



THE CHOICE OF THE PEOPLE

AWARDED TO



People's Leasing & Finance PLC

FOR THEIR COMMITMENT
IN DELIVERING

COMPREHENSIVE FINANCIAL SOLUTIONS,
THEIR IMPRESSIVE EXPANSIONARY
MEASURES DURING THE YEAR
AND
CONSTANTLY RAISING THE BAR
IN EXCELLENCE.



PEOPLE'S LEASING & FINANCE PLC



WHO WE ARE...

BEING AN AWARD WINNING COMPANY IS NO EASY FEAT BUT WE HAVE BECOME THE CHOICE OF THE PEOPLE BY PLACING THEM FIRST IN EVERYTHING THAT WE DO. THEIR SATISFACTION IS OUR PRIORITY AND OUR ACCOLADES ARE A RESULT OF CATERING TO A DIVERSE AND LOYAL CUSTOMER AND STAKEHOLDER BASE. THEY INSPIRE US TO CONTINUOUSLY BETTER OURSELVES AND TO BE THEIR PREFERRED CHOICE IN THE FINANCIAL INDUSTRY. THIS REPORT IS A TRIBUTE TO ALL THOSE WHO HAVE BEEN A PART OF OUR STORY AND THE RESPONSE THAT WE HAVE CREATED ALL OVER THE ISLAND.

Vision

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

MISSION

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

PHILOSOPHY

CUSTOMERS

Provide a courteous, efficient and speedy service - and to meet the requirement of each and every customer.

TEAM SPIRIT

Create an environment that motivates our team to grow with us and develop individual goals – one which facilitates a high level of integrity and professionalism, and enhances productivity to maximise profitability.

OTHER STAKEHOLDERS

Improve shareholder value and meet the diverse needs of other stakeholders.

ENVIRONMENT & SOCIETY

Contribute social dividends towards the sustainable development of the environment and society.

ORGANISATIONAL EXCELLENCE

Be the premier leasing company in Sri Lanka.

CORE VALUES

Economic viability, environmental responsibility and social accountability.

WHAT IS INTEGRATED REPORTING?

Integrated Reporting is a means through which an organisation periodically communicates with its stakeholders, detailing the governance, performance, strategy and prospects that leads to the creation of value in the short, medium and long term. This provides greater context on performance data and helps to give stakeholders an understanding on the Company's operations in a clear and concise manner.

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ABOUT THIS REPORT

REPORT PROFILE

This year, for the first time, People's Leasing & Finance PLC (PLC) seeks to integrate the sustainability measures nurtured across the Company, encompassing diverse stakeholders, into the Annual Report of the financial year 2013/14. The report reflects PLC's commitment to integrate economic, environmental and social sustainability across the organisation.

Over the past three years, the Company reported the sustainability measures and policies towards the stakeholders through a separate report based on the Global Reporting Initiatives (GRI) framework. However, since the sustainability measures are an integral part of the operations, this year, the Company attempts to integrate both financial and non-financial performance adding value to the reporting initiatives.

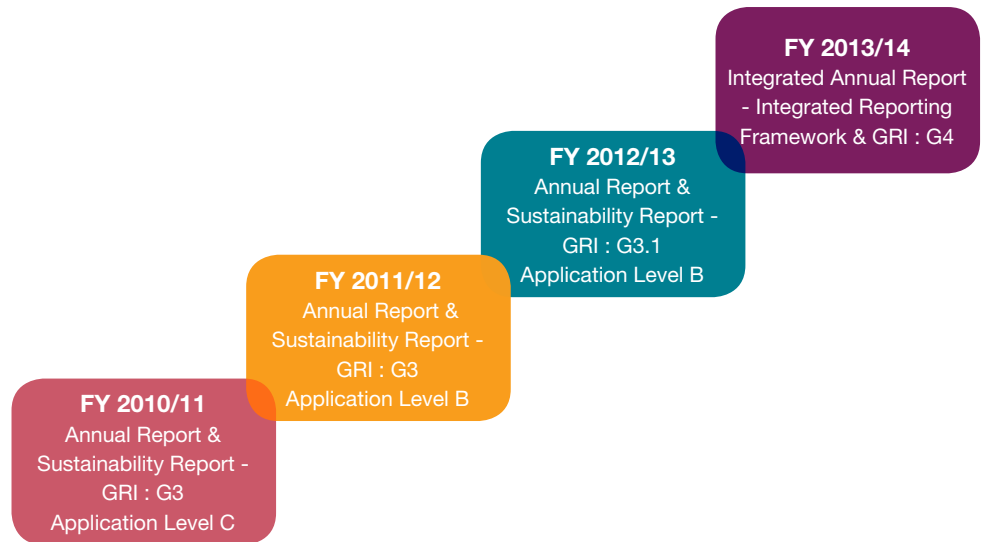
THE COMPANY PROFILE

Established in 1995, PLC is at present a Licensed Finance Company that is listed on the Colombo Stock Exchange. The Company operates only in Sri Lanka from the head office in Colombo and 85 branches across the country. Corporate Information is given on the inner back cover of this report. The Company is primarily engaged in providing finance lease, hire purchases, term loan facilities and mobilising public deposits.

REPORTING BOUNDARY

The Annual Report this year comprises reports covering the Company's operations spanning the head office and the branch network for the financial year ended 31st March 2014. Wherever relevant, the preceding year's performance and indicators have been reflected for comparative analysis. References have been drawn, if material, on the subsidiary network comprising five companies. The term "local" defined, operations in Sri Lanka.

**THE REPORT REFLECTS
PLC'S COMMITMENT TO
INTEGRATE ECONOMIC,
ENVIRONMENTAL AND
SOCIAL SUSTAINABILITY
ACROSS THE
ORGANISATION.**



This is the first report the Company presents after the merger with its subsidiary, People's Finance PLC. Thus, the Company has restated its financial statements after amalgamating the financials of People's Finance PLC for the preceding year to enable accurate comparisons and in compliance with Sri Lanka Accounting Standards (SLFRS/ LKAS). Unless otherwise stated, all information for the prior year is inclusive of the amalgamated information with People's Finance PLC.

GUIDING FRAMEWORK

This inaugural integrated report has been prepared in line with the Integrated Reporting Framework released by the Integrated Reporting Council (2013). The sustainability measures of the Company which have been presented in this report are based on the Global Reporting Initiative (GRI) G4 framework according to the "Core" in accordance option and presented from pages 321 to 325 of this report. During the year under review, the Company does not subscribe to any other externally developed economic, environment or social initiatives.

Financial Statements that appear in this report have been prepared in accordance with the SLFRS/ LKAS issued by the Institute of Chartered Accountants of Sri Lanka. Where applicable, the Company has followed the rules and regulations of the Finance Business Act No. 42 of 2011, Companies Act No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange.

The Code of Best Practice on Corporate Governance followed upon the receipt of the finance license is based on the Finance Companies (Corporate Governance) Direction Nos. 03 of 2008, 04 of 2008 and 06 of 2013, are set to comply with the updated Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

EXTERNAL ASSURANCE AND TEST OF COMPLIANCE

The Financial Statements together with the related notes are audited by M/s. Ernst & Young Chartered Accountants, Sri Lanka and their assurance is given on page 227 of this report. The external assurance given by them for sustainability initiatives and measures included in this report is set out on page 320.

PRESENTATION

Printed copies of this report will be posted to only those who request for the same in writing which is in line with PLC's commitment towards reducing the corporate carbon footprint. However, this report in the form of a CD-ROM will be posted to all shareholders and will be made available on the official website www.plc.lk in pdf and html formats.

CONTACT

Questions and inquiries on this Integrated Annual Report 2013/14 and information presented therein are to be directed to:

The Chief Financial Officer

People's Leasing & Finance PLC

1161, Maradana Road, Borella, Colombo 08, Sri Lanka. Postal Code: 00200

Tel: +94 11 2631631, Fax: +94 11 2631980/81

OUR JOURNEY



THE FIRST BRANCH OF PEOPLE'S LEASING WAS OPENED IN *Kandy*

YEAR 1995/96

People's Leasing was incorporated in 1995 as a private liability company with an initial capital of Rs. 10 million.

YEAR 1996/97

The Company commenced commercial operations on the 31st of May 1996 with just three employees. Within a short span of time, the Company was able to distinguish itself as a company that is destined for greater heights by becoming the pioneers in Sri Lanka to import 415 built buses for leasing, on easy

payment terms under the Indian Line of Credit. In the same year, Mr. D.P. Kumarage assumed duties as the Chief Executive Officer, spearheading a transformational mindset and cultural change within the Company, while the team increased to 25 employees.

YEAR 1997/98

As a first step towards its growth momentum, the first branch of People's Leasing was opened in Kandy. The memorable catchphrase "The People's Friendly Leasing" was launched, truly connecting the Company to the people from diverse socio-economic backgrounds.

YEAR 1998/99

People's Leasing driving its expansionary plans, opened branches in Ratnapura, Kurunegala and Matara to enhance its geographical accessibility. The Company following its successful completion of the maiden bus project commenced the "Samurdhi Special Hire Purchase Project" which aimed at empowering the rural communities based in agricultural areas - introducing low cost financing for two wheel tractors, water pumps and three wheelers with a Government budget allocation of Rs. 200 million.

OUR JOURNEY

YEAR 1999/00

The financial year 1999/00 was indeed a remarkable year for the Company. People's Leasing ranked fourth in the leasing industry with annual grantings of Rs. 1.26 billion, a definite milestone for a nascent company operating in a highly competitive market. In unison, the Company became a member of the Leasing Association of Sri Lanka.

YEAR 2000/01

Marking another landmark in this relentless journey, the corporate status of the Company changed from a private limited liability to a public limited liability company, unveiling a new corporate logo, communicating a new vision, mission and values founded on the manifestation of "Speed and Flexible Total Customer Service".

YEAR 2001/02

Reinforcing its financial prowess, the Company timely and pragmatically linked all of its branches online. By this time, a visible performance driven culture permeated among the increased team of 125 and People's Bank infused Rs. 40 million as ordinary share capital of the Company.

YEAR 2002/03

Within a span of just seven years, People's Leasing carved out its niche in the leasing industry by becoming the market leader with annual granting totaling to Rs. 4.6 billion. The Company became a registered leasing establishment under the Finance Leasing Act No. 56 of 2000 with the Central Bank of Sri Lanka.

YEAR 2003/04

The Company journeying at the peak opened a fully-fledged model corporate city office at Union Place. The Company was also ratified as an approved Credit Agency by the Director of Commerce.



PEOPLE'S LEASING & FINANCE PLC IS A PRIME EXAMPLE OF A SUCCESSFUL BUSINESS MODEL UNDERPINNED BY PRIVATE SECTOR FUNDAMENTALS WITH PUBLIC SECTOR THOUGHT. IN THE SEVENTEEN YEARS OF ITS OPERATIONS, THE COMPANY HAS BROKEN RECORDS, VENTURED INTO UNCHARTED TERRITORY AND SECURED VICTORIES THAT ARE TRULY REMARKABLE.



YEAR 2004/05

Showcasing its growth trajectory, the Company's asset base surpassed Rs. 10 billion and the Company became a corporate member of the Asian Leasing and Finance Association. Annual Report of the Company was adjudged runner-up in the leasing category at the Annual Report Awards organised by the Institute of Chartered Accountants of Sri Lanka.

YEAR 2005/06

Venturing into innovative new ground and embracing inclusive finance, People's Leasing launched its newest division: Islamic Finance Service Unit, under the Shari'ah guidelines.

YEAR 2006/07

Complementing the 10th year celebrations and demonstrating the rapid progress and stability, Fitch Ratings Lanka upgraded the Company's rating to 'A-(lka)' and anniversary celebrations were heralded with the completion of 10 CSR initiatives.

YEAR 2007/08

People's Leasing throughout its burgeoning journey has been a true benchmark leader that has uplifted the norms of the industry, spurred innovation and infused a brand of customer service that continually had raised the bar. One such innovation brought in to the industry is the newest concept of window offices, established within the People's Bank branch network. Venturing towards its first step in diversification, the Company acquired a fully-fledged service station in Rattanaipitiya.

YEAR 2008/09

Marking an outstanding year, profits reached over Rs. 1 billion for the first time in the history of the Company and was ranked as the highest branded leasing company by the Brand Finance Lanka and received a Gold Rating for the Corporate Accountability by Sting Consultants.

Confirming the Company's competency in striking excellence in the heart of everything it engages in, the Annual Report of the Company clinched the most prestigious "Gold Award" in the leasing sector at the Annual Report Awards organised by the Institute of Chartered Accountants of Sri Lanka following the Silver Award for four consecutive years. The premier business magazine, Lanka Monthly Digest (LMD) ranked People's Leasing among the first ten of the top 20 state organisations whilst the Credit Information Bureau of Sri Lanka (CRIB) named PLC as the "No 1 Accurate Data Provider", giving it a ranking of A+.

Edging closer to the aspirations of being a conglomerate in Sri Lanka, the Company formed two subsidiaries; People's Leasing Fleet Management Limited and People's Leasing Property Development Limited.

OUR JOURNEY



YEAR 2009/10

Being the true benchmark leader and rising up to the turbulent times in the industry, the Company acquired 84.50 percent stake of the "distressed" Seylan Merchant Leasing PLC and transformed it into a going-concern within a short period of time. Subsequently, the Central Bank of Sri Lanka appointed People's Leasing as the managing agent of Industrial Finance Limited. Continuing its winning culture, the Company received the "International Quality Summit Platinum Award 2009" from Business Initiative Direction (BID) in New York for excellence and business prestige and won the second runner-up "Best Corporate Citizen Award 2009" (below Rs. 10 billion turnover category) organised by the Ceylon Chamber of Commerce.

Undoubtedly, People's Leasing is destined to play a catalytic role in the country's fast tracked development progress, where together with the group synergetic affiliation, the Company is positioning itself to be recognised and lauded as a strong force in the financial service sector. Bestowing to this aspiration, People's Insurance Limited was incorporated as a fully owned subsidiary under the People's Leasing umbrella.

YEAR 2010/11

The financial year 2010/11 was an ecstatic year for People's Leasing. The Company "Making Headlines" achieved the Rs. 5 billion milestone in granting in December 2010, for the first time in the history of the leasing industry. People's Leasing emerged at the helm in the financial services sector of Sri Lanka with two new subsidiaries – People's Leasing Havelock Properties Limited and People's Microfinance Limited. Fitch Ratings Lanka upgraded the Company's National Long-Term rating to 'A-(lka)' from 'A(lka)'

Commendably, the Company received the "Diamond Quality Summit Award" from Business Initiative Directions for excellence and business prestige. Affirming

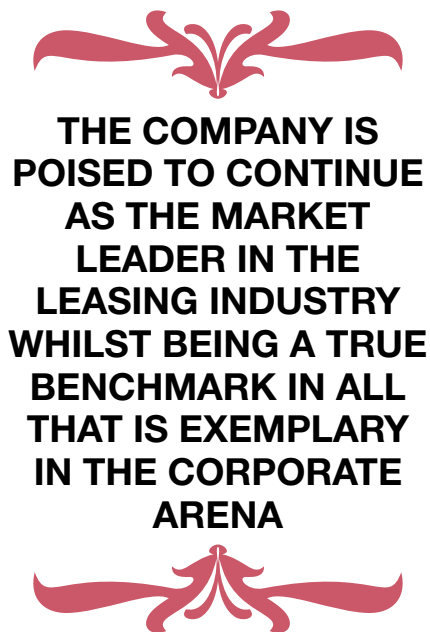
the Company's untiring efforts to sustain, empower and uplift communities, for the second consecutive year, the Ceylon Chamber of Commerce conferred the Company second runner-up in the "Best Corporate Citizens Award 2010" in the below Rs. 10 billion turnover category.

YEAR 2011/12

People's Leasing having journeyed fifteen years in the leasing industry and having secured the market leadership for over a decade, operates a successful business model that encompasses state sector accountability with private sector dynamism. The Company in its successful burgeoning journey thus far, moved to the new Head Office building situated at Borella. The Company successfully completed its Initial Public Offering adhering to the Colombo Stock Exchange's Listing rules in November 2011, becoming the second largest IPO in the history of the Colombo Bourse, raising over Rs. 7 billion. Accordingly, the Company transformed itself to a public limited quoted company from a public limited company.

The accolades and kudos gained for its pioneering initiatives are commendable. Adding on, People's Leasing for the fourth consecutive year bagged the "Gold Award" in the leasing sector at the Annual Report Awards organised by the Institute of Chartered Accountants of Sri Lanka. The Company also received a Commendation Award – Medium Scale Category at the Sustainability Reporting Awards 2011 from the Association of Chartered Certified Accountants (ACCA) of Sri Lanka whilst the "Gold Rating" for Corporate Accountability was conferred by Sting Consultants.

The Company reached "Such Great Heights" by achieving Rs. 49 billion annual granting for the financial year and as a manifest of the Company's bolstering financial strength, Fitch Ratings Lanka upgraded the Company's National Long-Term rating to 'A+(lka)' from 'A(lka)'.



OUR JOURNEY

YEAR 2012/13

People's Leasing received two foreign ratings: a rating equivalent to the Sovereign of 'B+/B' long term and short term issuer credit rating by Standard & Poor's and was assigned a long term foreign and local currency Issuer Default Ratings (IDRs) of 'B+', a rating one notch below the Sovereign by Fitch Ratings International. The Company's national long term rating was also upgraded to 'AA-(lka)'. The Company was awarded the "Platinum" in the competition class of Annual Reports in the finance industry, the "Platinum" – most inspirational, worldwide special achievements accolade in the overall competition category and ranked 5th among the top 100 rankings of the competition at the 2012 Spot Light Awards - Global Communications Competition organised by League of American Communication Professionals. The Company retained the coveted "Gold Award" for the 5th consecutive year in the leasing sector at the Annual Report Awards organised by the Institute of Chartered Accountants of Sri Lanka. Subsidiary, People's Finance PLC, successfully bagged the "Gold Award" in the finance sector and was also honoured with a "Bronze Award" in the overall management commentary category. PLC was recognised as one of the ten best corporate citizens in the country by the Ceylon Chamber of Commerce of Sri Lanka. PLC was the only non-banking finance company to be ranked among the best corporate citizens and was followed by fetching the second runner-up in less than Rs. 15 billion revenue category. PLC was announced as the winner of excellence in performance management practices and the joint winner in the non-banking and financial sector at the National Business Excellence Awards by the National Chamber of Commerce of Sri Lanka. The Company became joint winners in the financial service provider category at the Slim Nielsen People's Awards. The Company's Annual Report for the year 2010/11 was adjudged as the recipient of "Certificate of Merit" in the financial services sector at the SAFA Best Presented Annual Report Awards 2011.

The Company unveiled its corporate identity as People's Leasing & Finance PLC with the receipt of license to conduct finance business under the Finance Business Act No. 42 of 2011. Complementing this and as prescribed by the regulator, Central Bank of Sri Lanka, the Company accelerated plans to strategically merge with its subsidiary, People's Finance PLC.

The Company was deeply touched by the sudden demise of Mr. W. Karunajeewa, the chairman since the year 2007. Mr. Gamini S. Senarath, was subsequently appointed as the chairman of the Company and also that of the parent, People's Bank.

Availing the opportunities created in the 2013/14 Budget, PLC allotted its 1st Listed Debenture issue. The Company successfully issued 30,000,000 listed, senior, unsecured, redeemable, 'AA(-)' rated four year and five year debentures of Rs. 100/- each which were subsequently oversubscribed; the Company issued a further 30,000,000 debenture totaling up to maximum of 60,000,000 debentures.

These achievements collected along its elated journey amply demonstrate that People's Leasing is not merely defined by its towering financial success, but also by its passion to be a responsible corporate citizen, committed to best management practices - quality, transparency, community and environment stewardship. The Company is poised to continue as the market leader in the leasing industry whilst being a true benchmark in all that is exemplary in the corporate arena.

MOMENTOUS EVENTS 2013/14

April

2013

Registrar General of Companies issued the Certificate of Amalgamation, confirming the amalgamation of People's Finance PLC with the Company, effective from 2nd.

Rs. 6,000,000,000 worth debentures which was allocated among applicants thereof on 27th March 2013 were listed on the Debt Securities' Main Board of the Colombo Stock Exchange on the 4th.

MAY

2013

Three branches were opened in Welimada, Wellawaya and Kaluwanchikudi on 10th, 14th and 15th respectively.

Pursuant to the amalgamation, 19,862,322 number of shares of People's Leasing & Finance PLC were issued on 5th to the minority shareholders of People's Finance PLC in the proportion of three shares for every one share held in People's Finance PLC.

June

2013

Two branches were opened in Kilinochchi and Wariyapola on 15th and 16th respectively.

The shares were listed on the Main Board of the Colombo Stock Exchange on 10th.

The Company secured a USD 10 million one year facility entirely financed by Emirates NBD Bank on 23rd.

July

2013

The Central Bank of Sri Lanka appointed the Company as the managing agent of Central Investments & Finance PLC with effect from 1st.

People's Insurance Limited (PIL) was recognised for its first Annual Report at the Vision Awards 2012 Annual Report Competition organised by League of American Communication Professionals (LACP). PIL bagged a 'Gold Award' for excellence within the industry, for developing one of the top 10 Sri Lankan Annual Reports of 2012 and it also received the "Regional Top 50 Honors".

Three branches were opened in Hatton, Kekirawa and Nittambuwa on 12th, 15th and 29th respectively.

Final dividend of Rs. 0.50 per share for the financial year 2012/13 was paid on 30th.

'Sanwathsara Wasi' campaign was organised to celebrate 17 years of PLC's corporate journey.

Launched organic farming initiative in partnership with Business & Bio Diversity Platform.

AUGUST

2013

Three branches were opened in Maharagama, Minuwangoda and Elpitiya on 1st, 14th and 24th respectively.

September

2013

Foundation stone laying ceremony for the new office complex to be constructed by People's Leasing Havelock Properties Limited was held on 5th.

A branch was opened in Hambantota on 23rd.

Marking the first in the history of the Non-Bank Financial Institution Sector, total asset base of the Company topped over Rs. 100 billion.

**A GREAT PLACE
TO WORK**

**18TH AMONG
TOP 25 LISTED
COMPANIES**

**ONE OF ASIA'S
MOST PROMISING
BRANDS**

MOMENTOUS EVENTS 2013/14

OCTOBER

2013

The Annual Report and the Sustainability Report of the Company for the financial year 2012/13 secured the following awards at the 2013 Spotlight Awards, a Global Communications Competition organised by LACP,

- Competition Class of Print Annual Reports, Asia Pacific - "Gold Award"
- Most Creative Annual Report (Worldwide Special Achievement Award) - "Silver Award"
- Sustainability Report (Printed Other Category) - "Bronze Award"
- Ranked at No 36 among the Worldwide Top 100 Communication Materials.

