent Assets'. The amount recognized 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.

3.8 Borrowing Costs

As per Sri Lanka Accounting Standard - LKAS 23 on 'Borrowing Costs', the Group capitalizes 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.

GRI | 207-1, 207-2, 207-4

3.9 Income tax

Details of the 'income tax expense' are given in Note 17 on page 235 to the financial statements.

GRI | 207-1, 207-2, 207-4

3.10 Deferred Tax

Details of the 'deferred tax' are given in Note 44 on page 297 to the financial statements.

3.11 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 April 1, 2013 and is payable to the National Insurance Trust Fund. Currently, the CIL is payable at 1% of the profit after tax.

3.12 Tax on Financial Services

Details of the 'VAT, NBT and Debt repayment Levy on financial services are given in Note 16 on page 234 to the financial statements.

4. Standards Issued But Not Yet Effective

The following Sri Lanka Accounting Standards and interpretations were issued by The Institute of Chartered Accountants of Sri Lanka but not yet effective as at 31st March 2022. Accordingly these accounting standards have not been applied in the preparation of the Financial Statements for the year ended 31 March 2022. Following amendment is not expected to have a material impact on the Financial Statements of the Company/Group in the foreseeable future.

SLFRS 17- Insurance Contracts

SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace IFRS 4 Insurance Contracts (SLFRS 4). SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

SLFRS 17 is effective for annual reporting periods beginning on or after 01 January 2023. Early application is permitted, if the entity is applying both Sri Lanka Accounting Standard - SLFRS 9 "Financial Instruments" and Sri Lanka Accounting Standard - SLFRS 15 "Revenue from Contracts with Customers" on or before the date on which it first apply SLFRS 17.

SLFRS 1 First-time Adoption of Sri Lanka Financial Reporting Standards - Subsidiary as a first-time adopter

As part of its 2018-2020 annual improvements to SLFRS standards process, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued an amendment to SLFRS 1 First-time Adoption of International Financial Reporting Standards (SLFRS 1). The amendment permits a subsidiary that elects to apply paragraph D16(a) of SLFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to SLFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of SLFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

SLFRS 9 Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to SLFRS standards process, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued an amendment to SLFRS 9 Financial Instruments (SLFRS 9). The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

Amendments to SLFRS 3

The amendments update SLFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to SLFRS 3 a requirement that, for obligations within the scope of LKAS 37, an acquirer applies LKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier. The Company/Group is

currently assessing the potential impact on its Financial Statements resulting from this amendment.

Property, Plant and Equipment: Proceeds before Intended Use - Amendments to LKAS 16

In March 2021, the CA Sri Lanka adopted amendments to LKAS16 - Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The Company/Group is currently assessing the potential impact on its Financial Statements resulting from this amendment.

Onerous Contracts - Costs of Fulfilling a Contract - Amendments to LKAS 37

In March 2021, the CA Sri Lanka adopted amendments to LKAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. The Company/Group is currently assessing the potential impact on its Financial Statements resulting from this amendment.

Amendments to LKAS 1: Classification of Liabilities as Current or Non-current

In March 2021, CA Sri Lanka adopted amendments to paragraphs 69 to 76 of LKAS 1 which specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively. The Company/Group is currently assessing the potential impact on its Financial Statements resulting from this amendment.

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 31st March | Note | Page No. | Company | | Group | |
|--|------|----------|-------------------|-------------------|-------------------|-------------------|
| | | | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 |
| Interest income | 6.1 | 225 | 23,881,526 | 24,983,445 | 25,926,792 | 26,821,838 |
| Net earned premium | 7 | 226 | - | - | 4,939,071 | 5,028,549 |
| Fee and commission income | 8 | 227 | 1,876,524 | 1,818,675 | 1,321,513 | 1,198,054 |
| Net gains/(losses) on financial assets - FVTPL | 9 | 228 | 26,783 | 162,616 | 86,525 | 228,258 |
| Other operating income | 10 | 228 | 956,547 | 139,062 | 357,085 | 368,566 |
| Total | | | 26,741,380 | 27,103,798 | 32,630,986 | 33,645,265 |

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 SLFRS 9, 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 recognized 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", Customer default point (Uncertainty about the recoverability) has been change to 90 days past due. Accordingly interest income can be recognized only up to 90 days past due in accordance with SLFRS 9.

Interest on Overdue Rentals

Interests from overdue rentals have been accounted for on a cash basis.

| For the year ended 31st March | Page | Company | | Group | | |
|-------------------------------|------|---------|------------|------------------|------------------|------------------|
| | | Note | No. | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 |
| Interest income | 6.1 | 225 | 23,881,526 | 24,983,445 | 25,926,792 | 26,821,838 |
| Interest expenses | 6.2 | 225 | 10,832,186 | 13,064,310 | 11,205,126 | 13,375,197 |
| Net interest income | | | 13,049,340 | 11,919,135 | 14,721,666 | 13,446,641 |

6.1 Interest income

| For the year ended 31st March | Page | Company | | Group | | |
|--|-------|---------|------------|------------------|------------------|------------------|
| | | Note | No. | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 |
| Cash and cash equivalents | | | 159,743 | 73,753 | 176,533 | 103,501 |
| Balances with banks & financial institutions | | | 443,816 | 340,778 | 587,209 | 471,229 |
| Loans and receivables | 6.1.1 | 225 | 22,633,122 | 24,190,261 | 24,170,060 | 25,589,345 |
| Debt instrument - Amortised cost | | | 644,845 | 378,653 | 992,990 | 657,763 |
| Total interest income | | | 23,881,526 | 24,983,445 | 25,926,792 | 26,821,838 |

6.1.1 Interest income - Loans and Receivables

| For the year ended 31st March | Company | | Group | |
|-----------------------------------|------------------|------------------|------------------|------------------|
| | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 |
| Lease/Ijarah receivable | 12,449,735 | 14,176,359 | 12,453,101 | 14,178,588 |
| Hire-Purchase/ Murabah receivable | 1,628 | 5,479 | 791,468 | 823,834 |
| Term loans and receivables | 10,181,759 | 10,008,423 | 10,925,491 | 10,586,923 |
| | 22,633,122 | 24,190,261 | 24,170,060 | 25,589,345 |

6.2 Interest Expenses

| For the year ended 31st March | Page | Company | | Group | | |
|-------------------------------------|-------|---------|------------|------------------|------------------|------------------|
| | | Note | No. | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 |
| Due to banks | 6.2.1 | 226 | 903,595 | 671,106 | 1,117,531 | 949,639 |
| Due to customers | 6.2.1 | 226 | 7,802,922 | 10,228,458 | 8,057,701 | 10,316,632 |
| Debt securities issued | 6.2.1 | 226 | 1,875,532 | 1,935,761 | 1,859,429 | 1,916,991 |
| SLFRS 16-Incremental Borrowing Cost | 40 | 292 | 250,137 | 228,985 | 170,465 | 191,935 |
| Total interest expenses | | | 10,832,186 | 13,064,310 | 11,205,126 | 13,375,197 |

Notes to the Financial Statements

6. Net Interest Income Contd...

6.2.1 Interest Expenses - Product Wise

| For the year ended 31st March | Page Note | Page No. | Company | | Group | |
|-------------------------------------|--------------|-------------|------------------|------------------|------------------|------------------|
| | | | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 |
| Due to banks | | | | | | |
| Interest on bank overdraft | | | 1,027 | 1,272 | 34,866 | 25,769 |
| Interest on short term loan | | | - | 14,963 | 11 | 16,372 |
| Interest on term loan | | | 235,166 | 4,980 | 415,253 | 257,608 |
| Interest on securitisation | | | 667,402 | 649,891 | 667,401 | 649,890 |
| Subtotal | | | 903,595 | 671,106 | 1,117,531 | 949,639 |
| Due to customers | | | | | | |
| Interest cost on deposits | | | 7,802,922 | 10,228,458 | 8,057,701 | 10,316,632 |
| Subtotal | | | 7,802,922 | 10,228,458 | 8,057,701 | 10,316,632 |
| Debt securities issued | | | | | | |
| Interest on debentures | 37.1 | 287 | 1,875,532 | 1,935,761 | 1,859,429 | 1,916,991 |
| Subtotal | | | 1,875,532 | 1,935,761 | 1,859,429 | 1,916,991 |
| Operating lease liabilities | | | | | | |
| SLFRS 16-Incremental Borrowing Cost | | | 250,137 | 228,985 | 170,465 | 191,935 |
| Subtotal | | | 250,137 | 228,985 | 170,465 | 191,935 |
| Total interest expenses | | | 10,832,186 | 13,064,310 | 11,205,126 | 13,375,197 |

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 People's Insurance PLC (Subsidiary of PLC) 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.

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.

| For the year ended 31st March | Company | | Group | |
|---|------------------|------------------|------------------|------------------|
| | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 |
| Gross written premium | - | - | 6,049,693 | 6,133,052 |
| Less : Premium ceded to reinsurers | - | - | 1,142,976 | 956,324 |
| Less : Change in reserve unearned premium | - | - | (32,354) | 148,179 |
| Total | - | - | 4,939,071 | 5,028,549 |

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.

Notes to the Financial Statements

8. Fee and Commission Income (Contd...)

| For the year ended 31st March | Company | | Group | |
|-------------------------------|------------------|------------------|------------------|------------------|
| | 2022 | 2021 | 2022 | 2021 |
| | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Service charges | 522,316 | 583,452 | 160,404 | 149,021 |
| Other fees and commission | 1,354,208 | 1,235,223 | 1,161,109 | 1,049,033 |
| Total | 1,876,524 | 1,818,675 | 1,321,513 | 1,198,054 |

9. Net Gains/(Losses) on Financial Assets - FVTPL

| For the year ended 31st March | Company | | Group | |
|---|---------------|----------------|---------------|----------------|
| | 2022 | 2021 | 2022 | 2021 |
| | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Net gain/(Loss) on financial assets - FVTPL | | | | |
| Net mark-to-market (losses)/gain | (8,496) | (10,455) | 30,325 | 25,864 |
| Net capital gains | 35,279 | 173,071 | 56,200 | 202,394 |
| Total | 26,783 | 162,616 | 86,525 | 228,258 |

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 recognized 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.

Gain or Losses on Disposal of Property, Plant & 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 tenant for the year.

Valuation Income

Valuation income is recognised when they are realised or realisable

Insurance Fee Income

Insurance Policy holders are charged for policy administration services and other contract fees. These fees are recognised as income upon receipt or become due.

Other Income

Other income is recognised on an accrual basis.

| For the year ended 31st March | Company | | Group | |
|---|----------------|----------------|----------------|----------------|
| | 2022 | 2021 | 2022 | 2021 |
| | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Gain on sale of property, plant and equipment | 17,529 | 22,823 | 55,778 | 74,774 |
| Hiring income | - | - | 2,436 | 24,939 |
| Operating leases income | - | - | 25,030 | 27,487 |
| Rent income from investment property | - | - | 75,712 | 72,248 |
| Net trading income from sale of vehicles | 99 | 4,620 | 99 | 4,620 |
| Dividend income from - FVOCI | 5,591 | 640 | 5,591 | 640 |
| - Subsidiaries | 930,625 | 110,000 | - | - |
| - FVTPL | 625 | 33 | 625 | 278 |
| Valuation income | - | - | 106,662 | 92,166 |
| Insurance fee income | - | - | 57,588 | 55,761 |
| Other income | 2,078 | 946 | 27,564 | 15,653 |
| Total | 956,547 | 139,062 | 357,085 | 368,566 |

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 SLFRS 9 - Financial Instruments. The methodology adopted by the Company and the Group is explained in Note 25 on page 251 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.

Bad Debts Recovered

Recovery of amounts written off as bad and doubtful debts is recognised on a cash basis.

| For the year ended 31st March | Note | Page No. | Company | | Group | |
|--|------------------|------------|----------------|------------------|----------------|------------------|
| | | | 2022 | 2021 | 2022 | 2021 |
| | | | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Individual impairment | 11.3/11.4 | 231 | 487,288 | (148,063) | 487,288 | (260,794) |
| Collective impairment | 11.3/11.4 | 231 | 132,344 | 665,766 | 442,868 | 971,185 |
| Other receivable | | | 6,760 | 18,672 | (5,623) | 55,707 |
| Loss on disposal of collaterals including write offs | | | 104,746 | 603,692 | 104,746 | 683,057 |
| Recovery of written-off debts/disposal losses | | | (75,713) | (96,230) | (77,523) | (96,666) |
| Total | 11.1/11.2 | 230 | 655,425 | 1,043,837 | 951,756 | 1,352,489 |

Notes to the Financial Statements

11. Impairment Charges for Loans and Receivables and Other Losses (Contd...)

11.1 Impairment Charge/(Reversal) for Loans and Other Losses (Detailed Breakdown) - Company

| For the year ended 31st March | 2022 | | | |
|-----------------------------------|--|------------------|--------------------|----------------|
| | Disposal loss/write-offs (net of recovery) | Charge | (Reversal) | Net Amount |
| | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Lease/Ijarah receivable | 28,415 | 2,766,525 | (2,187,125) | 607,815 |
| Hire-Purchase/ Murabah receivable | (6,795) | 17,586 | (10,232) | 559 |
| Term Loan and receivables | 7,413 | 2,078,221 | (2,045,342) | 40,292 |
| Other receivables | - | 389,417 | (382,658) | 6,759 |
| Total | 29,033 | 5,251,749 | (4,625,357) | 655,425 |

| For the year ended 31st March | 2021 | | | |
|-----------------------------------|--|------------------|--------------------|------------------|
| | Disposal loss/write-offs (net of recovery) | Charge | (Reversal) | Net Amount |
| | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Lease/Ijarah receivable | 293,766 | 1,538,226 | (1,733,151) | 98,841 |
| Hire-Purchase/ Murabah receivable | (5,316) | 68,635 | (10,712) | 52,607 |
| Term Loan and receivables | 219,012 | 3,096,373 | (2,441,668) | 873,717 |
| Other receivables | - | 18,672 | - | 18,672 |
| Total | 507,462 | 4,721,906 | (4,185,531) | 1,043,837 |

11.2 Impairment Charge/(Reversal) for Loans and Other Losses (Detailed Breakdown) - Group

| For the year ended 31st March | 2022 | | | |
|-----------------------------------|--|------------------|--------------------|----------------|
| | Disposal loss/write-offs (net of recovery) | Charge | (Reversal) | Net Amount |
| | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Lease/Ijarah receivable | 28,415 | 2,766,525 | (2,187,125) | 607,815 |
| Hire-Purchase/ Murabah receivable | (6,795) | 73,823 | (10,232) | 56,796 |
| Term Loan and receivables | 5,603 | 2,332,507 | (2,045,342) | 292,768 |
| Other receivable | - | 377,035 | (382,658) | (5,623) |
| Total | 27,223 | 5,549,890 | (4,625,357) | 951,756 |

| For the year ended 31st March | 2021 | | | |
|-----------------------------------|--|------------------|--------------------|------------------|
| | Disposal loss/Write-offs (net of recovery) | Charge | (Reversal) | Net Amount |
| | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Lease/Ijarah receivable | 293,766 | 1,538,226 | (1,733,151) | 98,841 |
| Hire-Purchase/ Murabah receivable | (5,316) | 188,858 | (10,712) | 172,830 |
| Term Loan and receivables | 297,941 | 3,168,837 | (2,441,667) | 1,025,111 |
| Other receivable | - | 55,707 | - | 55,707 |
| Total | 586,391 | 4,951,628 | (4,185,530) | 1,352,489 |

11.3 Impairment Charge to the Income Statement - Company

| For the year ended 31st March | 2022 | | | |
|---|---------------------|---------------------|---------------------|-------------------|
| | 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 | - | - | 487,288 | 487,288 |
| - Collective impairment | 506,739 | (222,248) | (152,147) | 132,344 |
| Total | 506,739 | (222,248) | 335,141 | 619,632 |

| For the year ended 31st March | 2021 | | | |
|---|---------------------|---------------------|---------------------|-------------------|
| | 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 | - | - | (148,063) | (148,063) |
| - Collective impairment | 156,312 | (69,899) | 579,353 | 665,766 |
| Total | 156,312 | (69,899) | 431,290 | 517,703 |

11.4 Impairment Charge to the Income Statement - Group

| For the year ended 31st March | 2022 | | | |
|---|---------------------|---------------------|---------------------|-------------------|
| | 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 | - | - | 487,288 | 487,288 |
| - Collective impairment | 720,725 | (226,076) | (51,781) | 442,868 |
| Total | 720,725 | (226,076) | 435,507 | 930,156 |

| For the year ended 31st March | 2021 | | | |
|---|---------------------|---------------------|---------------------|-------------------|
| | 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 | - | - | (260,794) | (260,794) |
| - Collective impairment | 244,872 | (71,348) | 797,661 | 971,185 |
| Total | 244,872 | (71,348) | 536,867 | 710,391 |

Notes to the Financial Statements

12. Personnel Expenses

Accounting Policy

Personnel expenses include salaries, bonus, terminal benefit charges and other related expenses. The provision for bonus is recognized 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.

| For the year ended 31st March | Page | | Company | | Group | |
|---|------|-----|------------------|------------------|------------------|------------------|
| | Note | No. | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 |
| Remuneration | | | 3,675,122 | 3,117,406 | 4,536,777 | 3,928,410 |
| Employee benefit - Defined contribution plans - EPF | | | 195,504 | 188,764 | 247,093 | 237,748 |
| Employee benefit - Defined contribution plans - ETF | | | 48,895 | 47,461 | 60,674 | 58,590 |
| Employee benefit - Retirement benefit obligation - Gratuity | 43 | 294 | 82,893 | 111,742 | 102,203 | 129,888 |
| Total | | | 4,002,414 | 3,465,373 | 4,946,747 | 4,354,636 |

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 | % 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 equipments | 10 - 20 | 5 - 10 years |
| Furniture 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.

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 page 275.

Amortisation of Right of Use Assets

The right of use asset is subsequently depreciated. Depreciation is over the shorter of the useful life of the asset and the lease term

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 | % 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.

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 34 on page 281.

| For the year ended 31st March | Page No. | Company | | Group | |
|---|----------|------------------|------------------|------------------|------------------|
| | | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 |
| Depreciation of property, plant and equipment | 32 275 | 168,564 | 167,360 | 296,458 | 292,245 |
| Amortisation - Right of use assets | 33 280 | 518,284 | 543,769 | 325,327 | 340,349 |
| Amortisation of intangible assets | 34 281 | 13,195 | 11,865 | 16,879 | 15,099 |
| Total | | 700,043 | 722,994 | 638,664 | 647,693 |

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 re-insured business.

| For the year ended 31st March | Company | | Group | |
|---|------------------|------------------|------------------|------------------|
| | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 |
| Net Benefits and claims | - | - | 2,704,556 | 2,109,279 |
| Underwritings and net acquisition costs | - | - | 523,919 | 554,068 |
| Total | - | - | 3,228,475 | 2,663,347 |

Notes to the Financial Statements

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 & 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 April 1, 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 31st March | Company | | Group | |
|---|------------------|------------------|------------------|------------------|
| | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 |
| Directors' emoluments | 4,939 | 3,863 | 12,711 | 7,919 |
| Auditors' remunerations | 7,385 | 7,385 | 14,444 | 13,321 |
| Non-audit fees to auditors | 1,317 | 1,888 | 1,317 | 2,216 |
| Professional fees | 23,689 | 12,155 | 34,112 | 24,821 |
| Advertising expenses | 12,618 | 28,473 | 53,709 | 63,059 |
| Legal fees | 8,702 | 11,666 | 12,829 | 12,042 |
| Deposits Insurance Premium | 148,678 | 151,868 | 148,678 | 151,868 |
| Crop Insurance Levy | 45,973 | 36,745 | 45,973 | 36,745 |
| Operational expenses arising from investment property | - | - | 11,145 | 4,465 |
| Office administration and establishment expenses | 1,881,196 | 1,358,816 | 2,272,562 | 1,731,602 |
| Total | 2,134,497 | 1,612,859 | 2,607,480 | 2,048,058 |

GRI | 207-1, 207-2, 207-4

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 on financial service was charged at 15% from 1st April 2021 to December 2021 and 18% applied with effect from 1 January 2022 (2021 - 15%).

| For the year ended 31st March | Company | | Group | |
|-------------------------------|------------------|------------------|------------------|------------------|
| | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 |
| VAT/NBT on financial services | 1,645,111 | 1,222,628 | 1,705,797 | 1,273,966 |
| Total | 1,645,111 | 1,222,628 | 1,705,797 | 1,273,966 |

GRI | 207-1, 207-2, 207-4

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 on "Income Taxes". As per Sri Lanka Accounting Standard - LKAS 12 "Income Taxes", tax 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 44 on page 297 to the Financial Statements

| Company | Note | Page No. | Tax rate | |
|---|------|----------|----------|---------|
| | | | 2022 | 2021 |
| People's Leasing & Finance PLC | | | 24% | 24% |
| People's Leasing Fleet Management Limited | | | 24% | 24% |
| People's Micro-commerce Ltd | | | 24% | 24% |
| People's Insurance PLC | 17.1 | 235 | 24% | 24% |
| People's Leasing Property Development Limited | 17.2 | 235 | 24% | 20%-24% |
| People's Leasing Havelock Properties Limited | 17.3 | 236 | Exempt | Exempt |
| Lankan Alliance Finance Limited | 17.4 | 236 | 40.00% | 40.00% |

17.1 People's Insurance PLC

Current tax is the expected tax payable on the taxable income for the year using tax rate enacted or substantively enacted on the reporting date and any adjustment to tax payable in respect of previous year. 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. 24 of 2017.

Current income tax assets and liabilities also include adjustments for tax expected to be payable or recoverable in respect of the previous period. The management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions, where appropriate. The Company is liable for income tax at 24% (2021 - 24%) in terms of the Inland Revenue Act No. 24 of 2017 and amendments thereto.

17.2 People's Leasing Property Development Limited

Pursuant to the agreement dated 3rd 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% concessional tax rate for a period of 2 years immediately succeeding the last date of tax exemption period and a 20% concessional tax rate after the expiration of the 10% concessional tax period. Non BOI income is liable for normal rate of 24%.

Notes to the Financial Statements

17. Income Tax Expense (Contd...)

17.3 People's Leasing Havelock Properties Limited

Pursuant to the agreement dated 16th 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 earliest. The Company is eligible for a 10% concessional tax rate for a period of 2 years immediately succeeding the last date of tax exemption period and a 20% concessional tax rate after the expiration of the 10% concessional 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 40%.

GRI | 207-1, 207-2, 207-4

17.5 Income Tax Expense

| For the year ended 31st March | Page Note | Page No. | Company | | Group | |
|---|--------------|-------------|------------------|------------------|------------------|------------------|
| | | | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 |
| Statement of Profit or Loss | | | | | | |
| Current income tax charge | 17.6 | 236 | 2,664,536 | 1,909,079 | 3,173,817 | 2,505,247 |
| Deferred tax (reversal)/charge for the year | 44 | 297 | (673,452) | (69,511) | (766,656) | (270,905) |
| Income tax expense recognised in Statement of Profit or Loss | | | 1,991,084 | 1,839,568 | 2,407,161 | 2,234,336 |
| Statement of Comprehensive Income | | | | | | |
| Deferred tax charge/(reversal) for the year | 44 | 297 | (57,433) | 29,961 | (57,612) | (27,690) |
| Income tax charge/(reversal) recognised in Statement of Comprehensive Income | | | (57,433) | 29,961 | (57,612) | (27,690) |
| Effective tax rate (excluding deferred tax) | | | 40.07% | 32.51% | 43.93% | 31.99% |
| Effective tax rate | | | 29.94% | 31.32% | 33.32% | 28.53% |

17.6 Reconciliation of Accounting Profit and Taxable Income

| For the year ended 31st March | Page Note | Page No. | Company | | Group | |
|--|--------------|-------------|------------------|------------------|------------------|------------------|
| | | | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 |
| Profit as per Statement of Profit or Loss | | | 6,650,092 | 5,872,588 | 7,225,330 | 7,830,670 |
| Add: Disallowable expenses | | | 3,537,261 | 3,147,900 | 4,057,954 | 4,762,952 |
| Add: Lease capital recoverable | | | 5,788,713 | 4,992,617 | 5,788,713 | 4,992,617 |
| Less: Allowable expenses | | | 4,363,762 | 6,101,406 | 4,711,073 | 6,370,337 |
| Less: Exempted /allowable income | | | 4,483 | (6,711) | 236,240 | 62,903 |
| Statutory income | | | 11,607,821 | 7,918,410 | 12,124,684 | 11,152,999 |
| Less: Tax loss utilised during the year | 17.7 | 237 | - | - | - | 7,863 |
| Assessable income | | | 11,607,821 | 7,918,410 | 12,124,684 | 11,145,136 |
| Taxable income | | | 11,607,821 | 7,918,410 | 12,124,684 | 11,145,136 |
| Income tax expense at the statutory income | 17.8 | 237 | 2,712,280 | 1,999,971 | 3,221,561 | 2,601,127 |
| (Over)/ under provision- previous years | | | (47,744) | (90,892) | (47,744) | (95,886) |
| Current tax on profits for the year | | | 2,664,536 | 1,909,079 | 3,173,817 | 2,505,241 |
| Deferred tax charged/(reversal) for the year | 44 | 297 | (673,452) | (69,511) | (766,656) | (270,905) |
| Tax expense for the year | | | 1,991,084 | 1,839,568 | 2,407,161 | 2,234,336 |

17.7 Tax Losses Brought Forward and Utilised during the Year

| For the year ended 31st March | Company | | Group | |
|---|------------------|------------------|------------------|------------------|
| | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 |
| Tax Losses Brought Forward and Utilised during the Year | | | | |
| Tax losses brought forward | - | - | 67,971 | 75,834 |
| Tax losses utilised during the year | - | - | - | (7,863) |
| Tax losses not utilised and carried forward | - | - | 67,971 | 67,971 |

17.8 Income Tax Expense at the Statutory Income

| For the year ended 31st March | Company | | Group | |
|---|------------------|------------------|------------------|------------------|
| | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 |
| People's Leasing & Finance PLC | 2,712,280 | 1,999,971 | 2,712,280 | 1,999,971 |
| People's Leasing Fleet Management Limited | - | - | 68,653 | 22,303 |
| People's Micro-commerce Ltd | - | - | 93,247 | 71,377 |
| People's Insurance PLC | - | - | 219,958 | 422,685 |
| People's Leasing Property Development Limited | - | - | 26,562 | 4,269 |
| Lankan Alliance Finance Limited | - | - | 100,861 | 80,535 |
| Total income tax at the effective rate | 2,712,280 | 1,999,971 | 3,221,561 | 2,601,140 |

17.9 Summary of the Taxes Paid During the Year

| For the year ended 31st March | Company | | Group | |
|--|------------------|------------------|------------------|------------------|
| | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 |
| Direct taxes | | | | |
| Income tax | 1,175,310 | 3,349,938 | 1,958,933 | 3,534,648 |
| Value added tax on financial services | 1,568,235 | 834,720 | 1,597,458 | 864,943 |
| Nation building tax on financial services | - | - | - | - |
| Crop insurance levy | 48,509 | 18,373 | 60,462 | 24,679 |
| Economic service charge | - | - | - | - |
| Debt Repayment Levy | - | - | - | - |
| Total direct taxes | 2,792,054 | 4,203,031 | 3,616,853 | 4,424,270 |
| Indirect taxes (collected and paid) | | | | |
| Value added tax | 148,433 | 132,211 | 529,610 | 556,156 |
| Nation building tax | - | - | - | - |
| Stamp duty | 173,443 | 133,173 | 181,192 | 141,036 |
| Withholding tax on dividend and interest | - | - | - | - |
| Paye/APT tax | 33,987 | 29,068 | 35,394 | 30,208 |
| Total indirect taxes | 355,863 | 294,452 | 746,196 | 727,400 |
| Total taxes paid during the financial year | 3,147,917 | 4,497,483 | 4,363,049 | 5,151,670 |

Notes to the Financial Statements

18. Basic / Diluted Earnings Per Ordinary 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 31st March | Company | | Group | |
|---|---------------|---------------|---------------|---------------|
| | 2022 | 2021 | 2022 | 2021 |
| Profit attributable to equity holders of the Company (Rs.) | 4,659,008,652 | 4,033,019,637 | 4,805,730,508 | 5,294,015,655 |
| Number of ordinary shares as at 31st March 2022 (Restated-2021) | 1,887,195,002 | 1,887,195,002 | 1,887,195,002 | 1,887,195,002 |
| Basic/ Diluted earnings per ordinary share (Rs.) | 2.47 | 2.14 | 2.55 | 2.81 |

19. Dividend Per Ordinary Share

| For the year ended 31st March | Company | |
|-----------------------------------|---------------|-------------|
| | 2022 | 2021 |
| Ordinary shares | | |
| Out of normal profits (Rs.) | - | 976,622,033 |
| Total cash dividend paid (Rs.) | - | 976,622,033 |
| Scrip/Cash dividend Paid (Rs.) | 2,179,924,683 | 976,622,033 |
| Total dividend paid (Rs.) | 2,179,924,683 | 976,622,033 |
| Dividend per Ordinary share (Rs.) | 1.25 | 0.60 |

Subsequent to the reporting date, the Board of Directors of the Company recommended the payment of a final dividend of Rs. 0.50 per share in the form of scrip dividend for the year ended 31 March 2022. This final dividend is yet to be approved at the Annual General Meeting. In accordance with the Sri Lanka Accounting Standard - LKAS 10 (Events After the Reporting Period), this proposed final dividend has not been recognized as a liability as at 31 March 2022. 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.

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 - SLFRS 9 'Financial Instruments: Recognition and Measurement' under the headings of the Statement of Financial Position.

20.1 Company

| As at 31st March 2022 | | Financial instruments recognised through profit or loss (FVTPL) | Financial instruments at amortised cost (AC) | Financial instruments at fair value through other comprehensive income (FVOCI) | Total |
|--|------|---|--|--|--------------------|
| | Note | Page No. | Rs. '000 | Rs. '000 | Rs. '000 |
| Assets | | | | | |
| Cash and cash equivalents | 22 | 248 | - | 4,668,830 | 4,668,830 |
| Balances with banks & financial institutions | 23 | 248 | - | 5,117,866 | 5,117,866 |
| Financial assets -Fair value through profit or loss | 24 | 249 | 25,140 | - | 25,140 |
| Loans and receivables | 25 | 251 | - | 151,274,454 | 151,274,454 |
| Financial assets - Fair Value through other comprehensive income | 27 | 268 | - | - | 1,333,278 |
| Debt Instrument at amortised cost | 28 | 269 | - | 9,827,221 | 9,827,221 |
| Other financial assets | 31 | 274 | - | 108,493 | 108,493 |
| Total financial assets | | | 25,140 | 170,996,864 | 172,355,282 |
| As at 31st March 2022 | | | | | |
| Liabilities | | | | | |
| Due to banks | 35 | 283 | - | 11,749,332 | 11,749,332 |
| Due to customers | 36 | 285 | - | 103,367,904 | 103,367,904 |
| Debt securities issued | 37 | 287 | - | 17,244,313 | 17,244,313 |
| Other financial liabilities | 38 | 289 | - | 3,636,528 | 3,636,528 |
| Lease Liability | 40 | 293 | - | 2,059,050 | 2,059,050 |
| Total financial liabilities | | | - | 138,057,127 | 138,057,127 |

20.2 Company

| As at 31st March 2021 | | Financial instruments recognised through profit or loss (FVTPL) | Financial instruments at amortised cost (AC) | Financial instruments at fair value through other comprehensive income (FVOCI) | Total |
|--|------|---|--|--|--------------------|
| | Note | Page No. | Rs. '000 | Rs. '000 | Rs. '000 |
| Assets | | | | | |
| Cash and cash equivalents | 22 | 248 | - | 2,703,031 | 2,703,031 |
| Balances with banks & financial institutions | 23 | 248 | - | 5,399,071 | 5,399,071 |
| Financial assets -Fair value through profit or loss | 24 | 249 | 109,787 | - | 109,787 |
| Loans and receivables | 25 | 251 | - | 141,387,907 | 141,387,907 |
| Financial assets - Fair Value through other comprehensive income | 27 | 268 | - | - | 309,118 |
| Debt Instrument at amortised cost | 28 | 269 | - | 6,994,206 | 6,994,206 |
| Other financial assets | 31 | 274 | - | 126,949 | 126,949 |
| Total financial assets | | | 109,787 | 156,611,164 | 157,030,069 |
| As at 31st March 2021 | | | | | |
| Liabilities | | | | | |
| Due to banks | 35 | 283 | - | 6,439,310 | 6,439,310 |
| Due to customers | 36 | 285 | - | 101,502,931 | 101,502,931 |
| Debt securities issued | 37 | 287 | - | 13,825,553 | 13,825,553 |
| Other financial liabilities | 38 | 289 | - | 4,132,110 | 4,132,110 |
| Lease Liability | 40 | 292 | - | 2,286,386 | 2,286,386 |
| Total financial liabilities | | | - | 128,186,290 | 128,186,290 |

Notes to the Financial Statements

20. Analysis of Financial Instruments by Measurement Basis (Contd...)

20.3 Group

| As at 31st March 2022 | | | 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 |
|--|------|----------|---|--|--|--------------------|
| | Note | Page No. | | | | |
| Assets | | | | | | |
| Cash and cash equivalents | 22 | 248 | - | 5,402,587 | - | 5,402,587 |
| Balances with banks & financial institutions | 23 | 248 | - | 9,529,518 | - | 9,529,518 |
| Financial assets - Fair value through profit or loss | 24 | 249 | 849,298 | - | - | 849,298 |
| Loans and receivables - Amortised cost | 25 | 251 | - | 163,320,846 | - | 163,320,846 |
| Insurance and reinsurance receivables | 26 | 267 | - | 1,322,528 | - | 1,322,528 |
| Financial assets - Fair Value through other comprehensive income | 27 | 268 | - | - | 1,632,941 | 1,632,941 |
| Debt Instrument at amortised cost | 28 | 269 | - | 16,013,525 | - | 16,013,525 |
| Total financial assets | | | 849,298 | 195,589,004 | 1,632,941 | 198,071,243 |
| As at 31st March 2022 | | | | | | |
| Liabilities | | | | | | |
| Due to banks | 35 | 283 | - | 15,300,361 | - | 15,300,361 |
| Due to customers | 36 | 285 | - | 111,453,750 | - | 111,453,750 |
| Debt securities issued | 37 | 287 | - | 17,103,223 | - | 17,103,223 |
| Other financial liabilities | 38 | 289 | - | 4,043,322 | - | 4,043,322 |
| Insurance liabilities and reinsurance payable | 39 | 290 | - | 5,903,363 | - | 5,903,363 |
| Lease liability | 40 | 292 | - | 1,588,115 | - | 1,588,115 |
| Total financial liabilities | | | - | 155,392,134 | - | 155,392,134 |

20.4 Group

| As at 31st March 2021 | | | 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 |
|--|------|----------|---|--|--|--------------------|
| | Note | Page No. | | | | |
| Assets | | | | | | |
| Cash and cash equivalents | 22 | 248 | - | 3,844,694 | - | 3,844,694 |
| Balances with banks & financial institutions | 23 | 248 | - | 8,231,101 | - | 8,231,101 |
| Financial assets - Fair value through profit or loss | 24 | 249 | 1,281,753 | - | - | 1,281,753 |
| Loans and receivables - Amortised cost | 25 | 251 | - | 147,004,004 | - | 147,004,004 |
| Insurance and reinsurance receivables | 26 | 267 | - | 1,024,461 | - | 1,024,461 |
| Financial assets - Fair Value through other comprehensive income | 27 | 268 | - | - | 735,494 | 735,494 |
| Debt Instrument at amortised cost | 28 | 269 | - | 10,931,714 | - | 10,931,714 |
| Total financial assets | | | 1,281,753 | 171,035,974 | 735,494 | 173,053,221 |
| As at 31st March 2021 | | | | | | |
| Liabilities | | | | | | |
| Due to banks | 35 | 283 | - | 9,003,873 | - | 9,003,873 |
| Due to customers | 36 | 285 | - | 103,743,716 | - | 103,743,716 |
| Debt Securities issued | 37 | 287 | - | 13,684,516 | - | 13,684,516 |
| Other Financial liabilities | 38 | 289 | - | 4,111,235 | - | 4,111,235 |
| Lease liability | 40 | 292 | - | 1,614,660 | - | 1,614,660 |
| Insurance liabilities and reinsurance payable | 39 | 290 | - | 5,015,885 | - | 5,015,885 |
| Total financial liabilities | | | - | 137,173,885 | - | 137,173,885 |

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 - Fair Value Through Other Comprehensive Income

Financial assets - Fair Value through other comprehensive income 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 -Fair Value Through Profit or Loss

Financial assets -Fair value through profit or loss 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 categorized under level 3 in the fair value hierarchy.

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 judgments 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:

Notes to the Financial Statements

21. Fair Value of Assets and Liabilities (Contd...)

| Company 31 March 2022 | 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 through other comprehensive income | | | | | | | |
| Quoted Investments | 27 | 268 | 31.03.2022 | 231,838 | - | - | 231,838 |
| Debentures | | | 31.03.2022 | - | - | 1,101,440 | 1,101,440 |
| Subtotal | | | | 231,838 | - | 1,101,440 | 1,333,278 |
| Financial assets -Fair value through profit or loss | | | | | | | |
| Quoted Investments | 24 | 249 | 31.03.2022 | 25,140 | - | - | 25,140 |
| Subtotal | | | | 25,140 | - | - | 25,140 |
| Total | | | | 256,978 | - | 1,101,440 | 1,358,418 |
| Non financial assets disclosed at fair value | | | | | | | |
| Freehold land & buildings (included under property, plant & equipment). | | | | | | | |
| | 32.4 | 279 | | - | - | 1,047,943 | 1,047,943 |
| Total | | | | - | - | 1,047,943 | 1,047,943 |

| Company 31 March 2021 | 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 through other comprehensive income | | | | | | | |
| Quoted Investments | 27 | 268 | 31.03.2021 | 309,118 | - | - | 309,118 |
| Subtotal | | | | 309,118 | - | - | 309,118 |
| Financial assets -Fair value through profit or loss | | | | | | | |
| Quoted Investments | 24 | 249 | 31.03.2021 | 9,768 | - | - | 9,768 |
| Investment in Unit Trust | 24 | 249 | 31.03.2021 | - | 100,019 | - | 100,019 |
| Subtotal | | | | 9,768 | 100,019 | - | 109,787 |
| Total | | | | 318,886 | 100,019 | - | 418,905 |
| Non financial assets disclosed at fair value | | | | | | | |
| Freehold lands & buildings (included under property, plant & equipment). | | | | | | | |
| | 32.4 | 279 | | - | - | 864,058 | 864,058 |
| Total | | | | - | - | 864,058 | 864,058 |

The following table shows an analysis of assets and liabilities recorded/disclosed at fair value by level of the fair value hierarchy:

| Group 31 March 2022 | 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 through other comprehensive income | | | | | | | |
| Quoted Investments | 27 | 268 | 31.03.2022 | 231,838 | - | - | 231,838 |
| Treasury bills | 27 | 268 | 31.03.2022 | - | 299,663 | - | 299,663 |
| Debentures | 27 | 268 | 31.03.2022 | - | - | 1,101,440 | 1,101,440 |
| Subtotal | | | | 231,838 | 299,663 | 1,101,440 | 1,632,941 |
| Financial assets - Fair value through profit or loss | | | | | | | |
| Quoted Investments | 24 | 249 | 31.03.2022 | 174,801 | - | - | 174,801 |
| Investment in Unit Trust | 24 | 249 | 31.03.2022 | - | 674,497 | - | 674,497 |
| Subtotal | | | | 174,801 | 674,497 | - | 849,298 |
| Non financial assets - Investment property | | | | | | | |
| Land and building | 30 | 273 | 31.03.2022 | - | - | 820,664 | 820,664 |
| Subtotal | | | | - | - | 820,664 | 820,664 |
| Total | | | | 406,639 | 974,160 | 1,922,104 | 3,302,903 |
| Non financial assets disclosed at fair value | | | | | | | |
| Freehold land & buildings (included under property, plant & equipment). | 32.4 | 279 | | - | - | 6,297,943 | 6,297,943 |
| Total | | | | - | - | 6,297,943 | 6,297,943 |

| Group 31 March 2021 | 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 through other comprehensive income | | | | | | | |
| Treasury bills | | | 31.03.2021 | - | 426,376 | - | 426,376 |
| Quoted Investments | 27 | 268 | 31.03.2021 | 309,118 | - | - | 309,118 |
| Subtotal | | | | 309,118 | 426,376 | - | 735,494 |
| Financial assets - Fair value through profit or loss | | | | | | | |
| Quoted Investments | 24 | 249 | 31.03.2021 | 24,753 | - | - | 24,753 |
| Investment in Unit Trust | 24 | 249 | 31.03.2021 | - | 1,257,000 | - | 1,257,000 |
| Subtotal | | | | 24,753 | 1,257,000 | - | 1,281,753 |
| Non financial assets - Investment property | | | | | | | |
| Land and building | 30 | 273 | 31.03.2021 | - | - | 820,664 | 820,664 |
| Subtotal | | | | - | - | 820,664 | 820,664 |
| Total | | | | 333,871 | 1,683,376 | 820,664 | 2,837,911 |
| Non financial assets disclosed at fair value | | | | | | | |
| Freehold land & buildings (included under property, plant & equipment). | 32.4 | 279 | | - | - | 5,964,058 | 5,964,058 |
| Total | | | | - | - | 5,964,058 | 5,964,058 |

Notes to the Financial Statements

21. Fair Value of Assets and Liabilities (Contd...)

There were no material transfers between level 1 and level 2 during the 2021/2022 and 2020/2021. 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 31st March | Company | | Group | |
|--|------------------|------------------|------------------|------------------|
| | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 |
| Financial Assets | | | | |
| Financial assets - Fair value through profit or loss | | | | |
| Quoted Investments | 26,783 | 162,616 | 86,525 | 228,258 |
| Total | 26,783 | 162,616 | 86,525 | 228,258 |

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. The Company has disclosed fair value of following non financial assets except investment property which is accounted for fair value in the Financial Statements.

| | Note | Page No. | Company | | | Group | | |
|--|------|----------|---------------------------------|-------------------------------------|-------------------|---------------------------------|-------------------------------------|-------------------|
| | | | Investment property Rs. '000 | Freehold Land Buildings Rs. '000 | Total Rs. '000 | Investment property Rs. '000 | Freehold Land Buildings Rs. '000 | Total Rs. '000 |
| Balance as at 1 April 2020 | | | - | 864,058 | 864,058 | 1,131,652 | 4,782,406 | 5,914,058 |
| Additions | | | - | - | - | - | - | - |
| Disposals / transfers | | | - | - | - | (310,988) | 310,988 | - |
| Total gains / (losses) recognised in profit or loss; | | | | | | | | |
| Depreciation of buildings | | | - | (471) | (471) | - | (63,805) | (63,805) |
| Fair value disclosed during the year | | | - | 471 | 471 | - | 113,805 | 113,805 |
| Balance as at 31 March 2021 | 32.4 | 279 | - | 864,058 | 864,058 | 820,664 | 5,143,394 | 5,964,058 |
| Balance as at 1 April 2021 | | | - | 864,058 | 864,058 | 820,664 | 5,143,394 | 5,964,058 |
| Additions | | | - | 149,702 | 149,702 | - | 149,702 | 149,702 |
| Disposals / transfers | | | - | - | - | - | - | - |
| Total gains / (losses) recognised in profit or loss; | | | | | | | | |
| Depreciation of buildings | | | - | - | - | - | (63,805) | (63,805) |
| Fair value disclosed during the year | | | - | 34,183 | 34,183 | - | 247,988 | 247,988 |
| Balance as at 31 March 2022 | 32.4 | 279 | - | 1,047,943 | 1,047,943 | 820,664 | 5,477,279 | 6,297,943 |

Unobservable Inputs Used in Measuring Fair Value

The table below sets out information about significant unobservable inputs used at 31st March 2022 and 31st March 2021 in measuring non financial instruments categorised as level 3 in the fair value hierarchy. The Company has disclosed fair value of following non financial assets except investment property which is accounted for fair value in 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 |
|-------------------------------|------------------------|---------------------|---------------------|-----------------------------------|---|---|
| Company | | | | | | |
| As at 31st March 2022 | | | | | | |
| Property, plant and equipment | | | | | | |
| Freehold lands | 31.12.2019 /31.03.2021 | 1,005,343 | MCM | Estimated price per perch | Rs. 60,000 - 6,000,000 | * |
| Freehold buildings | 31.12.2019 | 42,600 | MCM | Estimated price per sq.ft | Rs. 1,000 - 4,000 | * |
| | | | Income basis | Estimated rental value per sq.ft. | Rs. 20 - 60 | * |
| As at 31st March 2021 | | | | | | |
| Property, plant and equipment | | | | | | |
| Freehold lands | 31.12.2019 | 821,458 | MCM | Estimated price per perch | Rs. 60,000 - 6,000,000 | * |
| Freehold buildings | 31.12.2019 | 42,600 | MCM | Estimated price per sq.ft | Rs. 1,000 - 4,000 | * |
| | | | Income basis | Estimated rental value per sq.ft. | Rs. 20 - 60 | * |
| Group | | | | | | |
| As at 31st March 2022 | | | | | | |
| Investment Property | | | | | | |
| Freehold lands | 31.12.2021 | 261,075 | MCM | Estimated price per perch | Rs. 600,000 - 13,000,000 | * |
| Freehold buildings | | 559,589 | 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 | 31.12.2021 | 3,209,268 | MCM | Estimated price per perch | Rs. 50,000 - 13,000,000 | * |
| Freehold buildings | 31.12.2021 | 2,268,011 | MCM | Estimated price per sq.ft | Rs. 500 - 11,000 | * |
| | | | Income basis | Estimated rental value per sq.ft. | Rs. 15 - 250 | * |
| As at 31st March 2021 | | | | | | |
| Investment Property | | | | | | |
| Freehold lands | 31.12.2020 | 261,075 | MCM | Estimated price per perch | Rs. 600,000 - 13,000,000 | * |
| Freehold buildings | 31.12.2020 | 559,589 | 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 | 31.12.2020 | 3,025,383 | MCM | Estimated price per perch | Rs. 50,000 - 13,000,000 | * |
| Freehold buildings | 31.12.2020 | 2,118,011 | 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.

