



**PEOPLE'S LEASING**

පිපුලු ලීසිං | பிப்பள் லீசிங்  
THE TRUSTED LEADER

# People's Leasing & Finance PLC

(A Subsidiary of People's Bank)

Rated A+(Ika) by Fitch Ratings Lanka

## AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022



**ජාතික විගණන කාර්යාලය**  
தேசிய கணக்காய்வு அலுவலகம்  
NATIONAL AUDIT OFFICE



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எனது இல. }  
My No. } BAN/D/PLF/2022/01

මගේ අංකය  
உமது இல. }  
Your No. }

දිනය  
திகதி }  
Date } 27 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.

Key Audit Matter	How my audit addressed the key audit matter
<b>Impairment allowances for Loan and receivables</b>  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.  Impairment allowances for Loan and receivables is a key audit matter due to: <ul style="list-style-type: none"> <li>materiality of the reported allowance which involved complex calculations; and</li> <li>significant judgements used in assumptions and estimates made by the management as reflected in note 25.7, 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.</li> </ul>	My audit procedures included amongst others the following: <ul style="list-style-type: none"> <li>Assessed the level of oversight, review and approval of impairment allowances policies and procedures by the Board and management.</li> <li>Evaluated the design, implementation and operating effectiveness of internal controls over estimation of the impairment allowances, including testing of related system controls.</li> <li>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.</li> </ul> <b>For Loan and receivables assessed on a collective basis for impairment:</b> <ul style="list-style-type: none"> <li>Tested key calculations used in the impairment allowances.</li> </ul> <b>For loans and advances assessed on an individual basis for impairment:</b> <ul style="list-style-type: none"> <li>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.</li> <li>Assessed the reasonableness and timeliness of Management's internal assessments of credit quality based on the borrower's particular circumstances.</li> <li>Checked the accuracy of the underlying individual impairment calculations.</li> <li>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.</li> <li>Assessed the adequacy of the related financial statement disclosures set out in notes 11 &amp; 25.</li> </ul>
<b>Financial reporting related IT based Internal controls</b>  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.  Accordingly, financial reporting related IT based Internal controls is considered a key audit matter.	My audit procedures included the following: <ul style="list-style-type: none"> <li>Obtained an understanding of the Internal control environment of the processes relating to financial reporting and related disclosures.</li> <li>Identified and test checked relevant controls of key IT systems related to the Group's financial reporting process.</li> <li>Evaluated the design and operating effectiveness of IT controls, including those related to user access and change management.</li> <li>Checked key source data of the reports used to generate key disclosures for accuracy and completeness, including review of general ledger reconciliations.</li> </ul>

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

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management 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. If I conclude that 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

### KEY FINANCIAL DATA FOR THE PERIOD ENDED 31ST MARCH 2022 (AUDITED)

In Rupees Million	Company		Group	
	Current Period	Previous Period	Current Period	Previous Period
	From 01/04/2021 To 31/03/2022	From 01/04/2020 To 31/03/2021	From 01/04/2021 To 31/03/2022	From 01/04/2020 To 31/03/2021
Interest income	23,882	24,983	25,927	26,822
Less: Interest expense	10,832	13,064	11,205	13,375
<b>Net interest income</b>	<b>13,050</b>	<b>11,919</b>	<b>14,722</b>	<b>13,447</b>
Gains/(losses) from trading activities	27	163	87	228
Other operating income	2,833	1,958	6,617	6,595
Operating expenses (excluding impairment)	8,482	7,024	13,128	10,988
Less: Impairment	777	1,143	1,073	1,452
<b>Profit/(Loss) before tax</b>	<b>6,651</b>	<b>5,873</b>	<b>7,225</b>	<b>7,830</b>
Less: Income tax	1,991	1,840	2,407	2,234
<b>Profit/(Loss) after tax</b>	<b>4,660</b>	<b>4,033</b>	<b>4,818</b>	<b>5,596</b>