The Company was ranked 18th place amongst the top 25 listed companies in Sri Lanka-2012/13, elected by the Business Today magazine.

Two branches were opened in Pilimathalawa and Gampola on the 6th and one in Homagama on the 9th.

November

2013

The Company bagged the "Gold Award" in the Non-Banking and Finance Sector at the National Business Excellence Awards 2013 organised by the National Chamber of Commerce of Sri Lanka.

Premier Awards 2013 were held at Blue Waters Wadduwa on the 23rd to recognize the outstanding performance of individuals and branches within the Company.

December

2013

The Company won the "Gold Award" for its Annual Report in the finance sector at the Annual Reports Awards organised by the Institute of Chartered Accountants of Sri Lanka.

PLC secured a USD 50 Million syndicated loan from the Middle East.

JANUARY

2014

PLC yet again competes international standards, being awarded "Asia's Most Promising Brands 2012/13" by Iconic brands 360 (ibrands 360), a world consulting and research corporation enterprise.

Interim dividend of Rs. 0.75 per share for the financial year 2013/14 was paid on 3rd.

February

2014

The Company was awarded "SLIM Nielsen People's Award for the Financial Service Provider of the Year" for the second consecutive year at the SLIM Nielsen People's Awards ceremony organised by the Sri Lanka Institute of Marketing in association with the Nielsen Company.

March

2014

A branch was opened in Piliyandala on the 22nd. To cover up the exchange rate risk arisen from the foreign currency loan the Company entered in to hedging arrangement.

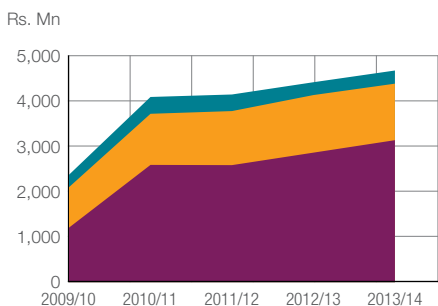
85 BRANCHES
109 WINDOW
OFFICES

TOTAL
EMPLOYEES
1,575

RS. 48 BILLION
ANNUAL
GRANTING

FINANCIAL HIGHLIGHTS

RS. 48BN
TOTAL GRANTING



RS. 41BN
DEPOSIT BASE

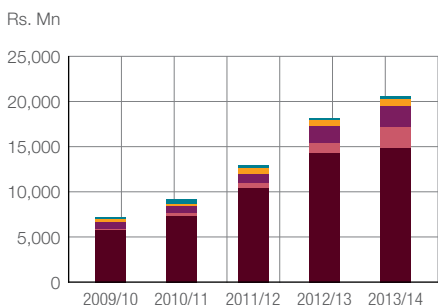
PROFITS

- Operating profit
- Profit before tax
- Profit after tax

RS. 114 BILLION

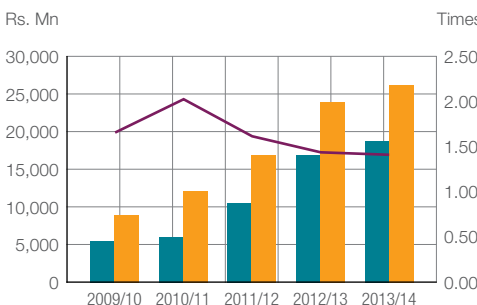
Marking the first in the history of the Non-Bank Financial Institution Sector, **TOTAL ASSET BASE** of the Company topped over Rs. 100 billion.

PERFORMANCE 2013/14



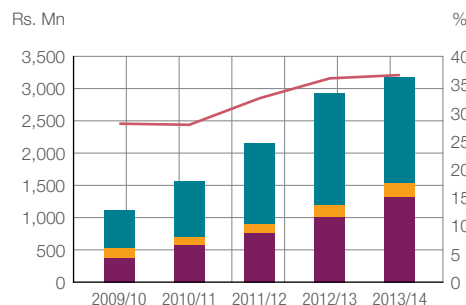
TOTAL INCOME

- Other operating income
- Net fee and commission income
- Other interest income
- Interest income from loans & advances
- Interest from lease, hire purchase & Islamic finance



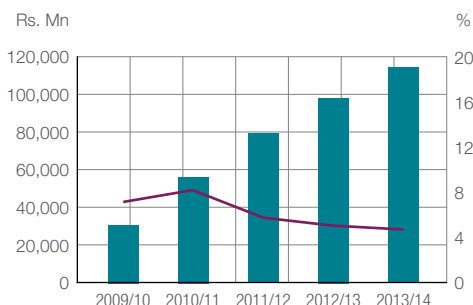
INTEREST COST

- Interest cost
- Profit before interest & tax
- Interest cover



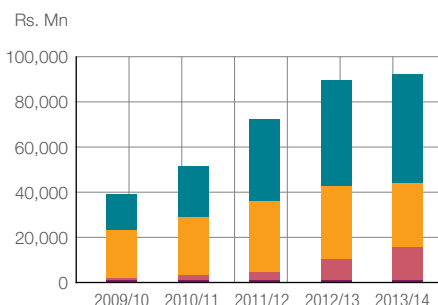
OPERATING COST

- Other operating expenses
- Depreciation & amortisation
- Personnel expenses
- Cost to income ratio



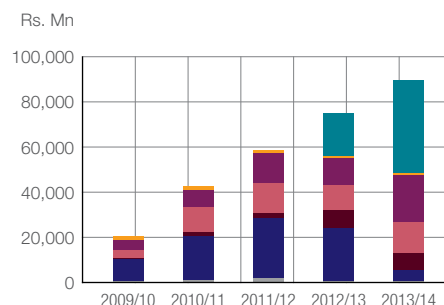
ASSET GROWTH

- Total assets
- Return on average assets



LENDING PORTFOLIO

- Lease/ Ijarah receivable
- Hire purchase/ BBA receivable
- Loans & other advances
- Others

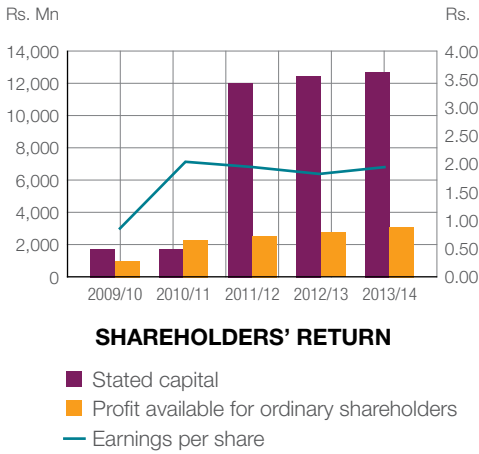
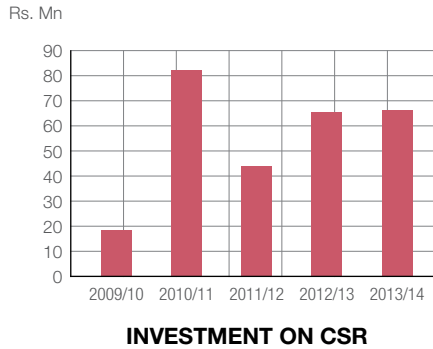


SOURCES OF FINANCE

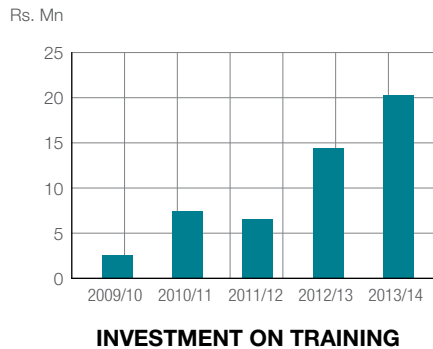
- Deposits
- Redeemable preference shares
- Asset backed securities
- Long term loans
- Debentures
- Short term loans
- Overdraft

NON FINANCIAL HIGHLIGHTS

“
THE SOCIAL RESPONSIBILITY STRATEGY IS FOCUSED ON IMPROVING THE LIVELIHOODS AND THE LIVES OF THE COMMUNITIES WHEREVER THE COMPANY OPERATES
 ”



“
PLC STRIVES TO ENHANCE SHAREHOLDER WEALTH THUS CREATING A STRONGER AND LONG TERM RELATIONSHIP WITH THEM
 ”



“
THE COMPANY INVESTS WELL IN TACTICAL TRAINING OPPORTUNITIES TO ENHANCE TECHNICAL AS WELL AS SOFT SKILLS TO DEVELOP AN ASTUTE EMPLOYEE BASE MUCH SOUGHT AFTER TO FACE TODAY'S CHALLENGES INHERENT IN THE INDUSTRY
 ”

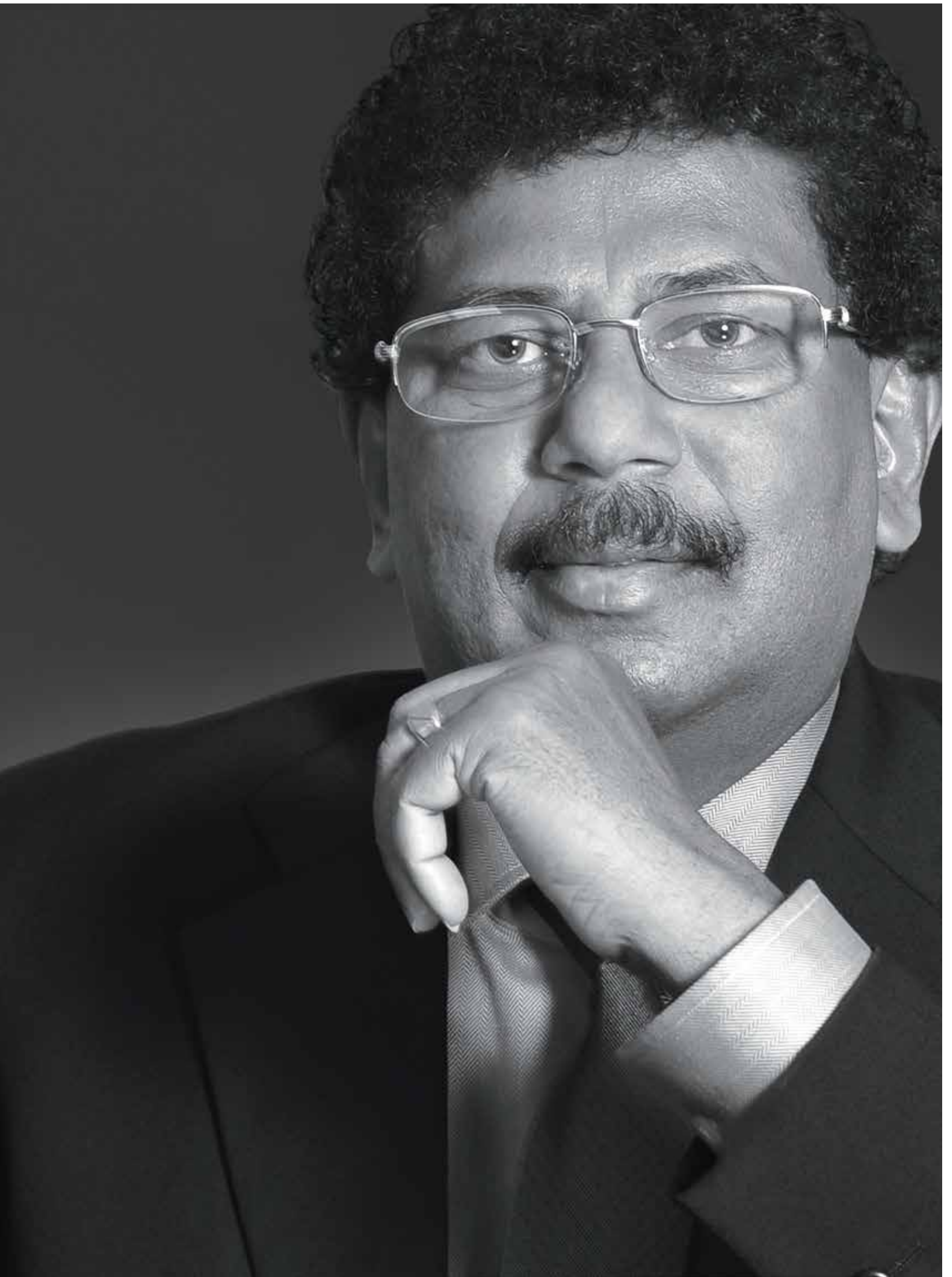
RS. 66 MILLION
INVESTMENT ON CSR

34,075 HOURS
OF STAFF TRAINING

RS. 511 MILLION
INVESTMENT ON GREEN FINANCING

**“WE WERE
DILIGENT IN
OUR EFFORTS TO POSITION
THE COMPANY AS A
**‘PEOPLE’ CENTRIC
ORGANISATION.**
**WE FULLY
UNDERSTAND
THAT IT IS
‘PEOPLE’
THAT POWERS OUR
OPERATIONS”****





CHAIRMAN'S MESSAGE

“
AS WE MOVED ON FROM BEING A SPECIALISED LEASING TO A FULLY-FLEDGED LICENSED FINANCE COMPANY FOLLOWED BY THE STRATEGIC MERGER WITH OUR FINANCE SUBSIDIARY AS OUR FORTE, WE WERE ABLE TO FURTHER DEMONSTRATE OUR ACCOUNTABILITY AND COMMITMENT TO REACHING OUT TO OPERATIONAL EXCELLENCE
”

DEAR STAKEHOLDER,

The year marked a new frontier for People's Leasing & Finance PLC. As we moved on from being a specialised leasing to a fully-fledged licensed finance company followed by the strategic merger with our finance subsidiary as our forte, we were able to further demonstrate our consistency and commitment to reaching out to operational excellence. Today, we remain as the largest non-bank finance institution in the country and at the helm of the leasing industry for the 12th consecutive year, supported by two international ratings on the credibility and finance astuteness. It is indeed my pleasure to take on this responsibility on behalf of the Board, of presenting the Annual Report along with Financial Statements for the financial year 2013/14.

BUSINESS MODEL & STRATEGIC ENDEAVOURS

In the year, our Company was well prepared and placed to face the challenging business environment and stay ahead of the down-swing uncertainties. In the year, we were diligent in our efforts to position the Company as a 'people' centric organisation. With the strength of our brand combined with the support extended by our Parent, People's Bank, and the hard work and commitment of a great team enabled us to foray deeper into the market and reach out to people across the country. Our strategic merger with our subsidiary, People's Finance reinforced our outreach and set us on a steadier footing to be a one-stop point to service and empower customers with a diverse product offer. This was further accentuated by our interwoven subsidiary network.

The modern systems which are in place played a key role in enabling speedier and effective transactions leading up to greater decentralisation at the branch level, in turn, bringing in efficiency to customer service and productivity improvements. Similarly, we extended the best training opportunities coupled with the best practices in employee relations to empower our team and unleash their true potential.

Going a step further in our efforts, we sought in the year to firm our commitment and build strong relationships with the communities in the areas we operate. Our community projects reaching to an investment of Rs. 66.02 million in the year under review pivoted towards infrastructure development that is closest to our core business - road amenities whilst we also concentrated on uplifting the lives of the people with fewer opportunities to climb the social ladder mainly in health and education sectors. Besides, we accepted our responsibility towards the well-being of our environment and though our operational impact is broadly indirect, we gave due precedence towards advocating measures that would lead up to a lesser carbon environment.

I take this opportunity to commend the team for their passion and volunteering their valuable time to see through PLC's commitments towards social responsibility.

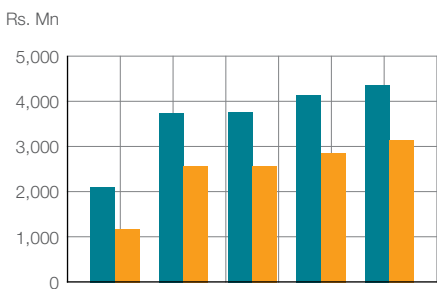


DISTRIBUTION OF VALUE ADDED

■ Employees	20.67%
■ Providers of capital	32.10%
■ Government	20.44%
■ Expansion and growth	26.79%

FINANCIAL RESULTS

In the year under review, notwithstanding the uncertainties that persisted in the industry, we were able to stand our ground and deliver a sound performance, sustaining the shareholder value. Our interest income grew by 13.27 percent to Rs. 19.53 billion and net profits reached Rs. 3.12 billion up by 9.61 percent as compared to the previous year results.



PROFIT BEFORE TAX VS PROFIT AFTER TAX

■ Profit before tax
■ Profit after tax

Our non-performing portfolio though reflecting an increase was maintained with stringent measures, within the targets and well above the industry average. Return on equity and assets were 16.79 percent and 4.15 percent respectively. Our cash flows were positive and reflected a strong liquidity position.

We sustained a healthy financial position as at the year end with assets well balanced with liabilities and equity. Total assets touched over Rs. 100 billion mark for the first time ever in the NBFIs sector and reached Rs. 113.78 billion as at 31st March 2014. We were able to successfully leverage on our financial dexterity to unfold strategic funding options at competitive rates including foreign currency borrowings which cushioned the financial position. The capital adequacy ratio of 19.12 percent was way above the prescribed norms by the regulator.

Given the strength of our financial results, this year, we continue to uphold our commitment to our valued shareholders; we propose to declare a final dividend of Rs. 0.50 per share.

CHAIRMAN'S MESSAGE

Rs. 3.1Bn
PROFIT FOR THE YEAR

Rs. 114Bn
TOTAL ASSETS

LOOKING BEYOND

We remain optimistic on the long-term industry prospects. As the leader in the industry, we have a strong edge to unlock the full potential of this evolving environment. But, we recognise that this is not a straightforward proposition and goals set therein will be complex and challenging. It is critically important that we remain single-minded on optimising the revenue potential of our operations through leveraging on the operational synergies; investing well on technology for scalability and productivity; and brand enhancements.

ACKNOWLEDGEMENTS

It is now over a year since I took upon my responsibilities as the Chairman of this esteemed organisation. During this short-spell, I had the opportunity to work closely with the key stakeholders and I am truly impressed by the organisation's culture and the drive towards the upper bar of excellence which have definitely underscored the PLC's journey, thus far.

My deepest gratitude to my colleagues at the Board for their diligence and support extended to me in my task of leading the PLC mission. My gratitude is also with People's Bank's Board for their support and guidance. My commendation to the Chief Executive Officer, Senior Management and the team for a well delivered strategy to reinforce the Company at the helm of the industry amidst a demanding landscape.

I take this opportunity to thank our regulators for their progressive initiatives for the industry, for their guidance and for inculcating the best practices of governance within the Company which is a definite cornerstone in the PLC's success story.

To all other stakeholders, thank you for your valuable patronage and trust you will continue to inspire us in our journey well into the new frontier.



Gamini S. Senarath
 Chairman
 People's Leasing & Finance PLC

19th May 2014
 Colombo

**“ONCE AGAIN,
WITH A CLEAR
FOCUS ,
WE MOVED AHEAD
IN **OUR STRATEGY**
TO OUTPERFORM
THE **BAR SET** FOR
OPERATIONAL
EXCELLENCE
& **BE THE**
‘PEOPLE’S CHOICE’ ”**





CEO'S REVIEW

“
WITHIN THIS NEW BUSINESS MODEL, WE DELIVERED A TOTAL SOLUTION SERVICE FOR OUR CUSTOMERS WHILE WE INCREASED THE DEPTH OF OUR OUTREACH TO 85 BRANCHES ACROSS THE ISLAND
 ”

Within a new paradigm, People's Leasing & Finance PLC (PLC) continued its strong momentum to fortify its financial prowess in the non-bank financial sector in Sri Lanka. Once again, with a clear focus, we moved ahead in our strategy to outperform the bar set for operational excellence and be the "people's choice". We built on our feats in truly being a diverse financial powerhouse with total solutions and a strong network of branches and synergistic subsidiaries. We kept a stronghold on our corporate principles that respect our diverse stakeholders, underscoring our mission for sustainable value creation. My review herein looks at the performance in the financial year 2013/14 and sets out how we intend to action our strategy to overcome the downside complexities and to explore the opportunities to gain market share meaningfully and reach out to balance the three pillars of sustainability – economic, social and environment.

INTEGRATED STRATEGY

Our strategy continued in the year to focus on the top-line growth with a strong sense of risk management to better the trade-off between risks and returns, thereby creating sustainable stakeholder value. We strived to excel and extend a quality service to our customers, offer diverse products, brace on the strength of our brand and leverage on our parent, People's Bank. We sought to strengthen our subsidiaries to better their contribution and focused on controlling the cost of funds to sustain our margins. We placed much emphasis on maintaining a sound financial position. Our strategy, however, was not confined only to enhancing the financial numbers; but we also gave precedence to accentuate employee engagement, support the communities in which we operate and advocate a lesser carbon footprint which in effect, have always been the forte underlining our corporate success.

POST MERGER

The year under review marked the first year in operation after the merger with our former subsidiary, People's Finance PLC (PF). Within this new business model, we delivered a total solution service for our customers while we increased the depth of our outreach to 85 branches across the island compared to 33 PLC branches and 26 PF branches prior to the merger. Our window offices in our parent network, People's Bank reached to 108 as at 31st March 2014, with one more window office at our subsidiary, People's Insurance Limited. Products which were offered earlier by PF such as deposits and Islamic finance are now offered to our valuable customers under the PLC brand. In this setting, we were able to grow our market share, reinforcing our positioning at helm for the 12th consecutive year in the leasing sector and firmly set the pace for the PLC Group to drive towards the next level of accomplishment.

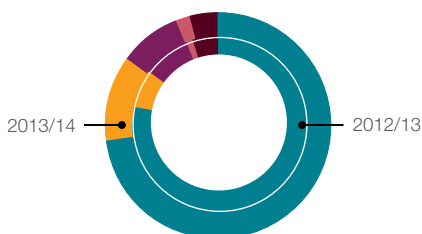
DIVERSITY THROUGH SUBSIDIARIES

We remained bullish on our subsidiary strategy to bring in greater synergies to the PLC Group. We sought in the year to guide the subsidiaries towards greater independence and take on their roles effectively to "best-fit" the PLC mission. We tactically supported our network to strengthen its governing structure and processes through innovation and customised systems, in turn, firming our position further apart from the intense competition within the non-bank financial sector.