Notes to the Financial Statements

21. Fair Value of Assets and Liabilities (Contd...)

21.7 Fair Value of Assets and Liabilities Not Carried at Fair Value

Set out below is a comparison, by class, of the carrying 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 As at 31st March | 2022 | | | | | 2021 | | | | |
|--|----------|-------------|----------|------------------|-----------------|----------|-------------|----------|------------------|-----------------|
| | Level 1 | Level 2 | Level 3 | Total fair Value | Carrying amount | Level 1 | Level 2 | Level 3 | Total fair Value | Carrying amount |
| | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Financial Assets | | | | | | | | | | |
| Cash and cash equivalents | - | 4,668,830 | - | 4,668,830 | 4,668,830 | - | 2,703,031 | - | 2,703,031 | 2,703,031 |
| Balances with banks & financial institutions | - | 5,117,307 | - | 5,117,307 | 5,117,866 | - | 5,900,872 | - | 5,900,872 | 5,399,071 |
| Loans and receivables (Gross) | - | 161,878,020 | - | 161,878,020 | 161,162,024 | - | 163,635,284 | - | 163,635,284 | 150,655,845 |
| Debt instrument - Amortised cost | - | 9,804,639 | - | 9,804,639 | 9,827,221 | - | 6,984,078 | - | 6,984,078 | 6,994,206 |
| Other financial assets | - | 108,493 | - | 108,493 | 108,493 | - | 126,949 | - | 126,949 | 126,949 |
| | - | 181,577,289 | - | 181,577,289 | 180,884,434 | - | 179,350,214 | - | 179,350,214 | 165,879,102 |
| Financial Liabilities | | | | | | | | | | |
| Due to banks | - | 11,750,052 | - | 11,750,052 | 11,749,332 | - | 6,936,408 | - | 6,936,408 | 6,439,310 |
| Due to customers | - | 102,854,237 | - | 102,854,237 | 103,367,904 | - | 102,019,672 | - | 102,019,672 | 101,502,931 |
| Debt Securities issued | - | 16,266,084 | - | 16,266,084 | 17,244,313 | - | 14,675,439 | - | 14,675,439 | 13,825,553 |
| Other Financial liabilities | - | 3,636,528 | - | 3,636,528 | 3,636,528 | - | 4,131,671 | - | 4,131,671 | 4,132,110 |
| Operating lease liabilities | - | 2,072,188 | - | 2,072,188 | 2,059,050 | - | 2,282,213 | - | 2,282,213 | 2,286,386 |
| | - | 136,579,089 | - | 136,579,089 | 138,057,127 | - | 130,045,403 | - | 130,045,403 | 128,186,290 |

| Group As at 31st March | 2022 | | | | | 2021 | | | | |
|---|----------|-------------|----------|------------------|-----------------|----------|-------------|----------|------------------|-----------------|
| | Level 1 | Level 2 | Level 3 | Total fair Value | Carrying amount | Level 1 | Level 2 | Level 3 | Total fair Value | Carrying amount |
| | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Financial Assets | | | | | | | | | | |
| Cash and cash equivalents | - | 5,402,587 | - | 5,402,587 | 5,402,587 | - | 3,844,694 | - | 3,844,694 | 3,844,694 |
| Balances with banks & financial institutions | - | 9,492,331 | - | 9,492,331 | 9,529,518 | - | 8,239,912 | - | 8,239,912 | 8,231,101 |
| Loans and receivables (Gross) | - | 174,545,177 | - | 174,545,177 | 174,162,982 | - | 166,557,994 | - | 166,557,994 | 156,886,200 |
| Insurance and reinsurance receivables | - | 1,322,528 | - | 1,322,528 | 1,322,528 | - | 1,024,461 | - | 1,024,461 | 1,024,461 |
| Debt instrument - Amortised cost | - | 15,765,803 | - | 15,765,803 | 16,013,525 | - | 11,200,604 | - | 11,200,604 | 10,931,714 |
| | - | 206,528,426 | - | 206,528,426 | 206,431,140 | - | 190,867,665 | - | 190,867,665 | 180,918,170 |
| Financial Liabilities | | | | | | | | | | |
| Due to banks | - | 15,389,574 | - | 15,389,574 | 15,300,361 | - | 9,739,721 | - | 9,739,721 | 9,003,873 |
| Due to customers | - | 110,876,896 | - | 110,876,896 | 111,453,750 | - | 104,256,546 | - | 104,256,546 | 103,743,716 |
| Debt Securities issued | - | 16,124,318 | - | 16,124,318 | 17,103,223 | - | 14,522,493 | - | 14,522,493 | 13,684,516 |
| Other Financial liabilities | - | 4,043,322 | - | 4,043,322 | 4,043,322 | - | 4,110,795 | - | 4,110,795 | 4,111,235 |
| Insurance liabilities and reinsurance payable | - | 5,903,363 | - | 5,903,363 | 5,903,363 | - | 5,015,885 | - | 5,015,885 | 5,015,885 |
| Operating lease liabilities | - | 1,587,902 | - | 1,587,902 | 1,588,115 | - | 1,609,725 | - | 1,609,725 | 1,614,660 |
| | - | 153,925,375 | - | 153,925,375 | 155,392,134 | - | 139,255,165 | - | 139,255,165 | 137,173,885 |

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 judgment involved in calculating the fair values.

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.

Loan 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 (interest rate) 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 (interest rate) 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.

Lease Liabilities

Estimated fair value of the lease liability represents the discounted amount of lease payment expected to be received in the future. Expected cash flows are discounted using incremental borrowing rate at the reporting date.

Notes to the Financial Statements

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 equivalent 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 alone 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.

| For the year ended 31st March | Page Note | Page No. | Company | | Group | |
|---|--------------|-------------|------------------|------------------|------------------|------------------|
| | | | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 |
| Cash in hand | | | 1,135,991 | 922,568 | 1,157,668 | 939,766 |
| Balance with banks | 22.1 | 248 | 1,693,626 | 1,573,040 | 2,202,565 | 1,788,506 |
| Savings Account with banks | | | 1,339,182 | 207,403 | 1,367,071 | 338,985 |
| Saving deposit in foreign currency | | | 31 | 20 | 31 | 20 |
| Securities under reverse repurchase agreement | | | 500,000 | - | 675,252 | 777,417 |
| Total | | | 4,668,830 | 2,703,031 | 5,402,587 | 3,844,694 |
| Fair value | | | 4,668,830 | 2,703,031 | 5,402,587 | 3,844,694 |

22.1 Balance with Banks

| For the year ended 31st March | Company | | Group | |
|-------------------------------|------------------|------------------|------------------|------------------|
| | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 |
| Local banks | 1,693,626 | 1,573,040 | 2,202,565 | 1,788,506 |
| Total | 1,693,626 | 1,573,040 | 2,202,565 | 1,788,506 |

23. Balances with Banks & Financial Institutions

Accounting Policy

Balances with banks & financial institutions include fixed deposits and deposits in foreign currency. Balances with banks & financial institutions are carried at amortised cost in the statement of financial position.

| For the year ended 31st March | Company | | Group | |
|-------------------------------|------------------|------------------|------------------|------------------|
| | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 |
| Fixed deposits | | | | |
| Local currency | 5,117,866 | 5,399,071 | 9,510,617 | 8,230,653 |
| Foreign currency | - | - | 18,901 | 448 |
| Total | 5,117,866 | 5,399,071 | 9,529,518 | 8,231,101 |
| Fair value | 5,117,307 | 5,900,872 | 9,492,331 | 8,239,912 |

24. Financial Assets -Fair Value Through Profit or Loss

Accounting Policy

The Group classifies financial assets as financial assets recognised through profit or loss (FATPL) when they have been purchased primarily for short term profit making through trading activities. FATPL are recorded and measured at fair value and changes in fair value are recognised in the Net gains/(losses) on financial assets - FVTPL 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. FATPL 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.

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 FVOCI, 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 FVOCI measure the fair value using the prices obtained from Colombo Stock Exchanges.

| For the year ended 31st March | Page Note | Page No. | Company | | Group | |
|-------------------------------|--------------|-------------|------------------|------------------|------------------|------------------|
| | | | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 |
| Quoted equity securities | 24.1 | 249 | 25,140 | 9,768 | 174,801 | 24,753 |
| Investment in Unit Trust | 24.3 | 251 | - | 100,019 | 674,497 | 1,257,000 |
| Total | | | 25,140 | 109,787 | 849,298 | 1,281,753 |
| Fair value | | | 25,140 | 109,787 | 849,298 | 1,281,753 |

24.1 Quoted Equity Securities

| As at 31st March | 2022 | | | 2021 | | |
|-----------------------------------|---------------|------------------------|--------------------------|---------------------------|------------------------|--------------------------|
| | No. of Shares | Total Cost Rs. '000 | Market Value Rs. '000 | No. of Shares Rs. '000 | Total Cost Rs. '000 | Market Value Rs. '000 |
| Utility | | | | | | |
| Windforce PLC | 1,000,000 | 18,489 | 15,900 | - | - | - |
| Subtotal | | 18,489 | 15,900 | | | |
| Capital Goods | | | | | | |
| John Keells Holdings PLC | - | - | - | 65,780 | 10,310 | 9,768 |
| Hemas Holding PLC | 200,000 | 14,157 | 9,240 | - | - | - |
| Subtotal | | 14,157 | 9,240 | | 10,310 | 9,768 |
| Total | | 32,646 | 25,140 | | 10,310 | 9,768 |
| Mark to market gains/(losses) | | (7,506) | | | (542) | |
| Market value of equity securities | | 25,140 | | | 9,768 | |

Notes to the Financial Statements

24. Financial Assets -Fair Value Through Profit or Loss (Contd...)

| As at 31st March Group Shares Listed In Sri Lanka | 2022 | | | 2021 | | |
|---|---------------|------------------------|--------------------------|---------------------------|------------------------|--------------------------|
| | No. of Shares | Total Cost Rs. '000 | Market Value Rs. '000 | No. of Shares Rs. '000 | Total Cost Rs. '000 | Market Value Rs. '000 |
| Utility | | | | | | |
| Windforce PLC | 1,000,000 | 18,489 | 15,900 | - | - | - |
| Subtotal | | 18,489 | 15,900 | | - | - |
| Capital Goods | | | | | | |
| John Keells Holdings PLC | - | - | - | 65,780 | 10,310 | 9,768 |
| Hemas Holding PLC | 200,000 | 14,157 | 9,240 | - | - | - |
| Subtotal | | 14,157 | 9,240 | | 10,310 | 9,768 |
| Manufacturing | | | | | | |
| Piramal Glass Ceylon PLC | - | - | - | 1,350,000 | 14,985 | 14,985 |
| Subtotal | | - | - | | 14,985 | 14,985 |
| Shares Listed In Bangladesh | | | | | | |
| British American Tobacco Bangladesh | 10,000 | 22,716 | 20,269 | - | - | - |
| Berger Paints Bangladesh Ltd. | 1,000 | 6,241 | 6,081 | - | - | - |
| Beximco Pharma | 12,000 | 8,162 | 7,332 | - | - | - |
| BRAC Bank Ltd. | 25,000 | 4,761 | 4,309 | - | - | - |
| City Bank Ltd. | 100,000 | 10,116 | 8,981 | - | - | - |
| Dutch Bangla Bank Ltd. | 50,000 | 14,253 | 12,912 | - | - | - |
| Eastern Bank Ltd. | 25,000 | 3,399 | 3,329 | - | - | - |
| Grameenphone Limited | 17,300 | 22,696 | 19,731 | - | - | - |
| Marico Bangladesh Ltd. | 2,000 | 16,416 | 16,334 | - | - | - |
| Reckitt Benckiser | 150 | 2,949 | 2,803 | - | - | - |
| Renata Ltd. | 82 | 376 | 385 | - | - | - |
| Square Pharmaceuticals Ltd. | 30,000 | 24,595 | 22,814 | - | - | - |
| Summit Power | 150,000 | 24,940 | 20,286 | - | - | - |
| Walton Hi-Tech Industries | 1,100 | 4,350 | 4,105 | - | - | - |
| Subtotal | | 165,970 | 149,661 | | - | - |
| Total | | 198,616 | 174,801 | | 25,295 | 24,753 |
| Mark to market gains/(losses) | | (23,815) | | | (542) | |
| Market value of equity securities | | 174,801 | | | 24,753 | |

24.2 Industry/Sector Composition of Equity Securities - Company and Group

| As at 31st March | 2022 | | | 2021 | | |
|-----------------------------------|------------------------|--------------------------|---------|------------------------|--------------------------|---------|
| | Total Cost Rs. '000 | Market Value Rs. '000 | % | Total Cost Rs. '000 | Market Value Rs. '000 | % |
| Company | | | | | | |
| Utility | 18,489 | 15,900 | 63.25% | - | - | 0.00% |
| Capital Goods | 14,157 | 9,240 | 36.75% | 10,310 | 9,768 | 100.00% |
| Subtotal | 32,646 | 25,140 | 100.00% | 10,310 | 9,768 | 100.00% |
| Mark to market gains/(losses) | (7,506) | | | (542) | | |
| Market value of equity securities | 25,140 | | | 9,768 | | |
| Group | | | | | | |
| Utility | 18,489 | 15,900 | 9.10% | 10,310 | 9,768 | 39.46% |
| Capital Goods | 14,157 | 9,240 | 5.29% | - | - | 0.00% |
| Manufacturing | - | - | - | 14,985 | 14,985 | 60.54% |
| Shares Listed In Bangladesh | 165,970 | 149,661 | 85.61% | - | - | 0.00% |
| Subtotal | 198,616 | 174,801 | 100.00% | 25,295 | 24,753 | 100.00% |
| Mark to market gains/(losses) | (23,815) | | | (542) | | |
| Market value of equity securities | 174,801 | | | 24,753 | | |

Sensitivity analysis of financial assets - FVTPL - equity is given in Note 56.4.3 on page 335.

24.3 Investment in Unit Trust

| For the year ended 31st March | No. of Units | Company | | No. of Units | Group | |
|-----------------------------------|--------------|------------------|------------------|--------------|------------------|------------------|
| | | 2022 Rs. '000 | 2021 Rs. '000 | | 2022 Rs. '000 | 2021 Rs. '000 |
| NDB Wealth Money Market Plus Fund | - | - | - | 2,052 | 51,679 | 387,382 |
| CAL Investment | - | - | 100,019 | 16,805 | 362,795 | 485,447 |
| JB Vantage Money Market Fund | - | - | - | 8,693 | 260,023 | 384,171 |
| Total | - | - | 100,019 | - | 674,497 | 1,257,000 |

25. Loans and Receivables - Amortised Cost**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 Group and Company intends 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 FVOCI
- 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'.

Notes to the Financial Statements

25. Loans and Receivables - Amortised Cost (Contd...)

Leasing

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 fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right of 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.

Group/Company 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

As per SLFRS 16, a lease which transfers substantially all the risks and rewards incidental to ownership of an underlying asset is classified as a finance lease. At the commencement date, the Group recognises assets held under finance lease in the Statement of Financial Position and present them as a lease receivable at an amount equal to the net investment in the lease. Net investment in the lease is arrived by discounting lease payments receivable at the interest rate implicit in the lease, i.e. the rate which causes present value of lease payments to equal to the fair value of the underlying asset and initial direct costs. The finance income receivable is recognised in "interest income" over the periods of the leases so as to achieve a constant rate of return on the net investment in the leases.

'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 31.2 on page 275.

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 receivable conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms and the receivable 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 receivable continue to be subject to any criteria are met and that future payments are likely to occur. The loans and receivables continue to be measured at amortised cost using original EIR and subject to an individual or collective impairment assessment.

Impairment Allowance for Loans and Receivable to Customers

Details on the Impairment allowance for loans and receivable to customers disclosed in the 25.6 on page 260.

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 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 Company's procedures for recovery of amounts due.

| For the year ended 31st March | Page Note | Page No. | Company | | Group | |
|-------------------------------|--------------|-------------|------------------|------------------|------------------|------------------|
| | | | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 |
| Loans and receivables | 25.1.2 | 254 | 161,162,024 | 150,655,845 | 174,162,982 | 156,886,200 |
| (Less): | | | | | | |
| Individual impairment charges | 25.7 | 263 | 1,655,462 | 1,168,174 | 1,655,462 | 1,168,174 |
| Collective impairment charges | 25.7 | 263 | 8,232,108 | 8,099,764 | 9,186,674 | 8,714,022 |
| Net loans and receivables | | | 151,274,454 | 141,387,907 | 163,320,846 | 147,004,004 |
| Fair value | | | 161,878,020 | 163,635,284 | 174,545,177 | 166,557,994 |

25.1 Analysis

25.1.1 Analysis by Stage Wise

| Company - 2022 | Stage 1 Rs. '000 | Stage 2 Rs. '000 | Stage 3 Rs. '000 | Total Rs. '000 |
|-------------------------------|---------------------|---------------------|---------------------|-------------------|
| Loans and receivables | 124,054,490 | 16,207,504 | 20,900,030 | 161,162,024 |
| (Less): | | | | |
| Individual impairment charges | - | - | 1,655,462 | 1,655,462 |
| Collective impairment charges | 1,338,223 | 891,126 | 6,002,759 | 8,232,108 |
| Net loans and receivables | 122,716,267 | 15,316,378 | 13,241,809 | 151,274,454 |

| Company - 2021 | Stage 1 Rs. '000 | Stage 2 Rs. '000 | Stage 3 Rs. '000 | Total Rs. '000 |
|-------------------------------|---------------------|---------------------|---------------------|-------------------|
| Loans and receivables | 91,721,453 | 30,256,132 | 28,678,260 | 150,655,845 |
| (Less): | | | | |
| Individual impairment charges | - | - | 1,168,174 | 1,168,174 |
| Collective impairment charges | 831,484 | 1,113,374 | 6,154,906 | 8,099,764 |
| Net loans and receivables | 90,889,969 | 29,142,758 | 21,355,180 | 141,387,907 |

| Group - 2022 | Stage 1 Rs. '000 | Stage 2 Rs. '000 | Stage 3 Rs. '000 | Total Rs. '000 |
|-------------------------------|---------------------|---------------------|---------------------|-------------------|
| Loans and receivables | 134,631,928 | 17,272,072 | 22,258,982 | 174,162,982 |
| (Less): | | | | |
| Individual impairment charges | - | - | 1,655,462 | 1,655,462 |
| Collective impairment charges | 1,745,742 | 1,036,189 | 6,404,743 | 9,186,674 |
| Net loans and receivables | 132,886,186 | 16,235,883 | 14,198,777 | 163,320,846 |

| Group - 2021 | Stage 1 Rs. '000 | Stage 2 Rs. '000 | Stage 3 Rs. '000 | Total Rs. '000 |
|-------------------------------|---------------------|---------------------|---------------------|-------------------|
| Loans and receivables | 90,178,765 | 35,084,515 | 31,622,920 | 156,886,200 |
| (Less): | | | | |
| Individual impairment charges | - | - | 1,168,174 | 1,168,174 |
| Collective impairment charges | 995,233 | 1,262,265 | 6,456,524 | 8,714,022 |
| Net loans and receivables | 89,183,532 | 33,822,250 | 23,998,222 | 147,004,004 |

Notes to the Financial Statements

25. Loans and Receivables - Amortised Cost (Contd...)

25.1.2 Analysis by Product

| As at 31st March | Note | Page No. | Company | | Group | |
|-----------------------------------|---------------|----------|------------------|------------------|------------------|------------------|
| | | | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 |
| By product | | | | | | |
| Lease/Ijarah receivable | 25.5.1/25.4.1 | 257/259 | 76,836,170 | 78,141,725 | 76,827,955 | 78,131,430 |
| Hire-Purchase/ Murabah receivable | 25.5.2/25.4.2 | 257/259 | 204,339 | 224,793 | 3,532,661 | 3,143,356 |
| Term Loan and receivables | 25.5.3/25.4.3 | 258/260 | 82,658,604 | 70,780,167 | 93,802,366 | 75,611,414 |
| Related party receivables | 25.2 | 255 | 1,462,911 | 1,509,160 | - | - |
| Gross total | | | 161,162,024 | 150,655,845 | 174,162,982 | 156,886,200 |
| Fair value | | | 161,878,020 | 163,635,284 | 174,545,177 | 166,557,994 |

25.1.3 Analysis by Currency

| As at 31st March | Company | | Group | |
|------------------|------------------|------------------|------------------|------------------|
| | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 |
| Sri Lankan Rupee | 161,162,024 | 150,655,845 | 163,098,987 | 152,113,916 |
| Bangladesh Taka | - | - | 11,063,995 | 4,772,284 |
| Gross total | 161,162,024 | 150,655,845 | 174,162,982 | 156,886,200 |

25.1.4 Analysis by Industry

| As at 31st March | Company | | Group | |
|---|------------------|------------------|------------------|------------------|
| | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 |
| Agriculture, Forestry & Fishing | 32,571,677 | 30,661,009 | 33,958,216 | 31,237,276 |
| Arts, Entertainment & Recreation | 1,314,458 | 1,406,139 | 1,314,458 | 1,406,139 |
| Construction & Infrastructure Development | 9,797,912 | 10,972,649 | 10,631,366 | 9,780,857 |
| Consumption | 8,618,671 | 7,819,767 | 10,188,492 | 7,819,767 |
| Education | 2,090,854 | 1,888,245 | 2,090,854 | 1,888,245 |
| Financial Services | 10,787,171 | 7,268,787 | 10,719,757 | 9,848,580 |
| Health Care, Social Services & Support Services | 9,010,963 | 12,134,882 | 11,498,386 | 13,531,028 |
| Information Technology And Communication | 1,726,877 | 1,536,108 | 1,968,838 | 1,536,108 |
| Manufacturing | 9,441,731 | 9,094,435 | 14,135,330 | 10,625,482 |
| Professional, Scientific & Technical Activities | 13,558,688 | 10,814,474 | 14,364,143 | 10,814,474 |
| Tourism | 3,314,785 | 3,666,967 | 3,328,350 | 3,679,932 |
| Transportation & Storage | 35,116,000 | 33,506,084 | 35,254,791 | 33,611,307 |
| Wholesale & Retail Trade | 20,787,613 | 18,498,319 | 21,336,335 | 19,034,510 |
| Other | 3,024,624 | 1,387,980 | 3,373,666 | 2,072,495 |
| Gross total | 161,162,024 | 150,655,845 | 174,162,982 | 156,886,200 |

25.2 Related Party Receivables

| As at 31st March | Company | | Group | |
|---|------------------|------------------|------------------|------------------|
| | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 |
| People's Leasing Property Development Limited | 560,310 | 599,301 | - | - |
| People's Leasing Fleet Management Limited | 3,528 | - | - | - |
| People's Leasing Havelock Properties Limited | 835,187 | 830,096 | - | - |
| People's Micro-commerce Ltd. | 1,495 | 2,700 | - | - |
| People's Insurance PLC | 35,236 | 49,908 | - | - |
| Lankan Alliance Finance Limited | 27,155 | 27,155 | - | - |
| Total | 1,462,911 | 1,509,160 | - | - |

25.3 Movement in Gross Loan and Receivables During the Year (Under SLFRS 9)

Movement in Gross Loan and Receivables 2021/22 - Company

| | Stage 1 Rs. '000 | Stage 2 Rs. '000 | Stage 3 Rs. '000 | Total Rs. '000 |
|--|---------------------|---------------------|---------------------|-------------------|
| Gross carrying amount as at 1st April 2021 | 91,721,453 | 30,256,132 | 28,678,260 | 150,655,845 |
| New assets originated or purchased | 65,130,966 | 1,874,077 | 1,211,963 | 68,217,006 |
| Assets derecognised or repaid (excluding write offs) | (37,547,489) | (10,439,345) | (9,718,931) | (57,705,765) |
| Transfers to Stage 2 and 3 | (8,524,274) | 6,540,159 | 1,984,116 | - |
| Transfers to Stage 1 and 3 | 9,306,431 | (13,243,054) | 3,936,623 | - |
| Transfers to Stage 1 and 2 | 3,967,403 | 1,219,535 | (5,186,938) | - |
| Amounts written off | - | - | (5,063) | (5,063) |
| Gross carrying amount as at 31st March 2022 | 124,054,490 | 16,207,504 | 20,900,030 | 161,162,024 |

Movement in Gross Loan and Receivables 2020/21 - Company

| | Stage 1 Rs. '000 | Stage 2 Rs. '000 | Stage 3 Rs. '000 | Total Rs. '000 |
|--|---------------------|---------------------|---------------------|-------------------|
| Gross carrying amount as at 1st April 2020 | 85,842,549 | 38,427,765 | 32,227,432 | 156,497,746 |
| New assets originated or purchased | 45,437,659 | 5,359,775 | 5,802,633 | 56,600,067 |
| Assets derecognised or repaid (excluding write offs) | (34,540,620) | (15,262,704) | (12,491,832) | (62,295,156) |
| Transfers to Stage 2 and 3 | (15,480,507) | 13,868,554 | 1,611,953 | - |
| Transfers to Stage 1 and 3 | 7,993,476 | (15,696,865) | 7,703,389 | - |
| Transfers to Stage 1 and 2 | 2,468,896 | 3,559,607 | (6,028,503) | - |
| Amounts written off | - | - | (146,812) | (146,812) |
| Gross carrying amount as at 31st March 2021 | 91,721,453 | 30,256,132 | 28,678,260 | 150,655,845 |

Notes to the Financial Statements

25. Loans and Receivables - Amortised Cost (Contd...)

Movement in Gross Loan and Receivables 2021/22 - Group

| | Stage 1 Rs. '000 | Stage 2 Rs. '000 | Stage 3 Rs. '000 | Total Rs. '000 |
|--|---------------------|---------------------|---------------------|-------------------|
| Gross carrying amount as at 1st April 2021 | 92,517,093 | 35,084,515 | 31,622,920 | 159,224,528 |
| New assets originated or purchased | 74,010,141 | 2,035,752 | 1,377,459 | 77,423,352 |
| Assets derecognised or repaid (excluding write offs) | (40,640,671) | (13,175,141) | (11,751,546) | (65,567,358) |
| Transfers to Stage 2 and 3 | (8,694,759) | 6,690,802 | 2,003,957 | - |
| Transfers to Stage 1 and 3 | 10,237,075 | (13,976,868) | 3,739,792 | - |
| Transfers to Stage 1 and 2 | 4,364,143 | 563,448 | (4,927,591) | - |
| Amounts written off | - | - | (5,063) | (5,063) |
| Foreign exchange adjustments | 2,838,906 | 49,564 | 199,054 | 3,087,524 |
| Gross carrying amount as at 31st March 2022 | 134,631,928 | 17,272,072 | 22,258,982 | 174,162,982 |

Movement in Gross Loan and Receivables 2020/21 - Group

| | Stage 1 Rs. '000 | Stage 2 Rs. '000 | Stage 3 Rs. '000 | Total Rs. '000 |
|--|---------------------|---------------------|---------------------|-------------------|
| Gross carrying amount as at 1st April 2020 | 88,207,562 | 41,813,456 | 33,283,862 | 163,304,880 |
| New assets originated or purchased | 52,415,185 | 6,131,991 | 6,371,434 | 64,918,610 |
| Assets derecognised or repaid (excluding write offs) | (43,858,513) | (15,048,355) | (12,283,610) | (71,190,478) |
| Transfers to Stage 2 and 3 | (16,130,403) | 14,368,752 | 1,761,651 | - |
| Transfers to Stage 1 and 3 | 7,366,941 | (15,816,240) | 8,449,299 | - |
| Transfers to Stage 1 and 2 | 2,177,993 | 3,634,911 | (5,812,904) | - |
| Amounts written off | - | - | (146,812) | (146,812) |
| Gross carrying amount as at 31st March 2021 | 90,178,765 | 35,084,515 | 31,622,920 | 156,886,200 |

25.4 Remaining Contractual Maturity Analysis - Company

25.4.1 Lease/Ijarah Receivable

| As at 31st March | 2022 | | | | 2021 | | | |
|---|-----------------------------|-----------------------|--------------------------|-------------------|-----------------------------|-----------------------|--------------------------|-------------------|
| | Within one year Rs. '000 | 1-5 years Rs. '000 | Over 5 years Rs. '000 | Total Rs. '000 | Within one year Rs. '000 | 1-5 years Rs. '000 | Over 5 years Rs. '000 | Total Rs. '000 |
| Lease/Ijarah receivable | | | | | | | | |
| Gross rentals receivable | 40,144,122 | 55,166,643 | 143,004 | 95,453,769 | 43,999,315 | 52,294,392 | 53,075 | 96,346,783 |
| Less: Unearned income | 9,383,677 | 9,225,344 | 6,816 | 18,615,837 | 9,942,866 | 8,256,450 | 3,185 | 18,202,501 |
| Net rentals receivable | 30,760,445 | 45,941,299 | 136,188 | 76,837,932 | 34,056,449 | 44,037,942 | 49,891 | 78,144,282 |
| Less: Rentals received in advance | | | | 1,762 | | | | 2,557 |
| Lease/Ijarah receivable before impairment provision | | | | 76,836,170 | | | | 78,141,725 |
| Less: Allowance for impairment losses | | | | | | | | |
| Individual Impairment | | | | | | | | |
| Stage 1 | | | | | | | | - |
| Stage 2 | | | | | | | | - |
| Stage 3 | | | | | | | | - |
| Total individual impairment | | | | | | | | - |
| Collective Impairment | | | | | | | | |
| Stage 1 | | | | 831,062 | | | | 407,512 |
| Stage 2 | | | | 643,743 | | | | 646,288 |
| Stage 3 | | | | 2,323,037 | | | | 2,164,642 |
| Total collective impairment | | | | 3,797,842 | | | | 3,218,442 |
| Total net rentals receivable | 30,760,445 | 45,941,299 | 136,188 | 73,038,328 | 34,056,449 | 44,037,942 | 49,891 | 74,923,283 |

25.4.2 Hire-Purchase/ Murabah Receivable

| As at 31st March | 2022 | | | | 2021 | | | |
|---|-----------------------------|-----------------------|--------------------------|-------------------|-----------------------------|-----------------------|--------------------------|-------------------|
| | Within one year Rs. '000 | 1-5 years Rs. '000 | Over 5 years Rs. '000 | Total Rs. '000 | Within one year Rs. '000 | 1-5 years Rs. '000 | Over 5 years Rs. '000 | Total Rs. '000 |
| Hire-Purchase/ Murabah receivable | | | | | | | | |
| Gross rentals receivable | 213,214 | 6,822 | - | 220,036 | 230,888 | 11,686 | - | 242,574 |
| Less: Unearned income | 15,345 | 178 | - | 15,523 | 17,086 | 522 | - | 17,608 |
| Net rentals receivable | 197,869 | 6,644 | - | 204,513 | 213,802 | 11,164 | - | 224,966 |
| Less: Rentals received in advance | | | | 174 | | | | 174 |
| Hire-Purchase/ Murabah receivable before impairment provision | | | | 204,339 | | | | 224,792 |
| Less: Allowance for impairment losses | | | | | | | | |
| Individual Impairment | | | | | | | | |
| Stage 1 | | | | | | | | - |
| Stage 2 | | | | | | | | - |
| Stage 3 | | | | | | | | - |
| Total individual impairment | | | | | | | | - |
| Collective Impairment | | | | | | | | |
| Stage 1 | | | | 23 | | | | 137 |
| Stage 2 | | | | 223 | | | | 671 |
| Stage 3 | | | | 190,140 | | | | 182,224 |
| Total collective impairment | | | | 190,386 | | | | 183,031 |
| Total net rentals receivable | 197,869 | 6,644 | - | 13,953 | 213,802 | 11,164 | - | 41,761 |

Notes to the Financial Statements

25. Loans and Receivables - Amortised Cost (Contd...)

25.4.3 Term Loan and Receivables

| As at 31st March | 2022 | | | | 2021 | | | |
|---|-----------------------------|-----------------------|--------------------------|-------------------|-----------------------------|-----------------------|--------------------------|-------------------|
| | Within one year Rs. '000 | 1-5 years Rs. '000 | Over 5 years Rs. '000 | Total Rs. '000 | Within one year Rs. '000 | 1-5 years Rs. '000 | Over 5 years Rs. '000 | Total Rs. '000 |
| Motor Loans | 15,038,440 | 31,941,065 | 187,072 | 47,166,578 | 12,293,886 | 27,878,428 | 39,835 | 40,212,149 |
| Short and medium loans | 5,096,841 | 5,308,971 | 100,925 | 10,506,738 | 6,074,667 | 5,810,178 | 69,797 | 11,954,642 |
| Clean Basis Loan Stock | 830,176 | 64,652 | - | 894,828 | 817,416 | 117,173 | - | 934,589 |
| Self E Cash Loan | 2,315,513 | 598,809 | - | 2,914,322 | 1,951,463 | 677,058 | - | 2,628,521 |
| Fast Track Loan | 2,020,498 | 605,689 | - | 2,626,187 | 1,228,751 | 522,933 | - | 1,751,684 |
| Trading Murabah | 248,779 | 59,022 | - | 307,800 | 309,166 | 78,721 | - | 387,887 |
| Musharakah | 1,491,411 | 2,744,510 | 27,526 | 4,263,447 | 937,696 | 1,574,502 | - | 2,512,198 |
| Factoring receivable | 2,111,469 | - | - | 2,111,469 | 2,611,936 | - | - | 2,611,936 |
| Margin trading | 8,387,793 | - | - | 8,387,793 | 4,832,679 | - | - | 4,832,679 |
| Staff loans | 192,171 | 418,747 | 2,993 | 613,911 | 191,822 | 507,272 | 24,555 | 723,649 |
| Sundry loans | 1,464,932 | 1,401,417 | - | 2,866,349 | 2,151,099 | 80,820 | - | 2,231,919 |
| Less ; Prepaid Rentals | (819) | - | - | (819) | (1,686) | - | - | (1,686) |
| Loan receivable before impairment provision | 39,197,205 | 43,142,882 | 318,517 | 82,658,604 | 33,398,895 | 37,247,085 | 134,187 | 70,780,167 |
| Less : Allowance for impairment losses | | | | | | | | |
| Individual Impairment | | | | | | | | |
| Stage 1 | | | | - | | | | - |
| Stage 2 | | | | - | | | | - |
| Stage 3 | | | | 1,655,462 | | | | 1,168,174 |
| Total individual impairment | | | | 1,655,462 | | | | 1,168,174 |
| Collective Impairment | | | | | | | | |
| Stage 1 | | | | 507,138 | | | | 423,835 |
| Stage 2 | | | | 247,160 | | | | 466,415 |
| Stage 3 | | | | 3,489,582 | | | | 3,808,040 |
| Total collective impairment | | | | 4,243,880 | | | | 4,698,290 |
| Total net receivable | 39,197,205 | 43,142,882 | 318,517 | 76,759,262 | 33,398,895 | 37,247,085 | 134,187 | 64,913,703 |

25.5 Remaining Contractual Maturity Analysis - Group

25.5.1 Lease/Ijarah Receivable

| As at 31st March | 2022 | | | | 2021 | | | |
|---|-----------------------------|-----------------------|--------------------------|-------------------|-----------------------------|-----------------------|--------------------------|-------------------|
| | Within one year Rs. '000 | 1-5 years Rs. '000 | Over 5 years Rs. '000 | Total Rs. '000 | Within one year Rs. '000 | 1-5 years Rs. '000 | Over 5 years Rs. '000 | Total Rs. '000 |
| Gross rentals receivable | 40,142,275 | 55,160,275 | 143,005 | 95,445,555 | 43,996,067 | 52,284,615 | 53,075 | 96,333,758 |
| Less: Unearned income | 9,384,357 | 9,224,664 | 6,816 | 18,615,837 | 9,941,699 | 8,254,887 | 3,185 | 18,199,771 |
| Net rentals receivable | 30,757,918 | 45,935,611 | 136,189 | 76,829,718 | 34,054,368 | 44,029,728 | 49,891 | 78,133,987 |
| Less: Rentals received in advance | | | | 1,762 | | | | 2,557 |
| Lease/Ijarah receivable before impairment provision | | | | 76,827,956 | | | | 78,131,430 |
| Less: Allowance for impairment losses | | | | | | | | |
| Individual Impairment | | | | | | | | |
| Stage 1 | | | | - | | | | - |
| Stage 2 | | | | - | | | | - |
| Stage 3 | | | | - | | | | - |
| Total individual impairment | | | | - | | | | - |
| Collective Impairment | | | | | | | | |
| Stage 1 | | | | 831,062 | | | | 407,512 |
| Stage 2 | | | | 643,743 | | | | 646,288 |
| Stage 3 | | | | 2,323,037 | | | | 2,164,642 |
| Total collective impairment | | | | 3,797,842 | | | | 3,218,442 |
| Total net rentals receivable | 30,757,918 | 45,935,611 | 136,189 | 73,030,114 | 34,054,368 | 44,029,728 | 49,891 | 74,912,988 |

25.5.2 Hire-Purchase/ Murabah Receivable

| As at 31st March | 2022 | | | | 2021 | | | |
|---|-----------------------------|-----------------------|--------------------------|-------------------|-----------------------------|-----------------------|--------------------------|-------------------|
| | Within one year Rs. '000 | 1-5 years Rs. '000 | Over 5 years Rs. '000 | Total Rs. '000 | Within one year Rs. '000 | 1-5 years Rs. '000 | Over 5 years Rs. '000 | Total Rs. '000 |
| Gross rentals receivable | 1,958,654 | 2,911,695 | - | 4,870,349 | 2,090,271 | 2,176,205 | - | 4,266,476 |
| Less: Unearned income | 630,350 | 707,164 | - | 1,337,514 | 570,783 | 552,164 | - | 1,122,947 |
| Net rentals receivable | 1,328,304 | 2,204,531 | - | 3,532,835 | 1,519,488 | 1,624,041 | - | 3,143,529 |
| Less: Rentals received in advance | | | | 174 | | | | 174 |
| Hire-Purchase/ Murabah receivable before impairment provision | | | | 3,532,661 | | | | 3,143,355 |
| Less: Allowance for impairment losses | | | | | | | | |
| Individual Impairment | | | | | | | | |
| Stage 1 | | | | - | | | | - |
| Stage 2 | | | | - | | | | - |
| Stage 3 | | | | - | | | | - |
| Total individual impairment | | | | - | | | | - |
| Collective Impairment | | | | | | | | |
| Stage 1 | | | | 115,814 | | | | 91,775 |
| Stage 2 | | | | 121,038 | | | | 99,142 |
| Stage 3 | | | | 414,438 | | | | 396,782 |
| Total collective impairment | | | | 651,290 | | | | 587,698 |
| Total net rentals receivable | 1,328,304 | 2,204,531 | - | 2,881,371 | 1,519,488 | 1,624,041 | - | 2,555,657 |

Notes to the Financial Statements

25. Loans and Receivables - Amortised Cost (Contd...)

25.5.3 Term Loan and Receivables

| As at 31st March | 2022 | | | | 2021 | | | |
|---|-----------------------------|-----------------------|--------------------------|-------------------|-----------------------------|-----------------------|--------------------------|-------------------|
| | Within one year Rs. '000 | 1-5 years Rs. '000 | Over 5 years Rs. '000 | Total Rs. '000 | Within one year Rs. '000 | 1-5 years Rs. '000 | Over 5 years Rs. '000 | Total Rs. '000 |
| Motor Loans | 15,038,440 | 31,941,065 | 187,072 | 47,166,578 | 12,293,886 | 27,878,428 | 39,835 | 40,212,149 |
| Short and medium loans | 11,284,775 | 9,631,763 | 733,961 | 21,650,500 | 8,700,465 | 8,015,627 | 69,797 | 16,785,889 |
| Clean Basis Loan Stock | 830,176 | 64,652 | - | 894,828 | 817,416 | 117,173 | - | 934,589 |
| Self E Cash Loan | 2,315,513 | 598,809 | - | 2,914,322 | 1,951,463 | 677,058 | - | 2,628,521 |
| Fast Track Loan | 2,020,498 | 605,689 | - | 2,626,187 | 1,228,751 | 522,933 | - | 1,751,684 |
| Trading Murabah | 248,779 | 59,022 | - | 307,800 | 309,166 | 78,721 | - | 387,887 |
| Musharakah | 1,491,411 | 2,744,510 | 27,526 | 4,263,447 | 937,696 | 1,574,502 | - | 2,512,198 |
| Factoring receivable | 2,111,469 | - | - | 2,111,469 | 2,611,936 | - | - | 2,611,936 |
| Margin trading | 8,387,793 | - | - | 8,387,793 | 4,832,679 | - | - | 4,832,679 |
| Staff loans | 192,171 | 418,747 | 2,993 | 613,911 | 191,822 | 507,272 | 24,555 | 723,649 |
| Sundry loans | 1,464,932 | 1,401,417 | - | 2,866,349 | 2,151,099 | 80,820 | - | 2,231,919 |
| Less :Prepaid Rentals | (819) | - | - | (819) | (1,686) | - | - | (1,686) |
| Loan receivable before impairment provision | 45,385,139 | 47,465,674 | 951,553 | 93,802,366 | 36,024,693 | 39,452,534 | 134,187 | 75,611,414 |
| Less : Allowance for impairment losses | | | | | | | | |
| Individual Impairment | | | | | | | | |
| Stage 1 | | | | - | | | | - |
| Stage 2 | | | | - | | | | - |
| Stage 3 | | | | 1,655,462 | | | | 1,168,174 |
| Total individual impairment | | | | 1,655,462 | | | | 1,168,174 |
| Collective Impairment | | | | | | | | |
| Stage 1 | | | | 798,866 | | | | 495,946 |
| Stage 2 | | | | 271,408 | | | | 516,835 |
| Stage 3 | | | | 3,667,268 | | | | 3,895,100 |
| Total collective impairment | | | | 4,737,542 | | | | 4,907,882 |
| Total net receivable | 45,385,139 | 47,465,674 | 951,553 | 87,409,362 | 36,024,693 | 39,452,534 | 134,187 | 69,535,358 |

25.6 Impairment Allowance for Loans and Receivable to Customers

Accounting Policy

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.

