

# **People's Leasing & Finance PLC**

**(A Subsidiary of People's Bank)**

Rated AA-(lka) by Fitch Ratings Lanka and Internationally rated B+/B by Standard & Poor's and B by Fitch Ratings International.

## **AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017**

### **INDEPENDENT AUDITOR'S REPORT**

#### **TO THE SHAREHOLDERS OF PEOPLE'S LEASING & FINANCE PLC**

##### **Report on the Financial Statements**

We have audited the accompanying financial statements of People's Leasing & Finance PLC ("the Company"), and the consolidated financial statements of the Company and its subsidiaries ("Group"), which comprise the statement of financial position as at 31 March 2017, and the statement of profit or loss and statement of comprehensive income, statements of changes in equity and, statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information set out on pages 277 to 396 of the annual report.

##### **Board's Responsibility for the Financial Statements**

The Board of Directors ("Board") is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as Board determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

##### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the Auditor considers internal control relevant to the entity's preparation of the Financial Statements that give a true and fair view 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 entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the Consolidated Financial Statements give a true and fair view of the financial position of the Group as at 31 March 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### **Report on Other Legal and Regulatory Requirements**

As required by section 163(2) of the Companies Act No. 7 of 2007, we state the following:

(a) The basis of opinion, scope and limitations of the audit are as stated above

(b) In our opinion:

- We have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.
- The Financial Statements of the Company give a true and fair view of its financial position as at 31st March 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.
- The Financial Statements of the Company and the Group comply with the requirements of Sections 151 and 153 of the Companies Act No. 07 of 2007.

19 May 2017

Colombo

Partners: W R H Fernando FCA FCMA, M P D Cooray FCA FCMA, R N de Saram ACA FCMA, Ms.N A De Silva FCA, Ms.Y A De Silva FCA, W K B S P Fernando FCA FCMA, K R M Fernando FCA FCMA Ms.L K H L Fonseka FCA, A P A Gunasekara FCA FCMA, A Herath FCA, D K Hulangamuwa FCA FCMA LLB (Lond), H M A Jayasinghe FCA FCMA, Ms. A A Ludowyke FCA FCMA, Ms. G G S Manathunga FCA, N M Sulaiman ACA ACMA, B E Wijesuriya FCA FCMA

A member firm of Ernst & Young Global Limited

## STATEMENT OF PROFIT OR LOSS

For the year ended 31 March	Company			Group		
	2017 Rs. '000	2016 Rs. '000	Change %	2017 Rs. '000	2016 Rs. '000	Change %
<b>Income</b>	<b>23,859,038</b>	19,186,228	24.36	<b>27,732,754</b>	22,579,702	22.82
Interest income	22,041,263	17,876,083	23.30	22,784,273	18,301,167	24.50
Less: Interest expenses	11,829,601	7,941,063	48.97	11,819,756	8,006,050	47.64
<b>Net interest income</b>	<b>10,211,662</b>	9,935,020	2.78	<b>10,964,517</b>	10,295,117	6.50
Net earned premium	-	-	-	3,694,027	3,283,171	12.51
Fee and commission income	1,133,735	952,351	19.05	621,711	528,304	17.68
Net gains/(losses) on financial assets - held-for-trading	8,257	(40,355)	120.46	43,869	(71,903)	161.01
Other operating income	675,783	398,149	69.73	588,874	538,963	9.26
<b>Total operating income</b>	<b>12,029,437</b>	11,245,165	6.97	<b>15,912,998</b>	14,573,652	9.19
Less: Impairment charges for loans and receivables and other losses	215,765	258,350	(16.48)	282,819	290,703	(2.71)
<b>Net operating income</b>	<b>11,813,672</b>	10,986,815	7.53	<b>15,630,179</b>	14,282,949	9.43
<b>Less:</b>						
Personnel expenses	2,556,242	1,807,017	41.46	2,971,179	2,070,552	43.50
Depreciation of property, plant and equipment	177,214	197,097	(10.09)	263,644	280,493	(6.01)
Amortisation of intangible assets	9,779	13,127	(25.50)	12,764	17,817	(28.36)
Benefits, claims and underwriting expenditure	-	-	-	2,583,812	2,249,778	14.85