Being the flagship subsidiary in our network, People's Insurance Limited secured its positioning at the number five slot in a highly competitive non-life insurance sector and succeeded to surpass the Rs. 100 million mark in underwriting profits, despite challenges. People's Insurance is undoubtedly making headway towards the next phase of growth, effectively gearing to the changing regulatory framework including transitioning to the proposed risk based capital framework and to list on the Colombo Stock Exchange prior to the mandatory period ending February 2016. The Company is currently looking for the possibility for a joint venture with a strategic foreign partner which will fortify its presence in the insurance sector of the country.

People's Leasing Fleet Management Limited, turning around its operations in the recent years, synchronised well into the PLC agenda. People's Leasing Fleet Management brought in sophistication to its fleet operations and strengthened its value addition in travel packages for domestic tourists, vehicle repair service centre and vehicle valuations which were useful for PLC as well as for claims management at People's Insurance.

A testament to PLC's aspirations to be the live-wire of social change, our microfinance arm played its part to uplift micro entrepreneurship and bring up the underprivileged masses on the



INTEREST INCOME

	2012/13	2013/14
Finance lease & hire-purchase	78%	73%
Loans and other advances	7%	12%
Interest on overdue rentals	9%	9%
Interest income from other financial assets	1%	2%
Profit from Islamic finance	5%	4%

CEO'S REVIEW

Rs. 48Bn

TOTAL GRANTING 2013/14

Rs. 41Bn

DEPOSIT BASE

“
IN THE YEAR, WE WERE METICULOUS IN OUR FINANCIAL PLANNING TO UPHOLD AN EFFECTIVE FUNDING STRATEGY - FOCUSING ON OUR MARGINS ON ONE HAND AND BALANCING OUR FUNDING OPTIONS
 ”

socio-economic ladder. People's Microfinance Limited firmly established ground amongst the grass-roots of the country and within just three years into operations, posted viable results and truly fostered our spirit for social responsibility.

Our ventures into property development further took root in the year under review. People's Leasing Property Development Limited completed two projects for our parent, People's Bank whilst 5 more are in the pipeline. With the patronage of Board of Investments, People's Leasing Havelock Properties Limited commenced the construction work of our proposed office complex in Colombo 5 which is expected to be completed in the next year.

Reinforcing our zeal for diversity, the Company is expecting to enter into a joint venture with the Urban Development Authority to invest in the leisure sector, seizing the opportunity existing in the North of the country for increased accommodation.

APPROACH TO FUNDING

In the year, we were meticulous in our financial planning to uphold an effective funding strategy - focusing on our margins on one hand and balancing our funding options to curtail maturity mismatches and the associated risks between assets and liabilities on the other, to support a strong financial position. We sought to broad-base our funding sources at cost effective rates to prop our margins. In effect, our strategic move to merge with our subsidiary enabled us to grow a deposit base, thereby, opening a new avenue to low cost funds. Given the strength of our brand, we were able to attract a strong flow of deposits, both time and savings which reached to Rs. 40,921.48 million, significantly supporting our growing operations.

Taking the cue from a more liberalised regime on foreign exchange controls, we were upbeat in the year to diversify into foreign funds to gratify our growing needs. We effectively leveraged on our financial dexterity recognised by two international rating agencies to build on relationships with foreign financial institutions. Our first stride was to obtain a short-term facility of USD 10 million from Emirates NBD Bank of UAE (Emirates NBD) and subsequently, we went into a long-term facility of USD 50 million with a tenure of two and half years. With this facility, we strategically settled the short-term USD 10 million facility to manage our gearing and the balance is expected to be utilised astutely to minimise the asset and liability mismatch as well as to fund our expansion plans. The Company prudently took measures in managing exchange rate risk associated with the foreign facility by utilising hedging options.

FINANCIAL PERFORMANCE

The year under review witnessed a more balanced macroeconomic territory, with a higher GDP growth. Monetary policy directions moving away from tight policies adopted in the preceding year eased interest rates and increased the levels of liquidity in the market; the exchange rate was less volatile and inflation was maintained at single-digit levels. In this backdrop, coupled with the merger and our perceptive management practices especially pertinent in balancing the industry dynamics, we posted a stable financial performance.

Our granting during the year stood at Rs. 47,635.50 million, posting an increase of 17.15 percent compared to the cumulative granting inclusive of our former subsidiary granting in the preceding year. Net interest income registered an increase of 16.37 percent to reach Rs. 8,267.65 million. We remained aggressive in our efforts in the year, to lower our cost of funds and sustain our margins. With the expanding operations and adding strength to the cadre in the post-merger scenario, our overheads increased by 17.58 percent which had a bearing on our profitability. Yet, cushioned by the top-line growth, profit after tax reached Rs. 3,123.75 million, corresponding to a 9.61 percent growth as against the preceding year. Return on equity creditably stood at 16.79 percent.

Financial discipline continued to take centre-stage in the reporting year. Making concerted efforts across the organisation to track and manage the portfolio performance supported to improve the quality and maintain a recovery ratio of over 94 percent whilst limiting the non-performing facilities from proliferating. The non-performing ratio of 2.18 percent reflecting an increase of 51 percentage points compared to the prior year is still well within acceptable risk tolerance limits and well below the industry average of 6.7 percent (Annual Report 2013, Central Bank of Sri Lanka).

CEO'S REVIEW

“
WE RETAINED THE HIGHEST RATING WITHIN THE NON-BANK FINANCE SECTOR WITH 'AA-(LKA)' BY FITCH RATINGS LANKA. WE ARE THE ONLY COMPANY WITHIN THE FINANCIAL ARENA TO RECEIVE TWO INTERNATIONAL RATINGS - (B+), A NOTCH BELOW THE SOVEREIGN FROM FITCH RATING INTERNATIONAL AND ('B+/B') ON PAR WITH THE SOVEREIGN BY STANDARD & POOR'S
”

Reinforcing our pragmatic approach to provisioning, we sought in the year, to dispose repossessed vehicles even at a disposal loss and thereby reverse the provisions set for these vehicles. We sustained a healthy financial position as at 31st March 2014, with a strong asset base and shareholders' funds. Our assets crossed the Rs. 100 billion mark for the first time in the history of non-bank financial institutions sector and with that we are well ahead of the players in the industry and even comparable with some of the players in the banking sector. This represented an increase of 16.77 percent compared to the position in the preceding year and exceeded the liabilities of Rs. 94,580.50 million. Complemented by our funding strategy, as discussed above, we were able to abridge the mismatches between the maturities of assets to liabilities.

Our capital base and solvency position were well maintained to substantially buffer our financial obligations, if required, as well as fund the Company's future growth aspirations. The capital adequacy ratio was stable at 19.12 percent which was above the prudent risk tolerance levels as well as the minimum ratio stipulated by our regulator, Central Bank of Sri Lanka.

In terms of consolidated results, the PLC Group posted a solid performance with gross income increasing by 16.16 percent compared to the preceding year to reach to Rs. 24,177.22 million. Net profits were Rs. 3,463.22 million and return on equity posted an increase of 3.88 percentage points to reach 18.22 percent. The net asset base was Rs. 19,767.81 million representing a growth of 8.30 percent while the return on assets touched 4.49 percent - demonstrating the stability of the Group's financial position.

AT THE PINNACLE

Through the years, we have worked hard and nurtured a culture of good governance and social responsibility to sustain our exponential growth and to be the front-runner in the non-bank financial sector. In this journey, we have been truly honoured to be recognised with some of the prestigious accolades for our business acumen and best practices both locally and internationally. We retained the highest rating within the non-bank finance sector with 'AA-(lka)' by Fitch Ratings Lanka. We are the only company within the financial arena to receive two international ratings - (B+), a notch below the Sovereign from Fitch Rating International and ('B+/B') on par with the Sovereign by Standard & Poor's.

We retained our title for the second consecutive year as the Gold winner in the non-bank financial sector category at the National Business Excellence Awards organised by the National Chamber of Commerce of Sri Lanka. We are also proud to be ranked amongst the top 25 listed companies by Business Today and to be acclaimed as one of Asia's promising brands by the World Consulting & Research Corporation and ibrands 360° Research Initiative. Much to our delight and validating our forte - 'choice of people' - Slim Nielsen People's Awards 2014 adjudged PLC as the "Financial Services Provider of the Year".

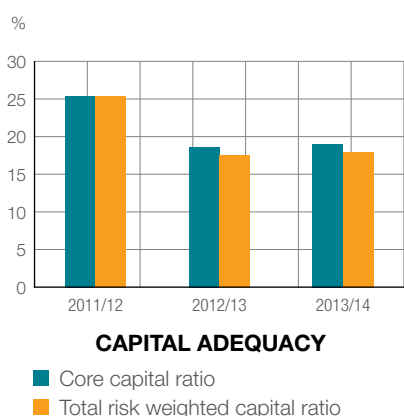
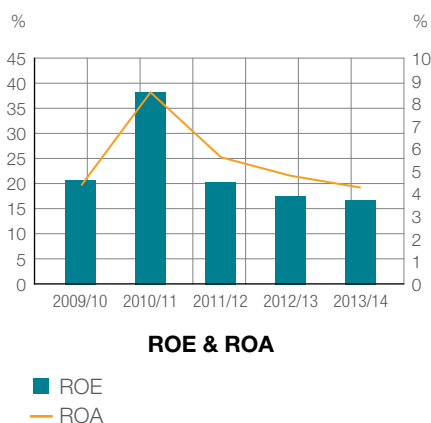
RECOGNITION FOR REPORTING

Following the Gold Awards presented for five consecutive years for our annual reporting standards in the leasing sector category by the Institute of Chartered Accountants of Sri Lanka, our Annual Report 2012/13 'Encompassing our Diversity' was acclaimed with a "Gold Award" for the first time in the competitive finance sector category. This aptly validated our commitment to accountability, transparency and quality of reporting. Adding further credit, our Annual Report 2012/13 was recognised with four awards by the League of American Communications Professionals at the 2013 Spotlight Awards including the Bronze Award for the Sustainability Report 2012/13.

Aside the consistent accreditation, our quest to better our reporting standards remains very much intact. This year, we seek to embrace the integrated approach; inter-linking our reporting on corporate strategy to performance in three perspectives of economic value creation, social and environment engagement whereby reaching out to a wider group of stakeholders.

ENGAGING EMPLOYEES

We truly believe in the merits of empowering employees who with their skills, dedication, vitality and professionalism remain the mainstay of our operations and many of the milestones we have achieved in our seventeen year corporate journey. Recognised as one of the "top 15 great workplaces" by Great Place to Work Institute, Sri Lanka in 2013, we seek to embody an enabling and performance work culture, without conceding to any form of social prejudice. Our engagement with employees at all levels brings out their talents, loyalty and drive performance. The precedence as always is given to nurture the existing internal cadre to be multifaceted and give due recognition, rewards and tactical skills training for top performers.



CEO'S REVIEW

The year witnessed greater commitment towards employee wellbeing and training. We revisited and strengthened our practices to ensure work-life balance, health and safety and wellness of our employees. Consequently, we effected a noteworthy increase in the remuneration package based on their performance, firmly setting us ahead of the industry benchmark.

We invested sensibly on structured training programmes with well-defined goals to "best-fit" our strategic roadmap. Our aim was to upgrade employee standards and to see tangible gains in terms of careers and deliver on performance aligned to the corporate strategy. Hence, we extended high quality training opportunities to our employees, both internally and externally with exposures to some of the best resource personalities in the country. In addition, we advocated our reimbursement programme for professional studies and encouraged staff to avail the benefits of this scheme. In the year under review, our training covered 1,497 employees for an investment of Rs. 20.33 million.

CSR APPROACH

Esposued by our corporate strategy, we engaged and built relationships with the communities we work with to create a better and sustainable environment. It is truly impressive to see the dedication of our CSR department together with the staff volunteers at the departmental and branch level and of the subsidiaries, to drive initiatives to enrich the lives of the communities through education, health and capacity building. Our environmental initiatives encompassed a spectrum of green solutions and measures including innovative systems and processes to waste management and programmes to protect biodiversity. This supported simply, yet significantly towards reducing our footprint on the environment. As noted above, our subsidiary, People's Microfinance Limited stands for our aspirations to reach to the grass-root masses especially women, the 'true bearers' of the burdens of the family unit. The work in the sphere of microfinance enables the communities to develop their livelihoods, build on capacity and market linkages.

MOVING AHEAD

As the number one in the industry, we are well-positioned to cross the hurdles and clasp on to opportunities underlying in an evolving financial sector. To this end, we will seek to brace on strengths – our brand, branch network, versatile and fully owned subsidiaries comprehensive product mix, customer service, parent support and above all on our business acumen. We will revisit and refine

our strategy to accelerate our drive for growth including the products - Islamic finance, direct vehicle imports from Japan and margin trading to avail the prospects of the emerging capital market whilst seeking to better our margins by managing funds cost effectively and strategically.

We are well aware of the pitfalls of pursuing and settling for short-term gains. Therefore, we will continue to focus and place due precedence on effective risk management including compliance management in our efforts to create value for our stakeholders. We will uphold the best practices in governance and further strengthen the process to reach out to the highest ideals.

In the ensuing year we expect to further strengthen our CSR initiatives by investing on the future through sound partnerships with our stakeholders which will create value and long term success for the society. By moving away from ad-hoc initiatives to a more structured action plan that encompasses five focus areas - environment, road discipline, education, support entrepreneurship and community infrastructure development, PLC will conduct our business with integrity and have a positive impact in the communities where we operate.

Definitely, as aspired by the country's Roadmap 2014 drawn up by the Central Bank of Sri Lanka, we concede to mergers and acquisitions proposed to rationalise and strengthen the industry framework. We are bullish on merging horizontally within the industry which however, will be subject to due diligence to best fit our corporate mission and our ethos. We are considering finance company valuations that are issued by the Central Bank to make the necessary moves to consolidate our business in the industry.

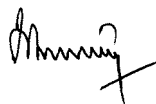
Whilst further strengthening our position in the domestic arena, our horizons are set globally, targeting East Asia where we see vast potential to grow our business in the medium to long term. We have already commenced the process to look for potential collaborations with financial institutions and conglomerates in Cambodia, Myanmar, Vietnam and Indonesia as well as in Bangladesh. Necessary feasibilities are being done including the legal framework for investments and collaborations in these markets. We firmly believe that we have reached a level of maturity in terms of our experience in the financial services domain together with our structure, governance, systems and processes including the adoption of International Financial Reporting Standards; this in turn will enable us to effectively take on the challenge of performing effectively in the international arena.

As we prepare for yet another year, PLC envisages to drive through our unwavering ambition; adding the salient features of sustainable development into the very fabric of our day to day business operations.

APPRECIATIONS

As I look back at the performance and goals we have achieved in the year 2013/14, I remember with gratitude the support extended by our stakeholders. I am grateful to our Chairman and the Board for their dedication and the farsighted leadership extended to carry out our corporate mission. My appreciation is extended to the Board of People's Bank for their guidance and support. This is my opportunity to pay tribute to my dynamic team at PLC and at the subsidiaries, for their outstanding work and dedication to accomplish a solid performance in the year and trust their continued support to take our Company ahead reaching out to a new horizon.


I wish to place on record my commendation and appreciation for the Central Bank of Sri Lanka, Securities & Exchange Commission of Sri Lanka and the Colombo Stock Exchange - for their guidance and for advocating progressive policies for a 'level-playing-field' to grow the industry responsibly. To our customers, business partners and all other stakeholders, thank you for your loyalty. We are confident and assure our commitment towards a sustainable strategy in taking the Company towards our vision to be truly legendary in the finance sector.



D.P. Kumarage

Chief Executive Officer/ General Manager
People's Leasing & Finance PLC

19th May 2014
Colombo




**THEY'RE ALWAYS
READY TO HELP WITH
ANY QUESTIONS I HAVE**

**THEY CONSTANTLY
INNOVATE TO KEEP UP
WITH CHANGING
TRENDS**

**THEY OFFER SO MANY
SOLUTIONS UNDER
ONE ROOF AND CAN BE
ACCESSED FROM ALL
OVER THE COUNTRY**

**I KNOW THAT I'M
WITH A TEAM THAT
HAS EXPERTISE IN
DELIVERING WHAT
I NEED**



**I PUT MY TRUST IN THEM
BECAUSE THEY'RE
STRONG AND POSSESS
INTERNATIONAL RATINGS**

**THE PRODUCTS THEY
OFFER ARE UNBELIEVABLE
AND SUITED FOR SO MANY
REQUIREMENTS**

**THEY ARE AN AWARD
WINNING COMPANY
THAT NEVER
COMPROMISE ON
QUALITY**

MANAGEMENT DISCUSSION & ANALYSIS

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THE MANAGEMENT DISCUSSION & ANALYSIS IS AN INTEGRAL PART OF THIS REPORT WHICH WILL PROVIDE AN OVERVIEW OF THE PREVIOUS YEAR'S OPERATIONS AND HOW THE COMPANY PROCEEDED, FURTHER IT WILL TOUCH ON THE UPCOMING YEARS, OUTLINING FUTURE GOALS AND APPROACHES TO NEW PROJECTS.



BEING
 THE MARKET LEADER
 IN THE
LEASING INDUSTRY
 HAS SET
 STANDARDS
 FOR THE INDUSTRY TO
Emulate

“
**CONCENTRATING AT A
 HOLISTIC LEVEL, THE
 COMPANY ATTEMPTED
 TO STRATEGISE AND
 ACTION BEYOND
 TECHNICAL AND
 FINANCIAL ASPECTS
 OF OPERATIONS
 – ENCOMPASSING
 CUSTOMER ORIENTATED
 VALUE PROPOSITIONS**
 ”

OVERVIEW

Complemented by the optimistic signals from the global economy, Sri Lanka witnessed a rebounding year, with relatively stable macroeconomic performance. It is in this landscape that People's Leasing & Finance PLC stepped into the financial year 2013/14 as a merged entity with its finance subsidiary and further reinforced its market leadership. Concentrating at a holistic level, the Company attempted to strategise and action beyond technical and financial aspects of operations – encompassing customer orientated value propositions; best practices in human resource management; ‘green’ and social responsibility initiatives; risk management, compliance and governance.

During the reporting year, the Company further consolidated the operations and posted sound results, notwithstanding the dynamics in the industry. The Company delivered commendable profits together with positive and strong cash flows; the financial position as at the year-end was robust and sound.

The ensuing sections hereunder the Management Discussion and Analysis present the Company's operations and financial performance in retrospect and prospects in the short to medium-term, featured on a triple-bottom-line basis. These sections are interrelated to the financial statements and the accompanying notes set out on pages 228 to 308.

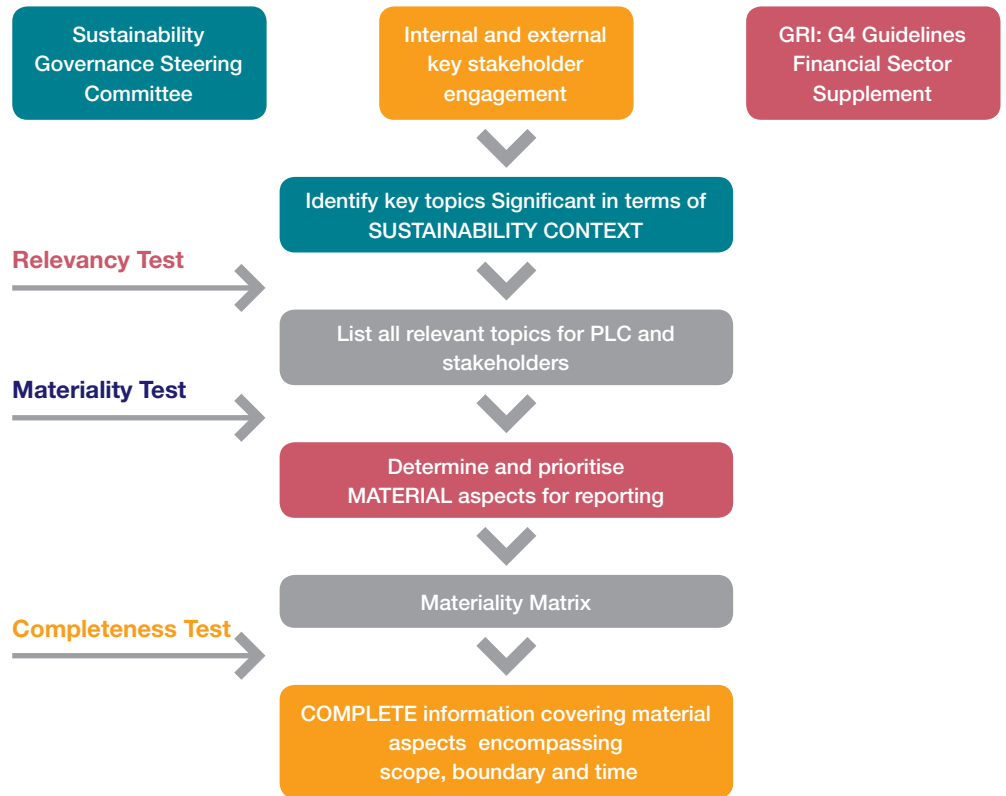
MATERIALITY ASSESSMENT

PROCESS FOR DEFINING REPORT CONTENT AND ASPECT BOUNDARIES

As a leading listed company in the non-bank financial sector with a vast outreach, stakeholder expectations from PLC are varied and dynamic. The Company is called upon to take up significant responsibilities to address these expectations inter alia, profitability and returns to the shareholder; wellbeing and career development for the employee; best in service and products for the customer; community development for the host communities and initiatives to address climate change and global warming. Though a great challenge, PLC is committed to be 'hands-on' and develop solid relationships with its stakeholders to enable better understanding of their perspectives and integrate the priorities into the strategic decision-making process.

DETERMINING MATERIALITY

The Company follows a simple process of materiality assessment as depicted below to identify material issues that warrant to be addressed through the corporate strategy and the related action plans to meet key stakeholder expectations.