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 judgments 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 macro-economic 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 macro-economic 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 rebuttable 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.

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.

Notes to the Financial Statements

25. Loans and Receivables - Amortised Cost (Contd...)

Two types of PDs are used for calculating ECLs:

- 12-month 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-month 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 | |

Considering the current volatile macro-economic condition of the country the company amended the scenario weightages as worst-case 60%, best-case 10% and base-case 30%.

Revolving Facilities

The Company offers a revolving facilities such as Fast track, and calculates only the 12-month 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-month default probabilities are applied to EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

25.7 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 | Re-finance loans Rs. '000 | Murabah Rs. '000 | Trading Murabah Rs. '000 | Factoring Rs. '000 | Total Rs. '000 |
|--------------------------------|-------------------|------------------------------|--------------------|------------------------|---------------------------------|---------------------|--------------------------------|-----------------------|-------------------|
| At 1st April 2020 | 3,170,385 | 112,933 | 242,982 | 4,217,079 | 15,622 | 12,176 | 145,538 | 833,520 | 8,750,235 |
| Charge/(Reversal) for the year | (140,595) | 61,754 | (54,330) | 364,494 | 4,525 | (3,831) | (5,155) | 290,841 | 517,703 |
| At 31st March 2021 | 3,029,790 | 174,687 | 188,652 | 4,581,573 | 20,147 | 8,345 | 140,383 | 1,124,361 | 9,267,938 |
| Individual impairment | | | | | | | | | |
| Stage 1 | - | - | - | - | - | - | - | - | - |
| Stage 2 | - | - | - | - | - | - | - | - | - |
| Stage 3 | - | - | - | 712,308 | 2,403 | - | 3,791 | 449,672 | 1,168,174 |
| Total Individual impairment | - | - | - | 712,308 | 2,403 | - | 3,791 | 449,672 | 1,168,174 |
| Collective impairment | | | | | | | | | |
| Stage 1 | 381,601 | 124 | 25,911 | 400,833 | - | 13 | 2,363 | 20,639 | 831,484 |
| Stage 2 | 606,640 | 646 | 39,648 | 459,226 | - | 25 | 1,674 | 5,515 | 1,113,374 |
| Stage 3 | 2,041,549 | 173,917 | 123,093 | 3,009,206 | 17,744 | 8,307 | 132,555 | 648,535 | 6,154,906 |
| Total Collective impairment | 3,029,790 | 174,687 | 188,652 | 3,869,265 | 17,744 | 8,345 | 136,592 | 674,689 | 8,099,764 |
| | 3,029,790 | 174,687 | 188,652 | 4,581,573 | 20,147 | 8,345 | 140,383 | 1,124,361 | 9,267,938 |

| Company | Lease Rs. '000 | Hire Purchase Rs. '000 | Ijarah Rs. '000 | Term Loans Rs. '000 | Re-finance loans Rs. '000 | Murabah Rs. '000 | Trading Murabah Rs. '000 | Factoring Rs. '000 | Total Rs. '000 |
|--------------------------------|-------------------|------------------------------|--------------------|------------------------|---------------------------------|---------------------|--------------------------------|-----------------------|-------------------|
| At 1st April 2021 | 3,029,790 | 174,687 | 188,652 | 4,581,573 | 20,147 | 8,345 | 140,383 | 1,124,361 | 9,267,938 |
| Charge/(Reversal) for the year | 656,967 | 8,184 | (77,567) | (157,665) | 3,300 | (830) | 58,672 | 128,571 | 619,632 |
| Amounts written off | - | - | - | - | - | - | - | - | - |
| At 31st March 2022 | 3,686,757 | 182,871 | 111,085 | 4,423,908 | 23,447 | 7,515 | 199,055 | 1,252,932 | 9,887,570 |
| Individual impairment | | | | | | | | | |
| Stage 1 | - | - | - | - | - | - | - | - | - |
| Stage 2 | - | - | - | - | - | - | - | - | - |
| Stage 3 | - | - | - | 771,042 | 2,406 | - | 3,456 | 878,558 | 1,655,462 |
| Total Individual impairment | - | - | - | 771,042 | 2,406 | - | 3,456 | 878,558 | 1,655,462 |
| Collective impairment | | | | | | | | | |
| Stage 1 | 804,513 | 15 | 26,549 | 486,203 | - | 8 | 4,311 | 16,624 | 1,338,223 |
| Stage 2 | 628,642 | 214 | 15,101 | 207,247 | - | 9 | 263 | 39,650 | 891,126 |
| Stage 3 | 2,253,602 | 182,642 | 69,435 | 2,959,416 | 21,041 | 7,498 | 191,025 | 318,100 | 6,002,759 |
| Total Collective impairment | 3,686,757 | 182,871 | 111,085 | 3,652,866 | 21,041 | 7,515 | 195,599 | 374,374 | 8,232,108 |
| Total | 3,686,757 | 182,871 | 111,085 | 4,423,908 | 23,447 | 7,515 | 199,055 | 1,252,932 | 9,887,570 |

Notes to the Financial Statements

25. Loans and Receivables - Amortised Cost (Contd...)

| Group | Lease Rs. '000 | Hire Purchase Rs. '000 | Ijarah Rs. '000 | Term Loans Rs. '000 | Re-finance loans Rs. '000 | Murabah Rs. '000 | Trading Murabah Rs. '000 | Factoring Rs. '000 | Total Rs. '000 |
|--------------------------------|-------------------|------------------------------|--------------------|------------------------|---------------------------------|---------------------|--------------------------------|-----------------------|-------------------|
| At 1st April 2020 | 3,170,385 | 397,378 | 242,982 | 4,352,345 | 15,622 | 12,175 | 145,539 | 833,520 | 9,169,946 |
| Charge/(Reversal) for the year | (140,595) | 181,976 | (54,330) | 436,960 | 4,525 | (3,830) | (5,156) | 290,841 | 710,391 |
| Amounts written off | - | - | - | 1,859 | - | - | - | - | 1,859 |
| At 31st March 2021 | 3,029,790 | 579,354 | 188,652 | 4,791,164 | 20,147 | 8,345 | 140,383 | 1,124,361 | 9,882,196 |
| Individual impairment | | | | | | | | | |
| Stage 1 | - | - | - | - | - | - | - | - | - |
| Stage 2 | - | - | - | - | - | - | - | - | - |
| Stage 3 | - | - | - | 712,308 | 2,403 | - | 3,791 | 449,672 | 1,168,174 |
| Total individual impairment | - | - | - | 712,308 | 2,403 | - | 3,791 | 449,672 | 1,168,174 |
| Collective impairment | | | | | | | | | |
| Stage 1 | 381,601 | 91,762 | 25,911 | 472,944 | - | 13 | 2,363 | 20,639 | 995,233 |
| Stage 2 | 606,640 | 99,117 | 39,648 | 509,646 | - | 25 | 1,674 | 5,515 | 1,262,265 |
| Stage 3 | 2,041,549 | 388,475 | 123,093 | 3,096,266 | 17,744 | 8,307 | 132,555 | 648,535 | 6,456,524 |
| Total collective impairment | 3,029,790 | 579,354 | 188,652 | 4,078,856 | 17,744 | 8,345 | 136,592 | 674,689 | 8,714,022 |
| Total | 3,029,790 | 579,354 | 188,652 | 4,791,164 | 20,147 | 8,345 | 140,383 | 1,124,361 | 9,882,196 |

| Group | Lease Rs. '000 | Hire Purchase Rs. '000 | Ijarah Rs. '000 | Term Loans Rs. '000 | Re-finance loans Rs. '000 | Murabah Rs. '000 | Trading Murabah Rs. '000 | Factoring Rs. '000 | Total Rs. '000 |
|--------------------------------|-------------------|------------------------------|--------------------|------------------------|---------------------------------|---------------------|--------------------------------|-----------------------|-------------------|
| At 1st April 2021 | 3,029,790 | 579,354 | 188,652 | 4,791,164 | 20,147 | 8,345 | 140,383 | 1,124,361 | 9,882,196 |
| Charge/(Reversal) for the year | 656,967 | 64,421 | (77,567) | 96,622 | 3,300 | (830) | 58,672 | 128,571 | 930,156 |
| Exchange rate variance | - | - | - | 29,784 | - | - | - | - | 29,784 |
| At 31st March 2022 | 3,686,757 | 643,775 | 111,085 | 4,917,570 | 23,447 | 7,515 | 199,055 | 1,252,932 | 10,842,136 |
| Individual impairment | | | | | | | | | |
| Stage 1 | - | - | - | - | - | - | - | - | - |
| Stage 2 | - | - | - | - | - | - | - | - | - |
| Stage 3 | - | - | - | 771,042 | 2,406 | - | 3,456 | 878,558 | 1,655,462 |
| Total Individual impairment | - | - | - | 771,042 | 2,406 | - | 3,456 | 878,558 | 1,655,462 |
| Collective impairment | | | | | | | | | |
| Stage 1 | 804,513 | 115,806 | 26,549 | 777,931 | - | 8 | 4,311 | 16,624 | 1,745,742 |
| Stage 2 | 628,642 | 121,029 | 15,101 | 231,495 | - | 9 | 263 | 39,650 | 1,036,189 |
| Stage 3 | 2,253,602 | 406,940 | 69,435 | 3,137,102 | 21,041 | 7,498 | 191,025 | 318,100 | 6,404,743 |
| Total Collective impairment | 3,686,757 | 643,775 | 111,085 | 4,146,528 | 21,041 | 7,515 | 195,599 | 374,374 | 9,186,674 |
| Total | 3,686,757 | 643,775 | 111,085 | 4,917,570 | 23,447 | 7,515 | 199,055 | 1,252,932 | 10,842,136 |

25.8 Movement in Provision for Impairment During the Year (Under SLFRS 9)**Movement in Impairment 2021/22 - Company**

| | Stage 1 Rs. '000 | Stage 2 Rs. '000 | Stage 3 Rs. '000 | Total Rs. '000 |
|--|---------------------|---------------------|---------------------|-------------------|
| ECL allowance as at 1st April 2021 under SLFRS 9 | 831,484 | 1,113,374 | 7,323,080 | 9,267,938 |
| New assets originated or purchased | 556,956 | 76,426 | 442,180 | 1,075,562 |
| Assets derecognised or repaid (excluding write offs) | (12,530) | (362,278) | (439,651) | (814,459) |
| Transfers to Stage 2 and 3 | (203,085) | 100,684 | 102,401 | - |
| Transfers to Stage 1 and 3 | 9,270 | (105,960) | 115,230 | 18,540 |
| Transfers to Stage 1 and 2 | 81,009 | 27,966 | (108,975) | - |
| Impact on year end ECL of exposures transferred between stages during the year | (231,669) | (24,428) | 28,790 | (227,307) |
| Changes to models and inputs used for ECL calculations | 306,788 | 65,342 | 200,229 | 572,359 |
| Amounts written off | - | - | (5,063) | (5,063) |
| Balance as at 31st March 2022 | 1,338,223 | 891,126 | 7,658,221 | 9,887,570 |

Movement in Impairment 2020/21 - Company

| | Stage 1 Rs. '000 | Stage 2 Rs. '000 | Stage 3 Rs. '000 | Total Rs. '000 |
|--|---------------------|---------------------|---------------------|-------------------|
| ECL allowance as at 1st April 2020 under SLFRS 9 | 675,172 | 1,183,272 | 6,891,791 | 8,750,235 |
| New assets originated or purchased | 362,358 | 108,938 | 263,483 | 734,779 |
| Assets derecognised or repaid (excluding write offs) | 360,808 | (366,251) | (275,162) | (280,605) |
| Transfers to Stage 2 and 3 | (761,572) | 289,030 | 472,542 | - |
| Transfers to Stage 1 and 3 | 126,562 | (620,498) | 493,936 | - |
| Transfers to Stage 1 and 2 | 26,289 | 293,663 | (319,952) | - |
| Impact on year end ECL of exposures transferred between stages during the year | (227,219) | (22,819) | 141,534 | (108,504) |
| Changes to models and inputs used for ECL calculations | 269,086 | 248,039 | (272,310) | 244,815 |
| Amounts written off | - | - | (72,782) | (72,782) |
| Balance as at 31st March 2021 | 831,484 | 1,113,374 | 7,323,080 | 9,267,938 |

Notes to the Financial Statements

25. Loans and Receivables - Amortised Cost (Contd...)

Movement in Impairment 2021/22 - Group

| | Stage 1 Rs. '000 | Stage 2 Rs. '000 | Stage 3 Rs. '000 | Total Rs. '000 |
|--|---------------------|---------------------|---------------------|-------------------|
| ECL allowance as at 1st April 2021 under SLFRS 9 | 995,233 | 1,262,265 | 7,624,698 | 9,882,196 |
| New assets originated or purchased | 838,601 | 111,603 | 488,498 | 1,438,702 |
| Assets derecognised or repaid (excluding write offs) | (137,607) | (384,216) | (437,025) | (958,848) |
| Transfers to Stage 2 and 3 | (207,147) | 103,722 | 103,425 | - |
| Transfers to Stage 1 and 3 | 10,196 | (119,665) | 109,469 | - |
| Transfers to Stage 1 and 2 | 89,110 | 14,417 | (103,526) | - |
| Impact on year end ECL of exposures transferred between stages during the year | (236,302) | (24,672) | 29,079 | (231,896) |
| Changes to models and inputs used for ECL calculations | 312,924 | 65,995 | 202,231 | 581,150 |
| Amounts written off | - | - | (5,063) | (5,063) |
| Foreign exchange adjustments | 80,733 | 6,740 | 48,420 | 135,894 |
| Balance as at 31st March 2022 | 1,745,742 | 1,036,189 | 8,060,205 | 10,842,136 |

Movement in Impairment 2020/21 - Group

| | Stage 1 Rs. '000 | Stage 2 Rs. '000 | Stage 3 Rs. '000 | Total Rs. '000 |
|--|---------------------|---------------------|---------------------|-------------------|
| ECL allowance as at 1st April 2020 under SLFRS 9 | 749,718 | 1,333,159 | 7,087,069 | 9,169,946 |
| New assets originated or purchased | 482,566 | 212,977 | 205,397 | 900,940 |
| Assets derecognised or repaid (excluding write offs) | 395,853 | (411,288) | (198,112) | (213,547) |
| Transfers to Stage 2 and 3 | (880,310) | 299,071 | 581,239 | - |
| Transfers to Stage 1 and 3 | 125,361 | (738,941) | 613,580 | - |
| Transfers to Stage 1 and 2 | 71,935 | 311,982 | (383,917) | - |
| Impact on year end ECL of exposures transferred between stages during the year | (271,960) | (25,867) | 147,364 | (150,463) |
| Changes to models and inputs used for ECL calculations | 322,070 | 281,172 | (283,528) | 319,714 |
| Amounts written off | - | - | (144,394) | (144,394) |
| Balance as at 31st March 2021 | 995,233 | 1,262,265 | 7,624,698 | 9,882,196 |

26. Insurance and Reinsurance Receivables

Accounting Policy

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.

Insurance Receivables

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. Based on the three stages; performing (stage 1), under-performing (stage 2), nonperforming (stage 3), the Company provides ECL on 12 months ECL and lifetime ECL weighted among several scenarios.

De-recognition due to substantial Modification of Terms and Conditions

Group de-recognises premium receivables, when the terms and conditions have been re-negotiated to the extent that, substantially, it becomes a new insurance contract, with the difference recognised as a separate asset or liability. The newly recognised insurance contracts are classified as stage 1 for ECL measurement purposes.

When assessing whether or not to de-recognise a insurance premium receivable, amongst others, Group considers the following factors:

- Loss of insurable interest
- Change in counterparty

Assessment of Impairment of Insurance Receivables

The Group assessed the impairment provision based on the ECL method.

Reinsurance Receivable

The Company cedes insurance risk to reinsurance 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.

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.

Assessment of Impairment of Reinsurance Receivables

Reinsurance receivables of the Company are not qualified for ECL model based on SLFRS 4 - Insurance Contracts, section 20. Impairment losses will be recognised on reinsurance receivables, if and only if, there is no objective evidence, as a result that occurred after initial recognition of the reinsurance assets, that the Company may not receive all amounts due to it under the terms of the contract; and that event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer.

Notes to the Financial Statements

26. Insurance and Reinsurance Receivables (Contd...)

Deferred Expenses

Deferred Acquisition Costs (DAC)

Costs of acquiring new businesses including commission, underwriting, marketing and policy issuance 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) are amortised over the period on the basis unearned premium 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.

An impairment review of DAC is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the statement of profit or loss. DACs are also considered in the liability adequacy test for each reporting period.

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 31st March | Company | | Group | |
|-------------------------|------------------|------------------|------------------|------------------|
| | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 |
| Reinsurance receivables | - | - | 606,386 | 277,279 |
| Insurance Receivables | - | - | 716,142 | 747,182 |
| Total | - | - | 1,322,528 | 1,024,461 |
| Fair value | - | - | 1,322,528 | 1,024,461 |

27. Financial Assets - Fair Value Through Other Comprehensive Income

Accounting Policy

Upon initial recognition, the Company occasionally 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 LKAS 32 "Financial Instruments: Presentation" and are not held for trading. 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.

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.

| As at 31st March | Page No. | Company | | Group | | |
|-------------------|-------------|------------------|------------------|------------------|------------------|----------------|
| | | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 | |
| Equity securities | 27.1 | 269 | 231,838 | 309,118 | 231,838 | 309,118 |
| Treasury bills | | | - | - | 299,663 | 426,376 |
| Debentures | | | 1,101,440 | - | 1,101,440 | - |
| Total | | | 1,333,278 | 309,118 | 1,632,941 | 735,494 |
| Fair value | | | 1,333,278 | 309,118 | 1,632,941 | 735,494 |

27.1 Equity Investments & Debenture Investments - Company and Group

| As at 31st March | | | 2022 | | | 2021 | | |
|--|--------|-----|------------|-----------|--------------|--------------------------------|--------------------------|--------------|
| | | | Note | Page No. | No of Shares | Cost of Investment Rs. '000 | Market Value Rs. '000 | No of Shares |
| Equity Investments | | | | | | | | |
| People's Merchant Finance PLC | | | 25,014,002 | 237,633 | 135,076 | 25,014,002 | 237,633 | 180,100 |
| Asiri Hospital | | | 500,000 | 20,730 | 18,750 | | | |
| Sanasa Development Bank PLC | | | 2,271,260 | 213,853 | 67,002 | 2,271,260 | 213,853 | 129,008 |
| | | | | 472,216 | 220,828 | | 451,486 | 309,108 |
| Credit Information Bureau of Sri Lanka | 27.2.1 | 269 | 100 | 10 | 10 | 100 | 10 | 10 |
| Lanka Credit and business Finance PLC | | | 5,000,000 | 50,000 | 11,000 | 50,000,000 | 50,000 | - |
| Subtotal | | | - | - | 231,838 | - | - | 309,118 |
| Debenture investments | | | | | | | | |
| Ceyloan Electricity Board | | | 9,180,900 | 1,000,086 | 891,470 | - | - | - |
| Sampath Bank | | | 2,025,000 | 211,149 | 209,970 | - | - | - |
| Total | | | | 1,733,461 | 1,333,278 | | 501,496 | 309,118 |

27.2 Reconciliation of Fair Value Measurement for Unquoted Equity Securities Under Level 3 Hierarchy

27.2.1 Credit Information Bureau of Sri Lanka

| As at 31st March | Company | | Group | |
|---------------------------------|------------------|------------------|------------------|------------------|
| | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 |
| Balance as at 1st April | 10 | 10 | 10 | 10 |
| Remeasurement recognised in OCI | - | - | - | - |
| Balance as at 31st March | 10 | 10 | 10 | 10 |

28. Debt Instrument - Amortised Cost

Accounting Policy

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.

Notes to the Financial Statements

28. Debt Instrument - Amortised Cost (Contd...)

| As at 31st March | Company | | Group | |
|----------------------------|------------------|------------------|-------------------|-------------------|
| | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 |
| Treasury bills | 9,827,221 | 6,319,142 | 9,827,221 | 6,319,142 |
| Treasury bonds | - | 675,064 | 2,750,582 | 1,539,558 |
| Unquoted preference shares | - | - | 918,504 | 734,686 |
| Commercial Paper | - | - | 152,475 | 155,245 |
| Debentures | - | - | 2,364,743 | 2,183,083 |
| Total | 9,827,221 | 6,994,206 | 16,013,525 | 10,931,714 |
| Fair value | 9,804,639 | 6,984,078 | 15,765,803 | 11,200,604 |

28.1 Debentures

| | Rate | Maturity date | Group | | | |
|---|--------|---------------|----------------------|----------------------------|----------------------|----------------------------|
| | | | 2022 | | 2021 | |
| | | | No. of Debentures | Carrying Value Rs. '000 | No. of Debentures | Carrying Value Rs. '000 |
| Sampath Bank PLC | 8.25% | 14-Dec-19 | - | - | - | - |
| | 9.90% | 18-Nov-20 | 500,000 | - | 500,000 | - |
| | 12.50% | 20-Mar-23 | 1,000,000 | 100,366 | 1,000,000 | 100,401 |
| | 13.90% | 24-Feb-24 | 1,000,000 | 101,152 | 1,000,000 | 101,152 |
| Siyapatha Finance PLC | 13.33% | 8-Aug-24 | 1,500,000 | 162,630 | 1,500,000 | 162,632 |
| National Savings Bank | 11.00% | 10-Sep-22 | 1,000,000 | 105,940 | 1,000,000 | 105,941 |
| National Development Bank PLC | 9.40% | 24-Jun-20 | 282,800 | - | 282,800 | - |
| | 13.95% | 30-Mar-24 | 2,000,000 | 200,149 | 2,000,000 | 200,163 |
| DFCC Bank PLC | 9.40% | 10-Jun-20 | 332,100 | - | 332,100 | - |
| | 12.75% | 9-Nov-23 | 1,000,000 | 104,925 | 1,000,000 | 104,925 |
| | 13.00% | 29-Mar-25 | 844,500 | 84,538 | 844,500 | 84,538 |
| | 13.50% | 28-03-2024 | 1,000,000 | 100,143 | 1,000,000 | 100,143 |
| | 11.00% | 12-Jun-25 | 1,190,000 | 129,415 | 1,190,000 | 128,912 |
| Seylan Bank PLC | 12.85% | 29-Mar-23 | 750,000 | 75,026 | 750,000 | 75,051 |
| MTD Walkers PLC | 11.75% | 30-Sep-19 | 254,784 | 26,954 | 254,784 | 26,954 |
| Commercial Bank PLC | 10.75% | 8-Mar-21 | 2,000,000 | - | 2,000,000 | - |
| | 12.00% | 27-Oct-21 | - | - | 421,900 | 44,316 |
| | 12.00% | 22-Jul-23 | 881,700 | 90,106 | 881,700 | 90,106 |
| Hatton National Bank PLC | 11.25% | 28-Mar-21 | 2,000,000 | - | 2,000,000 | - |
| | 13.00% | 1-Nov-23 | 193,300 | 20,332 | 193,300 | 20,332 |
| | 12.30% | 22-Sep-24 | 413,300 | 43,900 | 413,300 | 43,900 |
| Nations Trust Bank PLC | 12.65% | 8-Nov-21 | - | - | 2,000,000 | 209,851 |
| | 12.80% | 23-Dec-24 | 2,000,000 | 206,553 | 2,000,000 | 206,568 |
| Hayleys PLC | 12.50% | 31-Jul-23 | 1,000,000 | 101,978 | 1,000,000 | 101,978 |
| Ceylon Electricity Board | 9.35% | 15-Apr-26 | 4,000,000 | 435,694 | | |
| LOLC PLC | 10.25% | 24-Feb-26 | 3,000,000 | 302,819 | 3,000,000 | 302,819 |
| Subtotal | | | | 2,392,620 | | 2,210,684 |
| Less : Allowance for expected credit losses | | | | (27,877) | | (27,601) |
| Total | | | | 2,364,743 | | 2,183,083 |

Total allowance for expected credit loss stemmed from 12 months ECL since all investments under this category are investment grade instruments.

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.

All subsidiaries of the Company have been incorporated in Sri Lanka other than Lankan Alliance Finance Limited which is incorporated in Bangladesh. A list of subsidiaries with their principal activities are given in the Note 1.2 on page 215.

| As at 31st March | 2022 | | | 2021 | | |
|---|-----------|------------------|--|-----------|------------------|--|
| | Holding % | Cost Rs. '000 | Directors' / market valuation Rs. '000 | Holding % | Cost Rs. '000 | Directors' / market valuation Rs. '000 |
| People's Leasing Fleet Management Limited | 100.00 | 175,000 | 385,556 | 100.00 | 175,000 | 332,983 |
| People's Leasing Property Development Limited | 100.00 | 550,000 | 985,396 | 100.00 | 550,000 | 1,013,914 |
| People's Leasing Havelock Properties Limited | 100.00 | 600,000 | 728,694 | 100.00 | 600,000 | 626,158 |
| People's Micro-commerce Ltd | 100.00 | 150,000 | 504,701 | 100.00 | 150,000 | 367,437 |
| People's Insurance PLC | 75.00 | 600,000 | 4,515,000 | 75.00 | 600,000 | 2,955,000 |
| Lankan Alliance Finance Limited | 51.00 | 1,138,788 | 2,272,595 | 51.00 | 1,138,788 | 1,482,658 |
| Total | | 3,213,788 | 9,391,942 | | 3,213,788 | 6,778,150 |

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.

Notes to the Financial Statements

29. Investments in Subsidiaries (Contd...)

The following table summaries the information relating to the Group's subsidiary that has a material non-controlling interest (NCI).

| For the year ended 31st March | 2022 | | | 2021 | | |
|--|------------------------------------|---|-------------------|------------------------------------|---|-------------------|
| | 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 |
| Non-controlling interest (NCI) percentage | 25% | 49% | | 25% | 49% | |
| Net operating income | 4,562,288 | 449,753 | 5,012,041 | 5,294,873 | 361,819 | 5,656,692 |
| Less : Operating expenses | 4,254,559 | 478,043 | 4,732,602 | 3,728,072 | 303,451 | 4,031,523 |
| Profit before income tax | 307,729 | (28,290) | 279,439 | 1,566,801 | 58,368 | 1,625,169 |
| Less : Income tax expense | 217,338 | (7,556) | 209,782 | 363,208 | 55,468 | 418,676 |
| Profit after tax | 90,391 | (20,734) | 69,657 | 1,203,593 | 2,900 | 1,206,493 |
| Profit allocated to Non-controlling interest (NCI) | 22,598 | (10,160) | 12,438 | 300,898 | 1,421 | 302,319 |

| As at 31st March | 2022 | | | 2021 | | |
|--|------------------------------------|---|-------------------|------------------------------------|---|-------------------|
| | 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 | 642,756 | 124,218 | 766,974 | 1,045,082 | 42,604 | 1,087,686 |
| Balances with banks & financial institutions | 2,561,413 | 1,997,930 | 4,559,343 | 2,815,391 | 505,607 | 3,320,998 |
| Loans and receivables | 2,709,882 | 10,964,065 | 13,673,947 | 2,558,607 | 4,735,863 | 7,294,470 |
| Insurance and reinsurance receivables | 1,931,657 | - | 1,931,657 | 1,643,629 | - | 1,643,629 |
| Financial assets - Fair value through other comprehensive income | 299,663 | - | 299,663 | 426,376 | - | 426,376 |
| Debt Instrument at amortised cost | 2,750,582 | 918,504 | 3,669,086 | 864,494 | 691,274 | 1,555,768 |
| Property, plant and equipment & intangible assets | 106,954 | 183,036 | 289,990 | 182,322 | 147,778 | 330,100 |
| Other assets | 1,099,636 | 356,326 | 1,455,962 | 1,597,954 | 204,811 | 1,802,765 |
| Total assets | 12,102,543 | 14,544,079 | 26,646,622 | 11,133,855 | 6,327,937 | 17,461,792 |
| Due to banks | 184,738 | 796,993 | 981,731 | 3,020 | 105,449 | 108,469 |
| Due to customers | - | 8,665,037 | 8,665,037 | - | 2,944,262 | 2,944,262 |
| Other financial liabilities | 969,610 | 528,323 | 1,497,933 | 691,728 | 273,396 | 965,124 |
| Other liabilities | 216,897 | 97,658 | 314,554 | 482,995 | 97,658 | 580,653 |
| Insurance liabilities and reinsurance payable | 5,982,246 | - | 5,982,246 | 5,089,039 | - | 5,089,039 |
| Total liabilities | 7,353,491 | 10,088,011 | 17,441,501 | 6,266,782 | 3,420,765 | 9,687,547 |
| Net assets value | 4,749,052 | 4,456,068 | 9,205,120 | 4,867,073 | 2,907,172 | 7,774,245 |
| Carrying amount of Non-controlling interest (NCI) | 1,187,263 | 2,183,473 | 3,370,736 | 1,216,768 | 1,424,514 | 2,641,283 |

30. 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.

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 Group and Company 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 Group and Company 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 Group/Company makes a judgment whether the property generates independent cash flows rather than cash flows that are attributable not only to the property but also other assets. Judgment is also applied in determining if ancillary services are significant, so that a property does not qualify as investment property.

Notes to the Financial Statements

30. Investment Property (Contd...)

| As at 31st March | Company | | Group | |
|--------------------------|------------------|------------------|------------------|------------------|
| | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 |
| Balance as at 1st April | - | - | 820,664 | 1,131,596 |
| Addition during the year | - | - | - | - |
| Transfer during the year | - | - | - | (310,932) |
| Balance as at 31st March | - | - | 820,664 | 820,664 |

Land and building at No. 7 and 9, Havelock Road, Colombo 5 is rented to People's Bank, People's Insurance PLC and People's Leasing & 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 31st December 2021 by Mr K.T.D. Tissera, FRICS (Eng), who is independent valuer not connected with the Company.

Rent income recognised in respect to the above investment property is disclosed in Note 10 on page 228.

Direct operational expenses recognised in respect to the above investment property is disclosed in Note 15 on page 234.

31. 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 of advance payments, VAT recoverable, inventory and sundry receivables. Advance payments are carried at historical cost.

| As at 31st March | Page Note | Page No. | Company | | Group | |
|---|--------------|-------------|------------------|------------------|------------------|------------------|
| | | | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 |
| Other financial assets - Insurance Commission | | | 108,493 | 126,949 | - | - |
| Non financial assets | 31.1 | 274 | 640,661 | 448,711 | 831,826 | 932,458 |
| Total | | | 749,154 | 575,660 | 831,826 | 932,458 |

31.1 Non Financial Assets

| As at 31st March | Page Note | Page No. | Company | | Group | |
|--|--------------|-------------|------------------|------------------|------------------|------------------|
| | | | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 |
| Advance payments | | | 111,524 | 105,693 | 81,928 | 68,320 |
| Dividend receivable | | | 225,000 | - | - | - |
| Inventories | | | 33,015 | 58,380 | 40,815 | 65,708 |
| Prepaid Expense | | | 94,605 | 72,367 | 100,814 | 81,759 |
| Unamortised cost on staff loans (Day 1 difference) | 31.2 | 275 | 54,211 | 78,624 | 54,360 | 78,924 |
| Differed expenses | | | - | - | 151,388 | 210,104 |
| Other receivables | | | 122,306 | 133,647 | 402,521 | 427,643 |
| Total | | | 640,661 | 448,711 | 831,826 | 932,458 |

31.2 Unamortised Cost On Staff Loans (Day 1 Difference)

| As at 31st March | Company | | Group | |
|--------------------------|------------------|------------------|------------------|------------------|
| | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 |
| Balance as at 1st April | 78,624 | 123,264 | 78,924 | 123,264 |
| Charge for the year | (24,413) | (44,640) | (24,564) | (44,340) |
| Balance as at 31st March | 54,211 | 78,624 | 54,360 | 78,924 |

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 Group apply the cost model to property, plant and equipment and records 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 recognized 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 & 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 Group and the renovation replaces an identifiable part of the asset. Major renovations are depreciated during the remaining useful life of the related asset.