Other operating expenses	<b>2,670,768</b>	2,170,233	23.06	<b>2,696,254</b>	2,251,051	19.78
<b>Total operating expenses</b>	<b>5,414,003</b>	4,187,474	29.29	<b>8,527,653</b>	6,869,691	24.13
<b>Operating profit before value added tax (VAT) and nation building tax (NBT) on financial services</b>	<b>6,399,669</b>	6,799,341	(5.88)	<b>7,102,526</b>	7,413,258	(4.19)
Less :VAT and NBT on financial services	<b>923,775</b>	656,253	40.77	<b>944,418</b>	670,181	40.92
<b>Operating profit after VAT and NBT on financial services</b>	<b>5,475,894</b>	6,143,088	(10.86)	<b>6,158,108</b>	6,743,077	(8.68)
Share of (loss) of an associate (net of tax)	-	-	-	<b>(73,875)</b>	(36,170)	(104.24)
<b>Profit before income tax expense</b>	<b>5,475,894</b>	6,143,088	(10.86)	<b>6,084,233</b>	6,706,907	(9.28)
Less : Income tax expense	<b>1,466,640</b>	1,795,734	(18.33)	<b>1,642,617</b>	1,965,361	(16.42)
<b>Profit for the year</b>	<b>4,009,254</b>	4,347,354	(7.78)	<b>4,441,616</b>	4,741,546	(6.33)
<b>Profit attributable to</b>						
Equity holders of the Company	<b>4,009,254</b>	4,347,354	(7.78)	<b>4,255,132</b>	4,708,130	(9.62)
Non controlling interest	-	-	-	<b>186,484</b>	33,416	458.07
<b>Profit for the year</b>	<b>4,009,254</b>	4,347,354	(7.78)	<b>4,441,616</b>	4,741,546	(6.33)
Basic earnings per ordinary share (Rs.)				<b>2.69</b>	2.98	(9.73)
Dividend per Ordinary share (Rs.)	<b>1.25</b>	1.25	-			

## SELECTED PERFORMANCE INDICATORS

As at 31st March	Company	
	2017	2016
<b>Regulatory Capital Adequacy</b>		
Core Capital (Tier1 Capital) - (Rs. '000)	24,231,162	22,222,893
Total Capital Base - (Rs. '000)	22,581,118	20,616,472
Core Capital to Risk Weighted Assets Ratio (Minimum 5%)	17.56%	19.56%
Total Capital to Risk Weighted Assets Ratio (Minimum 10%)	16.37%	18.14%
Capital Funds to Total Deposit Liabilities Ratio (%)	174.69%	144.44%
<b>Asset Quality</b>		
Gross Non-Performing Advances (Rs. '000)	1,883,616	2,184,935
Gross Non-Performing Advances Ratio (%)	1.39	1.96
Net Non-Performing Advances Ratio (%)	0.91	1.40
<b>Profitability (%)</b>		
Interest Margin	7.89%	8.92%
Return on Average Assets (before Tax)	3.99%	5.19%
Return on Average Equity	16.89%	19.80%
<b>Regulatory Liquidity (Rs. '000)</b>		
Required Minimum Amount of Liquid Assets	7,780,950	5,531,469
Available Amount of Liquid Assets	8,418,503	8,169,670
Required Minimum Amount of Government Securities	3,856,800	4,005,926
Available Amount of Government Securities	5,392,651	6,417,788

<b>Memorandum information</b>		
Number of employees	<b>2,085</b>	1,834
Number of branches	<b>103</b>	92
Number of service centers	<b>101</b>	110
Number of pawning centers	<b>-</b>	-

Ratios were given based on the information published in the Annual Report.