IDENTIFICATION OF MATERIAL ASPECTS AND BOUNDARY

No.	Aspect	Significance in terms of Sustainability Context	Boundary	Materiality	
				To PLC	To Stakeholder
Economic					
1	Economic performance	High	PLC	High	High
2	Market presence	High	PLC	High	High
3	Indirect economic impacts	Moderate	Customer	Moderate	High
4	Procurement practices	Low			
Environmental					
5	Materials	Low			
6	Energy	Moderate	PLC	High	Moderate
7	Water	Low			
8	Biodiversity	Moderate	Community	Moderate	High
9	Emissions	Moderate	Community	High	Moderate
10	Effluents and waste	Moderate	Community	Low	High
11	Products and services	High	Customer	High	High
12	Compliance	Low			
13	Transport	Moderate	PLC	High	Moderate
14	Overall	High	PLC	High	Low
15	Supplier environment assessment	Moderate	PLC	High	Low
16	Environment grievance mechanism	Low			

MATERIALITY ASSESSMENT

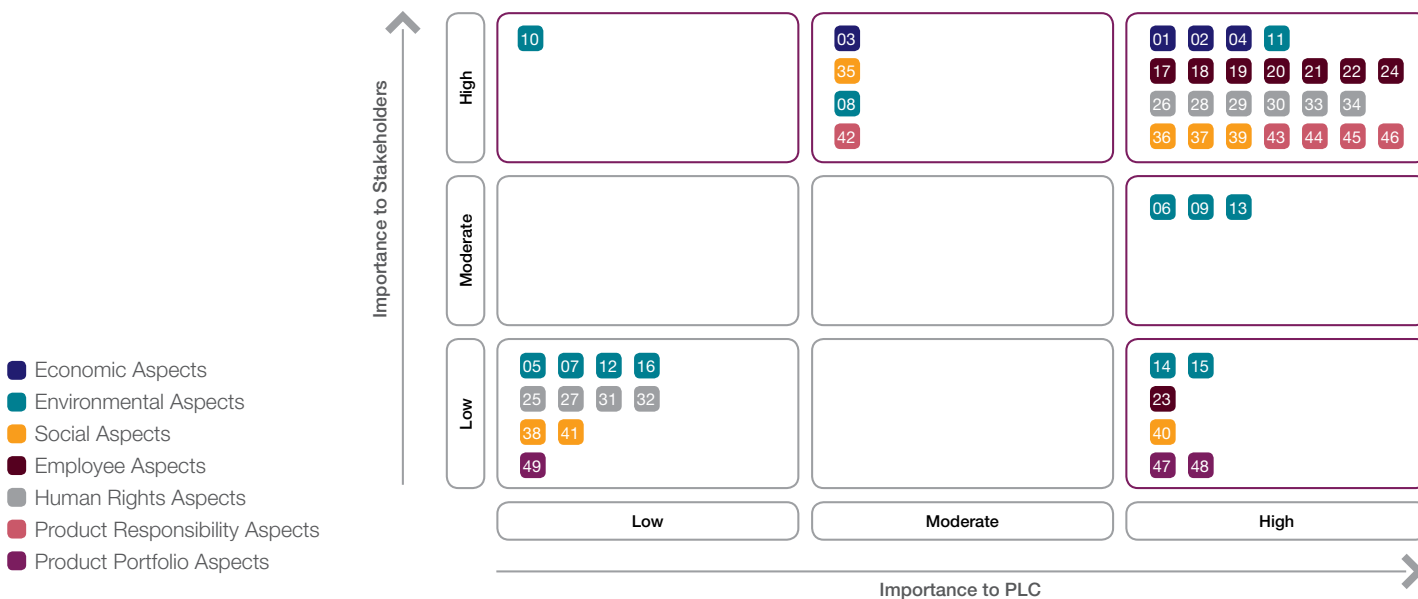
No.	Aspect	Significance in terms of Sustainability Context	Boundary	Materiality	
				To PLC	To Stakeholder
Social: Labor Practices and Decent Work					
17	Employment	High	PLC	High	High
18	Labor/management relations	High	PLC	High	High
19	Occupational health and safety	High	PLC	High	High
20	Training and education	High	PLC	High	High
21	Diversity and equal opportunity	High	PLC	High	High
22	Equal remuneration for women and men	High	PLC	High	High
23	Supplier assessment for labour practices	High	Supplier	High	Low
24	Labour practices grievance mechanisms	High	Employee	High	High
Social: Human Rights					
25	Investment and procurement practices	Low			
26	Non-discrimination	High	PLC	High	High
27	Freedom of association and collective bargaining	Low			
28	Child labor	High	PLC	High	High
29	Forced and compulsory labor	High	PLC	High	High
30	Security practices	High	PLC	High	High
31	Indigenous rights	Low			
32	Assessments	Low			
33	Supplier human rights assessment	High	PLC	High	High
34	Human rights grievance mechanisms	High	PLC	High	High
Social: Society					
35	Local communities	Moderate	Community	Moderate	High
36	Anti - corruption	High	PLC	High	High
37	Public policy	High	PLC	High	High
38	Anti-competitive behavior	Low			
39	Compliance	High	PLC	High	High
40	Supplier assessment for impact on society	Moderate	Supplier	High	Low
41	Grievance mechanism for impact on society	Low			
Social: Product Responsibility					
42	Customer health and safety	Moderate	Customer	Moderate	High
43	Product and service labeling	High	PLC	High	High
44	Marketing communications	High	PLC	High	High
45	Customer privacy	High	PLC	High	High
46	Compliance	High	PLC	High	High
Social: Product Portfolio					
47	Product Portfolio	High	PLC	High	Low
48	Audit	High	PLC	High	Low
49	Active Ownership	Low			

MATERIALITY ASSESSMENT

IDENTIFIED MATERIAL ASPECTS AND BOUNDARY

MATERIALITY MATRIX

Material issues that have a high importance to PLC and stakeholders were organised in a materiality matrix are demarcated as follows and covered in this report.



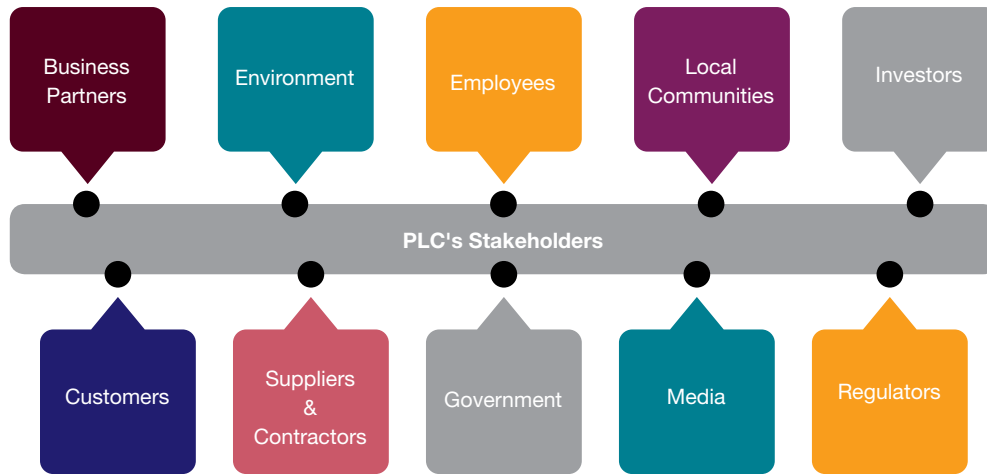
Aspect Category	Aspects Material to PLC	Aspects Not Material to PLC
Economic Aspects	1. Economic performance 2. Market presence 3. Indirect economic impacts 4. Procurement practices	
Environmental Aspects	6. Energy 8. Bio diversity 9. Emissions 10. Effluents and waste 11. Products and services 13. Transport 14. Overall 15. Supplier environment assessment	5. Materials 7. Water 12. Compliance 16. Environmental grievance mechanism
Social Aspects	35. Local communities 36. Anti – corruption 37. Public policy 39. Compliance 40. Supplier assessment for impact on society	38. Anti-competitive behaviour Compliance 41. Grievance mechanism for impact on society
Employee Aspects	17. Employment 18. Labor/management relations 19. Occupational health and safety 20. Training and education 21. Diversity and equal opportunity 22. Equal remuneration 23. Supplier assessment for labour practices 24. Labour practices grievance mechanisms	
Human Rights Aspects	26. Non-discrimination 28. Child labor 29. Forced and compulsory labor 30. Security practices 33. Supplier human rights assessment 34. Human rights grievance mechanisms	25. Investment and procurement practices 27. Freedom of association and collective bargaining 31. Indigenous rights 32. Assessments
Product Responsibility Aspects	43. Product and service labeling 42. Customer health and safety 44. Marketing communications 45. Customer privacy 46. Compliance	
Product Portfolio Aspects	47. Product Portfolio 48. Audit	49. Active Ownership

STAKEHOLDER ENGAGEMENT

KEY STAKEHOLDER ENGAGEMENT

Stakeholder Group	Engagement	Frequency of Engagement	Areas/Concerns	PLC's Response
Customers	<ul style="list-style-type: none"> ◆ Feedback forms ◆ Direct dialogue ◆ Site visits ◆ Surveys ◆ Call centre ◆ Correspondence ◆ SMS alerts ◆ Official website 	<ul style="list-style-type: none"> ◆ Periodically ◆ Regularly ◆ Periodically ◆ Annually ◆ 24 hours ◆ Regularly ◆ Regularly ◆ Regularly ◆ Anytime 	<ul style="list-style-type: none"> ◆ Demand for customised solutions ◆ Access to service ◆ Speedy transactions ◆ Product & service information ◆ Good and quality customer service ◆ Inclusive finance 	<ul style="list-style-type: none"> ◆ Document management system ◆ Use of palm tops ◆ Providing financial literacy ◆ Direct vehicle importation ◆ Attractive salary revision ◆ Performance based culture
Shareholder	<ul style="list-style-type: none"> ◆ Annual Report ◆ Annual general meeting ◆ Extraordinary general meeting ◆ Interim financial statements ◆ Disclosures & announcements on CSE ◆ Official website ◆ Correspondence 	<ul style="list-style-type: none"> ◆ Annually ◆ Annually ◆ As and when required ◆ Quarterly ◆ Periodically ◆ Continuously ◆ As and when required 	<ul style="list-style-type: none"> ◆ Financial results ◆ Return on equity ◆ Strategy and continuity ◆ Good governance ◆ Social responsibility 	<ul style="list-style-type: none"> ◆ Structured strategy development ◆ Reporting initiatives ◆ Technology for efficiency ◆ Management expertise ◆ Awards & recognition ◆ Stable ratings ◆ Good governance and risk management practices ◆ Sustainability initiatives
Employee	<ul style="list-style-type: none"> ◆ Senior manager and regional meetings ◆ Intranet ◆ Memorandum ◆ Circular ◆ Newsletter ◆ Training ◆ Get-together 	<ul style="list-style-type: none"> ◆ Periodically ◆ Continuous ◆ As and when required ◆ As and when required ◆ Quarterly ◆ Periodically ◆ Annually 	<ul style="list-style-type: none"> ◆ Fair rewards ◆ Due recognition ◆ Employee wellbeing ◆ Work-life balance ◆ Career development ◆ Training 	<ul style="list-style-type: none"> ◆ Attractive salary revision ◆ Compliance with labour laws ◆ Due rewards ◆ Promotions & mentoring ◆ Health & safety initiatives ◆ Comprehensive welfare ◆ Succession planning ◆ Structured performance evaluation ◆ Training opportunities
Society	<ul style="list-style-type: none"> ◆ Discussions with local governments ◆ Discussions with other organizations ◆ Discussions with religious and opinion leaders ◆ Community recruitments ◆ Employee volunteerism 	<ul style="list-style-type: none"> ◆ As and when required ◆ As and when required ◆ As and when required ◆ As and when required ◆ As and when required 	<ul style="list-style-type: none"> ◆ Social inclusion ◆ Need to build financial literacy ◆ Local employment ◆ Development of community infrastructure ◆ Better education and health care ◆ Funding for charity projects 	<ul style="list-style-type: none"> ◆ SME financing ◆ Supplier linkages ◆ Capacity building ◆ Awareness on financial literacy ◆ Funding unmet infrastructure needs ◆ Scholarships, other education and health care needs ◆ Strategic CSR, contributions ◆ Employee volunteerism
Environment	<ul style="list-style-type: none"> ◆ Employee volunteerism ◆ Discussions with regulatory bodies ◆ Discussions with local governments ◆ Discussions with other institutions 	<ul style="list-style-type: none"> ◆ As and when required ◆ As and when required ◆ As and when required ◆ As and when required 	<ul style="list-style-type: none"> ◆ Energy ◆ Emissions ◆ Climate change & global warming ◆ Biodiversity 	<ul style="list-style-type: none"> ◆ Energy conservation efforts ◆ Green training ◆ Credit evaluation based on environmental factors ◆ Advocating best environment practices among suppliers ◆ Bio diversity initiatives

STAKEHOLDER ENGAGEMENT



IDENTIFICATION AND SELECTION OF STAKEHOLDERS

If a person/organisation is affected or expected to be significantly affected, directly or indirectly, due to the activities of PLC or due to their engagement with PLC, that person/organisation is identified as a stakeholder. Identified stakeholders are categorised and prioritised according to their level of influence on the Company, representation, dependency, proximity and nature of responsibility. Maintaining constructive dialogue with our stakeholders helps PLC to understand their expectations and identify emerging issues and opportunities for creating new products and services to improve the Company performance.

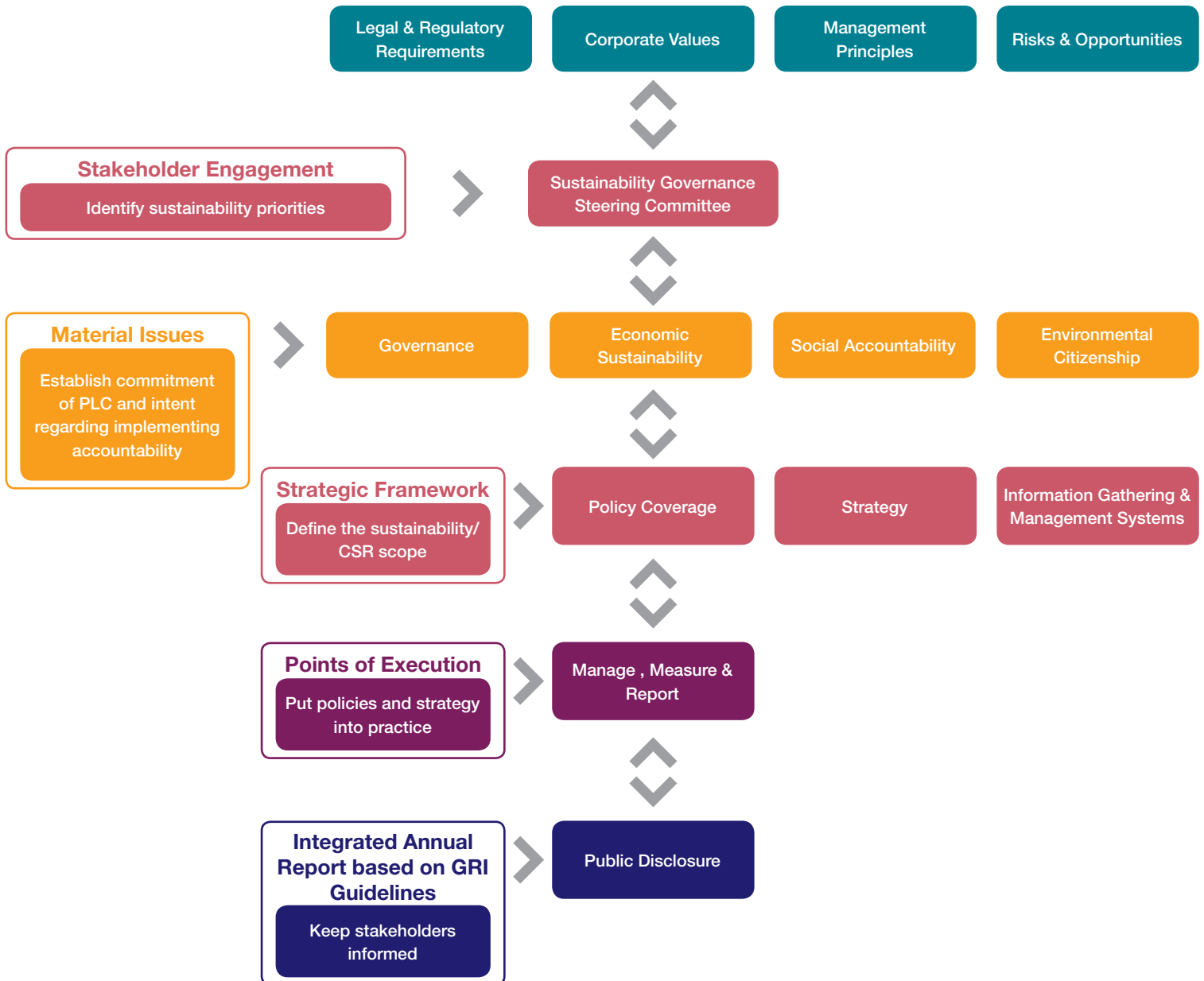
TOWARDS SUSTAINABILITY

Sustainability Philosophy
 Sustainability issues should be integrated to business processes and managed same as company operations.

Sustainability Mission
 Excel in sustainable business while advancing economic and social conditions of the community in which we operate.

SUSTAINABILITY POLICY		
<p>At PLC we pledge towards building a sustainable framework that will meet the needs of the present without compromising the future; where growth is holistic and will permeate positively to our stakeholders; where sustainable development will be a two way process built on a win-win platform, and where we unequivocally continue to create an environment that will develop, sustain and spur sustained growth among all stakeholders.</p>		
<p>Governance & Stakeholder Engagement</p> <ul style="list-style-type: none"> ◆ Comply with relevant standards, laws and regulations. ◆ Identify and engage stakeholders in social and environmental issues. ◆ Give precedences to SMEs, the disadvantaged & rural communities. ◆ Disclose in reporting, in line with globally recognised GRI:G4 Guidelines. 	<p>Mitigate Adverse Impacts from Operations</p> <ul style="list-style-type: none"> ◆ Manage social and environmental risks and opportunities. ◆ Mitigate adverse impacts on people, their rights, livelihoods, culture and environment. ◆ Improve environmental and social performance through a participatory and evaluation process. 	<p>Support Environment, Economic and Social Development</p> <ul style="list-style-type: none"> ◆ Undertake social and environmental investments. ◆ Build and transfer infrastructure to support the needy communities. ◆ Enhance capacities of national partners through private public partnerships. ◆ Foster economic opportunities through promotion of entrepreneurship.

STAKEHOLDER ENGAGEMENT



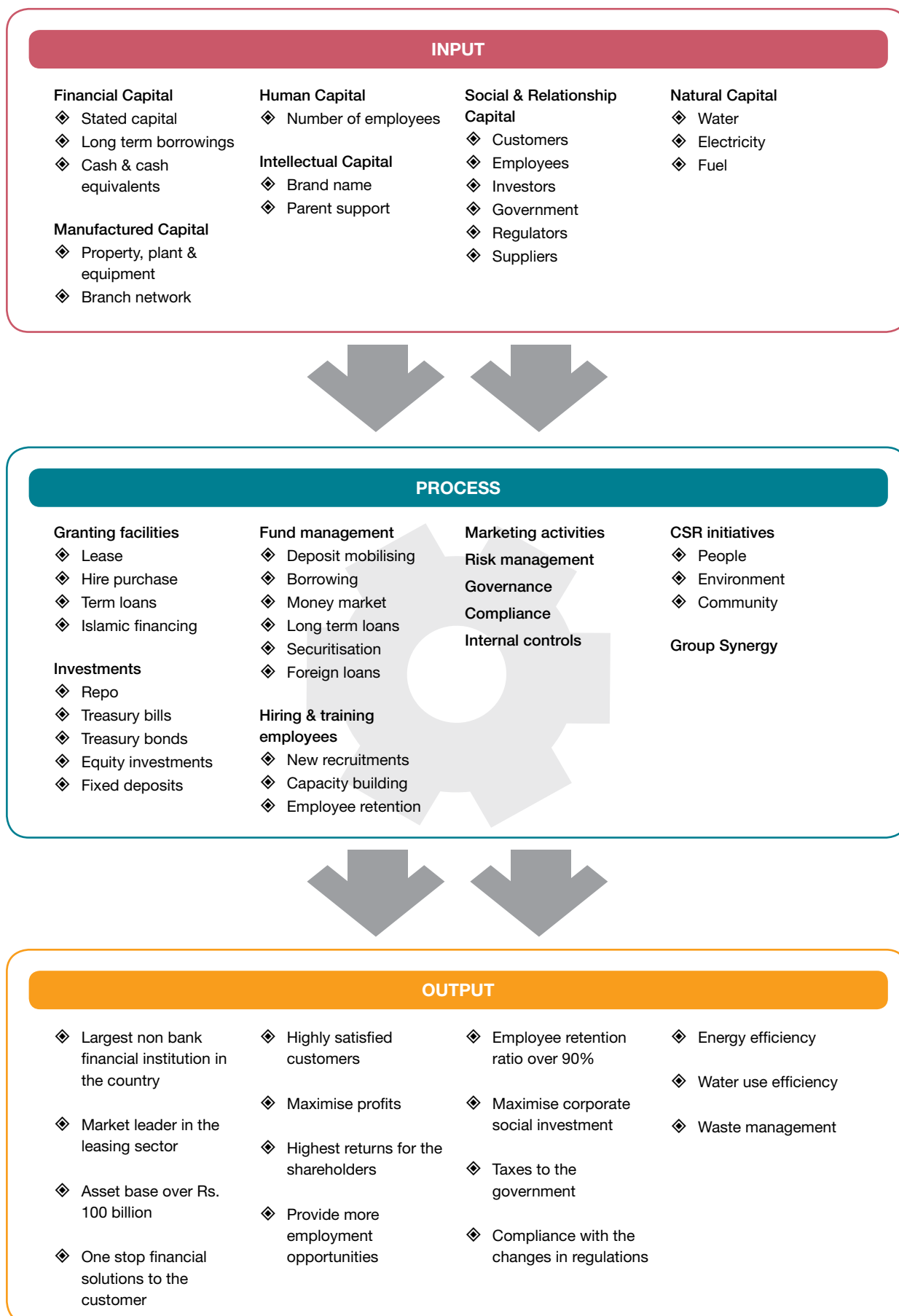
PLC is steadfast in its belief that value creation has to be approached on a holistic level to ensure long-term sustenance of the organisation. The '17-year' corporate journey which has weathered many challenges and met significant milestones to be at the helm of the industry is underscored by strong business acumen intrinsically linked to ethics and social responsibility.

The Company's business model has always strived to reach out to the ideals advocated by the 'Three-P' sustainability model that balances Profit with People and Planet – reaching out to economic value whilst minimising the corporate footprint on the environment and contributing to society. This is essentially the success of PLC in earning the support of the stakeholders and leading the operations well in to the future.

The Sustainability Policy sets out the Company's commitment towards being a responsible organisation following a triple bottom line approach. The Policy is three-dimensional focusing on governance and stakeholder engagement; mitigation and management of all adverse impacts arising from operations and support economic, environment and social development of neighbourhood communities. The Sustainability Policy clearly sets the framework for the corporate strategy to address priority areas which has been identified in the materiality analysis encompassing economic value creation including information technology, human capital management, environment and social development.