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

32. Property, Plant and Equipment (Contd...)

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 equipments | 10 - 20 | 5 - 10 years |
| Furniture's 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 Equipments Rs. '000 | Furniture and fittings Rs. '000 | Total Rs. '000 |
|---|---|---|----------------------------|-------------------------------|-------------------------------|------------------------------------|-------------------|
| Cost | | | | | | | |
| Balance as at 1st April 2021 | 573,840 | 56,872 | 225,723 | 760,265 | 683,850 | 459,981 | 2,760,531 |
| Additions | 149,702 | - | 215,101 | 122,169 | 39,451 | 8,993 | 535,416 |
| Disposals | - | - | (2,020) | (7,327) | (57,335) | (28,476) | (95,158) |
| Transfers | - | - | - | (160) | 160 | - | - |
| Balance as at 31st March 2022 | 723,542 | 56,872 | 438,804 | 874,947 | 666,126 | 440,498 | 3,200,789 |
| (Less): Accumulated depreciation | | | | | | | |
| Balance as at 1st April 2021 | 3,234 | 56,872 | 75,255 | 612,873 | 547,487 | 415,560 | 1,711,281 |
| Charge for the year | 471 | - | 23,466 | 69,806 | 55,899 | 18,922 | 168,564 |
| Disposals | - | - | (1,052) | (7,016) | (56,294) | (28,470) | (92,832) |
| Balance as at 31st March 2022 | 3,705 | 56,872 | 97,669 | 675,663 | 547,092 | 406,012 | 1,787,013 |
| Net book value at 31st March 2022 | 719,837 | - | 341,135 | 199,284 | 119,034 | 34,486 | 1,413,776 |

| | Freehold Land and Buildings Rs. '000 | Improvement of Leasehold properties Rs. '000 | Motor Vehicles Rs. '000 | Computer Hardware Rs. '000 | Office Equipments Rs. '000 | Furniture and fittings Rs. '000 | Total Rs. '000 |
|--|---|---|-------------------------------|----------------------------------|----------------------------------|---------------------------------------|-------------------|
| Cost | | | | | | | |
| Balance as at 1st April 2020 | 573,840 | 56,872 | 278,163 | 766,212 | 704,670 | 450,446 | 2,830,203 |
| Additions | - | - | - | 33,922 | 54,104 | 16,664 | 104,690 |
| Disposals | - | - | (52,440) | (39,869) | (74,924) | (7,129) | (174,362) |
| Balance as at 31st March 2021 | 573,840 | 56,872 | 225,723 | 760,265 | 683,850 | 459,981 | 2,760,531 |
| (Less): Accumulated depreciation | | | | | | | |
| Balance as at 1st April 2020 | 2,763 | 56,794 | 85,461 | 586,278 | 556,502 | 398,476 | 1,686,274 |
| Charge for the year | 471 | 78 | 15,841 | 63,242 | 64,589 | 23,139 | 167,360 |
| Disposals | - | - | (26,047) | (36,647) | (73,604) | (6,055) | (142,353) |
| Balance as at 31st March 2021 | 3,234 | 56,872 | 75,255 | 612,873 | 547,487 | 415,560 | 1,711,281 |
| Net book value at 31st March 2021 | 570,606 | - | 150,468 | 147,392 | 136,363 | 44,421 | 1,049,250 |

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 Equipments Rs. '000 | Furniture and fittings Rs. '000 | Total Rs. '000 |
|--|---|--|-------------------------------|----------------------------------|----------------------------------|---------------------------------------|-------------------|
| Cost | | | | | | | |
| Balance as at 1st April 2021 | 3,537,387 | 58,583 | 510,821 | 879,870 | 1,006,726 | 531,985 | 6,525,372 |
| Additions | 149,702 | - | 92,205 | 137,696 | 45,225 | 32,330 | 457,158 |
| Disposals | - | - | (177,260) | (7,712) | (57,795) | (29,786) | (272,553) |
| Transfers | - | - | - | (160) | 160 | - | - |
| Exchange rate variance | - | - | 6,240 | 9,363 | 4,178 | 10,109 | 29,890 |
| Fair value adjustments | - | - | - | - | - | - | - |
| Balance as at 31st March 2022 | 3,687,089 | 58,583 | 432,006 | 1,019,057 | 998,494 | 544,638 | 6,739,867 |
| (Less): Accumulated depreciation | | | | | | | |
| Balance as at 1st April 2021 | 381,717 | 57,349 | 175,372 | 700,009 | 709,051 | 467,609 | 2,491,107 |
| Charge for the year | 63,805 | - | 43,592 | 84,197 | 72,835 | 32,029 | 296,458 |
| Disposals | - | - | (71,508) | (7,016) | (56,294) | (28,470) | (163,288) |
| Transfers | - | - | - | - | - | - | - |
| Exchange rate variance | - | - | 1,105 | 6,210 | 9,999 | 7,594 | 24,908 |
| Balance as at 31st March 2022 | 445,522 | 57,349 | 148,561 | 783,400 | 735,591 | 478,762 | 2,649,185 |
| Net book value at 31st March 2022 | 3,241,567 | 1,234 | 283,445 | 235,657 | 262,903 | 65,876 | 4,090,682 |

Notes to the Financial Statements

32. Property, Plant and Equipment (Contd...)

| | Freehold Land and Buildings Rs. '000 | Improvement of Leasehold properties Rs. '000 | Motor Vehicles Rs. '000 | Computer Hardware Rs. '000 | Office Equipments Rs. '000 | Furniture and fittings Rs. '000 | Total Rs. '000 |
|--|---|--|-------------------------------|----------------------------------|----------------------------------|---------------------------------------|-------------------|
| Cost | | | | | | | |
| Balance as at 1st April 2020 | 3,226,454 | 58,583 | 693,357 | 881,755 | 999,658 | 530,039 | 6,389,846 |
| Additions | - | - | 9,440 | 37,085 | 81,547 | 24,252 | 152,324 |
| Disposals | (55) | - | (191,976) | (39,869) | (74,924) | (22,599) | (329,423) |
| Transfers/adjustments | 310,988 | - | - | - | - | - | 310,988 |
| Exchange rate variance | - | - | - | 899 | 445 | 293 | 1,637 |
| Balance as at 31st March 2021 | 3,537,387 | 58,583 | 510,821 | 879,870 | 1,006,726 | 531,985 | 6,525,372 |
| (Less): Accumulated depreciation | | | | | | | |
| Balance as at 1st April 2020 | 317,912 | 57,271 | 205,642 | 658,593 | 706,349 | 445,709 | 2,391,476 |
| Charge for the year | 63,805 | 78 | 44,373 | 74,400 | 75,807 | 33,782 | 292,245 |
| Disposals | - | - | (74,643) | (33,611) | (73,604) | (11,980) | (193,838) |
| Exchange rate variance | - | - | - | 627 | 499 | 98 | 1,224 |
| Balance as at 31st March 2021 | 381,717 | 57,349 | 175,372 | 700,009 | 709,051 | 467,609 | 2,491,107 |
| Net book value at 31st March 2021 | 3,155,670 | 1,234 | 335,449 | 179,861 | 297,675 | 64,376 | 4,034,265 |

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 31st March | Company | | Group | |
|-------------------------------------|------------------|------------------|------------------|------------------|
| | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 |
| Improvement of leasehold properties | 56,872 | 53,282 | 56,872 | 53,282 |
| Motor vehicles | 33,013 | 37,971 | 33,013 | 37,971 |
| Computer hardware | 489,153 | 440,942 | 548,306 | 490,175 |
| Office equipment | 359,878 | 397,383 | 395,812 | 431,165 |
| Furniture and fittings | 76,861 | 327,178 | 89,089 | 338,727 |
| Total | 1,015,777 | 1,256,756 | 1,123,092 | 1,351,320 |

32.4 Group Freehold Lands and Buildings

| Location | Address | Date of Valuation | Method of Valuation | Land Extent (perches) | Number of Building | Building Area (Sq.Ft) | 2022 Cost Rs. '000 | 2022 Revaluation Rs. '000 | 2021 Revaluation Rs. '000 |
|--|---|-------------------|---------------------|-----------------------|--------------------|-----------------------|--------------------|---------------------------|---------------------------|
| People's Leasing & Finance PLC | | | | | | | | | |
| Vehicle yards | | | | | | | | | |
| Makola | No. 496, Makola North, Makola | 31.12.2019 | MCM | 90 | 1 | 11,600 | 7,632 | 49,000 | 49,000 |
| Mabima | No. 225/D, Nayagala Road, Heiyantuduwa, Mabima | 31.12.2019 | MCM | 330.75 | 1 | 820 | 22,532 | 75,000 | 75,000 |
| Meegahamulla | Kandepalla, Beligamuwa, Galewala | 31.12.2019 | MCM | 260 | 1 | 1,836 | 27,558 | 24,000 | 24,000 |
| Monaragala | No. 10, Pothuwil Road, Monaragala | 31.12.2019 | MCM | 125.9 | 1 | 1,376 | 46,905 | 50,000 | 50,000 |
| Administrative purpose | | | | | | | | | |
| Bandarawela | No. 35/2D, Welimada Road, Bandarawela | 31.12.2019 | MCM | 8.3 | 1 | 5,194 | 31,257 | 45,000 | 45,000 |
| Jaffna | No. 10, Mahathma Gandhi Road, Jaffna | 31.12.2019 | MCM | 44.72 | - | - | 45,764 | 155,063 | 155,063 |
| Matara | No. 367, Anagarila Darmapala Mawatha Matara | 31.12.2019 | MCM | 40 | - | - | 93,599 | 100,000 | 100,000 |
| Kandy | No. 296, Senanayaka Road, Kandy | 31.12.2019 | MCM | 47.1 | - | - | 142,711 | 183,700 | 183,700 |
| Anuradhapura | No. 50, Maithripala Senanayake Road, Anuradhapura | 31.12.2019 | MCM | 40.51 | - | - | 155,882 | 182,295 | 182,295 |
| Colombo | No 10d/8 Kaduwela | 23.03.2021 | MCM | 94.3 | - | - | 149,702 | 183,885 | - |
| Subtotal | | | | | 5 | | 723,542 | 1,047,943 | 864,058 |
| People's Leasing Property Development Limited | | | | | | | | | |
| Borella | No. 1161, Maradana Road, Colombo 08 | 31.12.2021 | MCM | 104.9 | 2 | 127,621 | 1,532,414 | 2,650,000 | 2,500,000 |
| Subtotal | | | | | 2 | | 1,532,414 | 2,650,000 | 2,500,000 |
| People's Leasing Havelock Properties Limited | | | | | | | | | |
| Colombo 05* | No. 07, Havelock Road, Colombo 05 | 31.12.2021 | MCM | 111.45 | 1 | 84,024 | 2,059,690 | 2,600,000 | 2,600,000 |
| Subtotal | | | | | 1 | | 2,059,690 | 2,600,000 | 2,600,000 |
| Total | | | | | 8 | | 4,315,646 | 6,297,943 | 5,964,058 |

MCM : Market Comparable Method

* Land and building value of Rs.628,556,600 is classified as investment property and Rs. 1,431,133,056 is classified as property, plant and equipment in the group financial statements.

Notes to the Financial Statements

32. Property, Plant and Equipment (Contd...)

Market valuation of the above Land & 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 Group/Company idle as at 31st March 2022 and 31st March 2021.

Property, Plant and Equipment Retired from Active Use

There were no property, plant and equipment of the Group/Company retired from active use as at 31st March 2022 and 31st March 2021.

Title Restriction on Property, Plant and Equipment

There were no restriction on the title of property, plant and equipment of the Group/Company as at 31st March 2022 and 31st March 2021.

Property, Plant and Equipment Pledged as Security for Liabilities

There were no items of property, plant and equipment of the Group/Company pledged as securities for liabilities other than disclosed in Note 54 on page 308 (asset pledged) 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 Group/Company that were impaired, lost or given up (2021: Nil).

Unobservable Input 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 on page 241 to the Financial Statements.

33. Right of Use Assets

Accounting Policy

SLFRS 16 - Leases

Determination of the Lease Term for Lease Contracts with Renewal and Termination Options (Group as a Lessee)

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has several lease contracts for branches/head office that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination option. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation of the leased asset).

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.

| | Company | | Group | |
|---|---------------------|---------------------|---------------------|---------------------|
| | 2021/22 Rs. '000 | 2020/21 Rs. '000 | 2021/22 Rs. '000 | 2020/21 Rs. '000 |
| Cost | | | | |
| Balance as at 1st April | 3,349,114 | 2,522,565 | 2,290,888 | 2,017,197 |
| Transfer from other asset (Prepaid rentals) | 52,790 | 50,600 | 52,790 | 50,600 |
| | 3,401,904 | 2,573,165 | 2,343,678 | 2,067,797 |
| Additions | 239,437 | 858,510 | 238,105 | 292,305 |
| Disposals | (138,773) | (69,214) | (112,147) | (69,214) |
| Transfers | - | (13,347) | - | - |
| Balance as at 31st March | 3,502,568 | 3,349,114 | 2,469,636 | 2,290,888 |
| (Less): Accumulated amortisation | | | | |
| Balance as at 1st April | 1,106,670 | 583,115 | 699,591 | 377,715 |
| | 1,106,670 | 583,115 | 699,591 | 377,715 |
| Amortisation | 518,284 | 543,769 | 325,327 | 340,349 |
| Transfer to net investment in lease | - | (1,741) | - | - |
| Disposal | (94,766) | (18,473) | (94,766) | (18,473) |
| Impairment | - | - | - | - |
| Balance as at 31st March | 1,530,188 | 1,106,670 | 930,152 | 699,591 |
| Net book value at 31st March | 1,972,380 | 2,242,444 | 1,539,484 | 1,591,297 |

34. Goodwill And Intangible Assets

Accounting Policy

The Group's intangible assets include the goodwill and customer list which 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 Group/Company 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.

Notes to the Financial Statements

34. Goodwill And Intangible Assets (Contd...)

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.

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 1st April 2021 | 199,853 | 308,545 | 508,398 | 233,461 | 417,099 | 650,560 |
| Additions | 10,325 | - | 10,325 | 12,835 | - | 12,835 |
| Disposals | - | - | - | - | - | - |
| Exchange rate variance | - | - | - | 773 | - | 773 |
| Balance as at 31st March 2022 | 210,178 | 308,545 | 518,723 | 247,069 | 417,099 | 664,168 |
| (Less): Accumulated amortisation | | | | | | |
| Balance as at 1st April 2021 | 175,018 | 186,934 | 361,952 | 198,120 | 186,934 | 385,054 |
| Amortisation | 13,195 | - | 13,195 | 16,879 | - | 16,879 |
| Impairment | - | 121,611 | 121,611 | - | 121,611 | 121,611 |
| Exchange rate variance | - | - | - | 1,021 | - | 1,021 |
| Balance as at 31st March 2022 | 188,213 | 308,545 | 496,758 | 216,020 | 308,545 | 524,565 |
| Net book value at 31st March 2022 | 21,965 | - | 21,965 | 31,049 | 108,554 | 139,603 |
| Cost | | | | | | |
| Balance as at 1st April 2020 | 199,914 | 308,545 | 508,459 | 222,221 | 417,099 | 639,320 |
| Additions | 360 | - | 360 | 11,661 | - | 11,661 |
| Disposals | 421 | - | 421 | 421 | - | 421 |
| Balance as at 31st March 2021 | 199,853 | 308,545 | 508,398 | 233,461 | 417,099 | 650,560 |
| (Less): Accumulated amortisation | | | | | | |
| Balance as at 1st April 2020 | 163,153 | 87,725 | 250,878 | 183,021 | 87,725 | 270,746 |
| Amortisation | 11,865 | - | 11,865 | 15,099 | - | 15,099 |
| Impairment | - | 99,209 | 99,209 | - | 99,209 | 99,209 |
| Balance as at 31st March 2021 | 175,018 | 186,934 | 361,952 | 198,120 | 186,934 | 385,054 |
| Net book value at 31st March 2021 | 24,835 | 121,611 | 146,446 | 35,341 | 230,165 | 265,506 |

Intangible assets include fully amortised software amounting to Rs. 147,975,983 for the company and Rs. 148,877,483 for the Group as at 31st March 2022 (Rs. 139,001,271 for Company and Rs. 139,902,771 for Group as at 31st March 2021), 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 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 2021/22.

35. 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.

Company has not had any defaults of principal, interest or other breaches with regard to Due to Banks during 2021/22 or 2020/21.

| As at 31st March | Company | | Group | |
|-------------------------|------------------|------------------|------------------|------------------|
| | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 |
| Overdrafts | 69,690 | 716,374 | 1,325,500 | 891,879 |
| Short term loans | - | - | 796,993 | 105,449 |
| Long term loans | 6,432,218 | - | 7,930,444 | 2,283,609 |
| Asset backed securities | 5,247,424 | 5,722,936 | 5,247,424 | 5,722,936 |
| Total | 11,749,332 | 6,439,310 | 15,300,361 | 9,003,873 |
| Fair value | 11,750,052 | 6,936,408 | 15,389,574 | 9,739,721 |

35.1 Movement of Due to Banks

| As at 31st March | Company | | Group | |
|-----------------------------------|------------------|------------------|------------------|------------------|
| | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 |
| Balance as at 1 April | 5,722,936 | 7,938,185 | 8,111,994 | 10,978,046 |
| Amount borrowed during the year | 7,000,000 | 1,000,000 | 7,250,000 | 1,500,000 |
| Repayments during the year | (1,946,889) | (3,886,355) | (2,504,664) | (5,315,691) |
| Interest expenses during the year | 903,595 | 671,106 | 1,117,531 | 949,639 |
| Subtotal | 11,679,642 | 5,722,936 | 13,974,861 | 8,111,994 |
| Overdrafts | 69,690 | 716,374 | 1,325,500 | 891,879 |
| Balance as at 31 March | 11,749,332 | 6,439,310 | 15,300,361 | 9,003,873 |

Notes to the Financial Statements

35. Due to Banks (Contd...)

35.2 Long Term Loan Details

| Name of the borrower | Granted date | Facility amount Rs. '000 | Period | Interest Rate | Security status |
|-------------------------------|--------------|-----------------------------|----------|---------------------------|-----------------|
| Commercial Bank of Ceylon PLC | 14.07.2015 | 2,000,000 | 04 years | 7.25% - 10.5% | Secured |
| Commercial Bank of Ceylon PLC | 08.09.2016 | 1,000,000 | 04 years | 14.00% | Secured |
| Sampath Bank PLC | 31.12.2014 | 2,000,000 | 05 years | 7.00% - 8.5% | Secured |
| Axis Bank | 27.03.2017 | 150,000 | 04 years | AWPLR+1.25% | Secured |
| Axis Bank | 27.03.2017 | 250,000 | 04 years | AWPLR+1.25% | Secured |
| People's Bank | 26.05.2015 | 4,250,000 | 04 years | 8.50% | Secured |
| People's Bank | 27.11.2015 | 2,000,000 | 04 years | 10.00% | Secured |
| People's Bank | 15.03.2016 | 2,000,000 | 04 years | AWPLR+1.75% | Secured |
| People's Bank | 02.06.2016 | 2,500,000 | 04 years | 06 month SLIBOR+ 1.75% | Secured |
| Bank of Ceylon | 07.07.2016 | 3,000,000 | 04 years | 11.50% | Secured |
| RAK Bank | 27.04.2017 | 5,355,000 | 03 years | 13.50% | Secured |
| MCB Bank | 26.09.2017 | 500,000 | 04 years | AWPLR+1.5% | Secured |
| Commercial Bank of Ceylon PLC | 11.11.2021 | 3,000,000 | 03 years | 9.25% | Secured |
| Hatton National Bank PLC | 16.11.2021 | 4,000,000 | 03 years | AWPLR + 0.5% | 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 | 04 years | 13.81% | Secured |
| Deutsche Bank PLC | 03.07.2015 | 3,000,000 | 04 years | 8.82% | Secured |
| Deutsche Bank PLC | 28.10.2016 | 1,769,900 | 04 years | 14.47% | Secured |
| Deutsche Bank PLC | 25.02.2016 | 4,250,700 | 04 years | 11.75% | Secured |
| Hatton National Bank PLC | 29.06.2018 | 2,000,000 | 05 years | 12.27% | Secured |
| Hatton National Bank PLC | 13.03.2019 | 2,000,000 | 05 years | 13.08% | Secured |
| People's Bank | 18.08.2016 | 3,000,000 | 04 years | 13.32% | Secured |
| People's Bank | 09.02.2018 | 1,000,000 | 02 years | 11.71% | Secured |
| People's Bank | 10.09.2018 | 2,000,000 | 02 years | 13.15% | Secured |
| People's Bank | 23.05.2019 | 1,000,000 | 03 years | 11.16% | Secured |

* The interest rate for each securitization is given as the weighted average interest rate

Details of the securities disclosed in Note 54 - 'Asset pledged' on page 308 to the Financial Statements.

35.3 Contractual Maturity Analysis

35.3.1 Remaining Contractual Maturity Analysis of Due to Bank -Company

| As at 31st March 2022 | Within one year Rs. '000 | 1-5 years Rs. '000 | Over 5 years Rs. '000 | Total Rs. '000 |
|-------------------------|--------------------------------|-----------------------|--------------------------|-------------------|
| Overdrafts | 69,690 | - | - | 69,690 |
| Long term loans | 2,353,092 | 4,079,126 | - | 6,432,218 |
| Asset backed securities | 3,111,337 | 2,136,087 | - | 5,247,424 |
| Total | 5,534,119 | 6,215,213 | - | 11,749,332 |

| As at 31st March 2021 | Within one year Rs. '000 | 1-5 years Rs. '000 | Over 5 years Rs. '000 | Total Rs. '000 |
|-------------------------|--------------------------------|-----------------------|--------------------------|-------------------|
| Overdrafts | 716,374 | - | - | 716,374 |
| Asset backed securities | 2,249,108 | 3,473,828 | - | 5,722,936 |
| Total | 2,965,482 | 3,473,828 | - | 6,439,310 |

35.3.2 Remaining Contractual Maturity Analysis of Due to Bank -Group

| As at 31st March 2022 | Within one year Rs. '000 | 1-5 years Rs. '000 | Over 5 years Rs. '000 | Total Rs. '000 |
|-------------------------|--------------------------------|-----------------------|--------------------------|-------------------|
| Overdrafts | 1,325,500 | - | - | 1,325,500 |
| Short term loans | 796,993 | - | - | 796,993 |
| Long term loans | 3,113,993 | 4,816,451 | - | 7,930,444 |
| Asset backed securities | 3,111,337 | 2,136,087 | - | 5,247,424 |
| Total | 8,347,823 | 6,952,538 | - | 15,300,361 |

| As at 31st March 2021 | Within one year Rs. '000 | 1-5 years Rs. '000 | Over 5 years Rs. '000 | Total Rs. '000 |
|-------------------------|--------------------------------|-----------------------|--------------------------|-------------------|
| Overdrafts | 891,879 | - | - | 891,879 |
| Short term loans | 105,449 | - | - | 105,449 |
| Long term loans | 936,819 | 1,346,790 | - | 2,283,609 |
| Asset backed securities | 2,249,108 | 3,473,828 | - | 5,722,936 |
| Total | 4,183,255 | 4,820,618 | - | 9,003,873 |

36. 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.

Deposits of 8.0 billion (2020/21 Rs. 8.1 billion) held as collateral for Loans against deposits were included in Due to customers.

In compliance with the Finance Companies (Insurance of Deposit Liabilities) Direction No. 02 of 2010 all the eligible deposit liabilities have been insured with the Sri Lanka Deposit Insurance and Liquidity Support Scheme, as a safety net measure that will safeguard customer rights and confidence. The company has paid Rs. 148.67 Mn as the premium for the above insurance scheme during the year. (2020/21 - 151.87 Mn).

Notes to the Financial Statements

36. Due to Customers (Contd...)

| As at 31st March | Company | | Group | |
|------------------|--------------------|--------------------|--------------------|--------------------|
| | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 |
| Fixed Deposits | 95,145,802 | 92,999,765 | 103,375,767 | 95,378,121 |
| Savings Deposits | 8,222,102 | 8,503,166 | 8,077,983 | 8,365,595 |
| Total | 103,367,904 | 101,502,931 | 111,453,750 | 103,743,716 |
| Fair value | 102,854,237 | 102,019,672 | 110,876,896 | 104,256,546 |

36.1 Remaining Contractual Maturity Analysis of Due to Customers - Company

| As at 31st March | 2022 | | | |
|------------------|--------------------------------|-----------------------|--------------------------|--------------------|
| | Within one year Rs. '000 | 1-5 years Rs. '000 | Over 5 years Rs. '000 | Total Rs. '000 |
| Fixed Deposits | 78,112,290 | 17,033,512 | - | 95,145,802 |
| Savings Deposits | 7,973,377 | 75,044 | 173,681 | 8,222,102 |
| Total | 86,085,667 | 17,108,556 | 173,681 | 103,367,904 |

| As at 31st March | 2021 | | | |
|------------------|--------------------------------|-----------------------|--------------------------|--------------------|
| | Within one year Rs. '000 | 1-5 years Rs. '000 | Over 5 years Rs. '000 | Total Rs. '000 |
| Fixed Deposits | 74,108,732 | 18,891,033 | - | 92,999,765 |
| Savings Deposits | 8,288,671 | 50,466 | 164,029 | 8,503,166 |
| Total | 82,397,403 | 18,941,499 | 164,029 | 101,502,931 |

36.2 Remaining Contractual Maturity Analysis of Due to Customers - Group

| As at 31st March | 2022 | | | |
|------------------|--------------------------------|-----------------------|--------------------------|--------------------|
| | Within one year Rs. '000 | 1-5 years Rs. '000 | Over 5 years Rs. '000 | Total Rs. '000 |
| Fixed Deposits | 86,149,370 | 17,226,397 | - | 103,375,767 |
| Savings Deposits | 7,829,258 | 75,044 | 173,681 | 8,077,983 |
| Total | 93,978,628 | 17,301,441 | 173,681 | 111,453,750 |

| As at 31st March | 2021 | | | |
|------------------|--------------------------------|-----------------------|--------------------------|--------------------|
| | Within one year Rs. '000 | 1-5 years Rs. '000 | Over 5 years Rs. '000 | Total Rs. '000 |
| Fixed Deposits | 76,487,088 | 18,891,033 | - | 95,378,121 |
| Savings Deposits | 8,151,100 | 50,466 | 164,029 | 8,365,595 |
| Total | 84,638,188 | 18,941,499 | 164,029 | 103,743,716 |

37. 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 31st March | Company | | Group | |
|-------------------|------------------|------------------|------------------|------------------|
| | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 |
| Listed Debentures | 17,244,313 | 13,825,553 | 17,103,223 | 13,684,516 |
| Total | 17,244,313 | 13,825,553 | 17,103,223 | 13,684,516 |
| Fair value | 16,266,084 | 14,675,439 | 16,124,318 | 14,522,493 |

37.1 Movement of Debt Securities Issued

| As at 31st March | Company | | Group | |
|---|------------------|------------------|------------------|------------------|
| | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 |
| Balance as at 1 April | 13,825,553 | 18,479,260 | 13,684,516 | 18,338,039 |
| Amount borrowed during the year | 10,000,000 | - | 10,000,000 | - |
| Redemption of debt securities issued | (6,798,610) | (4,500,657) | (6,798,610) | (4,500,657) |
| Interest expenses on debt securities issued | 1,875,532 | 1,935,761 | 1,859,429 | 1,916,991 |
| Interest paid on debt securities issued | (1,658,162) | (2,088,811) | (1,642,112) | (2,069,857) |
| Balance as at 31 March | 17,244,313 | 13,825,553 | 17,103,223 | 13,684,516 |

37.2 Listed Debentures

| Issued date | Maturity date | Face value Rs. '000 | Interest rate | Repayment term | Type | Company | | Group | |
|--|---------------|------------------------|---------------|------------------|--------|------------------|------------------|------------------|------------------|
| | | | | | | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 |
| Senior, unsecured, redeemable, 'AA(-) rated | | | | | | | | | |
| 16-Nov-2016 | 16-Nov-2021 | 6,798,610 | 12.60% | Semi Annually | Type C | - | 7,108,347 | - | 7,108,347 |
| 18-Apr-2018 | 18-Apr-2022 | 704,600 | 12.40% | Annually | Type A | 785,163 | 784,097 | 785,163 | 784,097 |
| 18-Apr-2018 | 18-Apr-2023 | 5,295,400 | 12.80% | Annually | Type B | 5,941,109 | 5,933,109 | 5,800,019 | 5,792,072 |
| 5-Aug-2021 | 5-Aug-2024 | 2,942,940 | 8.00% | Annually | Type A | 3,087,136 | - | 3,087,136 | - |
| 5-Aug-2021 | 5-Aug-2024 | 2,419,929 | 8.00% | At Maturity | Type B | 2,538,385 | - | 2,538,385 | - |
| 5-Aug-2021 | 5-Aug-2026 | 4,272,360 | 9.00% | Annually | Type C | 4,507,686 | - | 4,507,686 | - |
| 5-Aug-2021 | 5-Aug-2026 | 364,766 | 9.00% | At Maturity | Type D | 384,834 | - | 384,834 | - |
| | | 29,999,995 | | | | 17,244,313 | 13,825,553 | 17,103,223 | 13,684,516 |

Notes to the Financial Statements

37. Debt Securities Issued (Contd...)

37.2.1 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) | % of total proceeds | Amounts utilised in Rs. (B) | % 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 utilized to finance working capital requirements to match the medium to long term lending of PLC and to minimize 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 utilized 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 utilized to repay the short term facilities obtained to settle the debentures matured on the 26th 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 | 100 | 6,000,000 | 100 | N/A |
| Issue of listed, senior, unsecured, redeemable, rated debentures during the year 2021/22 | | | | | | | |
| The funds raised through the Debenture Issue will be utilised to expand the lending portfolio of the Company | 10,000,000 | within 06 months from the Date of Allotment | 10,000,000 | 100 | 10,000,000 | 100 | N/A |

Remaining Contractual Maturity Analysis of Debt Security -Company

| As at 31st March | 2022 | | | |
|-------------------|-----------------------------|-----------------------|--------------------------|-------------------|
| | Within one year Rs. '000 | 1-5 years Rs. '000 | Over 5 years Rs. '000 | Total Rs. '000 |
| Listed Debentures | 1,977,853 | 15,266,460 | - | 17,244,313 |
| Total | 1,977,853 | 15,266,460 | - | 17,244,313 |

| As at 31st March | 2021 | | | |
|-------------------|-----------------------------|-----------------------|--------------------------|-------------------|
| | Within one year Rs. '000 | 1-5 years Rs. '000 | Over 5 years Rs. '000 | Total Rs. '000 |
| Listed Debentures | 7,835,316 | 5,990,237 | - | 13,825,553 |
| Total | 7,835,316 | 5,990,237 | - | 13,825,553 |

Remaining Contractual Maturity Analysis of Debt Security -Group

| As at 31st March | 2022 | | | |
|-------------------|-----------------------------|-----------------------|--------------------------|-------------------|
| | Within one year Rs. '000 | 1-5 years Rs. '000 | Over 5 years Rs. '000 | Total Rs. '000 |
| Listed Debentures | 1,962,543 | 15,140,680 | - | 17,103,223 |
| Total | 1,962,543 | 15,140,680 | - | 17,103,223 |

| As at 31st March | 2021 | | | |
|-------------------|-----------------------------|-----------------------|--------------------------|-------------------|
| | Within one year Rs. '000 | 1-5 years Rs. '000 | Over 5 years Rs. '000 | Total Rs. '000 |
| Listed Debentures | 7,820,059 | 5,864,457 | - | 13,684,516 |
| Total | 7,820,059 | 5,864,457 | - | 13,684,516 |

38. Other Financial Liabilities

Accounting Policy

Other financial liabilities includes amount payable to suppliers, insurance payable, dividend payable and other payables. These liabilities are non interest bearing and recorded at amounts expected to be payable as at the reporting date.

All other financial liabilities are recognised initially at fair value and Subsequently measured at amortised cost.

Amount Payable to Suppliers

Amount payable to suppliers includes obligation to pay for vehicle suppliers in the ordinary course of business.

Insurance payable

Insurance payable includes premium amount payable to insurance companies in relation to vehicles.

| As at 31st March | Company | | Group | |
|-----------------------------|------------------|------------------|------------------|------------------|
| | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 |
| Amount payable to suppliers | 2,181,519 | 2,923,794 | 2,243,619 | 2,981,030 |
| Insurance payable | 609,130 | 619,168 | - | - |
| Other payables | 845,879 | 589,148 | 1,799,703 | 1,130,205 |
| Total | 3,636,528 | 4,132,110 | 4,043,322 | 4,111,235 |

Notes to the Financial Statements

39. 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 de-recognised when the contract expires, is discharged or is cancelled.

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 judgment 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 judgments, 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 equalization or catastrophe reserves is recognised. The liabilities are derecognized 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 recognized in the statement of income by setting up a provision for liability adequacy.

De-recognition of Insurance Payable

Insurance payables are derecognised when the obligation under the liability is discharged, canceled 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.

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 judgment 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 judgments, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium. Judgment 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 de-recognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Notes to the Financial Statements

39. Insurance Liabilities and Reinsurance Payable (Contd...)

| As at 31st March | Page No. | Company | | Group | | |
|-----------------------|----------|------------------|------------------|------------------|------------------|------------------|
| | | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 | |
| Insurance Liabilities | 39.1 | 292 | - | - | 5,314,549 | 4,717,294 |
| Reinsurance payables | | | - | - | 588,814 | 298,591 |
| Total | | | - | - | 5,903,363 | 5,015,885 |

39.1 Insurance Liabilities

| As at 31st March | Company | | Group | |
|-----------------------|------------------|------------------|------------------|------------------|
| | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 |
| Insurance Liabilities | - | - | 1,652,891 | 1,207,374 |
| Reinsurance payables | - | - | 3,661,658 | 3,509,920 |
| Total | - | - | 5,314,549 | 4,717,294 |

40. Operating Lease Liabilities

Accounting Policy

The Company recognises lease liabilities measured at present value of lease payments to be made over the lease term at the commencement date of the lease. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments.

The Group applied modified retrospective approach in accordance with SLFRS 16 when adopting the standards and used 12.62% as a weighted average incremental borrowing rate in order to record the right of use assets and operating lease liabilities (2021 - 12.45%).

| As at 31st March | Company | | Group | |
|---|------------------|------------------|------------------|------------------|
| | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 |
| Balance as at 1st April | 2,286,386 | 1,909,098 | 1,614,660 | 1,594,245 |
| Additions/renewal of operating lease agreements during the year | 239,437 | 858,510 | 238,105 | 292,305 |
| Accretion of interest | 250,137 | 228,985 | 170,465 | 191,935 |
| Payments to lease creditors | (667,068) | (655,969) | (385,273) | (409,587) |
| Expiration of operating lease agreements during the year | (49,842) | (54,238) | (49,842) | (54,238) |
| Balance as at 31st March | 2,059,050 | 2,286,386 | 1,588,115 | 1,614,660 |

Sensitivity Analysis of Lease Liability

The impact arising from the possible changes in the incremental borrowing rate on the lease liability disclosed in Risk Management Disclosure 56.4.1.

Remaining Contractual Maturity Analysis of Lease Liability

| Company As at 31st March | 2022 | | | Total Rs. '000 |
|-----------------------------|--------------------------------|-----------------------|--------------------------|-------------------|
| | Within one year Rs. '000 | 1-5 years Rs. '000 | Over 5 years Rs. '000 | |
| Lease Liability | 440,316 | 1,407,356 | 211,378 | 2,059,050 |
| | 440,316 | 1,407,356 | 211,378 | 2,059,050 |

| Group As at 31st March | 2022 | | | Total Rs. '000 |
|---------------------------|--------------------------------|-----------------------|--------------------------|-------------------|
| | Within one year Rs. '000 | 1-5 years Rs. '000 | Over 5 years Rs. '000 | |
| Lease Liability | 117,807 | 1,267,240 | 203,068 | 1,588,115 |
| | 117,807 | 1,267,240 | 203,068 | 1,588,115 |

| Company As at 31st March | 2021 | | | Total Rs. '000 |
|-----------------------------|--------------------------------|-----------------------|--------------------------|-------------------|
| | Within one year Rs. '000 | 1-5 years Rs. '000 | Over 5 years Rs. '000 | |
| Lease Liability | 404,863 | 1,509,462 | 372,061 | 2,286,386 |
| | 404,863 | 1,509,462 | 372,061 | 2,286,386 |

| Group As at 31st March | 2021 | | | Total Rs. '000 |
|---------------------------|--------------------------------|-----------------------|--------------------------|-------------------|
| | Within one year Rs. '000 | 1-5 years Rs. '000 | Over 5 years Rs. '000 | |
| Lease Liability | 236,268 | 1,038,946 | 339,446 | 1,614,660 |
| | 236,268 | 1,038,946 | 339,446 | 1,614,660 |

GRI | 207-1, 207-2, 207-4

41. Current Tax Liabilities

Accounting Policy

The Group and Company is subject to income taxes and other taxes including VAT and NBT on financial services. Significant judgment 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 Company recognized 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, deferred tax amounts in the period in which the determination is made.

| As at 31st March | Company | | Group | |
|---------------------|------------------|------------------|------------------|------------------|
| | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 |
| Current tax payable | 1,851,676 | 362,450 | 2,098,784 | 883,900 |
| Total | 1,851,676 | 362,450 | 2,098,784 | 883,900 |

Notes to the Financial Statements

41. Current Tax Liabilities (Contd...)

41.1 Current Tax Liability

| As at 31st March | Company | | Group | |
|--|------------------|------------------|------------------|------------------|
| | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 |
| Balance as at 1st April | 362,450 | 1,803,309 | 883,900 | 2,077,418 |
| Provision for the year | 2,712,280 | 1,999,971 | 3,221,561 | 2,601,140 |
| Under/(Over) provision in respect of previous year | (47,744) | (90,892) | (47,744) | (95,886) |
| Payment of income tax | (1,175,310) | (3,349,938) | (1,958,933) | (3,534,648) |
| Tax credits(*) | - | - | - | - |
| Economic Service Charge | - | - | - | (164,124) |
| Balance as at 31st March | 1,851,676 | 362,450 | 2,098,784 | 883,900 |

41.2 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. As per Notice published dated January 1, 2020 by the Department of Inland Revenue, ESC was abolished with effect from January 01, 2020.

41.3 Withholding Tax (wht) on Fixed Deposits and Saving 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. As per Notice dated February 18, 2020 published by the Department of Inland Revenue, requirement to deduct WHT has been removed effective January 1, 2020.

42. Other Liabilities

Accounting Policy

Other liabilities include VAT on financial services payable, Value Added Tax (VAT) payable, other tax payable and other payable. These Non-Financial Liabilities should be measured at amounts that would rationally be paid to settle the present obligation or amount to transfer it to a third party on the balance sheet date.

| As at 31st March | Company | | Group | |
|-----------------------------------|------------------|------------------|------------------|------------------|
| | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 |
| VAT on financial services Payable | 428,150 | 351,885 | 441,687 | 367,928 |
| Value Added Tax (VAT) payable | 6,985 | 19,590 | 51,216 | 61,394 |
| W.H.T. Payable | - | 7,192 | 178 | 7,370 |
| Crop Insurance Levy Payable | 13,595 | 18,372 | 13,595 | 16,132 |
| Amount payable to customers | 498,011 | 320,699 | 498,650 | 321,655 |
| Stamp Duty Payable | 62,106 | 61,790 | 64,546 | 64,295 |
| Other Payable | 360,207 | 289,593 | 329,158 | 318,048 |
| Total | 1,369,054 | 1,069,121 | 1,399,030 | 1,156,822 |

43. Retirement Benefit Obligation

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'.

The Retirement Benefit Plan of the Company was amended due to the increase in retirement age enacted by the Minimum Retirement Age of Workers Act No. 28 of 2021.

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.

Defined Contribution Plans - Employees' Provident Fund & 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.

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.

| As at 31st March | Page No. | Company | | Group | |
|---|----------|---------------------|---------------------|---------------------|---------------------|
| | | 2021/22 Rs. '000 | 2020/21 Rs. '000 | 2021/22 Rs. '000 | 2020/21 Rs. '000 |
| Balance as at 01st April | | 587,257 | 592,871 | 657,778 | 647,929 |
| Amount recognise in Statement of Profit or Loss | 43.1 295 | 82,893 | 111,742 | 102,203 | 129,888 |
| Amount recognise in Statement of Comprehensive Income | 43.2 296 | 31,732 | (107,003) | 28,272 | (106,891) |
| Benefits paid during the year | | (33,471) | (10,353) | (39,309) | (13,148) |
| Balance as at 31st March | | 668,411 | 587,257 | 748,944 | 657,778 |

43.1 Amount recognise in Statement of Profit or Loss

| As at 31st March | Company | | Group | |
|--|------------------|------------------|------------------|------------------|
| | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 |
| Past service cost | (20,736) | - | (23,590) | - |
| Current service cost | 57,412 | 52,455 | 94,744 | 69,823 |
| Net interest on the net defined benefit liability | 46,217 | 59,287 | 51,785 | 60,065 |
| Total amount recognised in Statement of Profit or Loss | 82,893 | 111,742 | 102,203 | 129,888 |

Notes to the Financial Statements

43. Retirement Benefit Obligation (Contd...)

43.2 Amount recognise in Statement of Comprehensive Income

| As at 31st March | Company | | Group | |
|---|------------------|------------------|------------------|------------------|
| | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 |
| Losses/(Gains) due to changes in assumptions | 9,555 | (38,363) | 22 | (42,779) |
| Experience Losses/(Gains) arising during the year | 22,177 | (68,640) | 28,250 | (64,112) |
| Total actuarial (losses)/gain recognised in Statement of Comprehensive Income | 31,732 | (107,003) | 28,272 | (106,891) |

An actuarial valuation of the retirement benefit obligation was carried out as at 31 March 2022 by Messrs Actuarial & Management Consultants (Private) Limited, a firm of professional actuaries (31 March 2021 by Messrs Actuarial & Management Consultants (Private) Limited). 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 31st March | 2022 | 2021 |
|------------------------------|-----------------------------|-----------------------------|
| Company /Group | | |
| Actuarial assumptions | | |
| Discount rate | 15.00% | 7.87% |
| Future salary increment rate | 13.00% | 6.00% |
| Mortality | A1967/70 ultimate mortality | A1967/70 ultimate mortality |
| Disability | Standard RI rates | |
| Retirement age | 60 Years | 55 Years |

Expected average working life of the active participants is 8.58 years for the year ended 31st March 2022 (10.68 - 2021).

43.3 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 & salary increment rate on the employment benefit obligation for the year.

| | | 2022 | | 2021 | |
|--|-----|--|--|--|--|
| | | Effect on Statement of Comprehensive Income increase/ (reduction) in results for the year Rs. '000 | Effect on employee benefit obligation increase/ (reduction) in the liability Rs. '000 | Effect on Statement of Comprehensive Income increase/ (reduction) in results for the year Rs. '000 | Effect on employee benefit obligation increase/ (reduction) in the liability Rs. '000 |
| Increase/ (decrease) in discount rate | 1% | 46,958 | (46,958) | 37,667 | (37,667) |
| | -1% | (53,552) | 53,552 | (42,606) | 42,606 |
| Increase/ (decrease) in salary Increment | 1% | (53,830) | 53,830 | (42,735) | 42,735 |
| | -1% | 47,935 | (47,935) | 38,416 | (38,416) |

43.4 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 31st March | Company | | Group | |
|---------------------------|------------------|------------------|------------------|------------------|
| | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 |
| Within the next 12 months | 54,921 | 90,630 | 62,636 | 92,778 |
| Between 1-5 years | 246,811 | 197,715 | 275,960 | 223,127 |
| Beyond 5 years | 366,679 | 298,912 | 410,348 | 341,873 |
| Total | 668,411 | 587,257 | 748,944 | 657,778 |

GRI | 207-1, 207-2, 207-4

44. 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.

| As at 31st March | Company | | Group | |
|---------------------------------------|--------------------|------------------|--------------------|------------------|
| | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 |
| Recognised under assets | (1,146,726) | (415,841) | (1,444,813) | (594,495) |
| Recognised under liabilities | - | - | 323,621 | 297,568 |
| Deferred tax liability/(Asset) | (1,146,726) | (415,841) | (1,121,192) | (296,927) |

Net deferred tax assets/liabilities of one entity cannot 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 deferent entities are separately recognised in the Statement of Financial Position.

Notes to the Financial Statements

44. Deferred Tax Liabilities / (Assets) (Contd...)

44.1 Movement in Deferred Tax

| | Company | | Group | |
|---|---------------------|---------------------|---------------------|---------------------|
| | 2021/22 Rs. '000 | 2020/21 Rs. '000 | 2021/22 Rs. '000 | 2020/21 Rs. '000 |
| Balance as at 01st April | (415,841) | (376,291) | (296,924) | (53,709) |
| Charge for the year | (673,452) | (69,511) | (766,656) | (270,905) |
| Deferred Tax charge relating to components of Statement of Comprehensive Income | (57,433) | 29,961 | (57,612) | 27,690 |
| Balance as at 31st March | (1,146,726) | (415,841) | (1,121,192) | (296,924) |

| As at 31st March 2022 | 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 | 127,122 | - | 39,501 | (7,616) | (7,616) | 242,236 | - | (234,413) | (7,795) | (7,795) |
| Carry forward tax losses | - | - | - | - | - | - | - | 171,164 | - | - |
| Impairment allowances for loan receivables | 1,936,823 | 787,070 | 178,514 | - | - | 2,127,250 | 787,071 | 306,055 | - | - |
| Deferred tax on transitional Adjustment | 214,911 | - | - | - | - | 214,911 | - | 13,512 | - | - |
| Accelerated depreciation allowance for tax purpose (Lease) | - | 382,094 | (862,128) | - | - | - | 382,094 | (862,128) | - | - |
| Accelerated depreciation allowance for tax purpose (PPE) | - | 26,322 | (6,363) | - | - | - | 201,939 | (22,111) | - | - |
| Deferred Tax on SLFRS 16 | 49,677 | 36,138 | (22,976) | - | - | 49,677 | 36,138 | (59,114) | - | - |
| Deferred Tax on FVOCI | 49,817 | - | - | (49,817) | (49,817) | 49,817 | - | - | (49,817) | (49,817) |
| Fair value gains/losses - investment property | - | - | - | - | - | - | 155,457 | (79,621) | - | - |
| | 2,378,350 | 1,231,624 | (673,452) | (57,433) | (57,433) | 2,683,891 | 1,562,699 | (766,656) | (57,612) | (57,612) |
| Deferred tax effect on Profit or Loss and Other Comprehensive Income for the year | | | (673,452) | (57,433) | | | | (766,656) | (57,612) | |
| Recognised under equity | | | | | (57,433) | | | | | (57,612) |
| Recognised under assets | | (1,146,726) | | | | | (1,444,813) | | | |
| Recognised under liabilities | | - | | | | | 323,621 | | | |
| Net deferred tax liability/ (assets) as at 31 March | | (1,146,726) | | | | | (1,121,192) | | | |

| As at 31st March 2021 | 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 | 166,597 | - | (30,564) | 29,961 | 29,961 | 171,164 | - | 18,973 | 27,690 | 27,690 |
| Carry forward tax losses | - | - | - | - | - | - | - | 268 | - | - |
| Impairment allowances for loan receivables | 1,786,426 | 465,774 | 172,933 | - | - | 2,078,889 | 465,774 | 59,002 | - | - |
| Deferred tax on transitional Adjustment | 214,911 | - | 35,818 | - | 250,729 | 228,423 | - | 38,071 | - | - |
| Accelerated depreciation allowance for tax purpose (Lease) | - | 1,244,197 | (243,171) | - | - | - | 1,244,197 | (243,171) | - | - |
| Accelerated depreciation allowance for tax purpose (PPE) | - | 32,685 | 28,197 | - | - | - | 224,050 | 92,393 | - | - |
| Deferred Tax on SLFRS 16 | 26,701 | 36,138 | (32,724) | - | - | 26,701 | 36,138 | (37,787) | - | - |
| Fair value gains/losses - investment property | - | - | - | - | - | 51,899 | 289,990 | (198,654) | - | - |
| | 2,194,635 | 1,778,794 | (69,511) | 29,961 | 280,690 | 2,557,076 | 2,260,149 | (270,905) | 27,690 | 27,690 |
| Deferred tax effect on Profit or Loss and Other Comprehensive Income for the year | | | (69,511) | 29,961 | | | | (270,905) | 27,690 | |
| Recognised under equity | | | | | 280,690 | | | | | 27,690 |
| Recognised under assets | | (415,841) | | | | | (594,495) | | | |
| Recognised under liabilities | | - | | | | | 297,568 | | | |
| Net deferred tax liability as at 31 March | | (415,841) | | | | | (296,927) | | | |

Deferred tax assets/liabilities have been calculated at the rate specific to each company.