## STATEMENT OF COMPREHENSIVE INCOME

<b>For the year ended 31 March</b>	<b>Company</b>			<b>Group</b>		
	<b>2017</b> <b>Rs. '000</b>	2016 Rs. '000	Change %	<b>2017</b> <b>Rs. '000</b>	2016 Rs. '000	Change %
<b>Profit for the year</b>	<b>4,009,254</b>	4,347,354	(7.78)	<b>4,441,616</b>	4,741,546	(6.33)
<b>Other comprehensive income</b>						
<i>Items to be reclassified to profit or loss in subsequent years (net of tax):</i>						
Cash flow hedges						
Gains/(losses) on derivative financial investments	<b>879</b>	(6,971)	112.61	<b>879</b>	(6,971)	112.61
Financial assets - Available-for-sale						
Gains/(losses) on re-measuring	<b>(93,771)</b>	50,316	(286.36)	<b>(89,497)</b>	32,855	(372.40)
Recycling to Statement of Profit or Loss	-	(24,565)	100.00	-	(24,565)	100.00
<b>Net items to be reclassified to profit or loss in subsequent years</b>	<b>(92,892)</b>	18,780	(594.63)	<b>(88,618)</b>	1,319	(6,818.57)

***Items not to be reclassified to profit or loss in subsequent years (net of tax):***

Actuarial gains and losses on retirement benefit obligation	(22,380)	(26,951)	16.96	(25,157)	(26,893)	6.46
Deferred tax effect on above	6,270	7,546	(16.91)	6,493	6,968	(6.82)
Deemed cost adjustment on transfers	-	7,302	100.00	-	-	-
Deferred tax effect on above	-	(2,045)	100.00	-	-	-
<b>Net items not to be reclassified to profit or loss in subsequent years</b>	<b>(16,110)</b>	<b>(14,148)</b>	<b>(13.87)</b>	<b>(18,664)</b>	<b>(19,925)</b>	<b>6.33</b>
<b>Other comprehensive income for the year, net of tax</b>	<b>(109,002)</b>	<b>4,632</b>	<b>(2,453.24)</b>	<b>(107,282)</b>	<b>(18,606)</b>	<b>476.60</b>
<b>Total comprehensive income for the year</b>	<b>3,900,252</b>	<b>4,351,986</b>	<b>(10.38)</b>	<b>4,334,334</b>	<b>4,722,940</b>	<b>(8.23)</b>
<b>Attributable to:</b>						
Equity holders of the Company	3,900,252	4,351,986	(10.38)	4,333,892	4,727,319	(8.32)
Non controlling interest	-	-	-	442	(4,379)	110.09
	<b>3,900,252</b>	<b>4,351,986</b>	<b>(10.38)</b>	<b>4,334,334</b>	<b>4,722,940</b>	<b>(8.23)</b>

## STATEMENT OF FINANCIAL POSITION

As at 31 March	Company			Group		
	2017 Rs. '000	2016 Rs. '000	Change %	2017 Rs. '000	2016 Rs. '000	Change %
<b>Assets</b>						
Cash and cash equivalents	<b>5,591,170</b>	3,206,733	74.36	<b>6,379,909</b>	3,555,643	79.43
Balances with banks and financial institutions	<b>2,089,989</b>	847,448	146.62	<b>3,789,047</b>	2,543,016	49.00
Financial assets - Held-for-trading	<b>201,215</b>	211,651	(4.93)	<b>529,301</b>	527,438	0.35
Loans and receivables	<b>134,054,702</b>	109,872,415	22.01	<b>135,469,783</b>	111,156,437	21.87
Insurance and reinsurance receivables	-	-	-	<b>267,523</b>	206,303	29.67
Financial assets - Available-for-sale	<b>275,703</b>	500,357	(44.90)	<b>1,094,569</b>	1,739,956	(37.09)
Financial assets - Held-to-maturity	<b>2,968,042</b>	4,930,236	(39.80)	<b>2,968,042</b>	4,930,236	(39.80)
Investments in subsidiaries	<b>2,075,000</b>	1,875,000	10.67	-	-	-
Investments in associate	<b>586,427</b>	586,427	-	<b>476,382</b>	550,257	(13.43)
Investment property	<b>100,800</b>	90,752	11.07	-	-	-
Property, plant and equipment	<b>1,254,744</b>	1,120,600	11.97	<b>5,015,558</b>	4,209,533	19.15
Goodwill and intangible assets	<b>320,183</b>	329,963	(2.96)	<b>320,411</b>	333,175	(3.83)
Deferred tax assets	-	-	-	<b>26,234</b>	14,524	80.63
Other assets	<b>938,788</b>	764,066	22.87	<b>1,026,638</b>	1,334,274	(23.06)
<b>Total assets</b>	<b>150,456,763</b>	124,335,648	21.01	<b>157,363,397</b>	131,100,792	20.03