BUSINESS ENVIRONMENT

OUR BUSINESS MODEL



BUSINESS ENVIRONMENT

In today's fast paced business environment, corporates across the Board are presented with a myriad of opportunities combined with exposure to varied risks and uncertainties. The management at PLC is well aware of the importance and is proactive in exploring and seizing on the opportunities whilst keeping a strong hold on controls and checks to cap the risks that could impact the Company's operations from performing optimally. Discussed below are the opportunities and principal risks and uncertainties that stand as the backdrop to the decision making process in the present context.

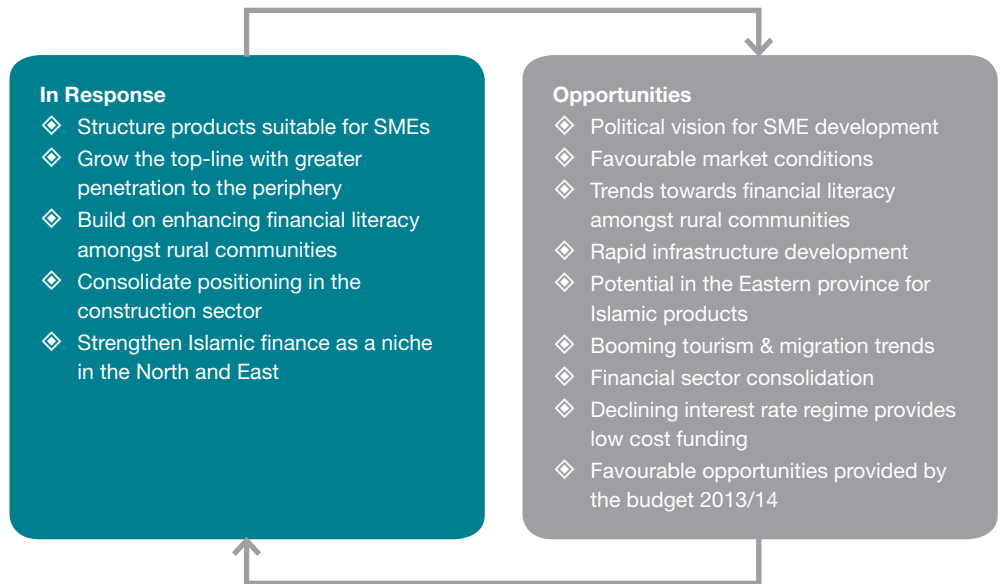
OPPORTUNITIES POLITICO-SOCIO-ECONOMIC LANDSCAPE

In the post conflict years, Sri Lanka is fast emerging towards the upper middle income status with per capita income expected to surpass USD 4,000 by 2015. The politico-socio-economic landscape complemented by relatively stable macroeconomic policies and fast developing infrastructure have set the pace for businesses to grow and prosper. Directed by the political ideology, this growth is trickling down to the rural communities - bringing in the new age thinking and greater tendencies to adopt urban values and lifestyle. This backdrop has paved the way for greater prospects for small and medium as well as micro entrepreneurship.

In these settings, the financial sector is expected to play a pivotal role in financing the expansions of the evolving businesses. PLC supported by People's Bank and complemented by its diversified product range and vast outreach covering the periphery, is well positioned to avail these opportunities present in the business environment.

STATUTORY & REGULATORY FRAMEWORK

The business landscape is presently witnessing an intense pace of regulatory change promulgating best practices and bringing in greater discipline to the business arena. This is more pronounced today in the financial sector, even more so, within the non-bank financial sector. PLC as a responsible corporate striving to adopt the ideals in governance is attuned to embrace the changes and the opportunities present therein as is the case with the latest developments advocating mergers and acquisitions between the players in the industry.



- In Response**
- ◆ Structure products suitable for SMEs
 - ◆ Grow the top-line with greater penetration to the periphery
 - ◆ Build on enhancing financial literacy amongst rural communities
 - ◆ Consolidate positioning in the construction sector
 - ◆ Strengthen Islamic finance as a niche in the North and East

- Opportunities**
- ◆ Political vision for SME development
 - ◆ Favourable market conditions
 - ◆ Trends towards financial literacy amongst rural communities
 - ◆ Rapid infrastructure development
 - ◆ Potential in the Eastern province for Islamic products
 - ◆ Booming tourism & migration trends
 - ◆ Financial sector consolidation
 - ◆ Declining interest rate regime provides low cost funding
 - ◆ Favourable opportunities provided by the budget 2013/14

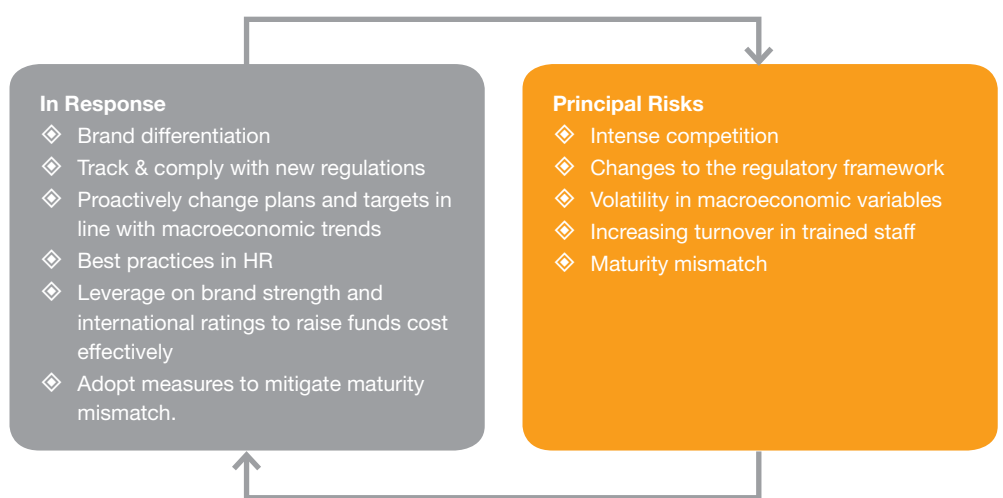
TECHNOLOGY

Technology has set a new pace in the business world enabling simplified, seamless and speedy transactions which has created a distinct impact on operational and financial performance of most corporates today. The role of technology is definite in the financial arena, essentially facilitating speedy and efficient financial solutions much needed to foster the growing businesses. Taking this cue, the Company has already adopted and invested well on the most appropriate technology to enhance its daily operations. The Company recognises and is well focused in keeping abreast with fast pace changes in technology to bring greater efficiency and productivity improvements to operations as well to improve electronic waste management and energy conservation.

SOCIAL RESPONSIBILITY

There is an increasing trend and acceptability of organisations that combine commercial viability with social responsibility. The organisations that make an effort towards growing its core operations whilst being concerned and actively engaged in addressing other stakeholder needs, issues and concerns, are also recognised with accolades and ratings that add great value to the brand. PLC within 17 years stands testament to this, whilst making every effort to gain such opportunities to add value to the impact of its business operations.

PRINCIPAL RISKS AND UNCERTAINTIES



- In Response**
- ◆ Brand differentiation
 - ◆ Track & comply with new regulations
 - ◆ Proactively change plans and targets in line with macroeconomic trends
 - ◆ Best practices in HR
 - ◆ Leverage on brand strength and international ratings to raise funds cost effectively
 - ◆ Adopt measures to mitigate maturity mismatch.

- Principal Risks**
- ◆ Intense competition
 - ◆ Changes to the regulatory framework
 - ◆ Volatility in macroeconomic variables
 - ◆ Increasing turnover in trained staff
 - ◆ Maturity mismatch

INTENSE COMPETITION

Competition within the industry, overcrowded with banking and non-banking institutions seeking to offer similar products, poses a significant challenge to the Company's operations and margins. PLC's strategy in this respect, will aim to differentiate its brand and the business proposition to set apart from other players in the industry. The Company has introduced palm top collections, VISA enabled ATM cards and direct vehicle importation to customers.

BUSINESS ENVIRONMENT

Therefore, bracing on core competencies; strengthening parent and Group synergies, fortifying the business principles including corporate social responsibility and good governance, and positioning the Company through well planned marketing strategies will support to sustain the market share and leadership in the industry.

MACROECONOMIC VARIABLES

The Company, as is the case across the industry is susceptible to the changes in the macro environment mainly exposed to the volatilities in interest rates, liquidity issues, exchange rates and the duty structure of vehicles which directly impact the core product offer – leasing and hire purchase.

Given the policy directives, interest rates in the recent years have been fluctuating with significant implications on planned interest income and expenses as well as on the capital base of the Company. Similarly, the volatility of exchange rates witnessed lately with the free fall of the rupee due to less intervention in the market has brought in risks to the operations in terms of vehicle imports, foreign exchange and foreign borrowings. The revisions in the duty structure pressured the demand for the core product and thereby, the operational performance and profitability.

Therefore, addressing the risks pertaining to the dynamics of the macro environment is crucial. To this end, the management seeks to be current and proactively respond with the necessary revisions to rates, plans and targets to ensure compatibility to the changing scenarios and thereby sustaining margins and the quality of the portfolio. This is further complemented by adequate risk management practices advocated through the risk department and the Integrated Risk Management Committee to maintain these risks within prudent levels.

FUNDING RISKS

The Company is susceptible to maturity mismatches in assets and liabilities arising due to the lack of long-term funds to finance long-term lending. This risk is well identified by PLC; a clear strategy is in place to bring in the essential balance between maturities of assets to liabilities to sustain profitability margins and strengthen the financial position. In line with this, PLC has been able to explore and broad base its funding sources effectively both locally and internationally by leveraging on the brand strength and international

ratings that affirm the Company's stability. The treasury functions have been strengthened which together with the involvement of the Asset and Liability Committee have led to effective management of this funding risk. The Company has also taken initiatives to manage the exchange rate risk associated with foreign funding sources by utilizing hedging options.

CONSTANT CHANGES TO REGULATIONS

The Company as a listed finance institution has to abide by the regulatory and statutory requirements set by the Central Bank of Sri Lanka and other relevant regulatory bodies. A constantly changing regulatory framework could bring in uncertainties to operations – expansions, rates, and top-line and bottom-line results as well as future plans. Thus, PLC seeks to manage the impact through consistently tracking, formulating or revising action plans in response to the changes within the regulatory framework. The dedicated compliance officer together with the risk department and the Integrated Risk Management Committee plays a crucial role in this respect.

INCREASING TURNOVER IN TRAINED STAFF

Given the intense competition, high turnover of trained staff within the industry is a major risk to PLC. The Company's employees are constantly targeted by other players given their expertise and extensive training. Thus, ensuring a favourable working environment with a well-balanced approach to work-life and performance based evaluations whilst extending the best opportunities for training assume a greater significance for staff retention - underscoring long-term sustainability of the Company.

SWOT ANALYSIS



BUSINESS ENVIRONMENT

The table below sets out the strategy and key actions taken in the financial year 2013/14 in response to the key strengths, weaknesses, opportunities and threats (SWOT) impacting the Company's operations.

SWOT/Strategy	Salient Actions & Highlights - FY 2013/14
Strengths	
<i>Parent Support</i>	
Optimise parent synergies on brand support and cost effective distribution channel.	<ul style="list-style-type: none"> ◆ Greater collaboration with People's Bank on brand enhancement campaigns. ◆ Carried out window operations within 108 People's Bank branches to leverage on expanding the outreach cost effectively. ◆ Leveraged on the People's Bank ATM coverage to grow the Company's VISA debit card operations.
<i>Strong Brand & Reputation</i>	
Differentiate and position the brand to strengthen the value proposition – "People's Brand".	<ul style="list-style-type: none"> ◆ Firmed the brand positioning as the largest within the non-bank sector. ◆ Awarded for being the most popular financial institution with the People's Award for the second consecutive year at the SLIM-Nielsen People's Awards. ◆ Recognised as one of the Asia's most promising brands by ibrand 360°.
<i>Corporate Culture</i>	
Build on corporate stability and to bring out the performance based culture underscored by business ethics and Corporate Social Responsibility (CSR).	<ul style="list-style-type: none"> ◆ Strengthened the governance and adopted the updated Corporate Governance Code jointly issued by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka. ◆ Recognised branches and marketers for outstanding performance – operational and volunteerism for CSR activities at the 14th PLC Premier Awards. ◆ Increased the integration of CSR activities including community development initiatives and efforts to reduce the corporate's carbon footprint into the operations.
<i>Market Leadership</i>	
Sustain and leverage on the market leadership.	<ul style="list-style-type: none"> ◆ Sustained the number one position within the leasing sector for the 12th consecutive year. ◆ Positioned PLC as the number one in the non-bank financial institutions sector. ◆ Sustained two international ratings on the strength of the Company and leveraged to raise competitive funding in the domestic and international financial markets.
<i>Skilled & Dynamic Workforce</i>	
Consolidate on the best practices in HR to attract the top talent to PLC and retain trained staff and enhance team spirit and employee productivity.	<ul style="list-style-type: none"> ◆ Attractive revision in the compensation package of employees. ◆ Extended greater training opportunities based on a structured training needs analysis with a 41 percent increase in investment totalling to Rs. 20.33 million. ◆ Continued with performance based appraisals linking to more attractive incentives including foreign travel and domestic holiday packages. ◆ Strengthened Welfare Society activities to bring greater team spirit.
<i>Island-wide Distribution Network</i>	
Consolidate the distribution network with the merged entity and allocate resources to bring in greater efficiency through streamlined processes.	<ul style="list-style-type: none"> ◆ Distribution channel increased to 85 branches post amalgamation with its subsidiary PF and window operations reached 109. ◆ Access to PLC VISA debit card through People's Bank ATM network island-wide. ◆ Deployed and invested on the latest technology to strengthen branch processes.
<i>Product Portfolio</i>	
Consolidated the diversified product portfolio to be a one-stop financial service provider and tailor the offer to better address customer needs.	<ul style="list-style-type: none"> ◆ The finance company status and the amalgamation with PF led to greater diversification of the product portfolio. ◆ Deposit products successfully penetrated the market.
<i>Group Synergies</i>	
Leverage and optimise on Group synergies.	<ul style="list-style-type: none"> ◆ Collaborated effectively with and between the subsidiaries to cross-sell and product bundle to offer value addition to the customer. ◆ Reinforced the support extended to the subsidiaries through shared functions in administration, IT, Audit and HR as well through brand support.
<i>Expertise in SMEs & Informal Sector</i>	
Reinforce the niche of servicing the SMEs and the informal sector to bolster market share.	<ul style="list-style-type: none"> ◆ Greater focus on strengthening the 'hands-on' management style to nurture the SME sector and ensure portfolio quality. ◆ Carried out strategic level awareness building programmes amongst the SMEs and the informal sector to inculcate the habit of savings and to create awareness on the benefits of resorting to formal financing solutions.

BUSINESS ENVIRONMENT

SWOT/Strategy	Salient Actions & Highlights - FY 2013/14
Flat Management Structure	
Delegate authority to the branch level for effective and speedy daily operations.	<ul style="list-style-type: none"> ◆ Established the branch-level credit committee to enhance the operational decision making process and better the risk management to ensure quality of the portfolio. ◆ Leveraged on technology especially the document management system to simplify processes for speedy transactions and better communication through the intranet.
Weaknesses	
Maturity Mismatches Between Assets and Liabilities	
Diversify funding sources to reduce the maturity mismatches of assets to liabilities.	<ul style="list-style-type: none"> ◆ Ventured into foreign markets to benefit from the recent liberalisation of exchange controls and raised a short-term facility and a syndicated long-term facility. ◆ Diversified funding through the retail market operations in deposits.
Dependency on Core Products	
Strengthen the operations and enhance returns of new products to reduce the dependency on core operations - leasing & hire purchase.	<ul style="list-style-type: none"> ◆ Encouraging the growth of the loan portfolio. ◆ Streamlined the systems and processes to revitalise the margin trading operations. ◆ Obtained license and expanded the foreign currency operations. ◆ Automated Islamic finance functions with greater consolidation within the dedicated branches. ◆ Commenced fully-fledged operations to direct import vehicles from Japan.
Opportunities	
Favourable Market Conditions	
Position the operations to best fit and maximise the opportunities present in the emerging economy.	<ul style="list-style-type: none"> ◆ Focused on the top-line growth with greater penetration to untapped regions and sought to avail the opportunities in the growing SME sector.
Financial Literacy Among Rural Communities	
Consolidate and open new customer touch points in strategic and unexplored regions in the periphery and offer appropriate products for the sector to avail the emerging trends within the rural communities.	<ul style="list-style-type: none"> ◆ Strengthened the distribution channel as a merged entity. ◆ Consolidated the branches with strategic expansions in rural areas. ◆ Offered flexible products and solutions suitable for rural masses. ◆ Carried out awareness campaigns to appease the gaps in financial literacy. ◆ Supported the operations of the subsidiary, People's Microfinance Ltd to penetrate deeper to the grass root communities.
Infrastructure Development	
Position the core product – lease and hire purchase within the booming construction sector.	<ul style="list-style-type: none"> ◆ The portfolio in leases and hire purchases within the construction sector accounted to Rs. 3,567.37 million.
Potential in the North and East for Islamic Finance	
Consolidate the niche in Islamic Finance to cover the growing demand in the North and East.	<ul style="list-style-type: none"> ◆ Consolidated Islamic Finance operations within the four dedicated branches to firm the niche amidst the growing competition in the North and East.
Tourism Industry, Migration and Foreign Employment	
Firm foreign currency operations to leverage on the booming tourism industry and increasing trends in migration.	<ul style="list-style-type: none"> ◆ Expanded foreign currency operations after obtaining the approval to carry out such functions under the new merged status.
Threats	
Intense Industry Competition	
Offer the best service to customers, strengthen Group synergies, branding and carry out strategic marketing promotions.	<ul style="list-style-type: none"> ◆ Leveraged on the two international ratings from Fitch Ratings International and Standard & Poor's together with local rating of Fitch Ratings Lanka affirming a stable outlook. ◆ Braced on the parent company's support and Group synergies. ◆ Customised products and speedy processes to suit diverse customer needs. ◆ Engaged the customers effectively addressing concerns and issues as through the state-of-the-art call centre. ◆ Enhanced interactivity features of the official website. ◆ Sustained the market positioning as a trusted and responsible corporate with best practices in governance and CSR.

BUSINESS ENVIRONMENT

SWOT/Strategy	Salient Actions & Highlights - FY 2013/14
Constant Changes to Regulations	
Comply with the changes taking place on a regulatory and statutory level and seek for opportunities within the changes.	<ul style="list-style-type: none"> ◆ Consistently tracked regulatory developments and formulated action plans to compliance. ◆ Appointed dedicated compliance officer to monitor compliance including regulatory requirements and work closely with the risk department on ensuring compliance. ◆ Positively responded to the recent regulatory guidelines by implementing the merger with, subsidiary, People's Finance PLC.
Volatility in Interest Rates, Liquidity Issues & Exchange Rates	
Maintain astute operational practices with sound fundamentals and strategically match the rates and operational targets in line with the changing trends.	<ul style="list-style-type: none"> ◆ Revised the lending rates in line with policy trends. ◆ Enhanced marketing efforts to attract customers for lending products to minimise the excess liquidity situation. ◆ Increased the funding base through penetration to the retail market. ◆ Resorted to foreign currency swaps to mitigate the risk involved in foreign borrowings. ◆ Continued with the stringent credit evaluation controls and monitored portfolio to minimise non-performance of the portfolio. ◆ Sustained sound operational and financial results. ◆ Ensured lower non-performing ratio as compared to industry averages through diligent recovery efforts.
Import taxes on Vehicles	
Product diversification and resort to strategic marketing campaigns to promote lease and hire purchase of vehicles.	<ul style="list-style-type: none"> ◆ Intensified marketing activities at the branch level to canvass business and create awareness on the entire product range. ◆ Strengthened other products - margin trading, direct imports of vehicles and Islamic finance.
Turnover in Trained Staff	
Initiate best HR practices to retain the staff within the organisation.	<ul style="list-style-type: none"> ◆ Recognised as one of the "Top 15 Best Places to Work for in Sri Lanka for 2013" by Great Place to Work Institute, Sri Lanka. ◆ Increased the remuneration package and gave due recognition and rewards based on an effective performance evaluation scheme. ◆ Conducted training as per a structured training calendar across the Company and the subsidiary network. ◆ Enhanced the employee welfare schemes – medical insurance and vehicle loans.

ECONOMIC OUTLOOK

Global Economy - Growth Forecast	
World Economy	2012: 3.2%
	2013: 3.0%
	2014: 3.6%
Advanced Economies	2012: 1.4%
	2013: 1.3%
	2014: 2.2%
Emerging & Developing Economies	2012: 5.0%
	2013: 4.7%
	2014: 4.9%
Developing Asia	2012: 6.7%
	2013: 6.5%
	2014: 6.7%

Source: World Economic Outlook, April 2014, IMF

WORLD ECONOMY

The global economy in 2013 showed positive signs of recovery from the recession that stemmed from the sub-prime mortgage led financial crisis nearly five years ago. The advanced countries led by the United States and including the core economies in the Euro Zone posted better results in terms of growth and unemployment. Confidence levels of both consumers and investors were relatively higher leading to greater economic activity.

The recovery in the year however, remained uncertain especially given the fiscal grid-lock witnessed in the United States which threatened the positivity of demand and output. The Euro Zone although broadly intact with policy and structural reforms was still fraught with economic lethargy especially in the peripheral economies. Japan which also posted relatively stronger results supported by its fiscal, monetary and structural reforms programme still remained in the grey area of recovery.

In the emerging and developing world, China, the strongest economy continued to be sluggish in its growth momentum. The growth levels in other BRICS – India, Russia, South Africa and Brazil were lower than expectations. The Middle Eastern region continued to face political and civil unrest, albeit less intense than the preceding year; this reflected negatively on its economic performance as well having implications on the global scenario.