45. Stated Capital

Capital

The Company maintains an actively managed capital base to cover risks inherent in the business and is meeting the capital adequacy requirements of the Central Bank of Sri Lanka. The adequacy of the Company's capital is monitored using, among other measures, the rules and ratios established by the Central Bank of Sri Lanka.

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.

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.

Notes to the Financial Statements

45. Stated Capital (Contd...)

| | Company/Group 2022 | | Company/Group 2021 | |
|------------------------|-----------------------|------------|-----------------------|------------|
| | Number | Rs. '000 | Number | Rs. '000 |
| Balance as at 1 April | 1,704,602,760 | 14,892,036 | 1,627,703,388 | 13,915,414 |
| Scrip Dividend | 182,592,242 | 2,179,925 | 76,899,372 | 976,622 |
| Balance as at 31 March | 1,887,195,002 | 17,071,961 | 1,704,602,760 | 14,892,036 |

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.

Regulatory Capital

| As at 31st March | 2022 | | 2021 | |
|---|--------------------|----------------------|--------------------|----------------------|
| | Actual Rs. '000 | Required Rs. '000 | Actual Rs. '000 | Required Rs. '000 |
| Tier 1 Capital / Core capital | 36,445,056 | 2,000,000 | 33,109,148 | 2,000,000 |
| Tier 1 Capital Ratio / Core capital ratio | 18.76% | 7.00% | 17.72% | 7.00% |
| Total Capital Ratio / Total risk weighted capital ratio | 19.67% | 11.00% | 18.58% | 11.00% |

As per Finance Business Act Directions No 3 of 2018, regulatory capital consists of Tier 1 capital, which comprises stated capital, statutory reserved fund, retained earnings including current year profit, general & 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.

Even though Finance Business Act Direction No. 2 of 2017 required every Licensed Finance Company to maintain minimum core capital at not less than Rs. 2.5 billion by 1 January 2021, through the letter dated 31 March 2020 issued by the Central Bank of Sri Lanka with the subject of "Regulatory measures taken by the Central Bank of Sri Lanka to provide flexibility to Licensed Finance Companies to support business and individual affected by the outbreak of Coronavirus Disease (COVID-19)", concessions were granted to defer the enhancement of minimum core capital requirement of Rs. 2.5 billion until 1 January 2022. Further such letter has defer the maintenance of capital adequacy requirements which will be to meet the minimum capital requirements by 01.07.2020 and 01.07.2021 in terms of the Finance Business Act Direction No. 3 of 2018 - Capital Adequacy Requirements, until 01.07.2021 and 01.07.2022 respectively.

46. Statutory Reserve Fund

| | Company | | Group | |
|--------------------------|---------------------|---------------------|---------------------|---------------------|
| | 2021/22 Rs. '000 | 2020/21 Rs. '000 | 2021/22 Rs. '000 | 2020/21 Rs. '000 |
| Balance as at 1st April | 2,406,995 | 2,205,344 | 2,464,951 | 2,235,077 |
| Transfer during the year | 232,951 | 201,651 | 264,400 | 229,874 |
| Balance as at 31st March | 2,639,946 | 2,406,995 | 2,729,351 | 2,464,951 |

People's Leasing & Finance PLC

According to the Paragraph 3 (a) of Finance Companies (Capital Funds) Direction No.1 of 2003, every finance company shall maintain reserve fund and as per Paragraph 3 (b) (i) of the said direction, so long the capital funds are not less than twenty five (25) per cent of total deposit liabilities, a sum equal to not less than five (5) per cent of the net profits shall be transferred to reserve fund each year.

Since the capital funds are not less than twenty five (25) per cent of total deposit liabilities, company has transferred five (5) per cent of the net profits to reserve fund.

Lankan Alliance Finance Limited

As per Financial regulation 1994, every Non-Banking Financial Institution is required to transfer at least 20% of it's current years profit to the fund until such reserve fund equal to its paid up share capital and share premium (if any). In conformity with the above requirement the Company transferred 20% of net profit to statutory reserve before declaration of dividend.

47. Retained Earnings

| | Company | | Group | |
|--------------------------|---------------------|---------------------|---------------------|---------------------|
| | 2021/22 Rs. '000 | 2020/21 Rs. '000 | 2021/22 Rs. '000 | 2020/21 Rs. '000 |
| Balance as at 1st April | 17,159,777 | 14,227,988 | 20,682,106 | 16,517,824 |
| Profit for the year | 4,659,009 | 4,033,020 | 4,805,731 | 5,294,015 |
| Comprehensive income | 25,701 | 77,042 | 29,340 | 76,763 |
| Transfers to reserves | (182,950) | (201,651) | (214,401) | (229,874) |
| Transfers from reserves | - | - | - | - |
| Dividend paid | (2,179,925) | (976,622) | (2,179,925) | (976,622) |
| Balance as at 31st March | 19,481,611 | 17,159,777 | 23,122,852 | 20,682,106 |

48. Other Reserves

Equity Reserves

The reserves recorded in equity (Statement of Comprehensive Income) on the Statement of Financial Position include;

- 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 48.3 on page 302).
- 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 48.4 on page 302).

48.1 Current Year 2022

| | Note | Page No. | Company | | | Group | | |
|--------------------------------------|------|----------|---|----------------------------------|---|---|----------------------------------|---|
| | | | Opening balance at 01-04-2021 Rs. '000 | Movement / transfers Rs. '000 | Closing balance at 31-03-2022 Rs. '000 | Opening balance at 01-04-2021 Rs. '000 | Movement / transfers Rs. '000 | Closing balance at 31-03-2022 Rs. '000 |
| Fair value reserve | 48.3 | 302 | (117,377) | (257,831) | (375,208) | (121,517) | (257,831) | (379,348) |
| Foreign currency translation reserve | 48.4 | 302 | - | - | - | 542,836 | 733,623 | 1,276,459 |
| Total | | | (117,377) | (257,831) | (375,208) | 421,319 | 475,792 | 897,111 |

48.2 Previous Year 2021

| | Note | Page No. | Company | | | Group | | |
|--------------------------------------|------|----------|---|----------------------------------|---|---|----------------------------------|---|
| | | | Opening balance at 01-04-2020 Rs. '000 | Movement / transfers Rs. '000 | Closing balance at 31-03-2021 Rs. '000 | Opening balance at 01-04-2020 Rs. '000 | Movement / transfers Rs. '000 | Closing balance at 31-03-2021 Rs. '000 |
| Fair value reserve | 48.3 | 302 | (102,114) | (15,263) | (117,377) | (116,005) | (5,512) | (121,517) |
| Foreign currency translation reserve | 48.4 | 302 | - | - | - | 401,108 | 141,728 | 542,836 |
| Total | | | (102,114) | (15,263) | (117,377) | 285,103 | 136,216 | 421,319 |

Notes to the Financial Statements

48. Other Reserves (Contd...)

48.3 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.

| | Company | | Group | |
|--|---------------------|---------------------|---------------------|---------------------|
| | 2021/22 Rs. '000 | 2020/21 Rs. '000 | 2021/22 Rs. '000 | 2020/21 Rs. '000 |
| Balance as at 01st April | (117,377) | (102,114) | (121,517) | (116,005) |
| Transfer from retain earnings | (50,000) | - | (50,000) | - |
| Net fair value gains/(losses) on remeasuring financial investments | (207,831) | (15,263) | (207,831) | (5,512) |
| Balance as at 31st March | (375,208) | (117,377) | (379,348) | (121,517) |

48.4 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.

| | Company | | Group | |
|--|---------------------|---------------------|---------------------|---------------------|
| | 2021/22 Rs. '000 | 2020/21 Rs. '000 | 2021/22 Rs. '000 | 2020/21 Rs. '000 |
| Balance as at 01st April | - | - | 542,836 | 401,108 |
| Net gains/(losses) arising from translating the Financial Statements | - | - | 1,439,171 | 141,728 |
| Transfer to NCI | - | - | (705,548) | - |
| Balance as at 31st March | - | - | 1,276,459 | 542,836 |

49. 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.

| As at 31st March | Group | |
|---------------------------------|---------------------|---------------------|
| | 2021/22 Rs. '000 | 2020/21 Rs. '000 |
| Balance as at 01st April | 2,661,541 | 2,356,784 |
| Profit for the year | 12,438 | 302,319 |
| Other comprehensive income | 705,548 | 2,438 |
| Dividend paid for the year | (225,000) | - |
| Balance as at 31st March | 3,154,527 | 2,661,541 |

50. Contingent Liabilities and Commitments

Accounting Policy

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.

| As at 31st March | Note | Page No. | Company | | Group | |
|------------------------|------|----------|------------------|-------------------|------------------|-------------------|
| | | | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 |
| Contingent liabilities | 50.1 | 303 | 469,000 | 697,502 | 515,989 | 744,491 |
| Commitments | 50.2 | 304 | 6,383,234 | 10,300,609 | 6,383,234 | 10,300,609 |
| Total | | | 6,852,234 | 10,998,111 | 6,899,223 | 11,045,100 |

50.1 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 31st March | Note | Page No. | Company | | Group | |
|--|--------|----------|------------------|------------------|------------------|------------------|
| | | | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 |
| Litigation against the Company | 50.1.1 | 303 | 242,797 | 182,451 | 242,797 | 182,451 |
| Guarantees - Related parties | 50.1.2 | 303 | - | 300,000 | - | 300,000 |
| Guarantees - Others | 50.1.3 | 303 | 175,250 | 164,098 | 175,250 | 164,098 |
| Assessment received from Inland Revenue Department | 50.1.4 | 304 | 50,953 | 50,953 | 97,942 | 97,942 |
| Pending bill retirements | | | - | - | - | - |
| Total | | | 469,000 | 697,502 | 515,989 | 744,491 |

50.1.1 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, forty six (46) 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.

50.1.2 Guarantees - Related parties

Guarantee provided by the Company for Micro Commerce Ltd in order to obtain overdraft facility from a bank, The Company assure Bank that Micro Commerce Ltd is unable to make its loan repayments, the company commits to repay the loan on behalf of the subsidiary.

50.1.3 Guarantees - Other

Guarantee provided by the Company with the request of fixed deposits customers to third party and assure to make the obligation at the time of customer is unable to settle the payment.

Notes to the Financial Statements

50. Contingent Liabilities and Commitments (Contd...)

50.1.4 Assessment Received from Inland Revenue Department

Assessment (VATFS/BFSU/2014/581) received by the Company from the Inland Revenue Department for Year of Assessment 2010/11 is Rs. 50,953,390/- heard and concluded in favour of Inland Revenue Department . This decision has been appealed by the Company at the court of Appeal with reasonable grounds. The tax consultants are appearing for and on behalf of the Company.

50.2 Commitments

The Group/Company has commitments for acquisition of property, plant and equipment, intangible assets and un-utilised facilities incidental to the ordinary course of business as at 31st March as follows:

| As at 31st March | Company | | Group | |
|---------------------------------|------------------|-------------------|------------------|-------------------|
| | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 |
| Capital Commitments | | | | |
| Approved and contracted for | - | - | - | - |
| Approved but not contracted for | 1,093,909 | 1,485,544 | 1,093,909 | 1,485,544 |
| Subtotal | 1,093,909 | 1,485,544 | 1,093,909 | 1,485,544 |
| Un-utilised facilities | | | | |
| Margin trading | 4,263,065 | 6,646,678 | 4,263,065 | 6,646,678 |
| Fast track | 577,652 | 828,677 | 577,652 | 828,677 |
| Factoring | 448,608 | 1,339,710 | 448,608 | 1,339,710 |
| Subtotal | 5,289,325 | 8,815,065 | 5,289,325 | 8,815,065 |
| Total | 6,383,234 | 10,300,609 | 6,383,234 | 10,300,609 |

In the computation of Expected Credit Loss company consider un utilised amount of revolving facility. Therefore allowance for un utilised facility is included in Note 25.7 on page 263.

51. Net Assets Value Per Ordinary Share

| As at 31st March | Company | | Group | |
|---|------------------|------------------|------------------|------------------|
| | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 |
| Total equity attributable to equity holders of the Company (Rs. '000) | 38,818,310 | 34,341,431 | 43,821,275 | 38,460,412 |
| Total number of shares | 1,887,195,002 | 1,704,602,760 | 1,887,195,002 | 1,704,602,760 |
| Net assets value per share (Rs.) | 20.57 | 20.15 | 23.22 | 22.56 |

52. Current/Non Current Analysis

| Company | 2022 | | | 2021 | | |
|--|------------------------------|-----------------------------|--------------------|------------------------------|-----------------------------|--------------------|
| | 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 | 4,668,830 | - | 4,668,830 | 2,703,031 | - | 2,703,031 |
| Balances with banks & financial institutions | 5,117,866 | - | 5,117,866 | 5,399,071 | - | 5,399,071 |
| Financial assets - Fair value through profit or loss | 25,140 | - | 25,140 | 109,787 | - | 109,787 |
| Loans and receivables | 59,713,721 | 91,560,733 | 151,274,454 | 60,898,074 | 80,489,833 | 141,387,907 |
| Financial assets - Fair value through other comprehensive income | 1,333,268 | 10 | 1,333,278 | 309,108 | 10 | 309,118 |
| Debt instrument - Amortised cost | 9,827,221 | - | 9,827,221 | 6,994,206 | - | 6,994,206 |
| Investments in subsidiaries | - | 3,213,788 | 3,213,788 | - | 3,213,788 | 3,213,788 |
| Other assets | 589,938 | 159,216 | 749,154 | 414,777 | 160,883 | 575,660 |
| Property, plant and equipment | - | 1,413,776 | 1,413,776 | - | 1,049,250 | 1,049,250 |
| Right of use assets | - | 1,972,380 | 1,972,380 | - | 2,242,444 | 2,242,444 |
| Deferred tax assets | - | 1,146,726 | 1,146,726 | - | 415,841 | 415,841 |
| Goodwill and intangible assets | - | 21,965 | 21,965 | - | 146,446 | 146,446 |
| Total assets | 81,275,984 | 99,488,594 | 180,764,578 | 76,828,054 | 87,718,495 | 164,546,549 |
| Liabilities | | | | | | |
| Due to banks | 5,534,119 | 6,215,213 | 11,749,332 | 2,965,482 | 3,473,828 | 6,439,310 |
| Due to customers | 86,085,667 | 17,282,237 | 103,367,904 | 82,397,403 | 19,105,528 | 101,502,931 |
| Debt securities issued | 1,977,853 | 15,266,460 | 17,244,313 | 7,835,316 | 5,990,237 | 13,825,553 |
| Other financial liabilities | 3,636,528 | - | 3,636,528 | 4,132,110 | - | 4,132,110 |
| Operating lease liabilities | 440,316 | 1,618,734 | 2,059,050 | 404,863 | 1,881,523 | 2,286,386 |
| Current tax liabilities | 1,851,676 | - | 1,851,676 | 362,450 | - | 362,450 |
| Other liabilities | 1,369,054 | - | 1,369,054 | 1,069,121 | - | 1,069,121 |
| Retirement Benefit Obligation | 54,921 | 613,490 | 668,411 | 90,630 | 496,627 | 587,257 |
| Total liabilities | 100,950,134 | 40,996,134 | 141,946,268 | 99,257,375 | 30,947,743 | 130,205,118 |
| Net assets | (19,674,150) | 58,492,460 | 38,818,310 | (22,429,321) | 56,770,752 | 34,341,431 |

| Group | 2022 | | | 2021 | | |
|--|------------------------------|-----------------------------|--------------------|------------------------------|-----------------------------|--------------------|
| | 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 | 5,402,587 | - | 5,402,587 | 3,844,694 | - | 3,844,694 |
| Balances with banks & financial institutions | 9,529,518 | - | 9,529,518 | 8,231,101 | - | 8,231,101 |
| Financial assets - Fair value through profit or loss | 849,298 | - | 849,298 | 1,281,753 | - | 1,281,753 |
| Loans and receivables | 69,526,174 | 93,794,672 | 163,320,846 | 61,399,922 | 85,604,082 | 147,004,004 |
| Reinsurance and insurance receivables | 1,322,528 | - | 1,322,528 | 1,024,461 | - | 1,024,461 |
| Financial assets - Fair value through other comprehensive income | 1,632,931 | 10 | 1,632,941 | 735,484 | 10 | 735,494 |
| Debt instrument - Amortised cost | 12,964,438 | 3,049,087 | 16,013,525 | 9,975,284 | 956,430 | 10,931,714 |
| Investment properties | - | 820,664 | 820,664 | - | 820,664 | 820,664 |
| Other assets | 672,610 | 159,216 | 831,826 | 771,575 | 160,883 | 932,458 |
| Property, plant and equipment | - | 4,090,682 | 4,090,682 | - | 4,034,265 | 4,034,265 |
| Right of use assets | - | 1,539,484 | 1,539,484 | - | 1,591,297 | 1,591,297 |
| Deferred tax assets | - | 1,444,813 | 1,444,813 | - | 594,495 | 594,495 |
| Goodwill and intangible assets | - | 139,603 | 139,603 | - | 265,506 | 265,506 |
| Total assets | 101,900,084 | 105,038,231 | 206,938,315 | 87,264,274 | 94,027,632 | 181,291,906 |
| Liabilities | | | | | | |
| Due to banks | 8,347,823 | 6,952,538 | 15,300,361 | 4,183,255 | 4,820,618 | 9,003,873 |
| Due to customers | 93,978,628 | 17,475,122 | 111,453,750 | 84,638,188 | 19,105,528 | 103,743,716 |
| Debt securities issued | 1,962,543 | 15,140,680 | 17,103,223 | 7,820,059 | 5,864,457 | 13,684,516 |
| Other financial liabilities | 4,043,322 | - | 4,043,322 | 4,111,235 | - | 4,111,235 |
| Insurance and reinsurance payable | - | 5,903,363 | 5,903,363 | - | 5,015,885 | 5,015,885 |
| Operating lease liabilities | - | 1,588,115 | 1,588,115 | - | 1,614,660 | 1,614,660 |
| Current tax liabilities | 117,807 | 1,470,308 | 2,098,784 | 236,268 | 1,378,392 | 883,900 |
| Other liabilities | 1,399,030 | - | 1,399,030 | 1,156,822 | - | 1,156,822 |
| Retirement benefit obligation | 62,636 | 686,308 | 748,944 | 92,778 | 565,000 | 657,778 |
| Deferred tax liabilities | - | 323,621 | 323,621 | - | 297,568 | 297,568 |
| Total liabilities | 112,010,573 | 47,951,940 | 159,962,513 | 103,122,505 | 37,047,448 | 140,169,953 |
| Net assets | (10,110,489) | 57,086,291 | 46,975,802 | (15,858,231) | 56,980,184 | 41,121,953 |

Notes to the Financial Statements

53. Financial Reporting by Segment

Accounting Policy

The group's segmental reporting is based on the Business 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 segments).

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 & 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 include all other business activities that group engaged other than above segments.

| For the year ended 31st March | Lease & HP | | Loans | | Islamic | | Insurance | | Other | | Eliminations | | GROUP | |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 |
| Interest income | 12,462,608 | 14,076,446 | 10,530,761 | 10,175,781 | 1,035,736 | 1,180,184 | 701,136 | 718,734 | 1,415,774 | 872,270 | (219,223) | (201,577) | 25,926,792 | 26,821,838 |
| Net earned premium | - | - | - | - | - | - | 5,123,003 | 5,198,693 | - | - | (183,932) | (170,144) | 4,939,071 | 5,028,549 |
| Net fee and commission income | 1,120,503 | 1,147,474 | 946,812 | 829,502 | 93,122 | 96,205 | - | - | 202,123 | 209,887 | (1,041,047) | (1,085,014) | 1,321,513 | 1,198,054 |
| Net trading income | - | - | - | - | - | - | 71,272 | 65,631 | 15,253 | 162,627 | - | - | 86,525 | 228,258 |
| Other operating income | 146,024 | 90,553 | 123,389 | 65,460 | 12,136 | 7,592 | 58,022 | 61,820 | 1,124,879 | 311,463 | (1,107,365) | (168,322) | 357,085 | 368,566 |
| Gross income | 13,729,135 | 15,314,473 | 11,600,962 | 11,070,743 | 1,140,994 | 1,283,981 | 5,953,433 | 6,044,878 | 2,758,029 | 1,556,247 | (2,551,567) | (1,625,057) | 32,630,986 | 33,645,265 |
| Interest expenses | 5,366,101 | 7,114,388 | 4,534,295 | 5,142,949 | 445,963 | 596,477 | - | - | 1,077,990 | 722,960 | (219,223) | (201,577) | 11,205,126 | 13,375,197 |
| Total Operating income | 8,363,034 | 8,200,085 | 7,066,667 | 5,927,794 | 695,031 | 687,504 | 5,953,433 | 6,044,878 | 1,680,039 | 833,287 | (2,332,344) | (1,423,480) | 21,425,860 | 20,270,068 |
| Credit loss expenses | 785,927 | 670,935 | 194,519 | 693,649 | (23,067) | (67,802) | - | - | (5,623) | 55,707 | - | - | 951,756 | 1,352,489 |
| Net operating income | 7,577,107 | 7,529,150 | 6,872,148 | 5,234,145 | 718,098 | 755,306 | 5,953,433 | 6,044,878 | 1,685,662 | 777,580 | (2,332,344) | (1,423,480) | 20,474,104 | 18,917,579 |
| Depreciation | 282,547 | 343,502 | 324,649 | 316,567 | 29,548 | 21,563 | 102,316 | 97,289 | 69,411 | 57,405 | (169,807) | (188,633) | 638,664 | 647,693 |
| Segment result | 4,252,022 | 4,037,333 | 3,592,909 | 2,918,564 | 353,375 | 338,494 | 995,844 | 1,570,221 | 854,183 | 410,271 | (1,117,206) | (170,247) | 8,931,127 | 9,104,636 |
| Less: Tax on financial services | | | | | | | | | | | | | 1,705,797 | 1,273,966 |
| Share of (loss) of an associate (net of tax) | | | | | | | | | | | | | - | - |
| Income tax expense | | | | | | | | | | | | | 2,407,161 | 2,234,336 |
| Profit attributable to equity holder | | | | | | | | | | | | | 4,818,169 | 5,596,334 |
| As at 31st March | | | | | | | | | | | | | | |
| Segment assets | 81,759,467 | 82,140,914 | 91,065,698 | 75,700,016 | 8,524,799 | 5,156,381 | 12,102,543 | 11,133,855 | 20,032,202 | 13,727,582 | (6,546,396) | (6,566,842) | 206,938,315 | 181,291,906 |
| Total assets | 81,759,467 | 82,140,914 | 91,065,698 | 75,700,016 | 8,524,799 | 5,156,381 | 12,102,543 | 11,133,855 | 20,032,202 | 13,727,582 | (6,546,396) | (6,566,842) | 206,938,315 | 181,291,906 |
| Segment liabilities | 63,645,543 | 64,265,746 | 70,889,964 | 59,226,490 | 6,636,118 | 4,034,271 | 7,353,491 | 6,266,782 | 15,594,039 | 10,740,339 | (4,156,642) | (4,363,675) | 159,962,513 | 140,169,953 |
| Total liability | 63,645,543 | 64,265,746 | 70,889,964 | 59,226,490 | 6,636,118 | 4,034,271 | 7,353,491 | 6,266,782 | 15,594,039 | 10,740,339 | (4,156,642) | (4,363,675) | 159,962,513 | 140,169,953 |

Notes to the Financial Statements

54. Assets Pledged

The following assets have been pledged as securities for liabilities.

| Nature of Assets | Nature of Liabilities | Carrying Amount Pledged | | | | Included under |
|--------------------------------------|-------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|--|
| | | Company | | Group | | |
| | | 31 March 2022 Rs. '000 | 31 March 2021 Rs. '000 | 31 March 2022 Rs. '000 | 31 March 2021 Rs. '000 | |
| Rentals receivables on lease | Securitisation | 7,472,455 | 10,701,499 | 7,472,455 | 10,701,499 | Loans and receivables |
| | Term loan | 7,611,638 | - | 7,611,638 | - | Loans and receivables |
| | Short term loans | 16,307,463 | 17,408,077 | 16,307,463 | 17,408,077 | Loans and receivables |
| Rentals receivables on hire-purchase | Securitisation | - | - | - | - | Loans and receivables |
| | Term loan | - | - | 1,037,255 | 1,037,255 | Loans and receivables |
| | Short term loans | - | 2,340 | 46,705 | 49,045 | Loans and receivables |
| Rentals receivables on loans | Securitisation | 413,373 | 1,315,592 | 413,373 | 1,315,592 | Loans and receivables |
| | Short term loans | 9,195,305 | 3,754,149 | 9,195,305 | 3,754,149 | Loans and receivables |
| Fixed deposits | Bank guarantee for assessment | - | - | 14,553 | 14,000 | Contingent liabilities and commitments |
| Fixed deposits | Overdrafts | - | - | 75,000 | 75,000 | Balances with banks & financial institutions |
| Freehold lands and buildings | Term loan | - | - | 3,818,007 | 3,818,007 | Property, plant & equipment |

55. Related Party Disclosure

The Company and the Group carry 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:

55.1 Parent and Ultimate Controlling Party

The immediate Parent of the Company is People's Bank which is a Government owned entity.

55.2 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 & 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.

55.2.1 Transactions with Key Management personnel and their Close Family Members**Remuneration to Key Management Personnel**

(a) Remuneration to Board of Directors

| For the year ended 31st March | Company | | Group | |
|-------------------------------|------------------|------------------|------------------|------------------|
| | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 |
| Short term employees benefits | 4,939 | 3,863 | 12,711 | 7,919 |
| Total | 4,939 | 3,863 | 12,711 | 7,919 |

(b) Remuneration to Corporate Management

| For the year ended 31st March | Company | | Group | |
|-------------------------------|------------------|------------------|------------------|------------------|
| | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 |
| Short term employees benefits | 163,457 | 153,815 | 227,342 | 213,700 |
| Post employment benefits | 15,529 | 14,351 | 17,605 | 16,235 |
| Total | 178,986 | 168,166 | 244,947 | 229,935 |

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.

55.2.2 Share Transactions with Key management Personnel

| For the year ended 31st March | Company | | Group | |
|--------------------------------|------------------|------------------|------------------|------------------|
| | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 |
| No. of ordinary shares held | 673,685 | 1,147,720 | 855,185 | 1,326,220 |
| Scrip dividend (No. of shares) | 64,892 | 51,773 | 69,392 | 51,773 |

55.2.3 Transactions, Arrangements and Agreements Involving Key Management Personnel (KMPs), their Close Family Members (CFMs) and other related entities

(a) Items in Statement of Profit or Loss

| For the year ended 31st March | Board of Directors | | Corporate Management | | Total | |
|-------------------------------|--------------------|------------------|----------------------|------------------|------------------|------------------|
| | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 |
| Interest income | 26 | 26 | 312 | 5,488 | 338 | 5,514 |
| Interest expense | 4,495 | 9,179 | 21,702 | 37,140 | 26,197 | 46,319 |

Notes to the Financial Statements

55. Related Party Disclosure (Contd...)

(b) Items in Statement of Financial Position

| As at 31 March | Board of Directors | | Corporate Management | | Total | |
|------------------------|--------------------|------------------|----------------------|------------------|------------------|------------------|
| | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 |
| Assets | | | | | | |
| Loans and receivables | - | - | 8,921 | 10,317 | 8,921 | 10,317 |
| | - | - | 8,921 | 10,317 | 8,921 | 10,317 |
| Liabilities | | | | | | |
| Due to customers | 63,263 | 59,748 | 286,951 | 351,430 | 350,214 | 411,178 |
| Debt Securities issued | - | - | - | - | - | - |
| | 63,263 | 59,748 | 286,951 | 351,430 | 350,214 | 411,178 |

55.3 Net Accommodation and Net Accommodation as a Percentage of Capital Funds

| As at 31 March | 2022 Rs. '000 | 2021 Rs. '000 | 2022 % | 2021 % |
|---|------------------|------------------|-----------|-----------|
| People's Bank | - | - | - | - |
| People's Leasing Property Development Limited | 560,310 | 599,301 | 1.44 | 1.75 |
| People's Leasing Fleet Management Limited | 3,528 | - | 0.01 | - |
| People's Leasing Havelock Properties Limited | 835,187 | 830,096 | 2.15 | 2.42 |
| People's Microfinance Ltd | 1,495 | 2,700 | - | - |
| People's Insurance PLC | 35,236 | 49,908 | 0.09 | 0.15 |
| Lankan Alliance Finance Limited | 27,155 | 27,155 | 0.07 | 0.08 |
| Board of Directors | - | - | - | - |
| Corporate management | 8,921 | 10,317 | 0.02 | 0.03 |
| Total net accommodation | 1,471,832 | 1,519,477 | 3.78 | 4.42 |

55.4 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:

a) Items in Statement of Profit or Loss

| For the year ended 31st March | Company | | Group | |
|-------------------------------|------------------|------------------|------------------|------------------|
| | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 |
| Interest income | 7,663 | 4,542 | 7,663 | 4,542 |
| Interest expenses | 746,204 | 563,910 | 746,204 | 563,910 |

b) Items in Statement of Financial Position

| As at 31 March | Company | | Group | |
|------------------------|------------------|------------------|------------------|------------------|
| | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 |
| Loans and receivables | 49,571 | 28,308 | 49,571 | 28,308 |
| Total | 49,571 | 28,308 | 49,571 | 28,308 |
| Liabilities | | | | |
| Due to banks | 263,602 | 951,073 | 263,602 | 951,073 |
| Due to customera | 1,031,702 | 1,128,019 | 1,031,702 | 1,128,019 |
| Debt Securities issued | - | - | - | - |
| Total | 1,295,304 | 2,079,092 | 1,295,304 | 2,079,092 |

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 of statutory rates and taxes
- Payments for utilities mainly comprising of telephone, electricity and water
- Payments for employment retirement benefits - ETF
- 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.

55.4.1 Company

The Company had the under mentioned financial dealings during the financial year with the following related entities

a) Items in Statement of Profit or Loss

| For the year ended 31st March | Parent | | Subsidiaries | |
|---|------------------|------------------|------------------|------------------|
| | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 |
| Interest income | 1,142,425 | 755,692 | 153,122 | 131,352 |
| Interest expense | 103,669 | 118,748 | 162,077 | 126,096 |
| Fee & Commission income | - | - | 655,763 | 715,240 |
| Other operating income | - | - | 945,670 | 110,000 |
| Benefits, claims and underwriting expenditure | - | - | 167,402 | - |
| Depriciation and amortisation | 13,719 | 22,928 | 215,791 | 231,555 |
| Other operating expenses | - | - | 20,561 | 195,950 |

Notes to the Financial Statements

55. Related Party Disclosure (Contd...)

b) Items in Statement of Financial Position

| As at 31 March | Parent | | Subsidiaries | |
|---|-------------------|-------------------|------------------|------------------|
| | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 |
| Assets | | | | |
| Cash and cash equivalents | 3,500,703 | 1,755,592 | - | - |
| Balances with banks & financial institutions | 5,117,866 | 5,399,071 | - | - |
| Loans and receivables | - | - | 1,471,124 | 1,509,160 |
| Financial assets - Amortised cost | 9,827,221 | 6,319,142 | - | - |
| Investments in subsidiaries/associate (net of impairment) | - | - | 3,213,788 | 3,213,788 |
| Other assets | - | - | 376,555 | 168,802 |
| Right of use asset | 21,753 | 134,618 | 584,173 | 798,632 |
| Total | 18,467,543 | 13,608,423 | 5,645,640 | 5,690,382 |
| Liabilities | | | | |
| Due to banks | 333,018 | 1,398,943 | - | - |
| Due to customers | 1,031,702 | 1,128,019 | 564,298 | 703,477 |
| Debt Securities issued | - | - | 141,090 | 141,037 |
| Other Financial liabilities | - | - | 682,454 | 685,294 |
| Other liabilities | 1,118 | 3,018 | 8,769 | 11,109 |
| Lease liability | 24,424 | 149,204 | 647,548 | 835,759 |
| Total | 1,390,262 | 2,679,184 | 2,044,159 | 2,376,676 |

c) Transactions

| | Parent | | Subsidiaries | |
|---|--------------------|--------------------|------------------|------------------|
| | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 |
| Transaction cost on debenture issue and securitisation | 178 | 478 | - | - |
| Purchase of vehicles | - | - | 215,100 | - |
| Building rent paid | 27,435 | 36,231 | 284,352 | 282,917 |
| Building rent received | - | 18,293 | 8,992 | - |
| Cash and cash equivalents - Repo investments | 48,312,210 | 4,950,000 | - | - |
| Cash and cash equivalents - Repo settlements | 47,856,467 | 10,117,940 | - | - |
| Balances with banks and financial institutions - FD investments | 30,785,830 | 24,145,286 | - | - |
| Balances with banks and financial institutions - FD withdrawals | 31,510,851 | 22,294,433 | - | - |
| Loans and receivables - Grantings | - | - | 326,170 | 537,481 |
| Loans and receivables - Repayments | - | - | 348,048 | 663,796 |
| Debt instrument - Amortised cost - Investments | 31,590,690 | 22,598,347 | - | - |
| Debt instrument - Amortised cost - Settlements | 28,631,105 | 20,089,756 | - | - |
| Due to banks - Borrowings | - | 1,000,000 | - | - |
| Due to banks - Repayment | 472,626 | 1,575,922 | - | - |
| Due to customers - Investments | 389,246 | 516,030 | 1,063,578 | 702,487 |
| Due to customers - Settlements | 292,930 | 186,774 | 945,304 | 441,997 |
| Other financial liabilities - Services obtained | - | 8,489 | 9,306 | - |
| Other financial liabilities - Repayment | - | 8,488 | 9,270 | - |
| Dividend paid | 1,634,944 | 732,467 | - | - |
| Dividend received | - | - | 930,625 | 110,000 |
| Insurance premium paid in respect of customers introduced by People's Leasing & Finance PLC | - | - | 2,959,667 | 3,397,566 |
| Total | 221,504,512 | 108,243,664 | 7,108,114 | 6,163,812 |

d) Off- Balance Sheet Items

| As at 31 March | Parent | | Subsidiaries | |
|----------------|------------------|------------------|------------------|------------------|
| | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 |
| Guarantees | - | - | - | 300,000 |
| Total | - | - | - | 300,000 |

55.4.2 Group

The group had the under mentioned financial dealings during the financial year with the following related entities.

a) Items in Statement of Profit or Loss

| For the year ended 31st March | Immediate Parent | |
|---|------------------|------------------|
| | 2022 Rs. '000 | 2021 Rs. '000 |
| Interest income | 1,218,355 | 800,369 |
| Interest expenses | 112,817 | 113,534 |
| Net earned premiums | 253,839 | 404,434 |
| Fee and commission income | 32,987 | 33,601 |
| Other operating income | 111,796 | 132,221 |
| Benefits, claims and underwriting expenditure | 25,650 | 74,736 |
| Depreciation and amortisation | 13,719 | |
| Other operating expenses | - | 22,928 |

b) Items in Statement of Financial Position

| As at 31 March | Immediate Parent | |
|---|-------------------|-------------------|
| | 2022 Rs. '000 | 2021 Rs. '000 |
| Assets | | |
| Cash and cash equivalents | 3,907,522 | 2,054,940 |
| Balances with banks & financial institutions | 5,722,035 | 6,137,065 |
| Loans and receivables | - | - |
| Insurance and reinsurance receivables | 190,536 | 184,548 |
| Financial assets - Amortised cost | 9,827,221 | 6,319,142 |
| Investments in subsidiaries/associate (net of impairment) | - | - |
| Other assets | 7,432 | 10,166 |
| Right of use assets | 21,753 | 134,618 |
| Total | 19,676,499 | 14,840,479 |
| Liabilities | | |
| Due to banks | 607,755 | 1,524,537 |
| Debt Securities issued | 1,031,702 | 1,128,019 |
| Other liabilities | 10,126 | 10,940 |
| Lease liabilities | 24,424 | 149,204 |
| Total | 1,674,007 | 2,812,700 |

Notes to the Financial Statements

55. Related Party Disclosure (Contd...)

55.5 Transactions Exceeding 10% of the Gross Income of the Company

| Name of the Related party | Relationship | Nature of the transaction | Transaction value | | Transaction value as a % of gross income | | Terms and conditions |
|---------------------------|------------------|---------------------------|-------------------|------------------|--|------------------|----------------------|
| | | | 2022 Rs. '000 | 2021 Rs. '000 | 2022 Rs. '000 | 2021 Rs. '000 | |
| People's Bank | Immediate Parent | Repo investments | 48,312,210 | 4,950,000 | 180.66% | 18.26% | Normal terms |
| | | Repo settlements | 47,856,467 | 10,117,940 | 178.96% | 37.33% | Normal terms |
| | | FD withdrawals | 31,510,851 | 22,294,433 | 117.84% | 82.26% | Normal terms |
| | | Tbill investments | 31,590,690 | 22,598,347 | 118.13% | 83.38% | Normal terms |
| | | Tbill settlements | 28,631,105 | 20,089,756 | 107.07% | 74.12% | Normal terms |
| People's Insurance PLC | Subsidiary | Insurance premium | 2,959,667 | 3,397,566 | 11.07% | 12.54% | Normal terms |

56. Risk Management (Company/Group)

56.1 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 operational risks. Detailed risk analysis is given in risk management section.

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, Board Integrated Risk Management Committee (BIRMC), which has the responsibility to monitor the overall risk process within the Company.

The BIRMC has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. The BIRMC is responsible for managing risk decisions and monitoring risk levels and reports on a periodical basis to the Board.

The Risk & Control Department is responsible for monitoring compliance with risk principles, policies and limits across the Company.

Assets and Liabilities Committee (ALCO)

ALCO is chaired by the Chief Executive Officer. Other permanent members of the ALCO include, Senior Deputy General Manager - Operations, Deputy General Manager-Operations, Deputy General Manager-Risk & Control, Deputy General Manager- Recoveries & Administration, Head of Deposits, Head of Finance, Head of Treasury and the Committee Secretary. 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.

Executive Integrated Risk Management Committee

Executive Integrated Risk Management Committee (or "the Committee") has been formed as a management level committee to further strengthen the Risk Governance Structure of the Company and support the Board, Board Sub-Committees and the Corporate Management in managing the risks associated with the business operations of the Company in an integrated manner.

The TOR of the Committee clearly set out the authority, constitution, meeting frequency, accountability and responsibilities, quorum, reporting and other procedures of the Committee. The TOR was updated in 2021 and adopted upon the Board Approval.

EIRMC is chaired by the Head of Risk. The members of the Committee include the members of Corporate Management. All business managers that involved in the operations of the Company can be recognised as "Risk Owners" as they negotiate to assume risk exposures with potential customers within the Board approved Risk Management policies and Risk Tolerance limits. Accordingly, Members of Senior Management involved in business operations can be considered as Senior Risk Owners. Therefore, At IRMOC, it is mandatory to have a higher level of involvement by the Senior Risk Owners of the Company.

The Committee shall focus on reviewing assumed risks at the front-line, specifically focusing on Credit Risk, Operational Risk and Compliance Risk.

The EIRMC shall meet at least monthly and when required. The EIRMC is accountable to the BIRMC. The Committee submitted the highlights of the Minutes of EIRMC Meetings to the BIRMC for seeking the Committee's views, concurrence and or specific directions.

Operational Risk

The spread of COVID-19 has resulted in work disruptions like never before.. The pandemic has led to some branches closing temporarily as some employees are required to work remotely. The additional operational cost of procuring logistics to equip staff work remotely is expected to impact revenue. Company could also experience delays in orders for laptops, servers and networking equipment which may further impact productivity. Since the scare of COVID-19, there has been a global spike in malware and fraud incidents. The risk of cyber security risk arising from remote access provided to enable WFH was mitigated by VPN access through firewall user authentication, VPN Policy, Password Policy and access control mechanisms, VPN access log reporting and by using PC hardening policies in laptops.