**Liabilities**

Due to banks	<b>35,584,408</b>	26,431,628	34.63	<b>37,085,398</b>	28,059,677	32.17
Due to customers	<b>44,722,552</b>	33,836,428	32.17	<b>44,465,568</b>	33,677,260	32.03
Debt securities issued	<b>38,673,277</b>	34,387,677	12.46	<b>38,569,262</b>	34,283,621	12.50
Other financial liabilities	<b>2,725,166</b>	2,730,484	(0.19)	<b>2,563,187</b>	2,888,399	(11.26)
Derivative financial instruments	<b>8,363</b>	-	100.00	<b>8,363</b>	-	100.00
Insurance liabilities and reinsurance payable	-	-	-	<b>3,537,110</b>	3,181,588	11.17
Current tax liabilities	<b>289,978</b>	937,999	(69.09)	<b>337,291</b>	1,017,694	(66.86)
Deferred tax liabilities	<b>1,923,171</b>	1,821,897	5.56	<b>1,975,528</b>	1,855,248	6.48
Other liabilities	<b>1,832,555</b>	1,417,667	29.27	<b>1,896,911</b>	1,467,033	29.30
<b>Total liabilities</b>	<b>125,759,470</b>	101,563,780	23.82	<b>130,438,618</b>	106,430,520	22.56

**Equity**

Capital	<b>13,236,073</b>	13,136,073	0.76	<b>13,236,073</b>	13,136,073	0.76
Statutory reserve fund	<b>1,621,946</b>	1,421,483	14.10	<b>1,621,946</b>	1,421,483	14.10
Retained earnings	<b>9,400,084</b>	7,682,230	22.36	<b>10,560,834</b>	8,600,098	22.80
Other reserves	<b>439,190</b>	532,082	(17.46)	<b>420,957</b>	509,575	(17.39)
Total shareholders' equity	<b>24,697,293</b>	22,771,868	8.46	<b>25,839,810</b>	23,667,229	9.18
Non -controlling interest	-	-	-	<b>1,084,969</b>	1,003,043	8.17
<b>Total equity</b>	<b>24,697,293</b>	22,771,868	8.46	<b>26,924,779</b>	24,670,272	9.14
<b>Total liabilities and equity</b>	<b>150,456,763</b>	124,335,648	21.01	<b>157,363,397</b>	131,100,792	20.03

<b>Contingent liabilities and commitments</b>	<b>6,439,978</b>	2,351,810	173.83	<b>6,715,524</b>	2,950,490	127.61
<b>Net asset value per share (Rs.)</b>	<b>15.63</b>	14.41	8.47	<b>16.36</b>	14.98	9.21

### **Certification**

We certify that these Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.

(Sgd.)  
**Sanjeewa Bandaranayake**  
 Chief Financial Officer

(Sgd.)  
**D.P. Kumarage**  
 Chief Executive Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.

Approved and signed for and on behalf of the Board by;

(Sgd.)  
**Hemasiri Fernando**  
 Chairman

(Sgd.)  
**M.P. Amirthanayagam**  
 Deputy Chairman

19 May 2017  
 Colombo