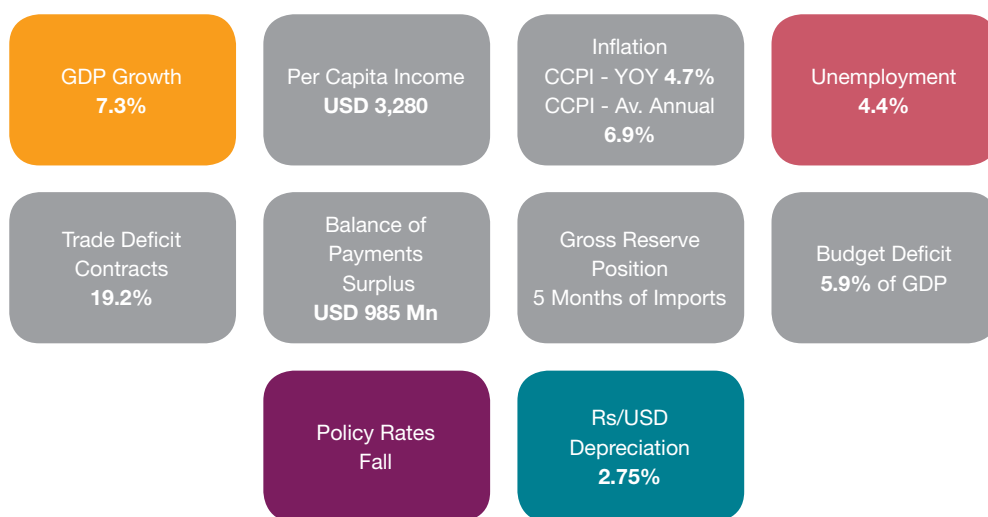
As per the International Monetary Fund (IMF) in the “World Economic Outlook”, April 2014, the global economy posted a growth of 3 percent in 2013 as against 3.2 percent in 2012. The growth in advanced economies was down to 1.3 percent from a growth of 1.4 percent in 2012. The emerging and developing economies posted a decline from 5.0 percent growth in 2012 to 4.7 percent in 2013.

The global recovery is anticipated to be stronger and firmer in the year 2014, although uncertainties still remain to dampen the potential of a full recovery. The widespread policy reforms as well as cyclical factors are expected to fuel stronger growth in advanced economies which in turn, is expected to reflect positively on the global economic scenario, with greater opportunities for the emerging and developing world. Yet, the global financial markets are experiencing a shift in status-quo. The investors are broadly showing signs of concern on the risks that are growing within the emerging and developing world. This added on with steps towards withdrawing monetary accommodation in advanced economies, especially the announcement of the Federal Reserve of the United States to taper its quantitative easing programme expected to take full effect in the year 2014, is likely to reverse capital flows away from the emerging and developing economies with serious implications on their financial markets. Yet, the overall outlook for these economies is projected to have a more balanced growth scenario in the ensuing year.

The IMF has set the growth forecast for world economy in the year 2014 at 3.7 percent in comparison to 3.0 percent in 2013. This growth is forecasted to touch 3.9 percent in the year 2015. US growth is projected to be at 2.8 percent in 2014 up from 1.9 percent in 2013. Reversing the protracted recession, the Euro area is forecast to go into positive territory with 1.2 percent growth as compared to the contraction of 0.5 percent in 2013. Forecasts for the emerging and developing economies reflect a stronger growth of 4.9 percent in comparison to 4.7 percent in 2013. The growth momentum in China is expected to recede with the growth level set at 7.5 percent in 2014 as compared 7.7 percent in 2013. However, India is expected to maintain its buoyancy and the forecast is set at 5.4 percent up from 4.4 percent in 2013.

SRI LANKAN ECONOMY

OVERVIEW

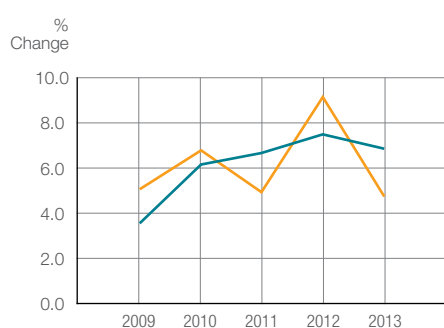


Complemented by the recovering global economy, Sri Lankan economy in the year 2013 strongly rebounded to move ahead in its growth trajectory, reaching closer to the medium targets of above 8 percent. The economy witnessed greater stability in the aftermath of the policy directives taken in the preceding year to correct the macro imbalances spurred in the settings of post conflict optimism. This enabled the monetary policy to reverse from its tight stance, inflation to reach mid-single digit levels and exchange rate to stabilise, broadly setting the pace for greater economic activity with all three sectors performing well.

ECONOMIC OUTLOOK

National Output	2013	2012
(% Change)		
GNP	6.5	5.3
GDP	7.3	6.3
Agriculture	4.7	5.2
Industry	9.9	10.3
Services	6.4	4.6
Per Capita GDP (USD)	3,280	2,922

Source: Annual Report 2013, Central Bank of Sri Lanka



MOVEMENT IN CCPI

— CCPI YoY
— CCPI Annual Average

Source: Annual Report 2013, Central Bank of Sri Lanka

Prices	2013	2012
% change		
CCPI (YOY) (2006/07=100)	4.7	9.2
CCPI (annual average) (2006/07=100)	6.9	7.6

Source: Annual Report 2013, Central Bank of Sri Lanka

NATIONAL OUTPUT

In the backdrop of greater positivity in major exporting markets in the advanced economies and the macro stability within the domestic economy, the GDP in the year 2013 grew at 7.3 percent, well over 6.3 percent in 2012. The growth was well above the average growth of the advanced economies as well as above the emerging and developing economies. This growth is comparable with the emerging giant China and way above India.

Per capita income reached USD 3,280 from USD 2,922 in 2012, steadily taking the nation to meet the target of USD 4,000 by 2016 to reach the upper tier mid-income status.

In the year 2013, agriculture sector accounting for 10.8 percent of the GDP grew at 4.7 percent as against 5.2 percent growth in the preceding year whereas the industry sector which accounts for a significant share of 31.1 percent of the GDP grew by 9.9 percent which is below the previous year's growth of 10.3 percent, principally due to the lower growth momentum in the construction sub-sector. This sub-sector though steady, mainly with key public sector infrastructure projects moderated from the impressive growth levels of 21.6 percent achieved in 2012 to record a 14.4 percent in 2013.

The services sector accounting for the largest share of the GDP of 58.1 percent registered a stable growth of 6.4 percent in 2013 vis-à-vis 4.6 percent growth in 2012 where all sub-sectors contributed for this growth.

INFLATION

The year saw inflation maintained at single digit levels for the fifth successive year complemented by improvements in supply-side conditions especially in the second half of the year, falling commodity prices and better demand management policies.

Inflation which was higher during the early part of the year given the impact of adverse weather on food supply and higher administered prices, particularly electricity, gradually settled towards the latter at a mid-single digit. The Colombo Consumers' Price Index (CCPI) (2006/07=100) reflected an improved position in the year-on-year headline inflation of 4.7 percent as compared to 9.2 percent in 2012 whilst the annual average headline inflation reached 6.9 percent by year-end. Year-on-year core inflation (measured excluding fresh food, rice, coconut, transport and energy from the CCPI basket) trended downwards to a low of 2.1 percent whilst the annual average core inflation reached 4.4 percent.

WAGES

In 2013, nominal wages in both public and private sectors recorded an increase. The informal private sector recorded the highest increase in nominal wages. In terms of real wages, the public and formal private sector recorded a marginal decrease whilst the informal private sector posted an increase.

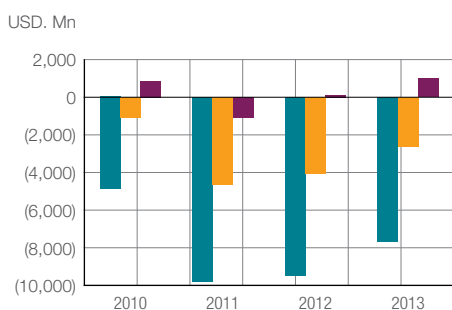
UNEMPLOYMENT

Employment	2013	2012
(% of Labour Force)		
Unemployment Rate	4.4	4.0

Source: Annual Report 2013, Central Bank of Sri Lanka

The unemployment level remained low in the year at 4.4 percent although reflecting an increase over the level of 4.0 percent in 2012. This included an unemployment level among females and males of 6.6 percent and 3.2 percent respectively corresponding to an increased level from 6.2 percent and 2.9 percent in the preceding year. Youth unemployment continued to be high and in terms of age analysis, 20-24 age group posted an increase in the unemployment level compared to results in 2012. Unemployment rate among the educated persons (GCE A/L and above) corresponded to an increase from 7.5 percent to 8.6 percent.

ECONOMIC OUTLOOK



EXTERNAL SECTOR PERFORMANCE

■ Trade ■ Overall
■ Current Account

Source: Annual Report 2013, Central Bank of Sri Lanka

External Sector	2013	2012
	(USD Mn)	
Trade Balance	(7,609)	(9,417)
Current Account Balance	(2,607)	(3,982)
Balance of Payments	985	151
Exchange Rate - Rs/USD (Annual average)	129.11	127.60

Source: Annual Report 2013, Central Bank of Sri Lanka

“
THE FOCUS WAS TO MANAGE RECURRENT EXPENDITURE AND MAINTAIN AN OPTIMAL LEVEL PUBLIC INVESTMENTS TO IMPROVE THE OVERALL INVESTMENTS IN THE COUNTRY
 ”

EXTERNAL SECTOR

The external sector posted a strong performance in the year, supported by the rebounding economic prospects in the export markets within the advanced economies including the United States and European Union. Export earnings posted a growth of 6.4 percent in USD term in 2013 in contrast to a decline of 7.4 percent in 2012. Earnings from industrial exports led by textiles and garments posted strong results whilst agricultural exports also recorded a higher contribution due to the tea market performance. The prudent policy measures to rationalise import expenditure continued in the year resulting in a decline of 6.2 percent led by intermediate imports followed by investment import expenditure; the expenditure on consumer imports however, posted a considerable increase.

In this scenario, in 2013, the trade deficit significantly contracted by 19.2 percent; as a share of the GDP, trade balance declined to 11.3 percent compared to 15.9 percent in 2012. The year sustained a steady flow of inward remittances with substantial contribution from foreign employment and tourism earnings. This resulted in a significant contraction in the current account balance. The balance of payments was further complemented by substantial inflows to the financial account including foreign loans, proceeds from debt securities and direct investments to the government as well as to banking and other private sectors given the relaxed exchange control regulations. Hence, at year end, the balance of payments recorded an impressive surplus of USD 985 million as compared to the surplus of USD 151 million in 2012, representing an improved gross official reserve position of 5.0 months of imports vis-à-vis 4.4 months of imports in 2012.

Exchange Rate

The exchange rate policy in 2013 remained flexible with minimum interventions from the Central Bank of Sri Lanka. The Sri Lanka rupee unlike most other regional currencies remained fairly resilient against the USD despite the anticipation of the tapering of the quantitative easing programme by the Federal Reserve in the United States. The improved balance of payments with greater foreign inflows supported the rupee to withstand the uncertainties and depreciate at 2.75 percent against the USD by the year-end with an average annual exchange rate of Rs. 129.11 compared to Rs. 127.60 in 2012. In terms of other currencies, Sri Lanka rupee depreciated against the pound sterling and euro whilst appreciated against the Indian rupee and Japanese yen.

Fiscal Performance

Fiscal	2013	2012
	(% GDP)	
Budget Deficit	(5.9)	(6.5)
Government Debt – Foreign	34.1	36.5
Government Debt - Domestic	44.2	42.6

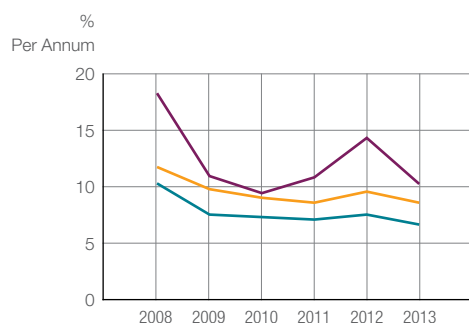
Source: Annual Report 2013, Central Bank of Sri Lanka

Fiscal policy sought to further consolidate the budget deficit. The focus was to reinforce tax reforms to rationalise and broad base the tax structure as well as tax incentives whilst on the expenditure side, the focus was to manage recurrent expenditure and maintain an optimal level public investments to improve the overall investments in the country.

In 2013, revenue collection both tax and non-tax did not materialise as envisaged contracting the revenue as a percentage of GDP to 13.1 percent from 13.9 percent in the previous year. Expenditure was effectively managed with significant cuts in recurrent expenditure and capital expenditure limited to prioritised infrastructure projects. As a percentage of GDP, expenditure declined to 19.2 percent of GDP from 20.5 percent of GDP in the preceding year. This resulted in contracting the budget deficit to 5.9 percent of GDP, well below the deficit of 6.5 percent of GDP in 2012.

The deficit this year was largely financed from domestic sources mainly bank borrowings accounting for 76 percent of the total financing requirement in contrast to 41 percent in the previous year. Foreign funding was curtailed significantly.

ECONOMIC OUTLOOK



TRENDS IN INTEREST RATES

- Repurchase Rate
- Reverse Repurchase Rate
- AWPR

Source: Annual Report 2013, Central Bank of Sri Lanka

Monetary Aggregates & Interest Rates	2013	2012
	(%)	
Reserve Money (YoY)	0.9	10.2
Broad Money (M2b) (YoY)	16.7	17.6
Repurchase Rate (As at year end)	6.50	7.50
Reverse Repurchase Rate (As at year end)	8.50	9.50
Treasury Bills – 364 Days (Primary Market) (As at year end)	8.29	11.69
Average Weighted Deposit Rate (AWDR) (As at year end)	9.37	10.10
Average Weighted Prime Lending Rate (AWPR) (As at year end)	10.13	14.40

Source: Annual Report 2013, Central Bank of Sri Lanka

Monetary Policy & Interest Rates

The monetary policy in 2013 was accommodative, clearly moving away from the tight measures adopted in the preceding year to control the macroeconomic imbalances.

Commencing from December 2012, the policy rates trended downwards and the restriction imposed on commercial bank credit was allowed to expire. The Repurchase and Reverse Repurchase rates were reduced by 25 basis points in December 2012 while the rates further reduced in May by 50 basis points and in October by another 50 basis points taking the rates to 6.5 percent and 8.5 percent respectively. The Bank also reduced the Statutory Reserve Ratio on all rupee deposit liabilities of commercial banks by 2 percentage points in June 2013.

Aligned to the direction of policy rates, market rates gradually adjusted downwards. Interbank call money market rates, average weighted prime lending rates and Treasury bill rates were quick to adjust downwards; however, long-term lending rates and deposit rates were rigid in the first half of the year and only gradually adjusted towards the latter part of the year.

Private sector credit in the year remained at moderate levels. Given the rigidity of long-term lending rates in the first part of the year, the dip in gold prices in the international market coupled with the sluggishness in the global scenario dampened the private sector credit levels. However, an improvement was observed towards the latter part of the year. 2013 ended with a 7.5 percent growth in private sector credit compared to 17.6 percent at the end of 2012. The money markets continued to maintain high liquidity levels in the economy and the monetary aggregates were in line with the projected monetary programme.

Financial Sector

In the year, the financial sector playing a focal role in the economy remained stable amidst inertia in the global economy and the uncertainties in the global financial markets coupled with the lagged effect of the tight monetary policies in the domestic economy witnessed in the preceding year. The sluggish response from private sector credit and the increase in non-performing portfolio led by pawning advances contracted the net interest margins. Yet, the sector posted an increased asset position and maintained sound capital and liquidity ratios to post a robust financial position. The regulatory framework continued to ensure greater discipline, transparency and accountability in the sector whilst positively directing towards greater consolidation.

Banking Sector

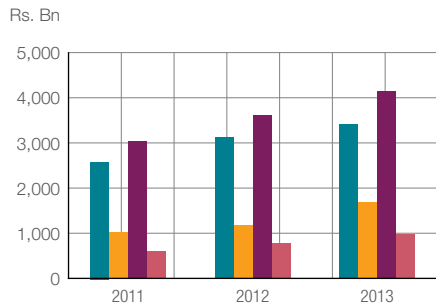
Banking Sector	2013	2012
Net Interest Income (Rs. Bn)	196.7	197.2
Profit After Tax (Rs. Bn)	74.6	82.7
Asset Base (Rs. Bn)	5,942	5,098
Gross NPL Ratio (%)	5.6	3.7
Net Interest Margin (%)	3.5	4.1
Return on Assets (ROA) (%)	1.3	1.7
Return on Equity (ROE) (%)	16.0	20.3
Capital Adequacy Ratio (%)	16.3	16.3
Core Capital Ratio (%)	13.7	14.5

Source: Annual Report 2013, Central Bank of Sri Lanka

The commercial banking sector accounting for 57.6 percent of total assets in the financial sector, with 33 licensed banks including 21 domestic banks and 12 foreign banks maintained its status quo in the economy. In the year, the network totalled to 6,487 banking outlets and 2,538 automated teller machines (ATMs) including 89 new banking outlets and 123 ATMs.

Amidst the challenges, the banking sector in 2013 saw a moderation in its performance but maintained its stability. The sluggishness in the private sector credit dampened the banking sector asset growth to 16.5 percent as compared to the growth of 19.9 percent in 2012. The share of loans and advances in total assets declined to 57.7 percent from 61.8 percent in the preceding year. The share of investments in total assets however, improved to 28.5 percent as compared to the share of 23.9 percent in 2012.

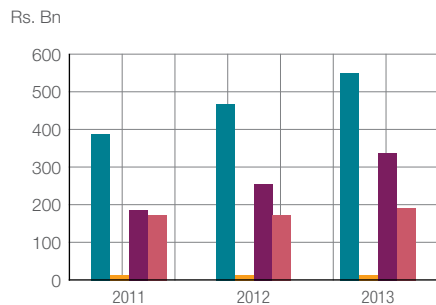
ECONOMIC OUTLOOK



BANKING SECTOR - ASSETS & LIABILITIES



Source: Annual Report 2013, Central Bank of Sri Lanka



LFC & SLC SECTOR - ASSETS & LIABILITIES



Source: Annual Report 2013, Central Bank of Sri Lanka

The year-on-year deposits growth moderated to 15 percent vis-à-vis 18 percent in 2012. The borrowing levels were sustained at 26.2 percent similar to the levels of 2012; however, foreign currency borrowing within the sector increased its share to 64.6 percent of total borrowings over 54.8 percent in 2012 given the liberalised exchange controls.

The quality of assets sharply decreased as reflected in the non-performing loans (NPL) ratio rising to 5.6 percent as compared to 3.7 percent in 2012. This hit was mainly due to the deterioration in the pawning portfolio. The net interest income and profit after tax posted a decline in absolute terms. Return on equity dropped to 16 percent from 20 percent whilst return on assets dropped to 1.3 percent from 1.7 percent in the previous year.

Capital funds of the banking sector in 2013 was mostly accounted for by retained profits whilst the share capital contribution to the increase through IPOs, rights issues, capital infusion especially to meet the minimum capital requirement and other share schemes was 22.8 percent. Capital adequacy ratio was maintained 16.3 percent while the core capital ratio moderated to 13.7 percent, but, both within the prescribed requirements under Basel III.

Non-Bank Finance Sector – LFCs & SLCs

LFC & SLC Sector	2013	2012
Net Interest Income (Rs. Bn)	44.1	40.3
Profit After Tax (Rs. Bn)	7.7	14.9
Asset Base (Rs. Bn)	717.6	596.6
Gross NPA Ratio (%)	6.7	5.0
Net Interest Margin (%)	6.6	7.4
Return on Assets (ROA) (%)	2.1	4.2
Return on Equity (ROE) (%)	8.2	18.9
Capital Adequacy Ratio (% Risk Weighted Assets)	15.0	16.0
Core Capital Ratio (% Risk Weighted Assets)	13.0	15.0

Licensed Finance Companies (LFCs) and Specialised Leasing Companies (SLCs) within the Non-Bank Financial Institution (NBFI) sector accounted for 7 percent of assets within the financial sector and remained buoyant despite the challenging environment they operated in. By the year-end, there were 48 LFCs and 10 SLCs with two SLCs upgrading to LFC status and two mergers. The branch network reached 1,060 including 88 new branches with 61 of them located outside the Western Province.

The LFCs and the SLCs in the year 2013 were susceptible to the challenges beset within the finance sector as discussed above. Yet, most of the LFCs and SLCs albeit, the deceleration in asset growth, deterioration in the non-performing portfolio, lower earnings and profitability managed to sustain its positioning within the economy and resiliently held on to the fundamentals in risk management and governance to ensure the soundness of the sector. The Central Bank of Sri Lanka in its supervisory and regulatory capacity played a significant role to ensure that companies within this sector did not go into the “distressed” state compromising the sector as a whole.

The total asset base of the LFCs and SLCs sector recorded a lower growth of 20 percent to Rs. 718 billion as against 22 percent growth in 2012. The accommodation portfolio comprising finance leases, hire purchase, pawning and other secured advances decelerated in its growth to 17 percent compared to 21 percent growth registered in the previous year. The finance leasing within a restrictive regime for imported vehicles inter-alia, further contracted in its growth to 16 percent from 29 percent in 2012 and significantly so in terms of the growth of nearly 90 percent in 2011. The investment portfolio grew marginally by 3 percent vis-à-vis 14 percent in 2012.

Deposits remained the main source of funding for LFCs and posted a marginal drop in growth to 33 percent as against 37 percent in 2012. Borrowings led by the SLCs, increased to 9 percent compared to 3 percent in 2012. During the year, 11 companies within the sector issued listed debentures with a value of Rs. 21.9 billion. With the sector profitability declining, capital increased by just 3 percent as against 23 percent in the previous year.

ECONOMIC OUTLOOK

Given the challenges within the business environment, the LFCs and SLCs faced difficulties in maintaining the quality of the credit portfolio. In absolute terms, the Non-Performing Accommodations (NPAs) increased to Rs. 37 billion in comparison to Rs. 23 billion in 2012. The LFC portfolio accounted for 92 percent of the NPAs led by restructured companies. The NPA ratio worsened from 5 percent in 2012 to 6.7 percent in 2013.

The LFC and SLC sector earnings were mediocre in the year 2013 amidst the sluggish credit growth. The net interest income registered an increase of 9.4 percent to Rs. 44.1 billion as compared to Rs. 40.3 billion in the previous year whilst the margin fell to 6.6 percent from 7.4 percent in the preceding year. However, non-interest income improved whilst non-interest expenses increased by 31 percent. In this scenario, net profits contracted to Rs. 7.7 billion compared to Rs. 14.9 billion in the preceding year. ROA declined from 4.2 percent in 2012 to touch 2.1 percent in 2013. ROE in the year was 8.2 percent in sharp contrast to the ROE of 18.9 percent in 2012.

Capital funds of the sector recorded an increase of 10 percent in 2013 to Rs. 95 billion mainly due to profits. This represents moderation as compared to a 27 percent increase in 2012. The capital adequacy ratio as a percent of risk weighted assets declined by one percentage point from the previous year to 15 percent which was still sound and above the prescribed minimum. The core capital ratio as a percent of risk weighted assets was also maintained at 13 percent well above the requirement of 5 percent.