56.2 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.

Credit Risk -Impairment Provision as Per ECL for Financial Assets

Locally, the spread of COVID-19 will negatively impact many firms, mainly through potential disruptions in manufacturing supply chains, domestic consumption, tourism and exports, posing downside risks to their earnings prospects. This will in turn impact the capacity of such firms to meet contractual obligations that leads to an increase in NPLs.

Expected Credit Loss at 31 March 2022 was estimated based on a range of forecast economic conditions prevailing as at that date. As the situation continues to evolve and timelines for a normalization of economic activity remains yet an unknown, the impact to our core markets and the Company's financial results cannot be reasonably estimated or reliably measured based on reasonable and supportable information that is available at the current stage.

In view of the current economic status of the country following adjustments were made in respect to the impairment provision during the year ended 31 March 2022.

- EFA scenarios were adjusted by decreasing the best case and increasing the worst case.
- An additional impairment was made in respect of the facilities for which moratorium was granted.
- Further, specific adjustment was made in respect of the certain impacted industries such as tourism and passenger transport by moving up one age bucket from the existing age bucket.

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 purchases and loans 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 purchases 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. Detailed Note on impairment method has disclosed in note 25 on page 251.

Notes to the Financial Statements

56. Risk Management (Company/Group) (Contd...)

56.2.1 Maximum Exposure to Credit Risk

Credit Quality by Class of Financial Assets

The Company manages the credit quality of financial assets using internal credit evaluation system. 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.

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 31st March 2022 | Neither past due nor impaired Rs. '000 | Past due but not impaired | | | | Individually impaired Rs. '000 | Total Rs. '000 |
|--|---|---------------------------|------------------------|------------------------|--------------------------|-----------------------------------|--------------------|
| | | 1-30 Days Rs. '000 | 31-60 days Rs. '000 | 61-90 days Rs. '000 | Over 90 days Rs. '000 | | |
| Cash and cash equivalents (excluding cash in hand) | 3,532,839 | - | - | - | - | - | 3,532,839 |
| Balances with banks & financial institutions | 5,117,866 | - | - | - | - | - | 5,117,866 |
| Financial assets - Fair value through profit or loss | 25,140 | - | - | - | - | - | 25,140 |
| Loans and receivables - Amortised cost | 102,300,917 | 21,753,573 | 11,454,830 | 4,752,674 | 18,437,021 | 2,463,009 | 161,162,024 |
| Financial assets - Fair value other comprehensive income | 1,333,278 | - | - | - | - | - | 1,333,278 |
| Debt instrument - Amortised cost | 9,827,221 | - | - | - | - | - | 9,827,221 |
| Other financial assets | 108,493 | - | - | - | - | - | 108,493 |
| Total | 122,245,754 | 21,753,573 | 11,454,830 | 4,752,674 | 18,437,021 | 2,463,009 | 181,106,861 |

| As at 31st March 2021 | Neither past due nor impaired Rs. '000 | Past due but not impaired | | | | Individually impaired Rs. '000 | Total Rs. '000 |
|--|---|---------------------------|------------------------|------------------------|--------------------------|-----------------------------------|--------------------|
| | | 1-30 Days Rs. '000 | 31-60 days Rs. '000 | 61-90 days Rs. '000 | Over 90 days Rs. '000 | | |
| Cash and cash equivalents (excluding cash in hand) | 1,780,463 | - | - | - | - | - | 1,780,463 |
| Balances with banks & financial institutions | 5,399,071 | - | - | - | - | - | 5,399,071 |
| Financial assets - Fair value through profit or loss | 109,787 | - | - | - | - | - | 109,787 |
| Loans and receivables - Amortised cost | 76,540,202 | 15,174,455 | 20,580,873 | 9,682,055 | 26,709,922 | 1,968,338 | 150,655,845 |
| Financial assets - Fair value other comprehensive income | 309,118 | - | - | - | - | - | 309,118 |
| Debt instrument - Amortised cost | 6,994,206 | - | - | - | - | - | 6,994,206 |
| Other financial assets | 126,949 | - | - | - | - | - | 126,949 |
| Total | 91,259,796 | 15,174,455 | 20,580,873 | 9,682,055 | 26,709,922 | 1,968,338 | 165,375,439 |

| As at 31st March 2022 | Neither past due nor impaired Rs. '000 | Past due but not impaired | | | | Individually impaired Rs. '000 | Total Rs. '000 |
|--|---|---------------------------|------------------------|------------------------|--------------------------|-----------------------------------|--------------------|
| | | 1-30 Days Rs. '000 | 31-60 days Rs. '000 | 61-90 days Rs. '000 | Over 90 days Rs. '000 | | |
| Group | | | | | | | |
| Cash and cash equivalents (excluding cash in hand) | 4,244,919 | - | - | - | - | - | 4,244,919 |
| Balances with banks & financial institutions | 9,529,518 | - | - | - | - | - | 9,529,518 |
| Financial assets - Fair value through profit or loss | 849,298 | - | - | - | - | - | 849,298 |
| Loans and receivables - Amortised cost | 112,406,372 | 22,225,556 | 12,232,422 | 5,039,650 | 19,795,973 | 2,463,009 | 174,162,982 |
| Insurance and reinsurance receivables | 1,322,528 | - | - | - | - | - | 1,322,528 |
| Financial assets - Fair value other comprehensive income | 1,632,941 | - | - | - | - | - | 1,632,941 |
| Debt instrument - Amortised cost | 16,013,525 | - | - | - | - | - | 16,013,525 |
| Total | 145,999,101 | 22,225,556 | 12,232,422 | 5,039,650 | 19,795,973 | 2,463,009 | 207,755,711 |

| As at 31st March 2021 | Neither past due nor impaired Rs. '000 | Past due but not impaired | | | | Individually impaired Rs. '000 | Total Rs. '000 |
|--|---|---------------------------|------------------------|------------------------|--------------------------|-----------------------------------|--------------------|
| | | 1-30 Days Rs. '000 | 31-60 days Rs. '000 | 61-90 days Rs. '000 | Over 90 days Rs. '000 | | |
| Group | | | | | | | |
| Cash and cash equivalents (excluding cash in hand) | 2,904,928 | - | - | - | - | - | 2,904,928 |
| Balances with banks & financial institutions | 8,231,101 | - | - | - | - | - | 8,231,101 |
| Financial assets - Held-for-trading | 1,281,753 | - | - | - | - | - | 1,281,753 |
| Loans and receivables - Amortised cost | 72,927,079 | 17,251,686 | 24,716,058 | 10,368,457 | 29,925,440 | 1,697,480 | 156,886,200 |
| Insurance and reinsurance receivables | 1,024,461 | - | - | - | - | - | 1,024,461 |
| Financial assets - Fair value other comprehensive income | 735,494 | - | - | - | - | - | 735,494 |
| Debt instrument - Amortised cost | 10,931,714 | - | - | - | - | - | 10,931,714 |
| Total | 98,036,530 | 17,251,686 | 24,716,058 | 10,368,457 | 29,925,440 | 1,697,480 | 181,995,651 |

Notes to the Financial Statements

56. Risk Management (Company/Group) (Contd...)

56.2.2 Analysis of Risk Concentration

The following table shows the risk concentration by industry for the components of the statement of financial position.

Industry Analysis

| 31 March 2022 | Financial Services* | Agriculture | Manufacturing | Tourism | Transport | Construction | Traders | Services | Industry | Others | Total |
|--|---------------------|-------------|---------------|-----------|------------|--------------|------------|------------|-----------|------------|-------------|
| Company | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Cash and cash equivalents | 4,668,830 | - | - | - | - | - | - | - | - | - | 4,668,830 |
| Balances with banks & financial institutions | 5,117,866 | - | - | - | - | - | - | - | - | - | 5,117,866 |
| Financial assets - Fair value through profit or loss | 15,900 | - | 9,240 | - | - | - | - | - | - | - | 25,140 |
| Loans and receivables - Amortised cost | 10,787,171 | 32,571,677 | 9,441,731 | 3,314,785 | 35,116,000 | 9,797,912 | 20,787,613 | 24,660,505 | 3,041,335 | 11,643,295 | 161,162,024 |
| Less - Impairment charges | - | - | - | - | - | - | - | - | - | - | 9,887,570 |
| Net loans and receivables | - | - | - | - | - | - | - | - | - | - | 151,274,454 |
| Financial assets - Fair value other comprehensive income | 1,333,268 | - | - | - | - | - | - | 10 | - | - | 1,333,278 |
| Debt instrument - Amortised cost | 9,827,221 | - | - | - | - | - | - | - | - | - | 9,827,221 |
| Other financial assets | 108,493 | - | - | - | - | - | - | - | - | - | 108,493 |

| 31 March 2021 | Financial Services* | Agriculture | Manufacturing | Tourism | Transport | Construction | Traders | Services | Industry | Others | Total |
|--|---------------------|-------------|---------------|-----------|------------|--------------|------------|------------|-----------|-----------|-------------|
| Company | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Cash and cash equivalents | 2,703,031 | - | - | - | - | - | - | - | - | - | 2,703,031 |
| Balances with Banks & financial institutions | 5,399,071 | - | - | - | - | - | - | - | - | - | 5,399,071 |
| Financial assets - Fair value through profit or loss | 109,787 | - | - | - | - | - | - | - | - | - | 109,787 |
| Loans and receivables - Amortised cost | 7,268,787 | 30,661,009 | 9,094,435 | 3,666,967 | 33,506,084 | 10,972,649 | 18,498,319 | 24,837,601 | 2,942,247 | 9,207,747 | 150,655,845 |
| Less - Impairment charges | - | - | - | - | - | - | - | - | - | - | 9,267,938 |
| Net loans and receivables | - | - | - | - | - | - | - | - | - | - | 141,387,907 |
| Financial assets - Fair value other comprehensive income | 309,108 | - | - | - | - | - | - | 10 | - | - | 309,118 |
| Debt instrument - Amortised cost | 6,994,206 | - | - | - | - | - | - | - | - | - | 6,994,206 |
| Other financial assets | 126,949 | - | - | - | - | - | - | - | - | - | 126,949 |

* Financial services include banks, finance institutions, insurance companies, stock brokering companies and fund management companies, venture capital companies and investment advisory services companies.

| 31 March 2022 | Financial Services* | Agriculture | Manufacturing | Tourism | Transport | Construction | Traders | Services | Industry | Others | Total |
|--|---------------------|-------------|---------------|-----------|------------|--------------|------------|------------|-----------|------------|-------------|
| Group | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Cash and cash equivalents | 5,402,587 | - | - | - | - | - | - | - | - | - | 5,402,587 |
| Balances with banks & financial institutions | 9,529,518 | - | - | - | - | - | - | - | - | - | 9,529,518 |
| Financial assets - Fair value through profit or loss | 840,058 | - | 9,240 | - | - | - | - | - | - | - | 849,298 |
| Loans and receivables - Amortised cost | 10,719,757 | 33,958,216 | 14,135,330 | 3,328,350 | 35,254,791 | 10,631,366 | 21,336,335 | 27,953,383 | 3,283,296 | 13,562,158 | 174,162,982 |
| Less - Impairment charges | - | - | - | - | - | - | - | - | - | - | 10,842,136 |
| Net loans and receivables | - | - | - | - | - | - | - | - | - | - | 163,320,846 |
| Reinsurance and insurance receivable | - | - | - | - | - | - | - | - | - | 1,322,528 | 1,322,528 |
| Financial assets - Fair value other comprehensive income | 1,632,931 | - | - | - | - | - | - | 10 | - | - | 1,632,941 |
| Debt instrument - Amortised cost | 16,013,525 | - | - | - | - | - | - | - | - | - | 16,013,525 |

| 31 March 2021 | Financial Services* | Agriculture | Manufacturing | Tourism | Transport | Construction | Traders | Services | Industry | Others | Total |
|--|---------------------|-------------|---------------|-----------|------------|--------------|------------|------------|-----------|-----------|-------------|
| Group | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Cash and cash equivalents | 3,844,694 | - | - | - | - | - | - | - | - | - | 3,844,694 |
| Balances with banks & financial institutions | 8,231,101 | - | - | - | - | - | - | - | - | - | 8,231,101 |
| Financial assets - Fair value through profit or loss | 1,257,000 | - | 14,985 | - | - | - | - | 9,768 | - | - | 1,281,753 |
| Loans and receivables - Amortised cost | 9,848,580 | 31,237,276 | 10,625,482 | 3,679,932 | 33,611,307 | 9,780,857 | 19,034,510 | 26,233,747 | 2,942,247 | 9,892,262 | 156,886,200 |
| Less - Impairment charges | - | - | - | - | - | - | - | - | - | - | 9,882,196 |
| Net loans and receivables | - | - | - | - | - | - | - | - | - | - | 147,004,004 |
| Reinsurance and insurance receivable | - | - | - | - | - | - | - | - | - | 1,024,461 | 1,024,461 |
| Financial assets - Fair value other comprehensive income | 735,484 | - | - | - | - | - | - | 10 | - | - | 735,494 |
| Debt instrument - Amortised cost | 10,931,714 | - | - | - | - | - | - | - | - | - | 10,931,714 |

* Financial services include banks, finance institutions, insurance companies, stock brokering companies and fund management companies, venture capital companies and investment advisory services companies.

Notes to the Financial Statements

56. Risk Management (Company/Group) (Contd...)

Geographical Distribution of Loans and Receivables

Provincial breakdown for loans and receivable within Sri Lanka is as follows;

| 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 |
|----------------------------|--|---|---|--|--------------------|
| As at 31 March 2022 | | | | | |
| Central | 9,549,639 | 17,421 | 5,647,598 | - | 15,214,658 |
| Eastern | 3,718,288 | 8,610 | 2,534,747 | - | 6,261,645 |
| North Central | 4,681,387 | 9,832 | 2,653,600 | - | 7,344,819 |
| Northern | 2,443,490 | 2,672 | 2,352,399 | - | 4,798,561 |
| North Western | 7,775,486 | 15,733 | 4,677,244 | - | 12,468,463 |
| Sabaragamuwa | 5,828,809 | 9,720 | 2,637,285 | - | 8,475,814 |
| Southern | 11,054,270 | 20,203 | 7,952,428 | - | 19,026,901 |
| Uva | 5,389,008 | 12,211 | 2,587,964 | - | 7,989,183 |
| Western | 26,395,793 | 107,937 | 51,615,339 | 1,462,911 | 79,581,980 |
| Total | 76,836,170 | 204,339 | 82,658,604 | 1,462,911 | 161,162,024 |
| As at 31 March 2021 | | | | | |
| Central | 9,702,115 | 20,365 | 4,943,754 | - | 14,666,234 |
| Eastern | 3,989,744 | 10,077 | 1,838,905 | - | 5,838,726 |
| North Central | 4,574,021 | 11,640 | 2,401,930 | - | 6,987,591 |
| Northern | 2,637,478 | 3,766 | 1,724,093 | - | 4,365,337 |
| North Western | 7,707,196 | 17,838 | 4,133,335 | - | 11,858,369 |
| Sabaragamuwa | 5,776,852 | 10,063 | 2,248,670 | - | 8,035,585 |
| Southern | 11,046,940 | 21,944 | 8,134,466 | - | 19,203,350 |
| Uva | 5,272,230 | 12,448 | 2,392,564 | - | 7,677,242 |
| Western | 27,435,149 | 116,652 | 42,962,450 | 1,509,160 | 72,023,411 |
| Total | 78,141,725 | 224,793 | 70,780,167 | 1,509,160 | 150,655,845 |

| Group | Lease/Ijarah receivable | Hire-Purchase/ Murabah receivable | Term Loan and receivables | Total |
|----------------------------|-------------------------|--------------------------------------|---------------------------|--------------------|
| | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| As at 31 March 2022 | | | | |
| Central | 9,549,639 | 714,101 | 5,649,973 | 15,913,713 |
| Eastern | 3,718,288 | 453,915 | 2,537,929 | 6,710,132 |
| North Central | 4,681,387 | 222,938 | 2,653,966 | 7,558,291 |
| Northern | 2,443,490 | 2,672 | 2,352,399 | 4,798,561 |
| North Western | 7,775,486 | 193,126 | 4,678,347 | 12,646,959 |
| Sabaragamuwa | 5,828,809 | 253,047 | 2,639,164 | 8,721,020 |
| Southern | 11,054,270 | 335,304 | 7,952,940 | 19,342,514 |
| Uva | 5,389,008 | 650,187 | 2,593,942 | 8,633,137 |
| Western | 26,387,578 | 707,371 | 51,679,711 | 78,774,660 |
| Bangladesh | - | - | 11,063,995 | 11,063,995 |
| Total | 76,827,955 | 3,532,661 | 93,802,366 | 174,162,982 |
| As at 31 March 2021 | | | | |
| Central | 9,702,115 | 463,874 | 4,950,118 | 15,116,107 |
| Eastern | 3,989,744 | 377,074 | 1,849,011 | 6,215,829 |
| North Central | 4,574,021 | 332,374 | 2,408,489 | 7,314,884 |
| Northern | 2,637,478 | 3,766 | 1,728,774 | 4,370,018 |
| North Western | 7,707,196 | 310,247 | 4,143,126 | 12,160,569 |
| Sabaragamuwa | 5,776,852 | 269,912 | 2,253,827 | 8,300,591 |
| Southern | 11,046,940 | 320,759 | 8,154,142 | 19,521,841 |
| Uva | 5,272,230 | 570,913 | 2,424,802 | 8,267,945 |
| Western | 27,424,854 | 494,437 | 42,926,841 | 70,846,132 |
| Bangladesh | - | - | 4,772,284 | 4,772,284 |
| Total | 78,131,430 | 3,143,356 | 75,611,414 | 156,886,200 |

56.2.3 Fair Value of Collateral and Credit Enhancements Held

As a general principle, the Company endeavors 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 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.

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 credit worthiness, 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.

Notes to the Financial Statements

56. Risk Management (Company/Group) (Contd...)

The following table shows the fair value of collateral and credit enhancements held by the Company.

| Company | 31 March 2022 | | 31 March 2021 | |
|--|---|--------------------------|---|--------------------------|
| | Maximum exposure to credit risk Rs. '000 | Net exposure Rs. '000 | Maximum exposure to credit risk Rs. '000 | Net exposure Rs. '000 |
| Cash and cash equivalents (excluding cash in hand) | 3,532,839 | 3,532,839 | 1,780,463 | 1,780,463 |
| Balances with banks & financial institutions | 5,117,866 | 5,117,866 | 5,399,071 | 5,399,071 |
| Financial assets - Fair value through profit or loss | 25,140 | 25,140 | 109,787 | 109,787 |
| Loans and receivables - Amortised cost | 151,274,454 | 371,104 | 141,387,907 | 551,368 |
| Financial assets - Fair value through other comprehensive income | 1,333,278 | 1,333,278 | 309,118 | 309,118 |
| Debt instrument - Amortised cost | 9,827,221 | 9,827,221 | 6,994,206 | 6,994,206 |
| Other financial assets | 108,493 | 108,493 | 126,949 | 126,949 |
| | 171,219,291 | 20,315,941 | 156,107,501 | 15,270,962 |

The following table shows the fair value of collateral and credit enhancements held by the Group.

| Group | 31 March 2022 | | 31 March 2021 | |
|--|---|--------------------------|---|--------------------------|
| | Maximum exposure to credit risk Rs. '000 | Net exposure Rs. '000 | Maximum exposure to credit risk Rs. '000 | Net exposure Rs. '000 |
| Cash and cash equivalents (excluding cash in hand) | 4,244,919 | 4,244,919 | 2,904,928 | 2,904,928 |
| Balances with banks & financial institutions | 9,529,518 | 9,529,518 | 8,231,101 | 8,231,101 |
| Financial assets - Fair value through profit or loss | 849,298 | 849,298 | 1,281,753 | 1,281,753 |
| Loans and receivables - Amortised cost | 163,320,846 | 371,104 | 147,004,004 | 551,368 |
| Reinsurance and insurance receivable | 1,322,528 | 1,322,528 | 1,024,461 | 1,024,461 |
| Financial assets - Fair value through other comprehensive income | 1,632,941 | 1,632,941 | 735,494 | 735,494 |
| Debt instrument - Amortised cost | 16,013,525 | 16,013,525 | 10,931,714 | 10,931,714 |
| | 196,913,575 | 31,446,615 | 172,113,455 | 23,322,491 |

56.2.4 Collateral and Other Credit Enhancements

The below table provides 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 if the future value of collateral is forecasted using multiple economic scenarios. However, the Stage 3 ECL can be higher than net exposure shown below when the future value of collateral, measured using multiple economic scenarios, is expected to decline.

| Type of collateral or credit enhancement In Rs.'000 | Fair value of collateral and credit enhancements held under the base case scenario | | | | | |
|--|--|--------------------|----------------------|------------------|--------------|----------------|
| | Maximum exposure to credit risk | Movable securities | Immovable securities | Total collateral | Net exposure | Associated ECL |
| Company | | | | | | |
| As at 31 March 2022 | | | | | | |
| Loans and receivables | 20,900,030 | 25,317,181 | 17,686,396 | 43,003,577 | (22,103,547) | 7,658,221 |
| As at 31 March 2021 | | | | | | |
| Loans and receivables | 28,678,260 | 13,536,876 | 31,319,598 | 44,856,474 | (16,178,214) | 7,323,080 |
| Group | | | | | | |
| As at 31 March 2022 | | | | | | |
| Loans and receivables | 22,258,982 | 26,020,062 | 17,701,476 | 43,721,538 | (21,462,556) | 8,060,205 |
| As at 31 March 2021 | | | | | | |
| Loans and receivables | 31,622,920 | 16,060,082 | 31,319,598 | 47,379,680 | (15,756,760) | 7,624,698 |

56.2.5 Offsetting Financial Assets & 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.

56.2.6 Financial Assets & 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.

| As at 31 March | Company & Group | | | | | |
|-------------------------|------------------------------|---|----------------------------|------------------------------|---|----------------------------|
| | 2022 | | | 2021 | | |
| | 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 & receivables | 7,984,520 | 2,990,159 | 4,994,361 | 8,115,689 | 2,724,435 | 5,391,254 |

Notes to the Financial Statements

56. Risk Management (Company/Group) (Contd...)

56.2.7 Sensitivity of Impairment Provision on Loans and Receivables

| | Sensitivity on ECL sensitivity effect on Statement of Financial Position [Increase/(Decrease) in impairment provision] | | | | Sensitivity effect on income (Rs. '000) |
|--|--|--------------------|--------------------|------------------|---|
| | Stage 1 (Rs. '000) | Stage 2 (Rs. '000) | Stage 3 (Rs. '000) | Total (Rs. '000) | |
| Company - As at 31 March 2022 | | | | | |
| PD 1% increase across all age buckets | 12,602 | 8,450 | - | 21,052 | 21,052 |
| PD 1% decrease across all age buckets | (12,602) | (8,450) | - | (21,052) | (21,052) |
| LGD 5% increase | 63,010 | 42,654 | 180,114 | 285,778 | 285,778 |
| LGD 5% decrease | (63,010) | (42,654) | (180,114) | (285,778) | (285,778) |
| Probability weighted Economic Scenarios | | | | | |
| - Base case 10% increase, worst case 5% decrease and best case 5% decrease | (4,740) | (2,183) | - | (6,923) | (6,923) |
| - Base case 10% decrease, worst case 5% increase and best case 5% increase | 4,740 | 2,183 | - | 6,923 | 6,923 |

| | Sensitivity on ECL sensitivity effect on Statement of Financial Position [Increase/(Decrease) in impairment provision] | | | | Sensitivity effect on income (Rs. '000) |
|--|--|--------------------|--------------------|------------------|---|
| | Stage 1 (Rs. '000) | Stage 2 (Rs. '000) | Stage 3 (Rs. '000) | Total (Rs. '000) | |
| Group - As at 31 March 2022 | | | | | |
| PD 1% increase across all age buckets | 13,328 | 8,937 | - | 22,265 | 22,265 |
| PD 1% decrease across all age buckets | (13,328) | (8,937) | - | (22,265) | (22,265) |
| LGD 5% increase | 68,051 | 46,066 | 194,523 | 308,640 | 308,640 |
| LGD 5% decrease | (68,051) | (46,066) | (194,523) | (308,640) | (308,640) |
| Probability weighted Economic Scenarios | | | | | |
| - Base case 10% increase, worst case 5% decrease and best case 5% decrease | (4,811) | (2,216) | - | (7,027) | (7,027) |
| - Base case 10% decrease, worst case 5% increase and best case 5% increase | 4,811 | 2,216 | - | 7,027 | 7,027 |

| | Sensitivity on ECL sensitivity effect on Statement of Financial Position [Increase/(Decrease) in impairment provision] | | | | Sensitivity effect on income (Rs. '000) |
|--|--|--------------------|--------------------|------------------|---|
| | Stage 1 (Rs. '000) | Stage 2 (Rs. '000) | Stage 3 (Rs. '000) | Total (Rs. '000) | |
| Company - As at 31 March 2021 | | | | | |
| PD 1% increase across all age buckets | 7,876 | 10,928 | - | 18,804 | 18,804 |
| PD 1% decrease across all age buckets | (7,876) | (10,928) | - | (18,804) | (18,804) |
| LGD 5% increase | 39,385 | 54,963 | 206,864 | 301,212 | 301,212 |
| LGD 5% decrease | (39,385) | (54,963) | (206,864) | (301,212) | (301,212) |
| Probability weighted Economic Scenarios | | | | | |
| - Base case 10% increase, worst case 5% decrease and best case 5% decrease | (1,515) | (564) | - | (2,079) | (2,079) |
| - Base case 10% decrease, worst case 5% increase and best case 5% increase | 1,515 | 564 | - | 2,079 | 2,079 |

| | Sensitivity on ECL sensitivity effect on Statement of Financial Position [Increase/(Decrease) in impairment provision] | | | | Sensitivity effect on income (Rs. '000) |
|--|--|--------------------|--------------------|------------------|---|
| | Stage 1 (Rs. '000) | Stage 2 (Rs. '000) | Stage 3 (Rs. '000) | Total (Rs. '000) | |
| Group - As at 31 March 2021 | | | | | |
| PD 1% increase across all age buckets | 8,330 | 11,557 | - | 19,887 | 19,887 |
| PD 1% decrease across all age buckets | (8,330) | (11,557) | - | (19,887) | (19,887) |
| LGD 5% increase | 42,536 | 59,360 | 279,396 | 381,292 | 381,292 |
| LGD 5% decrease | (42,536) | (59,360) | (279,396) | (381,292) | (381,292) |
| Probability weighted Economic Scenarios | | | | | |
| - Base case 10% increase, worst case 5% decrease and best case 5% decrease | (1,538) | (572) | - | (2,110) | (2,110) |
| - Base case 10% decrease, worst case 5% increase and best case 5% increase | 1,538 | 572 | - | 2,110 | 2,110 |

56.3 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.

Management considered different possible outcomes to assess the possible impact from Covid 19 to the company's operations and forecast cash flows in order to absorb sudden liquidity shock to comply financial covenant and CBSL Liquidity Requirement. I.e. consider sufficient cash and unused credit lines, deposits renewal ratio, customer collection ratios, availability of negotiate borrowing facilities to meet short term needs, restructure operations to reduce operating costs and defer capital expenditure.

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.

To ensure adequate liquidity in the market, Central Bank has intervened by reducing Policy rates in order to inject market liquidity. This may be as a result of the increased withdrawals within affected sectors potentially leading to reduced net inflows in the Company. In addition to providing loan moratoriums, concessionary loans via banks and Non-Banking Financial Institutions (NBFIs) for businesses and individuals impacted by the COVID-19 lockdown to further provide liquidity and drive the economy.

Notes to the Financial Statements

56. Risk Management (Company/Group) (Contd...)

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 saving deposit and accrued interest payable at the close of the business on such day and
- (c) 10% of the total outstanding borrowings

Further the company shall maintaining liquid assets in the form of Sri Lankan government Treasury Bills & Government securities equivalent to 7.5% of the average of its month end total deposit liabilities and borrowings of the 12 months preceding financial year.

However, due to the Covid 19, Central Bank of Sri Lanka issued Finance Business Act Direction No 02 of 2021 "Amendments to Direction on Liquid Assets" and subsequent amendments through No 07 of 2020 and No 03 of 2021 such requirements have changes as follows until 30 June 2021.

- (a) 6% of the outstanding value of the time deposits and accrued interest payable at the close of the business on such day and
- (b) 10% of outstanding value of the saving deposit and accrued interest payable at the close of the business on such day and
- (c) 5% of the total outstanding borrowings

Further the company shall maintaining liquid assets in the form of Sri Lankan government Treasury Bills & Government securities equivalent to 5% of the average of its month end total deposit liabilities and 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 was as follows:

| Liquidity ratios As at 31 March | Company | | Group | |
|------------------------------------|---------|------|-------|------|
| | 2022 | 2021 | 2022 | 2021 |
| Advances to deposit ratios (Times) | 1.46 | 1.39 | 1.47 | 1.44 |
| Liquidity Assets to Deposit (%) | 18 | 14 | 20 | 17 |

56.3.1 Analysis of Financial Assets and Liabilities by Remaining Contractual Maturities

The table below summaries the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities as at 31 March 2022.

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.

56.3.2 Remaining Contractual Maturities of Undiscounted Cash Flows of Financial Assets and Liabilities

| Company | On demand | Less than 3 months | 3 to 12 months | 1 to 3 years | 3 to 5 years | Over 5 years | Total |
|--|-------------------|--------------------|---------------------|-------------------|-------------------|------------------|--------------------|
| Year ended 31 March 2022 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Financial Asset | | | | | | | |
| Cash and cash equivalents | 4,168,741 | 500,089 | - | - | - | - | 4,668,830 |
| Balances with banks & financial institutions | - | 5,182,401 | - | - | - | - | 5,182,401 |
| Financial assets - Fair value through profit or loss | - | 25,140 | - | - | - | - | 25,140 |
| Loans and receivables - Amortised cost | 8,586,901 | 29,437,982 | 48,629,443 | 81,866,129 | 24,636,554 | 2,176,820 | 195,333,830 |
| Financial assets - Fair value through other comprehensive income | - | 1,632,941 | - | - | - | 10 | 1,632,951 |
| Debt instrument - Amortised cost | - | 9,902,159 | - | - | - | - | 9,902,159 |
| Other financial assets | - | 108,493 | - | - | - | - | 108,493 |
| Total undiscounted financial assets | 12,755,642 | 46,789,205 | 48,629,443 | 81,866,129 | 24,636,554 | 2,176,830 | 216,853,804 |
| Financial liabilities | | | | | | | |
| Due to banks | 69,689 | 1,300,790 | 3,774,480 | 8,215,683 | - | - | 13,360,641 |
| Due to customers | 8,044,009 | 25,125,453 | 60,217,662 | 16,911,741 | 2,139,728 | 173,681 | 112,612,274 |
| Debt securities issued | - | 1,469,782 | 619,948 | 13,204,584 | 5,602,650 | - | 20,896,963 |
| Other financial liabilities | - | 3,636,528 | - | - | - | - | 3,636,528 |
| Operating lease liabilities | - | 163,229 | 493,662 | 1,138,126 | 640,089 | 246,521 | 2,419,013 |
| Total undiscounted financial liabilities | 8,113,698 | 31,695,781 | 65,105,751 | 39,470,134 | 8,382,467 | 420,202 | 153,188,033 |
| Net undiscounted financial assets/(liabilities) | 4,641,944 | 15,093,424 | (16,476,308) | 42,395,995 | 16,254,088 | 1,756,628 | 63,665,771 |

| Company | On demand | Less than 3 months | 3 to 12 months | 1 to 3 years | 3 to 5 years | Over 5 years | Total |
|--|-------------------|--------------------|--------------------|-------------------|-------------------|------------------|--------------------|
| As at 31 March 2021 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Financial Asset | | | | | | | |
| Cash and cash equivalents | 2,703,031 | - | - | - | - | - | 2,703,031 |
| Balances with banks & financial institutions | - | 5,291,634 | 116,854 | - | - | - | 5,408,488 |
| Financial assets - Fair value through profit or loss | - | 109,787 | - | - | - | - | 109,787 |
| Loans and receivables - Amortised cost | 9,539,408 | 28,396,273 | 47,980,789 | 78,310,609 | 18,763,721 | 389,923 | 183,380,723 |
| Financial assets - Fair value through profit or loss | - | 309,108 | - | - | - | 10 | 309,118 |
| Debt instrument - Amortised cost | - | 5,200,037 | 1,885,456 | - | - | - | 7,085,493 |
| Other financial assets | - | 126,949 | - | - | - | - | 126,949 |
| Total undiscounted financial assets | 12,242,439 | 39,433,788 | 49,983,099 | 78,310,609 | 18,763,721 | 389,933 | 199,123,589 |
| Financial liabilities | | | | | | | |
| Due to banks | 716,374 | 209,970 | 909,506 | 5,980,493 | - | - | 7,816,343 |
| Due to customers | 8,265,964 | 27,414,568 | 47,916,279 | 16,918,724 | 3,774,746 | 164,029 | 104,454,310 |
| Debt securities issued | - | 1,189,974 | 7,230,443 | 7,442,993 | - | - | 15,863,410 |
| Other financial liabilities | - | 4,131,671 | - | - | - | - | 4,131,671 |
| Operating lease liabilities | - | 165,100 | 504,043 | 1,327,457 | 695,916 | 445,445 | 3,137,961 |
| Total undiscounted financial liabilities | 8,982,338 | 33,111,283 | 56,560,271 | 31,669,667 | 4,470,662 | 609,474 | 135,403,695 |
| Net undiscounted financial assets/(liabilities) | 3,260,101 | 6,322,505 | (6,577,172) | 46,640,942 | 14,293,059 | (219,541) | 63,719,894 |

Notes to the Financial Statements

56. Risk Management (Company/Group) (Contd...)

| Group | On demand | Less than 3 months | 3 to 12 months | 1 to 3 years | 3 to 5 years | Over 5 years | Total |
|--|-------------------|--------------------|---------------------|-------------------|-------------------|------------------|--------------------|
| Year ended 31 March 2022 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Financial Asset | | | | | | | |
| Cash and cash equivalents | 4,902,498 | 500,089 | - | - | - | - | 5,402,587 |
| Balances with banks & financial institutions | - | 6,253,870 | 3,223,189 | 78,302 | - | - | 9,555,361 |
| Financial assets - Fair value through profit or loss | - | 849,298 | - | - | - | - | 849,298 |
| Loans and receivables - Amortised cost | 8,599,309 | 31,937,318 | 52,833,034 | 85,716,401 | 26,708,214 | 2,810,238 | 208,604,513 |
| Reinsurance and insurance receivable | - | 1,268,209 | 572,030 | - | - | - | 1,840,239 |
| Financial assets - Fair value through other comprehensive income | - | 1,632,931 | - | - | - | 10 | 1,632,941 |
| Debt instrument - Amortised cost | - | 12,353,948 | 703,564 | 2,606,801 | 1,215,056 | - | 16,879,369 |
| Total undiscounted financial assets | 13,501,807 | 54,795,663 | 57,331,817 | 88,401,504 | 27,923,270 | 2,810,248 | 244,764,308 |
| Financial liabilities | | | | | | | |
| Due to banks | 254,427 | 1,497,161 | 4,536,077 | 9,353,226 | 347,088 | - | 15,987,978 |
| Due to customers | 8,044,009 | 25,138,573 | 63,286,787 | 22,302,243 | 2,311,242 | 195,052 | 121,277,906 |
| Debt securities issued | - | 1,453,682 | 619,948 | 13,046,604 | 5,602,650 | - | 20,722,884 |
| Other financial liabilities | - | 4,043,322 | - | - | - | - | 4,043,322 |
| Insurance and reinsurance payable | 5,864,646 | 38,717 | - | - | - | - | 5,903,363 |
| Operating lease liabilities | - | 92,144 | 280,405 | 744,717 | 538,804 | 238,081 | 1,894,151 |
| Total undiscounted financial liabilities | 14,163,082 | 32,263,599 | 68,723,217 | 45,446,790 | 8,799,784 | 433,133 | 169,829,604 |
| Net undiscounted financial assets/(liabilities) | (661,275) | 22,532,064 | (11,391,400) | 42,954,714 | 19,123,486 | 2,377,115 | 74,934,704 |

| Group | On demand | Less than 3 months | 3 to 12 months | 1 to 3 years | 3 to 5 years | Over 5 years | Total |
|--|-------------------|--------------------|--------------------|-------------------|-------------------|----------------|--------------------|
| As at 31 March 2021 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Financial Asset | | | | | | | |
| Cash and cash equivalents | 3,844,694 | - | - | - | - | - | 3,844,694 |
| Balances with banks & financial institutions | - | 6,363,103 | 1,847,720 | 78,302 | - | - | 8,289,125 |
| Financial assets - Fair value through profit or loss | - | 1,281,753 | - | - | - | - | 1,281,753 |
| Loans and receivables - Amortised cost | 9,980,624 | 29,213,835 | 49,532,596 | 81,133,788 | 19,671,995 | 696,060 | 190,228,898 |
| Reinsurance and insurance receivable | - | 1,268,209 | 572,030 | - | - | - | 1,840,239 |
| Financial assets - Fair value through other comprehensive income | - | 735,484 | - | - | - | 10 | 735,494 |
| Debt instrument - Amortised cost | - | 5,625,023 | 2,620,586 | 2,355,800 | 1,395,109 | 52,021 | 12,048,538 |
| Total undiscounted financial assets | 13,825,318 | 44,487,407 | 54,572,933 | 83,567,889 | 21,067,104 | 748,091 | 218,268,741 |
| Financial liabilities | | | | | | | |
| Due to banks | 719,394 | 406,341 | 1,671,103 | 7,118,036 | 347,088 | - | 10,261,962 |
| Due to customers | 8,265,964 | 27,414,774 | 47,916,668 | 16,918,724 | 3,774,746 | 164,029 | 104,454,905 |
| Debt securities issued | - | 1,173,874 | 7,230,443 | 7,285,013 | - | - | 15,689,330 |
| Other financial liabilities | - | 4,110,795 | - | - | - | - | 4,110,795 |
| Reinsurance and insurance payable | 4,977,168 | 38,717 | - | - | - | - | 5,015,885 |
| Operating lease liabilities | - | 93,154 | 283,394 | 720,481 | 517,268 | 411,070 | 2,025,367 |
| Total undiscounted financial liabilities | 13,962,526 | 33,237,655 | 57,101,608 | 32,042,254 | 4,639,102 | 575,099 | 141,558,244 |
| Net undiscounted financial assets/(liabilities) | (137,208) | 11,249,752 | (2,528,675) | 51,525,635 | 16,428,002 | 172,992 | 76,710,497 |

56.3.3 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.

| 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 |
|--|-----------------------|-----------------------------------|-------------------------------|-----------------------------|-----------------------------|-------------------|
| As at 31st March 2022 | | | | | | |
| Guarantees | - | 9,505 | 157,295 | 8,450 | - | 175,250 |
| Assessment received from Inland Revenue Department | - | - | - | 50,953 | - | 50,953 |
| Litigation against the Company | - | 188,667 | 54,130 | - | - | 242,797 |
| Capital commitment | - | 5,562,802 | 820,432 | - | - | 6,383,234 |
| Total commitments and guarantees | - | 5,760,974 | 1,031,857 | 59,403 | - | 6,852,234 |
| As at 31st March 2021 | | | | | | |
| Guarantees | - | 2,500 | 334,098 | 127,500 | - | 464,098 |
| Assessment received from Inland Revenue Department | - | - | - | 50,953 | - | 50,953 |
| Letter of credits | - | - | - | - | - | - |
| Accidents of leased out vehicles | - | 92,110 | 90,341 | - | - | 182,451 |
| Capital commitment | - | 9,186,451 | 1,114,158 | - | - | 10,300,609 |
| Total commitments and guarantees | - | 9,281,061 | 1,538,597 | 178,453 | - | 10,998,111 |
| 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 |
| As at 31st March 2022 | | | | | | |
| Guarantees | - | 9,505 | 157,295 | 8,450 | - | 175,250 |
| Assessment received from Inland Revenue Department | - | - | - | 97,942 | - | 97,942 |
| Litigation against the Company | - | 188,667 | 54,130 | - | - | 242,797 |
| Capital commitment | - | 5,562,802 | 820,432 | - | - | 6,383,234 |
| Total commitments and guarantees | - | 5,760,974 | 1,031,857 | 106,392 | - | 6,899,223 |
| As at 31st March 2021 | | | | | | |
| Guarantees | - | 2,500 | 334,098 | 127,500 | - | 464,098 |
| Assessment received from Inland Revenue Department | - | - | - | 97,942 | - | 97,942 |
| Letter of credits | - | - | - | - | - | - |
| Accidents of leased out vehicles | - | 92,110 | 90,341 | - | - | 182,451 |
| Capital commitment | - | 9,186,451 | 1,114,158 | - | - | 10,300,609 |
| Total commitments and guarantees | - | 9,281,061 | 1,538,597 | 225,442 | - | 11,045,100 |

The Company expects that not all of the contingent liabilities or commitments will be drawn before expiry of the commitments.

Notes to the Financial Statements

56. Risk Management (Company/Group) (Contd...)

56.3.4 Total Liquid Assets

The table below sets out the components of the Company's liquid assets;

| As at 31st March | 2022 Amount Rs. '000 | 2021 Amount Rs. '000 |
|-----------------------------------|----------------------------|----------------------------|
| Cash in hand | 1,135,991 | 922,568 |
| Balances in current accounts | 725,529 | 442,176 |
| Deposits in commercial banks | 6,457,079 | 5,606,470 |
| Treasury bills and Treasury Bonds | 9,801,050 | 6,955,980 |
| Other approved securities | 500,000 | - |
| Total liquidity assets | 18,619,649 | 13,927,194 |

56.4 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. Company classifies exposures to market risk into either trading or non-trading portfolios and manages each of those portfolios separately.