### KEY FINANCIAL DATA AS AT 31ST MARCH 2022 (AUDITED)

In Rupees Million	Company		Group	
	As at 31st March 2022	As at 31st March 2021	As at 31st March 2022	As at 31st March 2021
<b>Assets</b>				
Cash and bank balance	9,287	8,102	14,257	12,076
Government securities	10,327	6,994	13,552	9,020
Due from related parties	1,463	1,509	-	-
Loans (excluding due from related parties)	149,812	139,879	163,321	147,004
Investment in equity	3,471	3,533	407	334
Investment properties and real estate	-	-	821	821
Property, plant and equipment	3,387	3,292	5,630	5,626
Other assets	3,018	1,237	8,950	6,410
<b>Total Assets</b>	<b>180,765</b>	<b>164,546</b>	<b>206,938</b>	<b>181,291</b>
<b>Liabilities</b>				
Due to banks	11,749	6,439	15,300	9,004
Due from related parties	-	3	-	-
Deposits from customers	103,368	101,503	111,454	103,744
Other borrowings	17,244	13,826	17,103	13,685
Other liabilities	9,585	8,434	16,106	13,736
<b>Total liabilities</b>	<b>141,946</b>	<b>130,205</b>	<b>159,963</b>	<b>140,169</b>
<b>Equity</b>				
Stated capital	17,072	14,892	17,072	14,892
Statutory reserve fund	2,640	2,407	2,729	2,465
Retained earnings	19,482	17,160	23,123	20,682
Other reserves	(375)	(118)	897	421
<b>Total equity attributable to equity holders of the Company</b>	<b>38,819</b>	<b>34,341</b>	<b>43,821</b>	<b>38,460</b>
Non-controlling interest	-	-	3,154	2,662
<b>Total equity</b>	<b>38,819</b>	<b>34,341</b>	<b>46,975</b>	<b>41,122</b>
<b>Net asset value per ordinary share (Rs.)</b>	<b>20.57</b>	<b>20.15</b>	<b>23.22</b>	<b>22.56</b>

### SELECTED PERFORMANCE INDICATORS

ITEM	As at 31.03.2022		As at 31.03.2021	
	Actual	Required	Actual	Required
<b>Regulatory Capital Adequacy (%)</b>				
Tier 1 Capital Adequacy ratio	18.76	8	17.04	7
Total Capital ratio	19.67	12	17.90	11
Capital Funds to Total Deposit Liabilities ratio	37.55	10	33.83	10
<b>Quality of Loan Portfolio (%)</b>				
Gross - Non-Performing Loans ratio		8.78		9.21
Net - Non-Performing Loans ratio		1.06		1.92
Net - Non-Performing Loans to Core Capital ratio		4.74		9.19
Provision Coverage ratio		72.99		64.63
<b>Profitability (%)</b>				
Net Interest Margin		8.10		7.58
Return On Assets		3.85		3.49
Return On Equity		12.74		12.49
Cost to Income ratio		43.74		42.03
<b>Liquidity</b>				
Available Liquid Assets to Required Liquid Assets (minimum 100%)		148.90		194.77
Liquid Assets to external funds		15.44		11.44
<b>Memorandum information</b>				
Number of branches		111		103
External credit rating		A+ (Ika) by Fitch Ratings Lanka Limited		A+ (Ika) by Fitch Ratings Lanka Limited
		Fitch Ratings has placed the National Long Term Ratings of People's Leasing & Finance PLC on Rating Watch Negative (RWN)		

#### CERTIFICATION

We, the undersigned, being the Chief Executive Officer, the Chief Manager - Finance and the Compliance Officer of People's Leasing & Finance PLC certify jointly that:

- the above statements have been prepared in compliance with the format and the definitions prescribed by the Central Bank of Sri Lanka (CBSL);
- the information contained in these financial statements have been extracted from the unaudited financial statements of the licensed Finance company unless indicated as audited

(Sgd.)  
Shamindra Marcelline  
Chief Executive Officer  
24 June 2022

(Sgd.)  
Omali Sumanasiri  
Chief Manager - Finance  
24 June 2022

(Sgd.)  
Zairaa Kaleel  
Compliance Officer  
24 June 2022

Incorporated on 22nd August 1995. Licensed by the Monetary Board of the Central Bank of Sri Lanka under the Finance Business Act No. 42 of 2011.

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