The LFC and SLC sector is expected to move towards greater discipline within the emerging regulatory and supervisory framework advocated by the Central Bank of Sri Lanka. Greater consolidation with mergers and acquisitions, joint ventures and strategic alliances amongst the players in the finance sector including the LFCs and SLCs is anticipated to strengthen the sector contribution to the nation's development goals as well as to bring greater stability. In this setting and complemented by the anticipated revival in the global economy and stronger economic activity within the domestic arena, the ensuing year is broadly expected to witness better prospects for LFCs and SLCs to grow and to sustain margins, credit quality and the financial position.

Company's Performance vs. LFC & SLC Sector

PLC in the year 2013 sustained a strong performance in keeping with its positioning as the market leader amongst the LFCs and SLCs. Recognising well, the issues and the challenges within the business environment, PLC focused on growing its top-line and sustaining its profitability margins with due precedence given to improving the support systems, investing on employee development, greater financial discipline, effective checks and balances and upholding best governance practices including the initiatives to support the communities and ensure a greener environment.

In this context, in the year under review, the Company succeeded to post sound results in terms of operational and financial performance, surpassing the industry averages in terms of the key performance indicators including profitability and non-performing ratio.

	LFC & SLC Sector*	PLC	PLC's Contribution to the Industry (%)
Profit & Loss (For Year Ended)			
Net Interest Income (Rs. Bn)	44.1	8.3	18.8
Profit Before Tax (Rs. Bn)	13.8	4.4	31.9
Profit After Tax (Rs. Bn)	7.7	3.1	40.3
Balance Sheet (As at)			
Total Accommodations (Rs. Bn)	553.1	90.2	16.3
Total Assets (Rs. Bn)	717.7	113.8	15.9
Liabilities (Rs. Bn)	627.0	94.6	15.1
Key Ratios (%)			
NPA Ratio	6.7	2.2	
Net Interest Margin	6.6	8.3	
Return on Assets	2.1	4.2	
Return on Equity	8.2	16.8	
Capital Adequacy Ratio	15.0	19.1	

*Source: Annual Report 2013, Central Bank of Sri Lanka

Insurance Sector

The insurance sector accounting for 3.5 percent of the total assets in the financial sector moved ahead, though moderately in comparison to the preceding year. The year 2013 remained at the same status-quo of the preceding year with 21 registered insurance companies in operation including 12 composite companies, 6 companies engaged exclusively in general (non-life) insurance and 3 in long-term insurance (life). Out of these companies, 7 are listed on the Colombo Stock Exchange.

The asset growth of the insurance sector in 2013 moderated to 13 percent as compared to 21.1 percent growth in the previous year. Total gross written premium of the insurance sector reached to Rs. 94.5 billion in 2013 with a year-on-year growth of 8.4 percent similar to the levels achieved in the preceding year. General insurance accounting for over half of the total premium posted a mediocre growth given continuing impact of restrictions placed on vehicle imports whilst the life insurance remained buoyant and posted better results. Investment income of the sector posted a strong growth compared to the sluggish performance in the preceding year, owing largely to the long-term insurance segment investments in government securities and the corporate debt securities. Underwriting profits in the general insurance segment posted a 11.1 percent growth and the total sector profit before tax increased by 11.4 percent turning around from the decline of 2 percent in the preceding year. The return on assets for both general and long-term insurance recorded a marginal decline.

The recent regulatory developments advocated by the Insurance Board of Sri Lanka aligned to the changes that are taking place within the entire finance sector is expected to bring in widespread changes and challenges to the insurance industry in the near term. The segregation directive impacting the composite insurers, the mandatory listing on the Colombo Stock Exchange and the minimum capital requirement inter-alia, will lead to structural changes within the industry – towards consolidation in the medium-term.

ECONOMIC OUTLOOK

Capital Markets

Capital Market	2013	2012
All Share Price Index (1985=100)	5,912.8	5,643.0
S&P SL 20 Index (2004 Dec =1,000)	3,263.9	3,085.3
Market Capitalisation (Rs. Bn)	2,459.9	2,167.6

Source: Annual Report 2013, Central Bank of Sri Lanka

The capital market in 2013 showed positive signs of rebounding from the mediocre performance witnessed in the immediate past two years, but still lower than the surge seen in the market in the year 2010. The market benefited from the accommodative monetary policy directing interest rates to adjust downwards; the relative stability of the Sri Lankan rupee as against the USD; and greater foreign participation including institutional investors.

The All Share Price Index registered an increase of 4.8 per cent in 2013 in contrast to the decline of 7.1 per cent in 2012; the market performance was better than some of the regional markets such as Hong Kong, India, Philippines, Korea and Singapore. The S&P SL20 Index registered an increase of 5.8 per cent. Market capitalisation increased by 13.4 per cent. Net inflow of foreign investments into the market totalled to Rs. 22.9 billion whilst the primary market raised Rs. 25.6 billion including rights issues of nine companies and two initial public offers.

“
THE MACROECONOMIC ENVIRONMENT IS EXPECTED TO BE STABLE WITH POLICY DIRECTIVES AIMING TO UPHOLD INFLATION AT SINGLE DIGIT LEVELS, LOWER UNEMPLOYMENT, FAVOURABLE INTEREST RATES FOR GROWTH, PRUDENT FISCAL CONSOLIDATION AND A HEALTHY EXTERNAL FRONT
 ”

Corporate Debt Market

The debenture market continued to be active and posted a significant increase in 2013. Supported by the government patronage extended to develop the debt market, 83 new and listed debentures were issued by 24 companies amounting to Rs. 69.1 billion in comparison to 9 issues for Rs. 12.5 billion in 2012. The trading turnover of debentures on the Colombo Stock Exchange also posted a noteworthy increase to Rs. 2, 229 million compared to Rs. 75.7 million in the preceding year.

However, the market for commercial papers was less active with the value falling to Rs. 28.3 billion in 2013 in comparison to Rs. 36.9 billion in 2012.

ECONOMIC POLICY CHANGES AND MEASURES: LFC & SLC SECTOR

15TH MAY 2013

- ◆ Issued guideline on the adoption of Sri Lanka Accounting Standards 32 & 39, and Sri Lanka Financial Reporting Standards 7 for LFCs & SLCs.

07TH JUNE 2013

- ◆ Revised the Finance Companies (Structural Changes) Direction.

26TH JULY 2013

- ◆ Issued direction to obtain approval from Director/Department of Supervision of NBFIs on writing-off accommodations to related parties of LFCs.
- ◆ Introduced a supervisory framework on debt instruments issued by LFCs.

7TH SEPTEMBER 2013

- ◆ Implemented Liquidity Support Scheme through the Sri Lanka Deposit Insurance for LFCs facing liquidity constraints.

5TH DECEMBER 2013

- ◆ Directed LFCs not to offer non-interest based incentive schemes to interest bearing savings and time deposits inclusive of savings certificates with effect from 01.01.2014.

18TH DECEMBER 2013

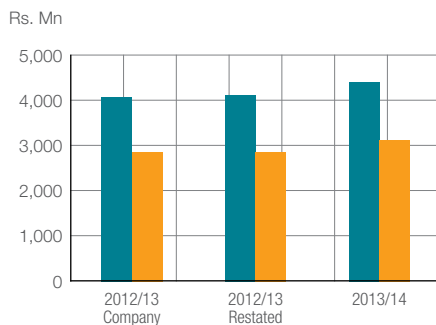
- ◆ Increased license fee by LFC in the year of licensing and annual licensing fees.

Economic Outlook

With greater signs from the global economy towards a more even and firmer recovery from its protracted slump, the outlook within the domestic economy in the near term is anticipated to be positive. The macroeconomic environment is expected to be stable with policy directives aiming to uphold inflation at single digit levels, lower unemployment, favourable interest rates for growth, prudent fiscal consolidation and a healthy external front including a stronger trade account and inward remittances to prop the balance of payment surplus and official reserve position. The year 2014 is expected to grow at 7.8 per cent whilst moving towards over 8 per cent growth as envisaged for the medium-term. The country is expected to move on to a per capita income of USD 4,000 by year 2015, surpassing the targeted year of 2016.

FINANCIAL REVIEW

“
PLC WITH ITS EXPERTISE AND ASTUTE MANAGEMENT POLICIES SUCCESSFULLY WEATHERED THE CHALLENGES POSED IN THE EXTERNAL ENVIRONMENT AND DELIVERED COMMENDABLE FINANCIAL RESULTS
 ”



PROFIT BEFORE TAX & PROFIT AFTER TAX

■ PBT
 ■ PAT

This review provides an overview of the key facets of the 2013/14 financial results of the Company including an analysis of consolidated results of the PLC Group, regulatory and other key financial ratios. This review is expected to enable the stakeholders to make informed decisions on the Company - the progress in delivering its key strategic objectives.

OVERVIEW

PLC, the largest and highest rated NBFi in the country completed yet another solid financial year, the first after being merged with its subsidiary People's Finance PLC. Notwithstanding the sound economic indicators revealed in 2013, the leasing and hire purchase sectors of the country evidenced a moderate growth mainly due to the increase in import duty on vehicles and high lending rates pertaining to accommodations. Credit quality of the sector also deteriorated compared to the previous year particularly in the case of finance leasing and hire purchase. Nevertheless, PLC with its expertise and astute management policies successfully weathered the challenges posed in the external environment and delivered commendable financial results.

Strengthening the financial position of the Company, asset base surpassed the Rs. 100 billion mark for the first time in the history of the NBFi sector. All key ratios including non-performing ratio, capital adequacy and liquidity ratios were maintained well ahead of the industry average ratios.

MERGER WITH PEOPLE'S FINANCE PLC

It is to be noted that the financial statements of the Company for the preceding year are restated to comply with the current presentation which accounts for the amalgamation of the Company with its subsidiary, People's Finance PLC. The financial statements of the People's Finance for the financial year 2012/13 were amalgamated with the financial statements of the PLC, enabling better comparisons for effective analysis. As per the restated financial statements for the year 2012/13, the Company's profit for the year was Rs. 2,849.96 million as against Rs. 2,842.78 million reported prior to the amalgamation.

The financial review herein, is based on the financial statements prepared in accordance to Sri Lanka Financial Reporting Standards and Lanka Accounting Standards (SLFRS/ LKAS) which is aligned to the International Financial Reporting Standards.

PROFITABILITY

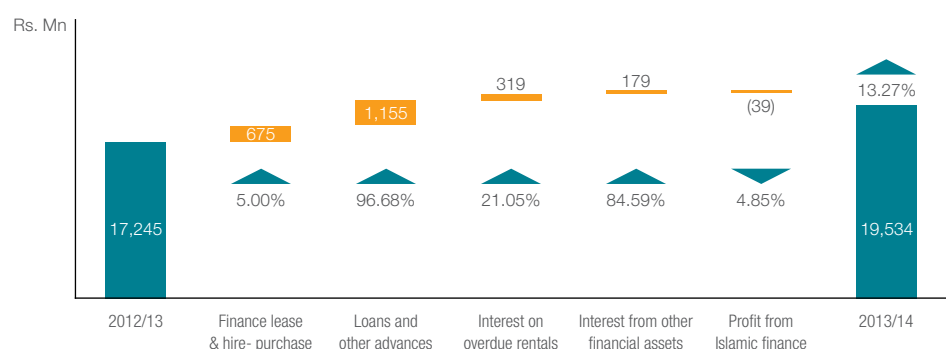
The Company continued with its growth momentum and recorded commendable pre-tax and post-tax profit of Rs. 4,386.96 million and Rs. 3,123.75 million respectively, for the financial year ended 31st March 2014. This reflects 6.10 percent and 9.61 percent increase respectively, against the restated results of the preceding financial year. This growth was led by interest income coupled with the responsible expense management. This healthy profitability performance was recorded under challenging market conditions; this demonstrates the positive impact of the amalgamation as well as the Company's prudent management policies in managing the external vagaries.

INTEREST INCOME

The total interest income in 2013/14 revealed an exemplary growth of 13.27 percent to Rs. 19,533.60 million from Rs. 17,244.93 million in 2012/13. It is significant to note that this growth was achieved in the backdrop of the new direction issued by the Central Bank of Sri Lanka on penal interest rates on overdue loans and advances which in effect had a negative bearing upon the Company's interest income on overdue rentals. Nonetheless, the interest income from lease and hire purchase amplified by 5.00 percent to Rs. 14,187.90 million mainly due to the increased granting levels, despite the pessimism prevalent within the leasing industry following the hike in import vehicle duties. The interest income from overdue rentals reached to Rs. 1,833.87 million, accounting for 9.39 percent of the total interest income.

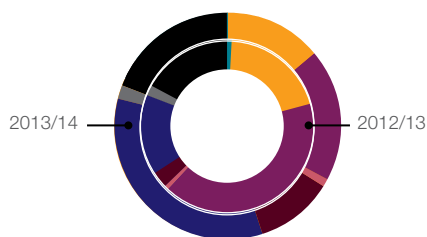
Interest income from loans and advances depicts a significant escalation of 96.68 percent against the recorded income in the previous year given the increase in the loan portfolio.

In line with the Central Bank's direction on liquid assets of finance companies, the Company heavily invested in government securities. The interest income generated from government securities together with the interest income from foreign currency deposit resulted in a 84.59 percent growth compared to the previous year.



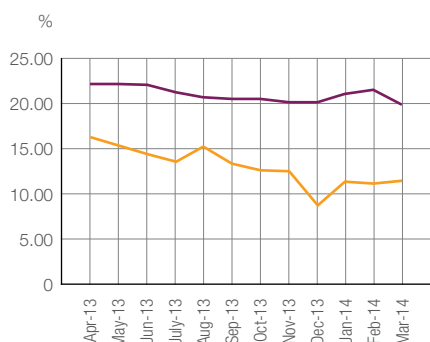
INTEREST INCOME

FINANCIAL REVIEW



INTEREST EXPENSE

	2013/14	2012/13
Overdraft	0.43%	1.45%
Long term borrowings	13.89%	19.52%
Short term borrowings	18.63%	41.42%
Redeemable preference shares	0.92%	1.36%
Debentures	10.96%	2.57%
Deposits	33.94%	14.62%
Profit distribution on Mudarabah	2.27%	2.37%
Assets backed securities	18.96%	16.69%



LENDING RATE VS BORROWING RATE

— Lending Rate
— Borrowing Rate

Profit from Islamic finance reflected a slight decline of 4.85 percent against 2012/13 to record Rs. 771.28 million.

INTEREST EXPENSE

Interest expense of the Company indicates an increase of 11.10 percent compared to 2012/13, led by the increase in interest bearing liabilities utilised to finance the increased levels of disbursements. Nevertheless, the Company was proficient to limit the growth in interest expense at a minimal rate during the year under review compared to the preceding year. This decline in growth is mainly attributed to the shrinking trend in market rates, triggered within an easy monetary policy regime witnessed in the year.

In addition to the decline in interest rates on borrowed funds, interest rate for the deposits also reduced in line with the requirement of the Central Bank of Sri Lanka. The foreign currency loan obtained from the Middle East at a very competitive rate also made a positive impact on the interest expense of the Company.

Pursuant to the receipt of the finance business license and the amalgamation, interest on deposits has surpassed the interest expense on short term loans which was the most significant interest expense in 2012/13.

NET INTEREST INCOME

Aligned with the growth in the average interest earning assets, the Company saw a 16.37 percent upsurge in net interest income to reach Rs. 8,267.65 million as against the previous year's Rs. 7,104.59 million. Given the decline in market rates, both borrowing and lending rates witnessed a decline; however, the astute management policies enabled the Company to uphold a good balance between the lending and borrowing rates resulting in high net interest income and recorded Net Interest Margin (NIM) of 8.34 percent.

OTHER INCOME

Other income comprising fees and commission, trading and other operating income was Rs. 1,094.19 million depicting an increase of 13.99 percent over Rs. 959.88 million in 2012/13.

IMPAIRMENT CHARGES

Impairment charges for loans and other losses (excluding the disposal losses) in the financial year 2013/14 increased by 88.28 percent to Rs. 532.13 million as against Rs. 282.63 million charge in 2012/13. Sluggishness in recoveries in relation to tippers and lorries coupled with the adverse weather conditions that prevailed especially in the first half of the financial year resulted in the said increase in impairment charges. However, the cumulative impairment charges on gross receivables portfolio accounted for 1.47 percent as at 31st March 2014.

Disposal loss including write-offs depicts a significant increase of 65.21 percent due to the strategy followed by the Company to dispose repossessed vehicles even at a loss to prevent deterioration and prior to arrears becoming an encumber. The recovered funds from disposals were used for new disbursements.

OPERATING EXPENSES

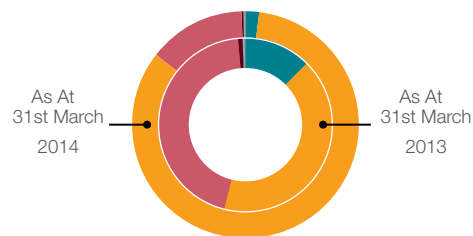
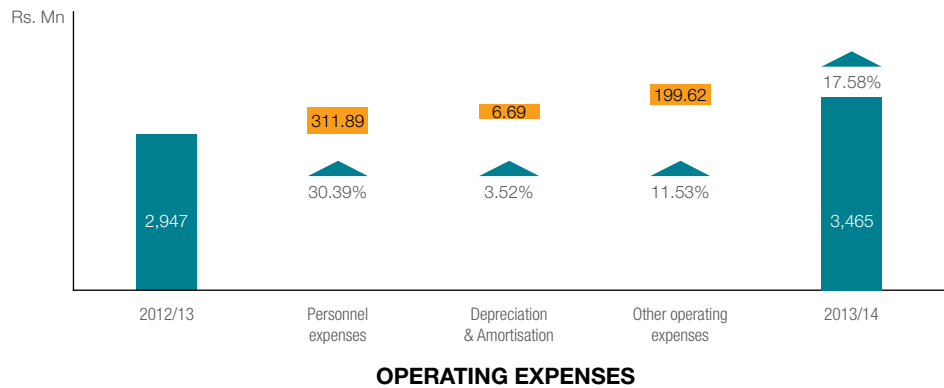
Operating expenses comprise personnel expenses, depreciation, amortization of intangible assets and other operating expenses. The two main contributors towards operating costs are staff costs and other operating expenses. The Company continued to invest in both staff and infrastructure which resulted in an increase in operating expenses. Personnel expenses were up 30.39 percent driven largely by the increased head count given the network expansion as well as the salary increment effected in July 2013. In addition, the Company introduced the overtime payment to staff level which also added up to the operating expenses.

Subsequent to the receipt of the finance business license, the Company started mobilising public deposits. As a regulatory requirement, the Company paid a monthly premium to Sri Lanka Deposit Insurance & Liquidity Support Scheme which is accounted under other operating expenses. The Company's contribution to this scheme during the year amounted to Rs. 43.04 million.

FINANCIAL REVIEW

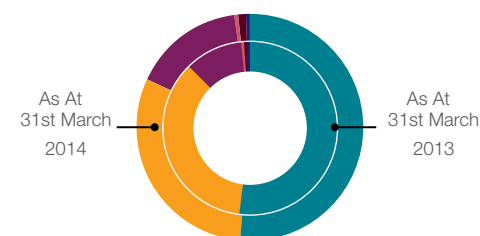
“
THE COMPANY AGGRESSIVELY INVESTED IN THE SHARE MARKET AND INTENDS TO EXPLORE FURTHER OPPORTUNITIES
 ”

Owing to above factors, the total operating expenses were up by 17.58 percent for the year and cost to income ratio ended the year at 37.01 percent, marginally higher than the prior year.



CASH AND CASH EQUIVALENTS

	2014	2013
Cash in hand	2.21%	12.62%
Securities purchase under resale agreement	83.49%	41.40%
Current Account with Banks	13.86%	44.67%
Savings Account with Banks	0.37%	1.01%
Saving deposit in foreign currency	0.07%	0.30%



GROSS LOANS & RECEIVABLES POTFOLIO

	2014	2013
Lease/Ijhara receivable	52.26%	52.59%
Hire-Purchase/ BBA receivable	31.13%	35.72%
Term Loan	15.54%	11.00%
Staff loans	0.36%	0.30%
Related party receivables	0.65%	0.38%
Margin Trading receivable	0.06%	0.01%

TAXATION

According to the applicable tax rule, the Company's profit is taxed at 28 percent. The income tax expense of the Company for the year ended 31st March 2014 amounted Rs. 1,263.22 million compared to Rs. 1,284.88 million in the last year. Current year tax charge is less relative to the profit mainly due tax exempted interest income from investment fund loans and dividend income, it witnessed dropped in effective tax rate of the Company to 28.79 percent in the current year as against 31.07 percent in the last year.

CASH AND CASH EQUIVALENTS

Cash and cash equivalent mainly comprise of securities purchased under resale agreement, current accounts with banks and cash in hand. Total cash and cash equivalents balance depicts a notable increase of 185.85 percent mainly due to the increase in securities purchased under resale agreement to Rs. 9,562.05 million from the balance of Rs. 1,658.94 million stood as at 31st March 2013.

BALANCES WITH BANKS & FINANCIAL INSTITUTIONS

Balances with banks and financial institutions comprise fixed deposits and deposits in foreign currency. The balance increased by Rs. 2,631.43 million to reach Rs. 3,329.56 million as at 31st March 2014 over the position of Rs. 698.13 million reported as at 31st March 2013, mainly due to the increase in foreign currency deposit.

DERIVATIVE FINANCIAL INSTRUMENTS

As at the reporting date derivative financial instrument balance amounted to Rs. 0.24 million due to the measures taken to mitigate the exchange rate risk of foreign currency loan by entering in to a forward foreign exchange contract.

FINANCIAL ASSETS HELD-FOR-TRADING

Financial assets held for trading amounted to Rs. 184.24 million comprise the Company's investments in public quoted shares of banking, diversified holdings, manufacturing and other sectors. Out of this portfolio, accounting for a substantial portion, shares of the banking and financial institutions amounted to Rs. 132.31 million as at 31st March 2014 against Rs. 93.79 million as at 31st March 2013. Gain from marking to market value of total financial assets held-for-trading amounted to Rs. 7.65 million.

The Company aggressively invested in the share market and intends to explore further opportunities present in order to cater to its growing demands internally and externally to improve the overall efficacy and add value to the Company's way forward.

LOANS AND RECEIVABLES

Loans and receivables that represent 79 percent of the total reported assets grew by Rs. 1,813.87 million year-on- year to Rs. 90,218.36 million. This balance encompasses receivables from lease and hire purchase facilities, term loans, Islamic products, staff loans, related party receivables and margin trading receivables.