Currently, increased volatility and decline in value of many financial asset classes may impact the trading books of most of companies due to the increased market risk. The uncertainty caused by the pandemic could lead to increased pressure on the local currency resulting in higher foreign exchange risk.

Company estimate how the reduction in interest rates will impact their rate sensitive assets and liabilities and the subsequent implication on profitability.

56.4.1 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 31st March 2022 and 31st March 2021 to a reasonable possible change in interest rates, with all other variable constant.

| As at 31st March | 2022 Rs. '000 | 2021 Rs. '000 |
|---|------------------|------------------|
| Impact on Statement of Profit or Loss due to interest rate shocks | | |
| 0.50% | (16,173) | 5,060 |
| 1% | (32,346) | 10,120 |
| -0.50% | 16,173 | (5,060) |
| -1% | 32,346 | (10,120) |

Sensitivity of Lease Liability to Key Assumption

| Sensitivity to Incremental Borrowing Rates | 2022 Rs. '000 | 2021 Rs. '000 |
|---|------------------|------------------|
| Impact on Company's Statement of Financial Position due to interest rate shocks | | |
| 1% | (36,398) | (51,625) |
| -1% | 37,621 | 53,585 |

Interest Rate Risk Exposure on Financial Asset 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 re-pricing or maturity dates.

| Company | Carrying amount | On demand | Less than 3 months | 3 to 12 months | 1 to 3 years | 3 to 5 years | Over 5 years | Non-interest bearing |
|--|--------------------|--------------------|--------------------|---------------------|-------------------|-------------------|------------------|----------------------|
| 2022 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Assets | | | | | | | | |
| Cash and cash equivalents | 4,668,830 | 1,339,213 | 500,000 | - | - | - | - | 2,829,617 |
| Balances with banks & financial institutions | 5,117,866 | 45,085 | 5,072,781 | - | - | - | - | - |
| Financial assets - Fair value through profit or loss | 25,140 | - | - | - | - | - | - | 25,140 |
| Loans and receivables - Amortised cost | 161,162,024 | 8,500,810 | 24,622,184 | 38,777,566 | 68,688,567 | 19,006,788 | 1,566,110 | - |
| Less - Impairment charges | 9,887,570 | - | - | - | - | - | - | - |
| Net loans and receivables | 151,274,454 | - | - | - | - | - | - | - |
| Financial assets - Fair value through other comprehensive income | 1,333,278 | - | 1,101,440 | - | - | - | - | 231,838 |
| Debt instrument - Amortised cost | 9,827,221 | 130,610 | 9,696,611 | - | - | - | - | - |
| Other financial assets | 108,493 | - | - | - | - | - | - | 108,493 |
| Total | 172,355,282 | 10,015,718 | 40,993,016 | 38,777,566 | 68,688,567 | 19,006,788 | 1,566,110 | 3,195,088 |
| Liabilities | | | | | | | | |
| Due to banks | 11,749,332 | 5,658,302 | 499,284 | 1,707,469 | 3,884,277 | - | - | - |
| Due to customers | 103,367,904 | 11,252,713 | 24,226,715 | 50,606,239 | 15,163,949 | 1,944,607 | 173,681 | - |
| Debt securities issued | 17,244,313 | 1,274,585 | 703,267 | - | 10,638,106 | 4,628,354 | - | - |
| Other Financial liabilities | 3,636,528 | - | - | - | - | - | - | 3,636,528 |
| Operating lease liabilities | 2,059,050 | - | 104,229 | 336,087 | 873,720 | 533,636 | 211,378 | - |
| Total | 138,057,127 | 18,185,600 | 25,533,496 | 52,649,795 | 30,560,053 | 7,106,597 | 385,059 | 3,636,528 |
| Total interest sensitivity gap | 34,298,155 | (8,169,882) | 15,459,520 | (13,872,229) | 38,128,514 | 11,900,191 | 1,181,051 | |

Notes to the Financial Statements

56. Risk Management (Company/Group) (Contd...)

| Company | Carrying amount | On demand | Less than 3 months | 3 to 12 months | 1 to 3 years | 3 to 5 years | Over 5 years | Non-interest bearing |
|--|--------------------|--------------------|--------------------|---------------------|-------------------|-------------------|------------------|----------------------|
| 2021 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Assets | | | | | | | | |
| Cash and cash equivalents | 2,703,031 | 207,423 | - | - | - | - | - | 2,495,608 |
| Balances with banks & financial institutions | 5,399,071 | 48,621 | 5,239,950 | 110,500 | - | - | - | - |
| Financial assets - Fair value through profit or loss | 109,787 | - | - | - | - | - | - | 109,787 |
| Loans and receivables - Amortised cost | 150,655,845 | 10,084,836 | 23,646,215 | 37,222,146 | 64,874,601 | 14,683,282 | 144,765 | - |
| Less - Impairment charges | 9,267,938 | - | - | - | - | - | - | - |
| Net loans and receivables | 141,387,907 | - | - | - | - | - | - | - |
| Financial assets - Fair value through other comprehensive income | 309,118 | - | - | - | - | - | - | 309,118 |
| Debt instrument - Amortised cost | 6,994,206 | 42,014 | 5,136,618 | 1,815,574 | - | - | - | - |
| Other financial assets | 126,949 | - | - | - | - | - | - | 126,949 |
| Total | 157,030,069 | 10,382,895 | 34,022,783 | 39,148,220 | 64,874,601 | 14,683,282 | 144,765 | 3,041,462 |
| Liabilities | | | | | | | | |
| Due to banks | 6,439,310 | 2,044,668 | 212,751 | 708,063 | 3,473,828 | - | - | - |
| Due to customers | 101,502,931 | 12,983,261 | 25,217,406 | 44,196,736 | 15,373,365 | 3,568,134 | 164,029 | - |
| Debt securities issued | 13,825,553 | 1,047,215 | - | 6,788,102 | 5,990,237 | - | - | - |
| Other financial liabilities | 4,132,110 | - | - | - | - | - | - | 4,131,671 |
| Lease Liability | 2,286,386 | - | 94,358 | 310,505 | 968,680 | 540,782 | 372,061 | - |
| Total | 128,186,290 | 16,075,144 | 25,524,515 | 52,003,405 | 25,806,110 | 4,108,916 | 536,090 | 4,131,671 |
| Total interest sensitivity gap | 28,843,779 | (5,692,249) | 8,498,268 | (12,855,185) | 39,068,491 | 10,574,366 | (391,325) | |

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 re-pricing or maturity dates.

| Group | Carrying amount | On demand | Less than 3 months | 3 to 12 months | 1 to 3 years | 3 to 5 years | Over 5 years | Non-interest bearing |
|--|--------------------|--------------------|--------------------|---------------------|-------------------|-------------------|------------------|----------------------|
| 2022 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Assets | | | | | | | | |
| Cash and cash equivalents | 5,402,587 | 1,367,124 | 675,252 | - | - | - | - | 3,360,210 |
| Balances with banks & financial institutions | 9,529,518 | 165,334 | 8,157,504 | 1,119,531 | 87,149 | - | - | - |
| Financial assets - Fair value through profit or loss | 849,298 | - | - | - | - | - | - | 849,298 |
| Loans and receivables - Amortised cost | 174,162,982 | 8,953,406 | 27,386,685 | 44,815,404 | 70,250,288 | 20,557,671 | 2,199,528 | - |
| Less-Impairment charges | 10,842,136 | - | - | - | - | - | - | - |
| Net loans and receivables | 163,320,846 | - | - | - | - | - | - | - |
| Reinsurance and insurance receivable | 1,322,528 | - | - | - | - | - | - | 1,322,528 |
| Financial assets - Fair value through other comprehensive income | 1,632,941 | - | 1,401,103 | - | - | - | - | 231,838 |
| Debt instrument - Amortised cost | 16,013,525 | 296,309 | 12,025,767 | 642,362 | 1,952,671 | 1,096,416 | - | - |
| Total | 198,071,243 | 10,782,174 | 49,646,311 | 46,577,297 | 72,290,108 | 21,654,087 | 2,199,528 | 5,763,874 |
| Liabilities | | | | | | | | |
| Due to banks | 15,300,361 | 6,927,576 | 1,492,648 | 2,258,534 | 4,621,603 | - | - | - |
| Due to customers | 111,453,750 | 11,130,114 | 26,865,248 | 55,983,266 | 15,335,463 | 1,965,978 | 173,681 | - |
| Debt securities issued | 17,103,223 | 1,259,276 | 703,267 | - | 10,512,326 | 4,628,354 | - | - |
| Other financial liabilities | 4,043,322 | - | - | - | - | - | - | 4,043,322 |
| Insurance liabilities and reinsurance payables | 5,903,363 | - | - | - | - | - | - | 5,903,363 |
| Lease Liability | 1,588,115 | - | 57,568 | 60,239 | 735,620 | 531,620 | 203,068 | - |
| Total | 155,392,134 | 19,316,966 | 29,118,731 | 58,302,039 | 31,205,012 | 7,125,952 | 376,749 | 9,946,685 |
| Total interest sensitivity gap | 42,679,109 | (8,534,792) | 20,527,580 | (11,724,742) | 41,085,096 | 14,528,135 | 1,822,779 | |

Notes to the Financial Statements

56. Risk Management (Company/Group) (Contd...)

| Group | Carrying amount | On demand | Less than 3 months | 3 to 12 months | 1 to 3 years | 3 to 5 years | Over 5 years | Non-interest bearing |
|--|--------------------|--------------------|--------------------|---------------------|-------------------|-------------------|-----------------|----------------------|
| 2021 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Assets | | | | | | | | |
| Cash and cash equivalents | 3,844,694 | 1,116,437 | - | - | - | - | - | 2,728,257 |
| Balances with banks & financial institutions | 8,231,101 | 155,657 | 6,748,376 | 1,255,928 | 71,139 | - | - | - |
| Financial assets - Held-for-trading | 1,281,753 | - | - | - | - | - | - | 1,281,753 |
| Loans and receivables - Amortised cost | 156,886,200 | 10,920,045 | 23,551,567 | 39,474,971 | 67,417,936 | 15,070,779 | 450,902 | - |
| Less-Impairment charges | 9,882,196 | - | - | - | - | - | - | - |
| Net loans and receivables | 147,004,004 | - | - | - | - | - | - | - |
| Reinsurance and insurance receivable | 1,024,461 | - | - | - | - | - | - | 1,024,461 |
| Financial assets - Fair value through other comprehensive income | 735,494 | - | 426,376 | - | - | - | - | 309,118 |
| Debt instrument - Amortised cost | 10,931,714 | 156,625 | 5,621,571 | 2,319,808 | 1,410,868 | 1,375,976 | 46,866 | - |
| Total | 173,053,221 | 12,348,764 | 36,347,890 | 43,050,707 | 68,899,943 | 16,446,755 | 497,768 | 5,343,589 |
| Liabilities | | | | | | | | |
| Due to banks | 9,003,873 | 2,224,999 | 350,755 | 1,469,659 | 4,611,372 | 347,088 | - | - |
| Due to customers | 103,743,716 | 12,883,575 | 26,307,059 | 45,356,462 | 15,450,062 | 3,572,101 | 174,457 | - |
| Debt securities issued | 13,684,516 | 1,031,957 | - | 6,788,102 | 5,864,457 | - | - | - |
| Other financial liabilities | 4,111,235 | - | - | - | - | - | - | 4,111,235 |
| Lease Liability | 1,614,660 | - | 54,905 | 181,364 | 561,176 | 477,770 | 339,446 | - |
| Insurance liabilities and reinsurance payables | 5,015,885 | - | - | - | - | - | - | 5,015,885 |
| Total | 137,173,885 | 16,140,531 | 26,712,719 | 53,795,587 | 26,487,067 | 4,396,959 | 513,903 | 9,127,120 |
| Total interest sensitivity gap | 35,879,336 | (3,791,767) | 9,635,171 | (10,744,880) | 42,412,876 | 12,049,796 | (16,135) | |

56.4.2 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 Group had significant exposures as at 31st March 2022 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 LKR, 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).

Impact on Statement of Profit or Loss due to Exchange Rate Shocks

| | Change in currency rate in % Rs. '000 | Company | | Group | |
|-----|--|---|---|---|---|
| | | 2022 Effect on profit before tax Rs. '000 | 2021 Effect on profit before tax Rs. '000 | 2022 Effect on profit before tax Rs. '000 | 2021 Effect on profit before tax Rs. '000 |
| USD | 1 | - | - | 972 | 375 |
| USD | -1 | - | - | (972) | (375) |

56.4.3 Equity Price Risk

The sensitivity analysis for equity 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 | 2022 | | | 2021 | | |
|--|---------------------------------------|---|--|---------------------------------------|---|--|
| | Effect on net asset value Rs. '000 | Effect on profit before tax Rs. '000 | Effect on comprehensive income Rs. '000 | Effect on net asset value Rs. '000 | Effect on profit before tax Rs. '000 | Effect on comprehensive income Rs. '000 |
| Company | | | | | | |
| Financial assets - FVTPL | 251 | 251 | - | 136 | 136 | - |
| Financial assets - FVOCI | 2,208 | - | 2,208 | 3,244 | - | 3,244 |
| Group | | | | | | |
| Financial assets - FVTPL | 1,748 | 1,748 | - | 272 | 272 | - |
| Financial assets - FVOCI | 2,208 | - | 2,208 | 3,244 | - | 3,244 |

56.4.4 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 manage 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.

Notes to the Financial Statements

56. Risk Management (Company/Group) (Contd...)

56.5 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 are managed through a effective operational risk management framework which consists of monitoring and responding to potential risks.

56.6 Insurance Risks

People's Insurance PLC (PI) is a subsidiary of the Company whose principle 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 2022.

56.6.1 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.

56.6.2 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.

Method 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-Mar-22 | | | 31-Mar-21 | | |
|---------------|-------------------------------|------------------------------------|-----------------------------|-------------------------------|------------------------------------|-----------------------------|
| | 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 | 789,121 | 18,464 | 770,657 | 655,925 | 70,757 | 585,168 |
| Marine | 32,253 | 19,809 | 12,444 | 5,792 | 5,607 | 185 |
| Fire | 159,013 | 99,139 | 59,874 | 96,986 | 120,000 | (23,014) |
| Miscellaneous | 310,487 | 134,685 | 175,802 | 182,361 | 80,914 | 101,447 |
| Total | 1,290,874 | 272,096 | 1,018,778 | 941,064 | 277,278 | 663,786 |

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 2022

| Accident Period | Current estimate of cumulative claims incurred | | | | | | | | | | | | Total |
|--|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|
| | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | |
| | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| 2021/22 | (189) | (3,008) | 15,126 | 7,408 | 146 | 222 | 999 | 1,026 | 591 | 16,315 | 111,109 | 3,268,431 | 3,418,177 |
| 2020/21 | 193 | 10,771 | 1,012 | 685 | 539 | 2,236 | 10,692 | 11,085 | 32,949 | 3,072 | 3,536,534 | - | 3,609,768 |
| 2019/20 | - | 42,085 | 5,515 | 1,591 | 1,014 | 2,662 | 4,183 | 31,282 | 92,881 | 3,803,005 | - | - | 3,984,218 |
| 2018/19 | (120) | 11,385 | 51 | (8,584) | 4,918 | (9,647) | 21,099 | 73,912 | 3,165,480 | - | - | - | 3,258,494 |
| 2017/18 | (844) | 4,738 | (608) | 8,298 | 5,704 | 21,071 | 33,255 | 2,792,805 | - | - | - | - | 2,864,419 |
| 2016/17 | (945) | (113) | (17,006) | (8,555) | 5,397 | 50,267 | 2,635,203 | - | - | - | - | - | 2,664,248 |
| 2015/16 | 1,703 | 6,377 | (5,165) | 35,874 | 31,044 | 2,182,704 | - | - | - | - | - | - | 2,252,537 |
| 2014/15 | 1,465 | 1,577 | 28,391 | (15,126) | 2,040,473 | - | - | - | - | - | - | - | 2,056,780 |
| 2013/14 | 3,148 | 50,297 | (167,837) | 2,042,094 | - | - | - | - | - | - | - | - | 1,927,702 |
| 2012/13 | 4,224 | (58,704) | 2,042,934 | - | - | - | - | - | - | - | - | - | 1,988,454 |
| 2011/12 | 2,762 | 1,396,938 | - | - | - | - | - | - | - | - | - | - | 1,399,700 |
| 2010/11 | 213,653 | - | - | - | - | - | - | - | - | - | - | - | 213,653 |
| Current estimated of cumulative claims incurred | 225,051 | 1,462,343 | 1,902,413 | 2,063,685 | 2,089,235 | 2,249,515 | 2,705,431 | 2,910,110 | 3,291,901 | 3,822,392 | 3,647,643 | 3,268,431 | 29,638,150 |

| Accident Period | Cumulative payments to date | | | | | | | | | | | | Total |
|---------------------------------------|-----------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|---------------------|
| | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | |
| | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| 2021/22 | - | (58) | (18,331) | (8,800) | (4,385) | (4,003) | (6,113) | (7,021) | (9,262) | (6,619) | (528,921) | (2,475,612) | (3,069,125) |
| 2020/21 | (193) | (3,154) | (9,536) | (6,513) | (8,510) | (11,979) | (16,068) | (19,079) | (33,096) | (761,838) | (3,025,348) | - | (3,895,314) |
| 2019/20 | - | (84,791) | (9,222) | (4,101) | (13,820) | (21,259) | (15,975) | (39,809) | (551,787) | (2,956,804) | - | - | (3,697,568) |
| 2018/19 | - | (16,329) | (5,532) | (14,079) | (15,396) | (26,780) | (26,927) | (515,478) | (2,646,682) | - | - | - | (3,267,202) |
| 2017/18 | (2,129) | (8,627) | (10,057) | (10,447) | (13,186) | (30,768) | (468,923) | (2,267,584) | - | - | - | - | (2,811,721) |
| 2016/17 | (390) | (8,262) | (16,478) | (12,958) | (23,979) | (389,878) | (2,129,944) | - | - | - | - | - | (2,581,889) |
| 2015/16 | (1,718) | (16,664) | (53,691) | (28,525) | (395,617) | (1,743,315) | - | - | - | - | - | - | (2,239,530) |
| 2014/15 | (2,329) | (19,215) | (29,760) | (329,993) | (1,586,379) | - | - | - | - | - | - | - | (1,967,676) |
| 2013/14 | (3,495) | (57,574) | (252,384) | (1,621,312) | - | - | - | - | - | - | - | - | (1,934,765) |
| 2012/13 | (5,154) | (311,763) | (1,465,582) | - | - | - | - | - | - | - | - | - | (1,782,499) |
| 2011/12 | (72,227) | (893,615) | - | - | - | - | - | - | - | - | - | - | (965,842) |
| 2010/11 | (134,902) | - | - | - | - | - | - | - | - | - | - | - | (134,902) |
| Cumulative payments to date | (222,537) | (1,420,052) | (1,870,573) | (2,036,728) | (2,061,272) | (2,227,982) | (2,663,950) | (2,848,971) | (3,240,827) | (3,725,261) | (3,554,269) | (2,475,612) | (28,348,034) |
| Total Gross claims outstanding | 2,514 | 42,292 | 31,840 | 26,957 | 27,963 | 21,533 | 41,481 | 61,139 | 51,074 | 97,130 | 93,374 | 792,820 | 1,290,117 |

Notes to the Financial Statements

56. Risk Management (Company/Group) (Contd...)

Net Non-Life Insurance Outstanding Claims Provision for 2022

| Accident Period | Current estimate of cumulative claims incurred | | | | | | | | | | | | |
|---|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|
| | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | Total |
| | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| 2021/22 | - | (7.65) | 15,126 | 7,408 | 1,541 | 1,712 | 2,478 | 2,220 | 5,946 | 31,291 | 170,895 | 2,860,271 | 3,098,882 |
| 2020/21 | 193 | 10,771 | 1,012 | 685 | 539 | 2,236 | 10,139 | 12,479 | 34,119 | 88,484 | 3,339,422 | - | 3,500,079 |
| 2019/20 | - | 321 | 5,515 | 1,591 | 1,014 | 2,667 | 4,325 | 37,666 | 79,873 | 3,398,413 | - | - | 3,531,385 |
| 2018/19 | (120) | 11,400 | 51 | (11,575) | 5,037 | (3,500) | 24,501 | 77,270 | 3,106,289 | - | - | - | 3,209,354 |
| 2017/18 | (844) | 9,001 | (608) | 14,290 | 5,742 | 15,721 | 37,716 | 2,692,279 | - | - | - | - | 2,773,296 |
| 2016/17 | (945) | (128) | (16,949) | (10,511) | 6,864 | 59,287 | 2,549,666 | - | - | - | - | - | 2,587,284 |
| 2015/16 | 1,599 | 6,454 | (3,982) | 34,203 | 16,076 | 2,100,737 | - | - | - | - | - | - | 2,155,087 |
| 2014/15 | 1,465 | 2,382 | 28,151 | (15,127) | 2,023,094 | - | - | - | - | - | - | - | 2,039,965 |
| 2013/14 | 3,157 | 51,344 | (158,485) | 2,034,121 | - | - | - | - | - | - | - | - | 1,930,137 |
| 2012/13 | 4,239 | (15,515) | 1,976,422 | - | - | - | - | - | - | - | - | - | 1,965,146 |
| 2011/12 | 4,621 | 1,224,086 | - | - | - | - | - | - | - | - | - | - | 1,228,707 |
| 2010/11 | 209,132 | - | - | - | - | - | - | - | - | - | - | - | 209,132 |
| Current estimated of cumulative claims incurred | 222,497 | 1,300,116 | 1,831,127 | 2,047,677 | 2,058,366 | 2,177,148 | 2,626,347 | 2,819,694 | 3,220,281 | 3,486,897 | 3,339,422 | 2,860,271 | 28,228,454 |

| Accident Period | Cumulative payments to date | | | | | | | | | | | | |
|------------------------------|-----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | Total |
| | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| 2021/22 | - | (57) | (17,574) | (8,800) | (4,385) | (4,002) | (6,112) | (7,020) | (9,256) | 3,385 | (509,417) | (2,371,210) | (2,934,450) |
| 2020/21 | (193) | (3,154) | (9,536) | (6,513) | (8,510) | (11,979) | (15,515) | (18,797) | (19,011) | (508,359) | (2,938,267) | - | (3,539,834) |
| 2019/20 | - | (13,201) | (9,222) | (4,101) | (13,820) | (21,259) | (15,969) | (32,630) | (521,977) | (2,902,120) | - | - | (3,534,299) |
| 2018/19 | - | (16,329) | (5,532) | (11,079) | (15,396) | (26,799) | (25,385) | (492,761) | (2,619,040) | - | - | - | (3,212,322) |
| 2017/18 | (2,129) | (8,627) | (10,057) | (10,432) | (13,132) | (30,608) | (446,918) | (2,209,836) | - | - | - | - | (2,731,738) |
| 2016/17 | (390) | (8,244) | (16,282) | (12,833) | (23,866) | (387,579) | (2,075,965) | - | - | - | - | - | (2,525,159) |
| 2015/16 | (1,614) | (16,664) | (31,860) | (27,883) | (369,486) | (1,756,890) | - | - | - | - | - | - | (2,204,397) |
| 2014/15 | (2,329) | (17,417) | (29,152) | (329,883) | (1,564,956) | - | - | - | - | - | - | - | (1,943,737) |
| 2013/14 | (3,495) | (32,280) | (226,969) | (1,593,260) | - | - | - | - | - | - | - | - | (1,856,004) |
| 2012/13 | (5,123) | (248,760) | (1,424,239) | - | - | - | - | - | - | - | - | - | (1,678,122) |
| 2011/12 | (71,904) | (881,711) | - | - | - | - | - | - | - | - | - | - | (953,615) |
| 2010/11 | (131,282) | - | - | - | - | - | - | - | - | - | - | - | (131,282) |
| Cumulative payments to date | (218,459) | (1,246,387) | (1,762,849) | (1,995,984) | (2,009,166) | (2,235,114) | (2,579,752) | (2,754,024) | (3,160,028) | (3,410,479) | (2,938,267) | (2,371,210) | (27,244,959) |
| Total net claims outstanding | 4,038 | 53,729 | 68,278 | 51,693 | 49,200 | (57,966) | 46,595 | 65,670 | 60,253 | 76,418 | 401,155 | 489,061 | 983,495 |

57. 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..

The presentation and classification of the following items in these financial statements are amended to ensure the comparability with the current year.

| | Group | | |
|--|--|-------------------------------------|------------------------|
| | As disclosed previously Rs. '000 | Current Presentation Rs. '000 | Adjustment Rs. '000 |
| Statement of Financial Position | | | |
| Loans and receivables - Amortised cost | 149,342,332 | 147,004,004 | (2,338,328) |
| Debt instrument - Amortised cost | 8,593,386 | 10,931,714 | 2,338,328 |

Debenture included in Loans and receivables - Amortised cost reclassified to Debt instrument - Amortised cost

58. 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.

58.1 Final Dividend

Subsequent to the reporting date, the Board of Directors of the Company recommended the payment of a final dividend of Rs. 0.50 per share in the form of scrip dividend for the year ended 31 March 2022. This final dividend is yet to be approved at the Annual General Meeting. In accordance with the 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 2022.

58.2 Surcharge Tax

The Government of Sri Lanka in its Budget for 2022 proposed a one-time tax, referred to as a surcharge tax, at the rate of 25% to be imposed on any company that have earned a taxable income in excess of LKR 2,000 million for the year of assessment 2020/2021. The tax is imposed by the Surcharge Tax Act No. 14 of 2022 which was passed by the Parliament of Sri Lanka on 7 April 2022. As the law imposing the surcharge tax was enacted after the reporting period end, the financial statements for the year ended 31 March 2022 do not reflect the tax liability that would arise in consequence, the amount of which is best estimated at Rs. 1,947,166,890

Supplementary Reports

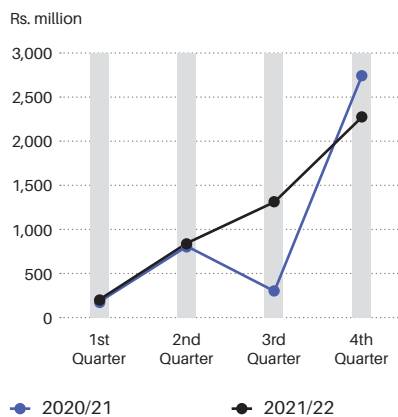
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Quarterly Analysis

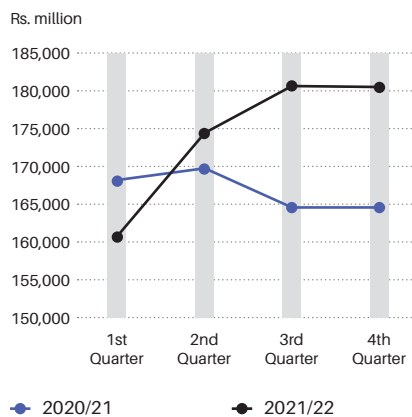
Income Statement

| Rs. million | Company | | | | | | | | | |
|---|------------------------|--------------|-------------------------|--------------|------------------------|--------------|------------------------|--------------|---------------|---------------|
| | 1st Quarter Apr-Jun | | 2nd Quarter July-Sep | | 3rd Quarter Oct-Dec | | 4th Quarter Jan-Mar | | Total | |
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2022 | 2021 | 2021/22 | 2020/21 |
| Interest income | 5,348 | 6,001 | 5,619 | 6,112 | 6,177 | 6,304 | 6,738 | 6,566 | 23,882 | 24,983 |
| Less: Interest expense | 2,642 | 3,561 | 2,636 | 3,432 | 2,746 | 3,223 | 2,808 | 2,848 | 10,832 | 13,064 |
| Net interest income | 2,706 | 2,440 | 2,983 | 2,680 | 3,431 | 3,081 | 3,929 | 3,718 | 13,049 | 11,919 |
| Fee and commission income | 320 | 275 | 505 | 563 | 500 | 445 | 552 | 536 | 1,877 | 1,819 |
| Net gains/(losses) on financial assets - FVTPL | 11 | 14 | 19 | 37 | 4 | 73 | (7) | 39 | 27 | 163 |
| Other operating income | 455 | - | 4 | 14 | 4 | 3 | 494 | 122 | 957 | 139 |
| Total operating income | 3,492 | 2,729 | 3,511 | 3,294 | 3,939 | 3,602 | 4,967 | 4,415 | 15,909 | 14,040 |
| Less: Impairment charges and other losses for loans and receivables | 1,499 | 1,052 | 313 | 349 | (205) | 1,539 | (952) | (1,896) | 655 | 1,044 |
| Impairment charges for goodwill | - | - | - | - | - | - | - | 99 | 122 | 99 |
| Net operating income | 1,993 | 1,677 | 3,198 | 2,945 | 4,144 | 2,063 | 5,797 | 6,212 | 15,132 | 12,897 |
| Less: Expenses | | | | | | | | | | |
| Personnel expenses | 914 | 699 | 918 | 731 | 987 | 791 | 1,183 | 1,244 | 4,002 | 3,465 |
| Depreciation and amortisation | 204 | 200 | 203 | 200 | 204 | 198 | 89 | 125 | 700 | 723 |
| Other operating expenses | 410 | 348 | 526 | 464 | 599 | 449 | 599 | 352 | 2,134 | 1,613 |
| Total operating expenses | 1,528 | 1,247 | 1,647 | 1,395 | 1,790 | 1,438 | 1,872 | 1,721 | 6,837 | 5,801 |
| Operating profit before tax on financial services | 465 | 430 | 1,551 | 1,550 | 2,354 | 625 | 3,925 | 4,491 | 8,295 | 7,096 |
| Less: Tax on financial services | 174 | 160 | 317 | 298 | 433 | 172 | 721 | 593 | 1,645 | 1,223 |
| Profit before income tax expense | 291 | 270 | 1,234 | 1,252 | 1,921 | 453 | 3,204 | 3,898 | 6,650 | 5,873 |
| Less: Income tax expense | 91 | 96 | 386 | 443 | 602 | 160 | 912 | 1,141 | 1,991 | 1,840 |
| Profit for the period | 200 | 174 | 848 | 809 | 1,319 | 293 | 2,292 | 2,757 | 4,659 | 4,033 |

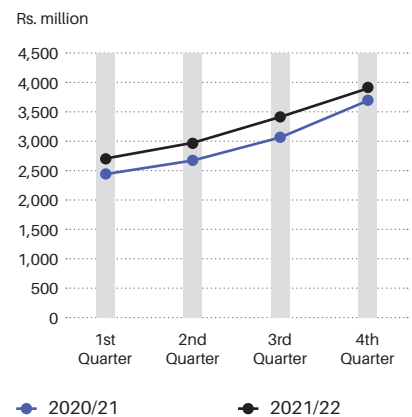
Profit After Tax



Total Assets



Net Interest Income



Quarterly Analysis

Statement of Financial Position

| Income Statement Rs. million | Company | | | | | | | |
|--|------------------------------|----------------|------------------------------|----------------|------------------------------|----------------|------------------------------|----------------|
| | 1st Quarter as at 30 June | | 2nd Quarter as at 30 June | | 3rd Quarter as at 30 June | | 4th Quarter as at 30 June | |
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2022 | 2021 |
| Assets | | | | | | | | |
| Cash and cash equivalents | 3,049 | 2,153 | 1,583 | 4,186 | 6,829 | 2,710 | 4,669 | 2,703 |
| Balances with banks and financial institutions | 1,634 | 4,337 | 12,239 | 6,534 | 8,733 | 7,071 | 5,118 | 5,399 |
| Financial assets - Fair value through profit or loss | 2,520 | 512 | 1,036 | 2,994 | 13 | 5,548 | 25 | 110 |
| Loans and receivables - Amortised cost | 137,521 | 145,712 | 140,524 | 140,415 | 146,449 | 134,395 | 151,274 | 141,388 |
| Insurance and reinsurance receivables | - | - | - | - | - | - | - | - |
| Financial assets - Fair value through other comprehensive income | 1,230 | 338 | 1,210 | 375 | 1,162 | 347 | 1,333 | 309 |
| Debt Instrument - Amortised cost | 6,696 | 7,412 | 9,985 | 8,208 | 9,940 | 6,950 | 9,827 | 6,994 |
| Current tax receivable | - | - | - | 69 | - | 263 | - | - |
| Investments in subsidiaries | 3,214 | 3,214 | 3,214 | 3,214 | 3,214 | 3,214 | 3,214 | 3,214 |
| Other assets | 1,145 | 1,090 | 759 | 923 | 1,074 | 920 | 749 | 576 |
| Property, plant and equipment | 1,180 | 1,117 | 1,368 | 1,090 | 1,391 | 1,074 | 1,414 | 1,049 |
| Right-of-use assets | 2,117 | 1,805 | 1,979 | 1,714 | 1,798 | 1,591 | 1,972 | 2,242 |
| Deferred tax assets | 389 | 413 | 595 | - | 211 | 274 | 1,147 | 416 |
| Goodwill and intangible assets | 114 | 233 | 83 | 209 | 57 | 186 | 22 | 146 |
| Total assets | 160,809 | 168,336 | 174,575 | 169,931 | 180,871 | 164,543 | 180,765 | 164,546 |
| Liabilities | | | | | | | | |
| Due to banks | 5,705 | 6,699 | 6,742 | 5,979 | 12,699 | 6,022 | 11,749 | 6,439 |
| Due to customers | 100,741 | 106,416 | 100,149 | 108,253 | 106,473 | 107,222 | 103,368 | 101,503 |
| Debt securities issued | 13,049 | 17,753 | 23,544 | 18,275 | 16,836 | 13,447 | 17,244 | 13,826 |
| Other financial liabilities | 2,557 | 1,833 | 4,533 | 2,867 | 4,270 | 3,123 | 3,637 | 4,135 |
| Lease liabilities | 2,194 | 1,811 | 2,183 | 1,733 | 1,959 | 1,611 | 2,059 | 2,286 |
| Current tax liabilities | 424 | 1,576 | 595 | - | 224 | - | 1,852 | 362 |
| Other liabilities | 966 | 1,815 | 790 | 1,484 | 1,143 | 1,571 | 1,369 | 1,653 |
| Retirement Benefit Obligation | 643 | - | 694 | - | 666 | - | 668 | - |
| Deferred tax liabilities | - | - | - | 59 | - | - | - | - |
| Total liabilities | 126,279 | 137,903 | 139,230 | 138,650 | 144,270 | 132,996 | 141,946 | 130,204 |
| Equity | | | | | | | | |
| Stated capital | 14,892 | 13,915 | 16,170 | 13,915 | 17,072 | 14,892 | 17,072 | 14,892 |
| Statutory reserve fund | 2,407 | 2,205 | 2,407 | 2,205 | 2,407 | 2,205 | 2,640 | 2,407 |
| Retained earnings | 17,363 | 14,402 | 16,942 | 15,212 | 17,365 | 14,529 | 19,482 | 17,160 |
| Other reserves | (132) | (89) | (174) | (51) | (243) | (79) | (375) | (117) |
| Total equity | 34,530 | 30,433 | 35,345 | 31,281 | 36,601 | 31,547 | 38,818 | 34,342 |
| Total liabilities and equity | 160,809 | 168,336 | 174,575 | 169,931 | 180,871 | 164,543 | 180,765 | 164,546 |

Ten-Year Summary

| | Company | | | | | | | | | |
|--|---------|---------|----------|----------|----------|---------|---------|---------|---------|---------|
| | 2021/22 | 2020/21 | 2019/20 | 2018/19 | 2017/18 | 2016/17 | 2015/16 | 2014/15 | 2013/14 | 2012/13 |
| Financial Capital | | | | | | | | | | |
| Operating result | | | | | | | | | | |
| Income (Rs. million) | 26,741 | 27,104 | 33,599 | 32,736 | 28,603 | 23,859 | 19,186 | 20,542 | 20,628 | 18,205 |
| Interest income (Rs. million) | 23,882 | 24,983 | 31,459 | 30,836 | 26,705 | 22,041 | 17,876 | 19,248 | 19,534 | 17,245 |
| Interest expenses (Rs. million) | 10,832 | 13,064 | 15,787 | 15,646 | 14,500 | 11,830 | 7,941 | 9,248 | 11,266 | 10,140 |
| Net interest income (Rs. million) | 13,049 | 11,919 | 15,672 | 15,190 | 12,204 | 10,212 | 9,935 | 10,000 | 8,268 | 7,105 |
| Non-interest income (Rs. million) | 2,860 | 2,120 | 2,140 | 1,899 | 1,898 | 1,818 | 1,310 | 1,294 | 1,094 | 960 |
| Impairment and other losses (Rs. million) | 777 | 1,143 | 4,752 | 1,955 | 1,430 | 216 | 258 | 1,645 | 1,218 | 698 |
| Other operating expenses [Note 1] (Rs. million) | 8,482 | 7,024 | 8,509 | 8,549 | 6,903 | 6,338 | 4,844 | 4,274 | 3,757 | 3,232 |
| Profit before tax (PBT) (Rs. million) | 6,650 | 5,873 | 4,552 | 6,585 | 5,770 | 5,476 | 6,143 | 5,375 | 4,387 | 4,135 |
| Income tax expense (Rs. million) | 1,991 | 1,840 | 1,609 | 2,169 | 1,460 | 1,467 | 1,796 | 1,622 | 1,263 | 1,285 |
| Profit after tax (PAT) (Rs. million) | 4,659 | 4,033 | 2,943 | 4,416 | 4,309 | 4,009 | 4,347 | 3,753 | 3,124 | 2,850 |
| Return on assets (ROA) (%) | 3.85 | 3.49 | 2.64 | 3.95 | 3.71 | 3.99 | 5.19 | 4.75 | 4.15 | 4.70 |
| Cost to income (%) | 43.74 | 42.03 | 36.53 | 37.81 | 39.73 | 45.01 | 37.24 | 34.63 | 37.01 | 36.54 |
| Net Interest Margin (NIM) (%) | 8.10 | 7.58 | 9.68 | 9.70 | 8.38 | 7.89 | 8.92 | 9.37 | 8.30 | 8.65 |
| Total Assets to Equity Ratio (Times) | 4.66 | 4.79 | 5.68 | 6.03 | 5.94 | 6.09 | 5.46 | 5.31 | 5.93 | 5.41 |
| Price to Book Value (PBV) (Times) | 0.39 | 0.59 | 0.66 | 0.74 | 0.92 | 1.00 | 1.11 | 1.65 | 1.18 | 1.13 |
| Financial position | | | | | | | | | | |
| Cash, balances with banks & reverse repo (Rs. million) | 9,787 | 8,102 | 10,372 | 6,699 | 8,783 | 7,681 | 4,054 | 3,465 | 14,783 | 4,705 |
| Loans & receivables (Rs. million) | 151,274 | 141,388 | 147,748 | 151,708 | 140,165 | 134,055 | 109,872 | 98,411 | 90,218 | 88,404 |
| Investments in subsidiaries (Rs. million) | 3,214 | 3,214 | 3,214 | 3,214 | 3,214 | 2,075 | 1,875 | 1,875 | 1,475 | 1,475 |
| Investments in government treasury bills and bonds (Rs. million) | 9,827 | 6,994 | 4,107 | 8,003 | 4,890 | 2,968 | 4,930 | 5,266 | 4,747 | 540 |
| Total assets (Rs. million) | 180,765 | 164,546 | 171,660 | 172,541 | 160,694 | 150,457 | 124,336 | 112,323 | 113,776 | 97,437 |
| Borrowings (rs. million) | 28,994 | 20,265 | 26,417 | 48,549 | 55,705 | 74,258 | 60,819 | 49,848 | 48,605 | 56,232 |
| Deposits from customers [Note 2] (Rs. million) | 103,368 | 101,503 | 106,701 | 88,369 | 69,763 | 44,723 | 33,836 | 34,094 | 40,921 | 18,847 |
| Total equity (Rs. million) | 38,818 | 34,341 | 30,247 | 28,603 | 27,030 | 24,697 | 22,772 | 21,136 | 19,196 | 18,023 |
| Total liabilities and shareholders' funds (Rs. million) | 180,765 | 164,546 | 171,660 | 172,541 | 160,694 | 150,457 | 124,336 | 112,323 | 113,776 | 97,437 |
| Financial cash Inflows/(Outflows) | | | | | | | | | | |
| Operating activities (Rs. million) | (3,602) | 4,264 | 31,615 | 15,944 | 27,691 | (998) | (8,533) | (7,351) | 17,218 | 6,819 |
| Investing activities (Rs. million) | (382) | 60 | (106) | 302 | (802) | (159) | (397) | (231) | (170) | (89) |
| Financing activities (Rs. million) | 6,596 | (9,477) | (27,310) | (16,452) | (28,716) | 2,926 | 9,156 | (738) | (8,927) | (4,007) |
| Net cash flows (Rs. million) | 2,612 | (5,153) | 4,198 | (206) | (1,827) | 1,769 | 227 | (8,320) | 8,121 | 2,723 |
| Human Capital | | | | | | | | | | |
| Employees (Numbers) | 2,245 | 2,343 | 2,401 | 2,329 | 2,085 | 2,085 | 1,834 | 1,666 | 1,575 | 1,184 |
| PBT per employee (Rs. million) | 2.90 | 2.48 | 1.92 | 2.98 | 2.77 | 2.79 | 3.51 | 3.32 | 3.18 | 3.70 |
| Total assets per Employee (Rs. million) | 80.52 | 70.23 | 71.50 | 74.08 | 77.07 | 72.16 | 67.79 | 67.42 | 72.24 | 82.29 |
| Employees' salaries & benefits (Rs. million) | 3,738 | 3,465 | 3,701 | 3,438 | 2,974 | 2,556 | 1,807 | 1,565 | 1,338 | 1,026 |
| Natural Capital | | | | | | | | | | |
| Investment in Environmental Conservation (Rs. million) | 1.87 | 2.77 | 3.32 | 1.94 | 2.19 | 3.37 | 3.36 | 1.17 | 0.52 | 7.10 |
| Company Carbon Footprint (Tonnes of CO ₂ equivalent) [Note 3] | 4,682 | 3,811 | 5,836 | 5,338 | 6,046 | 6,236 | 3,059 | 2,770 | - | - |

Ten-Year Summary

| | Company | | | | | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------|
| | 2021/22 | 2020/21 | 2019/20 | 2018/19 | 2017/18 | 2016/17 | 2015/16 | 2014/15 | 2013/14 | 2012/13 |
| Social and Relationship Capital | | | | | | | | | | |
| Shareholders (Number) | 10,926 | 10,027 | 8,644 | 8,961 | 8,801 | 9,176 | 9,407 | 8,880 | 10,054 | 9,488 |
| Number of ordinary shares (Nos.million) | 1,887 | 1,705 | 1,628 | 1,580 | 1,580 | 1,580 | 1,580 | 1,580 | 1,580 | 1,560 |
| Earnings per share (EPS) (Rs.) | 2.47 | 2.37 | 1.73 | 2.80 | 2.73 | 2.54 | 2.75 | 2.38 | 1.98 | 1.83 |
| Net assets per share (NAPS) (Rs.) | 20.57 | 20.15 | 18.58 | 18.10 | 17.11 | 15.63 | 14.41 | 13.38 | 12.15 | 11.55 |
| Market price per share (Rs.) [Note 5] | | | | | | | | | | |
| Highest | 13.80 | 15.40 | 18.30 | 17.30 | 19.20 | 20.10 | 26.50 | 28.00 | 15.70 | 16.70 |
| Lowest | 8.00 | 9.10 | 12.00 | 12.90 | 15.50 | 15.30 | 15.40 | 14.20 | 13.00 | 10.30 |
| Closing | 8.10 | 11.80 | 12.20 | 13.40 | 15.80 | 15.60 | 16.00 | 22.10 | 14.30 | 13.10 |
| Market capitalization (Rs. million) | 15,286 | 20,114 | 19,858 | 21,170 | 24,962 | 24,646 | 25,278 | 34,915 | 22,592 | 20,436 |
| Price Earnings ratio (PE) (Times) | 3.28 | 4.99 | 6.67 | 4.79 | 5.79 | 6.14 | 5.82 | 9.29 | 7.22 | 7.16 |
| Dividend per share (DPS) (Rs.) | 1.25 | 0.60 | 1.20 | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 |
| Dividend paid (Rs. million) | 2,180 | 977 | 1,929 | 1,975 | 1,975 | 1,975 | 1,975 | 1,975 | 1,975 | 1,950 |
| Dividend yield (%) | 15.43 | 5.08 | 9.84 | 9.33 | 7.91 | 8.01 | 7.81 | 5.66 | 8.74 | 9.54 |
| Dividend cover (times) | 2.14 | 4.13 | 1.53 | 2.24 | 2.18 | 2.03 | 2.20 | 1.90 | 1.58 | 1.46 |
| Dividend payout (%) | 46.79 | 24.22 | 65.57 | 44.72 | 45.83 | 49.26 | 45.43 | 52.62 | 63.22 | 68.42 |
| Return on equity (ROE) (%) | 12.74 | 12.49 | 10.00 | 15.88 | 16.66 | 16.89 | 19.80 | 18.61 | 16.79 | 16.36 |
| Return on capital employed (ROCE) (%) | 10.68 | 11.86 | 12.37 | 13.98 | 13.69 | 12.04 | 11.99 | 13.92 | 14.40 | 15.33 |
| Debt to equity (Excluding deposits) (Times) | 0.75 | 0.59 | 0.87 | 1.70 | 2.06 | 3.01 | 2.67 | 2.36 | 2.53 | 3.12 |
| Debt to equity with contingent liabilities and commitments (Times) | 0.92 | 0.91 | 1.05 | 1.97 | 2.34 | 3.25 | 2.77 | 2.57 | 2.80 | 3.39 |
| Current ratio (Times) | 0.79 | 0.76 | 0.83 | 0.82 | 0.80 | 0.84 | 0.85 | 0.93 | 0.88 | 0.85 |
| Interest cover (Times) | 1.61 | 1.45 | 1.29 | 1.42 | 1.40 | 1.46 | 1.77 | 1.58 | 1.39 | 1.41 |
| Taxes paid to governments (Rs. million) | 2,792 | 4,203 | 5,712 | 2,942 | 2,109 | 2,828 | 2,915 | 1,793 | 581 | 848 |
| Taxes collected on behalf of government (Rs.million) | 322 | 294 | 1,137 | 1,434 | 1,151 | 1,048 | 1,313 | 1,250 | 1,411 | 908 |
| Investment on community outreach CSR (Rs. million) | 27.53 | 17.60 | 55.53 | 120.29 | 101.53 | 187.64 | 76.25 | 71.68 | 55.96 | 32.90 |
| Capital adequacy ratios | | | | | | | | | | |
| Tier 1 Capital / Core capital ratio [Note 4] | 18.76 | 17.72 | 15.12 | 14.36 | 18.38 | 17.56 | 19.56 | 20.22 | 19.12 | 21.15 |
| Required minimum Tier 1 Capital/Core capital ratio (%) [Note 4] | 8.00 | 7.00 | 7.00 | 6.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 |
| Total Capital Ratio / Total risk weighted capital ratio (%) [Note 4] | 19.67 | 18.58 | 15.99 | 15.20 | 16.46 | 16.37 | 18.14 | 19.04 | 18.05 | 20.06 |
| Required minimum total capital ratio/Total risk weighted capital ratio (%) [Note 4] | 12.00 | 11.00 | 11.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 |
| Manufactured and Intellectual Capital | | | | | | | | | | |
| Branches (Number) | 111 | 104 | 103 | 103 | 103 | 103 | 92 | 89 | 85 | 33 |
| Credit ratings & key accolades | | | | | | | | | | |
| Fitch Ratings Lanka | A+ (lka) | A+ (lka) | A+ (lka) | AA-(lka) | AA-(lka) | AA-(lka) | AA-(lka) | AA-(lka) | AA-(lka) | AA-(lka) |
| Business Today - Top 40 Listed Corporate Entities [Note 5] | 27th Position | 18th Position | 13th Position | 13th Position | 15th Position | 14th Position | 17th Position | 14th Position | 18th Position | - |

- Figures include total operating expenses and Tax on financial services (excluding impairment charges for loans and receivables and other losses)
- After receiving the finance license in 2012, the company started accepting fixed & savings deposits.
- The Company initiated to evaluation of carbon emission from 2014.
- Central Bank of Sri Lanka introduced Finance Business Act Directions No 3 of 2018 Capital Adequacy Requirements with effect from 01 July 2018.
- Expand in to Business Today -Top 40 Listed Corporate Entities

Statement of Profit or Loss in US \$

| For the year ended 31 March | Company | | Group | |
|---|--------------------|--------------------|--------------------|--------------------|
| | 2022 US \$ '000 | 2021 US \$ '000 | 2022 US \$ '000 | 2021 US \$ '000 |
| Income | 89,436 | 136,173 | 109,134 | 169,038 |
| Interest income | 79,871 | 125,520 | 86,712 | 134,756 |
| Less: Interest expenses | 36,228 | 65,637 | 37,475 | 67,199 |
| Net interest income | 43,643 | 59,883 | 49,237 | 67,557 |
| Net earned premiums | - | - | 16,519 | 25,264 |
| Fee and commission income | 6,276 | 9,137 | 4,420 | 6,019 |
| Net trading income | 90 | 817 | 289 | 1,147 |
| Other operating income | 3,199 | 699 | 1,194 | 1,852 |
| Total operating income | 53,208 | 70,536 | 71,659 | 101,839 |
| Less: Impairment charges for loans and receivables and other losses | 2,192 | 5,245 | 3,183 | 6,795 |
| Impairment charges for investment in associate | - | - | - | - |
| Impairment charges for goodwill | 407 | 498 | 407 | 498 |
| Net operating income | 50,609 | 64,793 | 68,069 | 94,546 |
| Less: | | | | |
| Personnel expenses | 13,386 | 17,410 | 16,544 | 21,878 |
| Depreciation of property, plant and equipment | 2,341 | 3,632 | 2,136 | 3,254 |
| Amortisation of intangible assets | - | - | - | - |
| Benefits, claims and underwriting expenditure | - | - | 10,798 | 13,381 |
| Other operating expenses | 7,139 | 8,104 | 8,721 | 10,290 |
| Total operating expenses | 22,866 | 29,146 | 38,199 | 48,803 |
| Operating profit before taxes on financial services | 27,743 | 35,647 | 29,870 | 45,743 |
| Less : Tax on financial services | 5,502 | 6,143 | 5,705 | 6,401 |
| Operating profit after taxes on financial services | 22,241 | 29,504 | 24,165 | 39,342 |
| Share of profit/(loss) of an associate (net of tax) | - | - | - | - |
| Profit before income tax expense | 22,241 | 29,504 | 24,165 | 39,342 |
| Less : Income tax expense | 6,659 | 9,242 | 8,051 | 11,225 |
| Profit for the year | 15,582 | 20,262 | 16,114 | 28,117 |

Exchange rate of US\$ was Rs 299.00 as at 31 March 2022 (Rs 199.04 as at 31 March 2021).

The 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 US \$

| As at 31 March | Company | | Group | |
|--|--------------------|--------------------|--------------------|--------------------|
| | 2022 US \$ '000 | 2021 US \$ '000 | 2022 US \$ '000 | 2021 US \$ '000 |
| Assets | | | | |
| Cash and cash equivalents | 15,615 | 13,580 | 18,069 | 19,316 |
| Balances with banks & financial institutions | 17,117 | 27,126 | 31,871 | 41,354 |
| Financial assets -Fair value through profit or loss/ Held-for-trading | 84 | 552 | 2,840 | 6,440 |
| Loans and receivables | 505,935 | 710,349 | 546,224 | 738,565 |
| Insurance and reinsurance receivables | - | - | 4,423 | 5,147 |
| Financial assets - Fair Value other comprehensive income/ Available-for-sale | 4,459 | 1,553 | 5,461 | 3,695 |
| Debt Instrument at amortised cost/Held to maturity | 32,867 | 35,140 | 53,557 | 54,922 |
| Investments in subsidiaries | 10,748 | 16,146 | - | - |
| Other assets | 2,506 | 2,892 | 2,782 | 4,684 |
| Investment property | - | - | 2,745 | 4,123 |
| Property, plant and equipment | 4,728 | 5,272 | 13,681 | 20,269 |
| Right of use assets | 6,597 | 11,266 | 5,149 | 7,995 |
| Deferred tax assets | 3,835 | 2,089 | 4,832 | 2,987 |
| Goodwill and intangible assets | 73 | 736 | 467 | 1,334 |
| Total assets | 604,564 | 826,701 | 692,101 | 910,831 |
| Liabilities | | | | |
| Due to banks | 39,295 | 32,352 | 51,172 | 45,237 |
| Due to customers | 345,712 | 509,962 | 372,755 | 521,220 |
| Debt securities issued | 57,673 | 69,461 | 57,201 | 68,753 |
| Other financial liabilities | 12,162 | 20,760 | 13,523 | 20,655 |
| Insurance liabilities and reinsurance payable | - | - | 19,744 | 25,200 |
| Operating lease liabilities | 6,886 | 11,487 | 5,311 | 8,112 |
| Current tax liabilities | 6,193 | 1,821 | 7,019 | 4,441 |
| Deferred tax liabilities | - | - | 1,082 | 1,495 |
| Other liabilities | 4,581 | 5,374 | 4,680 | 5,812 |
| Retirement Benefit Obligation | 2,235 | 2,949 | 2,505 | 3,305 |
| Total liabilities | 474,737 | 654,166 | 534,992 | 704,230 |
| Equity | | | | |
| Capital | 57,097 | 74,819 | 57,097 | 74,819 |
| Statutory reserve fund | 8,829 | 12,093 | 9,128 | 12,384 |
| Retained earnings | 65,156 | 86,213 | 77,334 | 103,909 |
| Other reserves | (1,255) | (590) | 3,000 | 2,117 |
| Total shareholders' equity | 129,827 | 172,535 | 146,559 | 193,229 |
| Non -controlling interest | - | - | 10,550 | 13,372 |
| Total equity | 129,827 | 172,535 | 157,109 | 206,601 |
| Total liabilities and equity | 604,564 | 826,701 | 692,101 | 910,831 |
| Contingent liabilities and commitments | 22,917 | 55,256 | 23,074 | 55,492 |

Exchange rate of US\$ was Rs 299.00 as at 31 March 2022 (Rs 199.04 as at 31 March 2021).

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 on Sustainability Reporting



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Independent Assurance Report to the Board of Directors of People's Leasing & Finance PLC on the Sustainability Reporting Criteria Presented in the Integrated Annual Report- 2021/22

Scope

We have been engaged by the management of People's Leasing & Finance PLC ("the Company") to perform an independent assurance engagement, as defined by the Sri Lankan Standard on Assurance Engagements, on the sustainability reporting criteria presented in the Integrated Annual Report for the year ended 31 March 2022 (the "Report").

- Reasonable assurance on the information on financial performance as specified on pages 7 to 8 of the Report.
- Limited assurance on other information presented in the Report, prepared in accordance with the GRI Standards.

Criteria Applied by People's Leasing & Finance PLC

The sustainability reporting criteria presented in the Report has been prepared in accordance with The Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines, publicly available at GRI's global website www.globalreporting.org.

This Report has been prepared in accordance with the GRI Standards.

People's Leasing & Finance PLC's Responsibilities

People's Leasing & Finance PLC's management is responsible for selecting the criteria, and for presenting the Report in accordance with the said criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to support the sustainability reporting process of the Report, such that it is free from material misstatement, whether due to fraud or error.

Ernst & Young's Responsibilities

Our responsibility is to express a conclusion on the presentation of the Report in accordance with the GRI Standards based on the evidence we have obtained.

We conducted our engagement in accordance with the Sri Lanka Standard on Assurance Engagements SLSAE 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information (SLSAE 3000) issued by the Institute of Chartered Accountants of Sri Lanka and the terms of reference for this engagement as agreed with People's Leasing & Finance PLC in the engagement letter dated 25 June 2022.

The standards require that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made to the Report in order for it to be in

accordance with the criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our independent assurance conclusion.

Our Independence and Quality Control

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka and have the required competencies and experience to conduct this assurance engagement.

EY also applies Sri Lanka Standard on Quality Control (SLSQC 1), Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements, 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.

Partners: H M A Jayasinghe FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, W R H De Silva FCA ACMA, Ms. Y A De Silva FCA, Ms. K R M Fernando FCA ACMA, N Y R L Fernando ACA, W K B S P Fernando FCA FCMA, Ms. L K H L Fonseka FCA, D N Gamage ACA ACMA, A P A Gunasekera FCA FCMA, A Herath FCA, D K Hulangamuwa FCA FCMA LLB (London), Ms. A A Ludowyke FCA FCMA, Ms. G G S Manatunga FCA, A A J R Perera ACA ACMA, Ms. P V K N Sajeewani FCA N M Sulaiman ACA ACMA, B E Wijesuriya FCA FCMA, C A Yalagala ACA ACMA

Principals: G B Goudian ACMA, Ms. P S Paranavitane ACMA LLB (Colombo), T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

Independent Assurance Report on Sustainability Reporting

Description of Procedures Performed

We performed our procedures to provide an independent assurance engagement in accordance with SLSAE 3000.

Procedures performed in the reasonable assurance engagement depend on our judgement, including the assessment of the risks of material misstatement whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the preparation and presentation of the reasonable assurance Indicators in order to design the assurance procedures that are appropriate in the circumstances. Our procedures also included assessing the appropriateness of the reasonable assurance indicators, the suitability of the criteria in preparing and presenting the reasonable assurance indicators within the Report and obtaining an understanding of the compilation of the financial information to the sources from which it was obtained.

Procedures performed in the limited assurance engagement consisted of making inquiries, primarily of persons responsible for preparing the Report and related information and applying analytical and other appropriate procedures. These procedures vary in nature and timing from and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

We also performed the below procedures as we considered necessary in the circumstances:

- Perform a comparison of the content of the Report against the Global Reporting Initiative (GRI) - GRI Standards guideline.
- Interviewing relevant organization's personnel to understand the process for collection, analysis, aggregation and presentation of data.
- Review and validation of the information contained in the Report.
- Check the calculations performed by the organization on a sample basis through recalculation.
- Advice, make recommendations and suggestions on the Sustainability Reporting indicators to improve the presentation standard.
- Independently review the content of the Report and request changes if required.
- Express an independent assurance conclusion on the performance indicators presented in the Sustainability Reporting criteria.

Emphasis of Matter

Social, natural and intellectual capital management data/information are subjected to inherent limitations given their nature and the methods used for determining, calculating and estimating such data.

We also do not provide any assurance on the assumptions and achievability of prospective information presented in the Report.

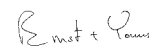
Restricted Use

This report is intended solely for the information and use of People's Leasing & Finance PLC and is not intended to be and should not be used by anyone other than the specified party.

Conclusion

Based on our procedures and the evidence obtained, we conclude that:

- The information on financial performance as specified on pages 7 to 8 of the Report is properly derived from the audited financial statements of the Company for the year ended 31 March 2022.
- 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 the GRI Standards.



Chartered Accountant

26 July 2022
Colombo

GRI Content Index

GRI | 102-55

This report has been prepared in accordance with the GRI Standards: Core option.

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Abbreviation

| | |
|------------------------|--|
| ACA | Associate Chartered Accountant |
| ACMA | Associate Chartered Management Accountant |
| AGM | Annual General Meeting/Assistant General Manager |
| AIB | Associate of Institute of Bankers |
| AICM | Associate of Institute of Credit Management |
| AIF | Al-Safa Islamic Financial Service |
| ALCO | Assets and Liability Management Committee |
| AR | Annual Report |
| ATM | Automated Teller Machine |
| AWDR | Average Weighted Deposit Rate |
| AWPLR | Average Weighted Prime Lending Rate |
| BAC | Board Audit Committee |
| BCP | Business Continuity Plan |
| BI | Business Intelligence |
| BIRMC | Board Integrated Risk Management Committee |
| BMS | Building Management System |
| BSc | Bachelor of Science |
| CBSL | Central Bank of Sri Lanka |
| CCPI | Colombo Consumer Price Index |
| CDD | Customer Due Diligence |
| CDM | Cash Deposit Machine |
| CEFT | Common Electronic Fund Transfer Switch |
| CEA | Central Environment Authority |
| CEO | Chief Executive Officer |
| CFO | Chief Financial Officer |
| CIM | Chartered Institute of Marketing |
| CM | Chief Manager |
| CMA | Certified Management Accountant |
| CPM | Certified Professional Managers |
| CRIB | Credit Information Bureau of Sri Lanka |
| CSE | Colombo Stock Exchange |
| CSR | Corporate Social Responsibility |
| DAC | Deferred Acquisition Costs |
| DGM | Deputy General Manager |
| DLA | Delegation Of Authority |
| EAD | Exposure at Default |
| ECL | Expected credit loss |
| EFA | Economic Factor Adjustment |
| EGM | Extraordinary General Meeting |
| EIR | Elective Interest Rate |
| EIRMC | Executive Integrated Risk Management Committee |
| EMS | Environmental Management System |
| EPF | Employees' Provident Fund |
| EPS | Earnings Per Ordinary Share |
| ESC | Economic Service Charge |
| ESG | Environmental, Social and Governance |
| ETF | Employees' Trust Fund |
| EVA | Economic Value Added |
| FCA | Fellow Chartered Accountant |
| FCMA | Fellow Chartered Management Accountant |
| FD | Fixed Deposit |
| FVOCI | Fair Value through Other Comprehensive Income |
| FVTPL | Fair Value Through Profit or Loss |
| FY | Financial year |
| GDP | Gross Domestic Product |
| GHG | Green House Gases |
| GM | General Manager |
| GRI | Global Reporting Initiative |
| GWP | Gross Written Premium |
| HHI | Herfindahl-Hirschman Index |
| HR | Human Resources |
| HRD | Human Resource Department |
| HRIS | Human Resource Information System |
| IBNR | Incurred but not yet reported |
| IBSL | Institute of Bankers of Sri Lanka |
| ICASL/ CASL | Institute of Chartered Accountants of Sri Lanka |
| ICT | Information and Communications Technology |
| ID | Independent Directors |
| IMF | International Monetary Fund |
| IPFF | Investment Promotion and Financing Facility |
| IPO | Initial Public Offering |
| IR | Integrated Reporting |
| IRMOC | Integrated Risk Management Operating Committee |
| ISIN No. | International Securities Identification Number |
| ISO | International Organization for Standardization |
| IT | Information Technology |
| IUCN | International Union for Conservation of Nature |
| KMP | Key Management Personnel |
| KPI | Key Performance Indicators |
| KRI | Key Risk Indicators |
| KYC | Know Your Customer |
| LAFL | Lankan Alliance Finance Limited |
| LAT | Liability Adequacy Test |
| LFC | Licensed Finance Companies |
| LGD | Loss given Default |
| LMS | Learning Management Solution |
| LTV | Loan to Value Ratio |

| | |
|------------------------|---|
| MBA | Master of Business Administration |
| MIS | Management Information Systems |
| MSc | Master of Science |
| MVA | Market Value Added |
| NASCO | National Sales Congress |
| NBFI | Non-Bank Financial Institution |
| NBT | Nation Building Tax |
| NED | Non-Executive Directors |
| NIBM | National Institute of Business Management |
| NII | Net Interest Income |
| NIM | Net Interest Margin |
| NP | Non Performing |
| NPA | Non Performing Advance |
| NPL | Non-Performing Loan |
| OCI | Other Comprehensive Income |
| PAT | Profit After Tax |
| PBIT | Profit before interest & tax |
| PBT | Profit Before Tax |
| PD | Probability of default |
| PI | People's Insurance PLC |
| PIM | Postgraduate Institute of Management |
| 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. |
| PPE | Property plant and equipment |
| PUC | Projected Unit Credit |
| QR | Quick response |
| RCD | Risk and Control Department |
| RMF | Risk Management Framework |
| RMV | Department of Motor Traffic |
| ROA | Return on Assets |
| ROCE | Return on Capital Employed |
| ROE | Return on Equity |
| RTGS | Real-time Gross Settlement systems |
| RPT | Related Party Transactions |
| RPTRC | Related Party Transactions Review Committee |
| SASB | Sustainability Accounting Standards Board |
| SDFR | Standing Deposit Facility Rate |
| SDGM | Senior Deputy General Manager |
| SDGs | Sustainable Development Goals |
| SLFR | Standing Lending Facility Rate |
| SLFRS/ LKAS | Sri Lanka Accounting Standards |

| | |
|---------------|--|
| SLIBFI | Sri Lanka Islamic Banking & Finance Institutions |
| SLIBOR | Sri Lanka Inter Bank Offer Rate |
| SLICM | Sri Lanka Institute of Credit Management |
| SLIM | Sri Lanka Institute of Marketing |
| SLIPS | Sri Lanka Interbank Payment |
| SME | Small and Medium Enterprises |
| SPPI | Solely Payments of Principal and Interest |
| SRR | Statutory Reserve Ratio |
| TB | Treasury Bill |
| TOR | Terms of Reference |
| UAT | User Acceptance Testing |
| UN | United Nation |
| VAT | Value Added Tax |
| VPN | Virtual Private Network |
| WFH | Work From Home |
| WHT | Withholding tax |

Basis of Ratios

| | |
|---|---|
| Claims ratio (%) | Net claims * 100/Net earned premium |
| Cost to income ratio (%) | Total operating expenses * 100/Total operating income |
| Current ratio (Times) | Currents assets / Current liabilities |
| Debt to equity (Excluding deposits) (Times) | (Due to banks + Debt securities issued)/Total equity attributable to equity holders of the Company |
| Debt to equity with contingent liabilities and commitments (Times) | (Due to banks + Debt securities issued + Contingent liabilities and commitments)/Total equity attributable to equity holders of the Company |
| Dividend cover (Times) | Profit attributable to equity holders of the Company/Total dividend paid to ordinary shareholders |
| Dividend payout (%) | Total dividend paid to ordinary shareholders * 100 / Profit attributable to equity holders of the Company |
| Dividend yield (%) | Dividend per ordinary share * 100 / Closing market price per share |
| Earnings per ordinary share (Rs.) | Profit attributable to equity holders of the Company/Weighted average number of ordinary shares outstanding |
| Employee turnover (%) | Number of attritions during the year * 100/Average number of employees during the year |
| Gross non-performing advances to total advances (NPA) (%) | Gross non-performing loans and advances * 100 / Loans and advances |
| Impairment coverage ratio (%) | Impairment allowance * 100/Non-performing loans and receivables |
| Interest cover (Times) | Profit before interest and tax expenses/Interest expenses |
| Market capitalisation (Rs.) | Market price per share * Number of ordinary shares |
| Net assets per ordinary share (Rs.) | Total equity attributable to equity holders of the Company/Number of ordinary shares |
| Net interest margin (NIM) (%) | Net interest income * 100/Average interest earning assets |
| Net non-performing advances to total advances (%) | (Non-performing loans and advances - Interest in suspense - Loan loss provisions) * 100/Loans and advances |
| Operating profit margin (%) | Operating profit before taxes on financial services * 100/Interest income |
| Price earnings ratio (PE) (Times) | Market price per share/Earnings per share |
| Price to book value (PBV) (Times) | Market price per share/Net assets per ordinary share |
| Provision coverage ratio (%) | Loan loss provisions * 100/Non-performing loans and advances |
| Retention ratio (%) | Number of employees with more than 1 year of service at year end * 100/ Number of employees at the beginning of the year |
| Return on assets (ROA) (%) | Profit before income tax expense * 100/Average total assets |
| Return on capital employed (ROCE) (%) | Profit before interest and tax expenses * 100 / (Due to banks + Due to customers + Debt securities issued + Total equity) |
| Return on equity (ROE) (%) | Profit attributable to equity holders of the Company * 100 / Average equity attributable to equity holders of the Company |
| Tier 1 capital ratio (%) | Tier 1 capital * 100/Total risk weighted assets amount |
| Total capital ratio (%) | Total capital * 100/Total risk weighted assets amount |
| Total assets to equity ratio (%) | Total assets/Shareholders' Equity |
| Total net advances to total assets (%) | (Loans and advances - Interest in suspense - Loan loss provisions) * 100/ Total assets |

Corporate Information

GRI | 102-1, 102-3, 102-5

Name of Company

People's Leasing & Finance PLC
(Subsidiary of People's Bank)

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.

47,840,906 Ordinary shares of the
company were listed with effect from
9 August 2019, pursuant to a scrip
dividend.

76,899,372 Ordinary shares of the
company were listed with effect from
24 December 2020, pursuant to a
scrip dividend.

98,342,466 Ordinary shares of the
company were listed with effect from
13 August 2021, pursuant to a scrip
dividend.

84,249,776 Ordinary shares of the
company were listed with effect from
13 January 2022, pursuant to a scrip
dividend.

Senior, Unsecured, Redeemable five
year (2018/23) Debenture was listed
on the Debt Securities Main Board
of Colombo Stock Exchange on 27
April 2018.

Senior, Unsecured,
Redeemable, Rated three year
(2021/24) and five year (2021/26)
Debentures were listed on the Debt
Securities Main Board of Colombo
Stock Exchange on 18 August 2021.

Registered Office & Principal Place of Business

1161, Maradana Road, Borella
Colombo 08, Sri Lanka.
Postal Code: 00800
Telephone +94 11 2631631
Fax +94 11 2631980/81
Email: info@plc.lk
Web Address: www.plc.lk

Compliance Officer/Information Officer

Ms. Zairaa Kaleel

Company Secretary

Ms. Shaalini Silva

Registrar

SSP Corporate Services (Pvt) Ltd
No. 101, Inner Flower Road,
Colombo 03, Sri Lanka.
Telephone: +94 11 2573894
Fax: +94 11 2573609
E-mail: sspsec@sltnet.lk

Auditor

Auditor General
Auditor General's Department,
No. 306/72, Polduwa Road,
Battaramulla.

Bankers

People's Bank
Sampath Bank PLC
Bank of Ceylon
Commercial Bank of Ceylon PLC
DFCC Bank PLC
Hatton National Bank PLC
National Development Bank PLC
Nations Trust Bank PLC
Seylan Bank PLC
Standard Chartered Bank
Habib Bank Limited
Citi Bank N.A.
Indian Bank
Indian Overseas Bank
Pan Asia Banking Corporation PLC

Head Office & Branch Offices

Head Office, Akuressa, Ambalangoda,
Aluthgama, Ambalanthota, Ampara,
Anamaduwa, Anuradapura,
Awissawella, Badulla, Balangoda,
Bandarawela, Battaramulla, Batticaloa,
Chilaw, Chunnakam, Dambulla,
Colombo 07, Dehiwala, Deniyaya,
Digana, Divulapitiya, Elpitiya,
Embilipitiya, Galenbindunuwewa,
Galle, Gampaha, Gampola,
Giriulla, Godakawela, Grandpass,
Hambantota, Hanwella, Hatton,
Havelock, Hingurakgoda,
Homagama, Horana, Ja-Ela, Jaffna,
Kadawatha, Kaduwela, Kalawana,
Kalawanchikudi, Kalmunai, Kalutara,
Katugasthota, Kamburupitiya, Kandy,
Kandy Alsafa, Kanthale, Kattandudy,
Kegalle, Kekirawa, Kelaniya,
Kilinochchi, Kiribathgoda, Kirindiwela,
Kodikamam, Kuliyapitiya, Kurunegala,
Maharagama, Mahiyanganaya,
Mannar, Matale, Matara, Mathugama,
Mawanella, Medawachchiya,
Melsiripura, Merigama, Metropolitan
(Vauxhall Street), Minuwangoda,
Monaragala, Moratuwa, Mutur,

Narammala, Nattandiya, Nawalapitiya,
Negombo, Negombo City, Nelliady,
Neluwa, Nittambuwa, Nugegoda,
Nuwara Eliya, Panadura, Pelmadulla,
Pettah, Pilimathalawa, Piliyandala,
Polonnaruwa, Puttalam, Ragama,
Ratnapura, Tangalle, Thabuttegama,
Thissamaharama, Trincomalee,
Udugama, Union Place, Urubokka,
Vavuniya, Walasmulla, Warakapola,
Wariyapola, Wattala, Welimada,
Wellawattha, Wellawaya,
Wennappuwa

Board of Directors

Mr Sujeewa Rajapakse - Chairman
Ms M. C. Pietersz
Mr Rohan Pathirage
Mr R. Kodituwakku
Mr C. J. Wijetillake
Mr U. L. A. W. Bandara
Mr K.C.J.C. Fonseka
Mr Azzam A. Ahamat
Mr S. Ahangama
(Resigned w.e.f. 24 August 2021)
Mr M. P. Amirthanayagam
(Appointed w.e.f. 15 July 2022)

Board Audit Committee

Ms M. C. Pietersz - Chairperson
Mr U. L. A. W. Bandara - Member
Mr Azzam A. Ahamat - Member

Board Integrated Risk Management Committee

Mr C.J.Wijetillake - Chairman
Mr K. C. J. C. Fonseka - Member
Mr Azzam A. Ahamat - Member

Human Resources Remuneration and Nomination Committee (Ceased w.e.f. 27 January 2022)

Mr U. L. A. W. Bandara - Chairman
Ms M. C. Pietersz - Member
Mr Rohan Pathirage - Member

Human Resources & Remuneration Committee (w.e.f. 27 January 2022)

Mr U. L. A. W. Bandara - Chairman
Ms M. C. Pietersz - Member
Mr Rohan Pathirage - Member

Nomination Committee (w.e.f. 22 January 2022)

Mr U. L. A. W. Bandara - Chairman
Ms M. C. Pietersz - Member
Mr Rohan Pathirage - Member

Related Party Transaction Review Committee

Mr C. J. Wijetillake - Chairman
Mr U. L. A. W. Bandara - Member
Mr S. Ahangama - Member
(Ceased w.e.f. 24 August 2021)
Mr Rohan Pathirage - Member
(Appointed w.e.f. 24 September
2021)

Local 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.

Foreign Subsidiary Company

Lankan Alliance Finance Limited

Corporate Memberships

The Financial House Association of
Sri Lanka

Credit Information Bureau of
Sri Lanka

The Financial Ombudsman, Sri Lanka

The Leasing Association of Sri Lanka

The Association of Margin Providers

Biodiversity Sri Lanka (Patron
Member)

Vehicle Yards

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)

114 156 396

Income Tax Identity Number

114 156 396 0000

VAT Registration Number

114 156 396 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

The Company has been assigned A+
(lka) stable outlook by Fitch Ratings
Lanka Limited (RWN)

Notice of Meeting

NOTICE IS HEREBY GIVEN THAT the Twenty Sixth (26th) Annual General Meeting of People's Leasing & Finance PLC (the Company) will be held on Wednesday 7th September 2022 at 2.30 p.m as a virtual meeting. Taking into account the current situation in the country, possible challenges arising with regard to transportation, guidelines of the Colombo Stock Exchange and the health and safety guidelines issued by the authorities with a view of protecting public health against the spread of the COVID 19 virus, the Board of Directors has proposed to hold the said Annual General Meeting (AGM) through an "online virtual" platform by using "audio" or "audio-visual" tools.

The said Annual General Meeting will be held 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 31st March 2022 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:
 - i. The number of ordinary shares to be issued under the scrip dividend will be One Hundred and Fifty-Four Million Six Hundred and Eighty-Eight Thousand One Hundred and Fourteen (154,688,114) on the basis of Rs.6.10 per share which results in one (1) share being issued for each existing Twelve Decimal Two zero zero zero zero zero seven two four (12.2000000724) shares held by the shareholders as at the end of trading on the record date of Colombo Stock Exchange.
 - ii. The total number of shares to be issued under the scrip dividend shall be One Hundred and Fifty-Four Million Six Hundred and Eighty-Eight Thousand One Hundred and fourteen (154,688,114) Ordinary Shares.
 - iii. It is further resolved that the shares issued under the scrip dividend be listed on the Colombo Stock Exchange and in principle approval of the Colombo Stock Exchange has been received in this regard.
 - iv. 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.
- (Number of shares held by a shareholder as at end of trading on the Record date)
- | | |
|---------------|-----|
| 12.2000000724 | X 1 |
|---------------|-----|
3. To re-elect Mr. M. P. Amirthanayagam who having being appointed to the Board since the last Annual General meeting in terms of Article 27(2) of the Articles of Association of the Company.
 4. To authorise the Board of Directors to determine contributions to charities and other donations for the financial year ending 31st March 2023.
 5. To consider any other business of which due notice has been given.

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,



Shaalini Silva
Company Secretary
People's Leasing & Finance PLC

26 July 2022
Colombo

- Notice of Meeting, Circular to the Shareholders, Proxy form, Guidelines and Registration process for the Annual General Meeting (AGM) via online meeting platform, are available on the Corporate website of the Company <https://www.plc.lk/pdf/ar/plc-annual-report-2021-22-English.pdf> and the website of the Colombo Stock Exchange (CSE) - <https://www.cse.lk/pages/company-profile/company-profile.component.html?symbol=PLC.N0000>
- The Annual Report of the Company, is also available on the: Corporate Website of the Company - <https://www.plc.lk/pdf/ar/plc-annual-report-2021-22-English.pdf> and the website of CSE - <https://www.cse.lk/pages/company-profile/company-profile.component.html?symbol=PLC.N0000>
- Members may also access the Annual Report and Financial Statements on their mobile phones by scanning the following QR code.



- A Member unable to attend the AGM is entitled to appoint a proxy to attend and vote in his/her place by completing and sending the form of proxy, a copy of which can be downloaded from the above websites. The completed form of proxy must be deposited at the Registered office of the Company People's Leasing & Finance PLC, No.1161, Maradana Road, Colombo 08 or be emailed to the email address - arrequests@plc.lk or facsimile to +94 11-2631190 not less than forty eight (48) hours before the time appointed for the holding of the meeting.
- Members are encouraged to vote by Proxy through the appointment of a member of the Board of Directors to vote on their behalf and to include their voting preferences on the resolutions to be taken up at the Meeting in the Form of Proxy.
- Instructions as to attending the Virtual AGM may be founded in the "Guidelines and Registration process for the Annual General Meeting (AGM) via online meeting platform" hosted in the above websites.

Form of Proxy

I/we.....ofbeing 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 Sujeewa Rajapakse | whom failing |
| 2. Mr Rohan Pathirage | whom failing |
| 3. Mr Mohamed Azzam Ali Ahamat | whom failing |
| 4. Mr Kurukulasuriya Canicious Joachim Clive Fonseka | whom failing |
| 5. Mr Chanura Jayanta Wijetillake | whom failing |
| 6. Mr Upul Lakshman Asoka Wickramasinghe Bandara | whom failing |
| 7. Ms Miriam Coralie Pietersz | whom failing |
| 8. Mr Ranjith Kodituwakku | whom failing |
| 9. Mr Michael Pradeep Amirthanayagam | |

as my/our proxy to represent me/us and vote on my/our behalf at the Twenty Sixth Annual General Meeting of the Company to be held on Wednesday, 7th September 2022 at 2.30 p.m. as a virtual meeting, and at any adjournment thereof and at every poll which may be taken in consequence thereof to vote.

To participate via Zoom:

Email address/ Mobile No.:.....

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 2022 and the Report of the Auditors thereon. | <input type="checkbox"/> | <input type="checkbox"/> |
| 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. | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. | To re-elect Mr. M. P. Amirthanayagam in terms of Article 27(2) of the Articles of Association of the Company. | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. | To authorise the Board of Directors to determine contributions to charities and other donations for the financial year ending 31st March 2023. | <input type="checkbox"/> | <input type="checkbox"/> |

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 authorized by the Auditor General shall carry out the audit of the Company.

Signed this day of.....2022.

.....
Signature

.....
Shareholder's N.I.C./ P. P./ Co. Reg. No.

Notes:

- Proxy need not be a member of the Company.
- 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, Virtual Meeting, Online Registration Form 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 Registered office of the Company, No.1161, Maradana Road, Colombo 08 or be emailed to arrequests@plc.lk or facsimile +94 11-2631190 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. If this Form of Proxy is returned without any indication of how the person appointed as Proxy shall vote, then the Proxy shall exercise his/her discretion as to how he/she votes or, whether or not he/she abstains from voting.

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 2021/22.

| 1. Your interest in People’s Leasing performance is as a (n) | |
|--|--------------------------|
| Employee | <input type="checkbox"/> |
| Customer | <input type="checkbox"/> |
| Supplier | <input type="checkbox"/> |
| Shareholder | <input type="checkbox"/> |
| Investor | <input type="checkbox"/> |
| Finance analyst | <input type="checkbox"/> |
| Journalist | <input type="checkbox"/> |
| Local resident | <input type="checkbox"/> |
| Educator/Student | <input type="checkbox"/> |
| Special interest group | <input type="checkbox"/> |
| Regulatory body | <input type="checkbox"/> |
| Other | <input type="checkbox"/> |

| 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 | <input type="checkbox"/> |
| Very good | <input type="checkbox"/> |
| Good | <input type="checkbox"/> |
| Average | <input type="checkbox"/> |
| Poor | <input type="checkbox"/> |
| 2.2 Openness and transparency | |
| Excellent | <input type="checkbox"/> |
| Very good | <input type="checkbox"/> |
| Good | <input type="checkbox"/> |
| Average | <input type="checkbox"/> |
| Poor | <input type="checkbox"/> |
| 2.3 Clarity and ease of understanding | |
| Excellent | <input type="checkbox"/> |
| Very good | <input type="checkbox"/> |
| Good | <input type="checkbox"/> |
| Average | <input type="checkbox"/> |
| Poor | <input type="checkbox"/> |

| 2.4 Appearance and layout | |
|---|--------------------------|
| Excellent | <input type="checkbox"/> |
| Very good | <input type="checkbox"/> |
| Good | <input type="checkbox"/> |
| Average | <input type="checkbox"/> |
| Poor | <input type="checkbox"/> |
| 2.5 Overall impression of the report | |
| Excellent | <input type="checkbox"/> |
| Very good | <input type="checkbox"/> |
| Good | <input type="checkbox"/> |
| Average | <input type="checkbox"/> |
| Poor | <input type="checkbox"/> |

| 3. Which sections did you find least useful? | |
|--|--------------------------|
| Organisational overview | <input type="checkbox"/> |
| Value creation model | <input type="checkbox"/> |
| Management discussion and analysis | <input type="checkbox"/> |
| Stewardship | <input type="checkbox"/> |
| Financial reports | <input type="checkbox"/> |
| Other | <input type="checkbox"/> |

| 4. Which section did you find most useful? | |
|--|--------------------------|
| Organisational overview | <input type="checkbox"/> |
| Value creation model | <input type="checkbox"/> |
| Management discussion and analysis | <input type="checkbox"/> |
| Stewardship | <input type="checkbox"/> |
| Financial reports | <input type="checkbox"/> |
| Other | <input type="checkbox"/> |

| 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 2021/22 | |
|--|--|
| | |

| | |
|--|-------|
| Your Name: | |
| Your email: | |
| <p>Chief Manager Finance People’s Leasing & Finance PLC No. 1161, Maradana Road, Colombo 08. Sri Lanka. Postal Code :00800 Phone: +94 11 2631 631 Fax: +94 11 2631 980</p> | |



**PEOPLE'S
LEASING**

පිළිගැනීමේ මූලධර්මයක් වන
THE TRUSTED LEADER

People's Leasing & Finance PLC

1161, Maradana Road, Borella, Colombo 08, Sri Lanka, Postal Code: 00800

Telephone +94 11 2631631 | Fax +94 11 2631980/81

Email: info@plc.lk | Web Address: www.plc.lk