FINANCIAL REVIEW

In light of high import duties and exchange rate depreciation, finance lease portfolio including Ijarah recorded a slight growth of 1.94 percent over the position of Rs. 46,938.15 million as at 31st March 2013. Hire purchase portfolio demonstrating a decline of 10.58 percent reached to Rs. 28,503.70 million as at 31st March 2014 compared to Rs. 31,875.19 million as at 31st March 2013.

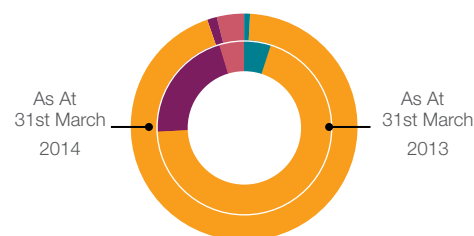
However, term loans portfolio revealed a significant growth over 44.96 percent as against the total term loans portfolio of Rs. 9,816.44 million as at 31st March 2013 exceeding the growth rates of both lease and hire purchase.

FINANCIAL INVESTMENTS-AVAILABLE-FOR-SALE

Financial investments-available-for-sale comprises the Company's investments in equity securities of SANASA Development Bank PLC, People's Merchant & Finance PLC and Credit Information Bureau of Sri Lanka. The balance as at 31st March 2014 depicts an increase of 21.66 percent over the balance stood at 31st March 2013 mainly due to the increase in market value of the shares.

FINANCIAL INVESTMENTS-HELD-TO-MATURITY


Financial investments held to maturity comprising treasury bills and treasury bonds increased to Rs. 4,746.56 million, during the year compared to Rs. 539.77 million as at 31st March 2013, principally due to the Company's compliance with Finance Companies (Liquid Assets) Direction No. 04 of 2013.



DUE TO BANKS

	2014	2013
Overdraft	1.09%	5.24%
Long term loans	93.83%	69.17%
Bank Borrowings		
-Short Term Loans	1.42%	21.00%
Redeemable Preference Shares	3.66%	4.59%

INVESTMENT IN SUBSIDIARIES

The Company's investment in its five subsidiaries accounted to Rs. 1,475 million with a 100 percent stake as at 31st March 2014. Adding value to the parent's investments, all subsidiaries posted a sound performance during the year under review. Especially People's Insurance Ltd and People's Microfinance Ltd paid dividends amounting to Rs. 135 million and 2 million respectively during the financial year 2013/14. Summary financials of the subsidiaries are set out in the subsidiary review.  Pages 70 to 78

Subsidiary	Holding (%)	Number of shares	Investment value (Rs.)
People's Leasing Fleet Management Ltd	100.00	7,500,000	75,000,000
People's Leasing Property Development Ltd	100.00	55,000,000	550,000,000
People's Leasing Havelock Properties Ltd	100.00	20,000,000	200,000,000
People's Microfinance Ltd	100.00	5,000,000	50,000,000
People's Insurance Ltd	100.00	60,000,000	600,000,000

GOODWILL AND INTANGIBLE ASSETS

With the amalgamation, the Company's goodwill and intangible assets climbed up to a balance of Rs. 347.93 million. The balance presented on the statement of financial position comprises computer software and goodwill on consolidation.

PROPERTY PLANT AND EQUIPMENT

The Company was cautious and invested well in property, plant and equipment to enable the booming expansion. Thus, total property, plant and equipment rose to Rs. 801.13 million compared to the balance of Rs. 690.53 million as at 31st March 2013.

INVESTMENT PROPERTY

Investment property comprised the service station at Rattanapitiya rented out to the Company's fully owned subsidiary People's Leasing Fleet Management Ltd amounting to Rs. 55 million.

OTHER ASSETS

Other assets reflect a slight increase of 5.01 percent and reached to Rs. 941.35 million as against the balance stood at 31st March 2013 which comprised Rs. 115.45 million and Rs. 825.90 million of other financial assets and non-financial assets respectively. Other receivables was the major component of non-financial assets which accounted for 67.37 percent.

DUE TO BANKS

Due to banks mainly comprise of short and long term loan facilities obtained from banks and redeemable preference shares issued to People's Bank. With a strategic aim to diversify its funding sources and to reap the benefits from opportunities present following the recent budget proposal advocating the liberalisation of exchange controls, the Company ventured into the foreign currency borrowings and successfully secured a USD 50 million syndicated loan from two Middle-Eastern banks for a tenure of two and half years at a competitive rate. As a result long term loan balance exhibited 21.32 percent increase over the balance as at 31st March 2013. The proceeds were utilised to fund the expanded operations mainly to SME sector. Also funds will be used to settle higher-rated short term obligations of the Company. Thus, the short term obligations declined to Rs. 200.04 million as at 31st March 2014 from the position of Rs. 3,317.69 million as at 31st March 2013. This substantially supported to improve the Company's financial position.

Bank overdraft balance also declined substantially by 81.45 percent to reach Rs. 153.70 million as at 31st March 2014 compared to the Rs. 828.61 million as at 31st March 2013.

During the year under review, the Company redeemed 20 million preference shares at Rs. 10 each which were invested by the parent, People's Bank on 30th April 2013, 30th September 2013, 31st October 2013 and 31st March 2014 in Rs. 50 million tranches.

FINANCIAL REVIEW

DUE TO CUSTOMERS

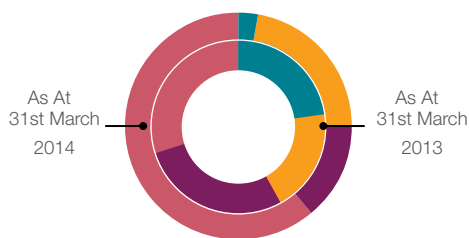
Subsequent to the amalgamation, the Company maintained a diverse deposit range - fixed and saving deposits, minor savings and Mudharabah investments. As at 31st March 2014, total deposit base stood at Rs. 40,921.48 million as against the Rs. 18,846.67 million as at 31st March 2013. Fixed deposits accounted for the 94.95 percent of the total deposits as at 31st March 2014.

DEBT SECURITIES ISSUED

Debt securities issued comprise of promissory notes, debentures, commercial papers and asset backed securities. Consequent to the receipt of finance business license, promissory notes, the main source of funding from the retail market under the specialised leasing company license ceased, resulting in a decline in the liability of promissory notes by 89.95 percent in comparison to Rs. 9,168.36 million in the corresponding year. The Company currently does not pursue the issue of promissory notes; thus this liability indicates a declining trend.

Commercial papers which were once the main source of funding, reported a declining trend due to the detached restriction on commercial bank lending and availability of other options to raise the required funds.

Asset backed securities/ securitisation, a sustainable funding source for the last few years, continued to be attractive as the Company provides mainly its book debt as the collateral. An increase of Rs. 8,859.93 million was seen in asset backed securitisations, due to the Company's strategy to reduce the asset and liability mismatch.



DEBT SECURITIES ISSUED

	2014	2013
Promissory Notes	2.67%	22.68%
Debentures	22.44%	19.50%
Commercial Papers	13.79%	27.64%
Asset backed securities	61.10%	30.18%

OTHER FINANCIAL LIABILITIES

Other Financial liabilities amounting to Rs. 2,869.67 million as at 31st March 2014 comprised creditors control, insurance payable, dividends payable and other payables. Slight decline of the balance is resulted from the 29.93 percent reduction in creditors control balance.

DEFERRED TAX LIABILITY

Owing to the amalgamation of PF, opening differed tax liability increased by Rs. 95.35 million from Rs. 1,105.29 million to Rs. 1,200.64 million. The accelerated finance lease granting during the year 2013/14 is the main reason to increase the differed tax liability by Rs. 372.82 million to Rs. 1,573.46 at the end of the financial year 2013/14.

OTHER LIABILITIES

Retirement benefit obligation rose by 103.06 percent over the balance as at 31st March 2013 causing a significant increase in the overall other liabilities balance of Rs. 163.87 million as at 31st March 2014.

ISSUED CAPITAL

The issued capital of Rs. 12,736.07 million as at 31st March 2014 comprised 1,579,862,482 number of ordinary shares. The Company did not carry out any share issues during the year under review except the issue of 19,862,322 shares were issued to the minority shareholders of People's Finance PLC on the basis of three shares for every one share held pursuant to the amalgamation. However, an amount equivalent to the redemption of preference shares has been transferred from retained profits to stated capital.

STATUTORY RESERVE FUNDS

As per the Finance Companies (Capital Funds) Direction No. 01 of 2003, companies with capital funds exceeding 25 percent of their total deposit liabilities shall transfer 5 percent of profit after tax to the statutory reserve fund. In compliance, the Company has transferred Rs. 156.19 million to the statutory reserve fund during the year under review.

OTHER RESERVES

Other reserves mainly comprise investment fund reserve amounting to a balance of Rs. 1,096.91 million as at 31st March 2014, created in compliance with 8 percent of the profits liable for VAT on financial services and 5 percent of the profits before tax calculated for payments of income tax. Accordingly, Rs. 245.17 million has been added to the investment fund reserve during the financial year under review.

Other reserves also include the general reserve, tax equalisation reserve and available for sale reserve.

CASH FLOW

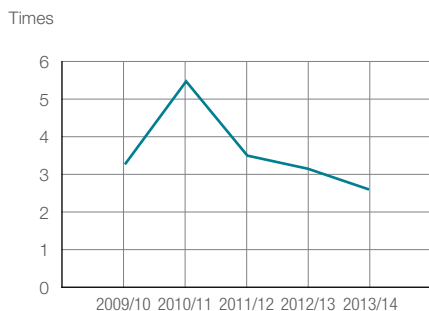
As at 31st March 2014 favourable cash & cash equivalent balance of the Company stood at Rs. 11,299.29 million compared to Rs. 3,178.05 million as at 31st March 2013. Operating activities contributed by Rs. 17,217.82 million for the favourable balance whilst net cash used in investing and finance activities accounted to Rs. 169.62 million and Rs. 8,926.96 million respectively. Pursuant to the receipt of the finance business license the Company started accepting public deposits and in addition, reliance on the short term facilities mainly overdrafts declined drastically with the use of long term funding lines, which supplemented further to the favourable impact upon the operating cash flow.

CREDIT QUALITY

The Company is outstanding in its efforts to maintain a quality portfolio and gives due precedence for timely collections. Apart from the Company's recovery efforts, the prudent credit policies adopted and the continuous and consistent credit evaluation process have underscored the quality of the credit portfolio achieved thus far.

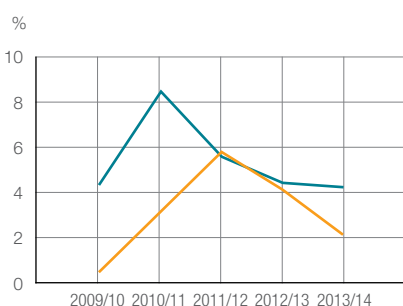
Together with the amalgamation, waning recoveries and adverse weather conditions contributed to the increase of the non-performing ratio of 2.18 percent, however, below the budgeted ratio of 3 percent. This rate is also way below the industry rate of 6.7 percent and maintained its recovery ratio at an approximate of 94 percent during the year under review.

FINANCIAL REVIEW



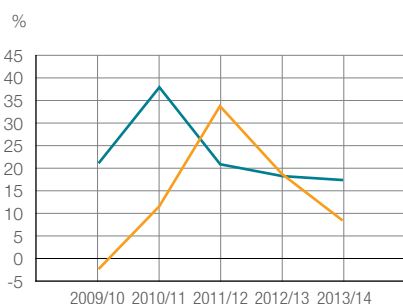
DEBT TO EQUITY

— Debt to equity



RETURN ON ASSETS

— PLC
 — Industry Average



RETURN ON EQUITY

— PLC
 — Industry Average

GRANTING

The Company achieved an increase of Rs. 6,972.02 million in granting through maximising prospects from the merger and expansion, out of which 61.66 percent comprised its core business of lease and hire purchase. In spite of high import duties and volatile exchange rates, a cumulative granting of Rs. 47,635.49 million was achieved compared to Rs. 40,663.47 million cumulative granting of the pervious year.

DIVIDENDS

On the 3rd of January 2013, the Company paid an interim dividend of Rs. 0.75 per ordinary share for the financial year 2013/14 and the Directors have recommended a final dividend of Rs. 0.50 per ordinary share upon the approval of the shareholders at the Annual General Meeting.

Cash dividends of Rs. 103.42 million were paid on fully paid cumulative preference shares on 31st October 2013 and 31st March 2014 respectively to the investor, People's Bank.

SHARE PRICE AND MARKET CAPITALISATION

The share price recorded a high of Rs. 15.70 and a low of Rs. 13.00 during the financial year. The closing price at the year-end was Rs. 14.30 and market capitalisation was Rs. 22,592.03 million. The Company's closing share price posted an increase of 9.16 percent as against the previous year end price of Rs. 13.10.

RATIO ANALYSIS

DEBT TO EQUITY RATIO

The Company for the year 2013/14, has reported a debt-to-equity ratio of 2.68 times against the 3.29 times reported in the previous year. The decline can be drawn to the deterioration in short term borrowings with the acceptance of public deposits.

RETURN ON ASSETS (ROA) AND RETURN ON EQUITY (ROE)

For the year ended 31st March 2014, the Company recorded a ROA and ROE of 4.15 percent and 16.79 percent against 4.36 percent and 17.75 percent in 2012/13 respectively. It is noteworthy that the Company performing above the industry in terms of ROA and ROE, that stood at 2.1 percent and 8.2 percent respectively.

CAPITAL ADEQUACY RATIO

The Company successfully maintained core capital and total risk weighted capital ratio of 19.12 percent and 18.05 percent respectively as at 31st March 2014, ratios well above the minimum requirements of 5 percent and 10 percent respectively.

FINANCIAL ASSISTANCE FROM GOVERNMENT

During the year under review, the Company generated interest income from loans granted through Investment Fund Account and Capital gains from sale of share which are exempt from Income Tax under the Inland Revenue Act No. 10 of 2006.

FINANCIAL REVIEW

ECONOMIC VALUE ADDED (EVA)

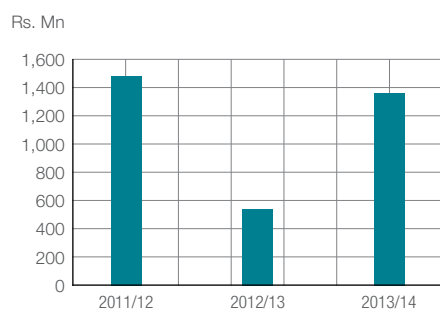
EVA presents the excess value generated over the required return of the total investment by the shareholders.

For the year ended 31st March	2014 Rs. Mn	2013 Restated Rs. Mn	2012 Rs. Mn
Shareholders' funds	19,195.93	18,022.69	16,809.20
Accumulated provision for impairment charges	1,347.86	841.72	462.80
	20,543.79	18,864.41	17,272.00
Profit attributable to			
Shareholders	3,123.75	2,849.96	2,574.84
Add : impairment provision	1,217.75	697.64	307.98
Less - Disposal losses	685.61	415.00	201.23
	3,655.89	3,132.60	2,681.59
Economic cost % (average treasury bill rate + 2 % risk premium)	11.63	14.31	10.19
Economic cost	2,291.59	2,585.56	1,204.16
Economic value addition	1,364.30	547.04	1,477.43

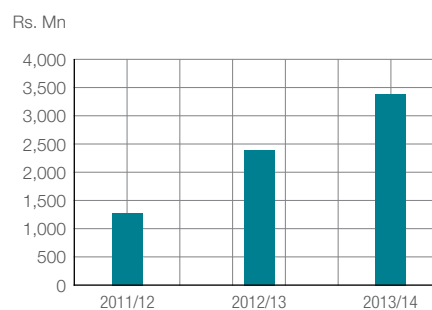
MARKET VALUE ADDED (MVA)

A positive MVA denotes the Company's ability to create value for its shareholders where the current market value of the Company exceeds the capital contributed by investors.

For the Year	2013/14 Rs. Mn	2012/13 Rs. Mn	2011/12 Rs. Mn
Market capitalization/ market value of equity	22,592.03	20,436.00	18,096.00
Less : Equity owners' funds			
Shareholders' funds	19,195.93	18,022.69	16,809.20
Total equity owners' funds	19,195.93	18,022.69	16,809.20
Market value added	3,396.10	2,413.31	1,286.80



ECONOMIC VALUE ADDED

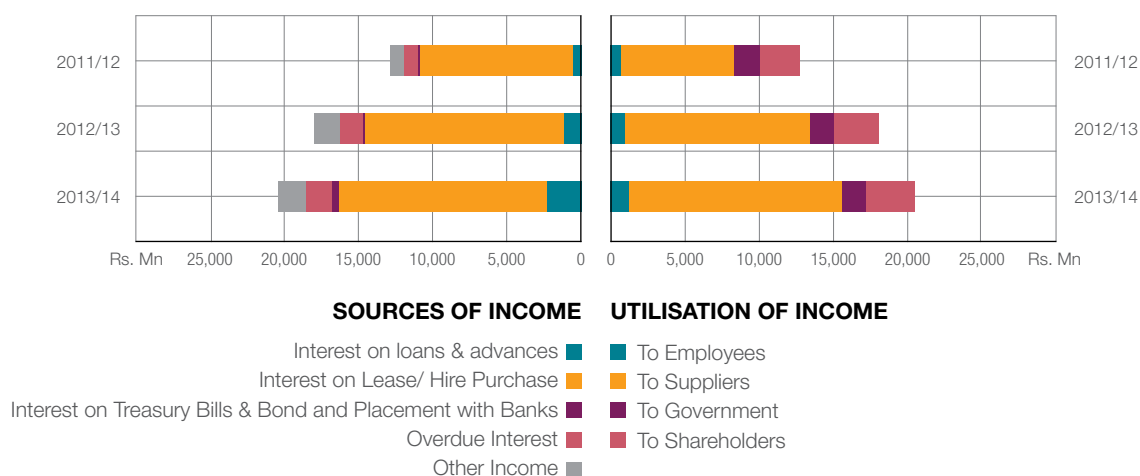


MARKET VALUE ADDED

FINANCIAL REVIEW

SOURCES AND UTILISATION OF INCOME

For the Year ended 31st March	2014		2013 Restated		2012	
	Rs. Mn	Composition %	Rs. Mn	Composition %	Rs. Mn	Composition %
Sources of income						
Interest on loans & advances	2,349.12	11.39	1,194.37	6.56	567.96	4.40
Interest on lease/ hire purchase	14,187.90	68.78	13,512.88	74.23	10,399.99	80.54
Interest on repo's and placement with banks	391.44	1.90	212.05	1.16	48.39	0.37
Overdue interest	1,833.87	8.89	1,515.02	8.32	949.24	7.35
Other income	1,865.46	9.04	1,770.48	9.73	946.67	7.34
Total	20,627.79	100.00	18,204.80	100.00	12,912.25	100.00
Utilisation of income						
To employees						
Personnel expenses	1,338.05		1,026.16		772.27	
	1,338.05	6.49	1,026.16	5.64	772.27	5.98
To suppliers						
Interest paid	11,162.54		10,002.92		6,133.78	
Other expenses	1,773.24		1,604.05		1,087.19	
Depreciation	196.81		190.12		139.67	
Impairment charges	1,217.75		697.64		307.98	
	14,350.34	69.57	12,494.73	68.63	7,668.62	60.59
To government						
VAT on financial service	292.01		285.07		368.05	
Income tax	1,263.22		1,284.88		1,205.75	
Other taxes	157.00		126.58		154.63	
	1,712.23	8.30	1,696.53	9.32	1,728.43	12.19
To shareholders						
Dividends -preference shares	103.42		137.42		168.08	
Dividends -ordinary shares	1,974.83		1,950.00		1,560.00	
Transfer to reserve fund and investment fund reserve	401.35		509.48		656.99	
Retained earnings	747.57		390.48		357.86	
	3,227.17	15.64	2,987.38	16.41	2,742.93	21.24
Total	20,627.79	100.00	18,204.80	100.00	12,912.25	100



FINANCIAL REVIEW

STATEMENT OF VALUE ADDITION

For the year ended 31st March	2014		2013 Restated		2012	
	Rs. Mn	%	Rs. Mn	%	Rs. Mn	%
Value added						
Interest Income	19,533.60		17,244.93		12,001.89	
Cost of services	(12,935.78)		(11,606.97)		(7,220.97)	
Value added by financial service	6,597.82		5,637.96		4,780.92	
Other income	1,094.19		959.87		910.36	
Impairment charges	(1,217.75)		(697.64)		(307.98)	
Total	6,474.26		5,900.19		5,383.30	
Distribution of value added						
To employees						
Salaries and other benefits	1,338.05		1,026.16		772.27	
	1,338.05	20.67	1,026.16	17.39	772.27	14.35
To providers of capital						
Dividends to ordinary shareholders	1,974.83		1,950.00		1,560.00	
Dividends to preference shareholders	103.42		137.42		168.08	
	2,078.25	32.10	2,087.42	35.38	1,728.08	32.10
To the government						
VAT on financial service	292.01		285.07		368.05	
Income tax	874.37		687.56		1,083.29	
Other taxes	157.00		126.58		154.63	
	1,323.38	20.44	1,099.21	18.63	1,605.97	29.83
To expansion and growth						
Retained profits	1,148.92		899.96		1,014.85	
Depreciation and amortisation	196.81		190.12		139.67	
Deferred taxation	388.85		597.32		122.46	
	1,734.58	26.79	1,687.40	28.60	1,276.98	23.72
Total	6,474.26	100.00	5,900.19	100.00	5,383.30	100.00



DISTRIBUTION OF VALUE ADDED 2012

■ Employees	14.35%
■ Providers of capital	32.10%
■ Government	29.83%
■ Expansion and growth	23.72%



DISTRIBUTION OF VALUE ADDED 2013

■ Employees	17.39%
■ Providers of capital	35.38%
■ Government	18.63%
■ Expansion and growth	28.60%



DISTRIBUTION OF VALUE ADDED 2014

■ Employees	20.67%
■ Providers of capital	32.10%
■ Government	20.44%
■ Expansion and growth	26.79%

OPERATIONAL REVIEW

Targets FY 2013/14	Achievements & Highlights FY 2013/14
Strategic Goal: Outreach	
Expand the branch network and window operations to reach deeper into the periphery and grow the market share.	<ul style="list-style-type: none"> ◆ Branch network increased from 56 to 85 including 23 branches due to the strategic merger. ◆ Sustained the market leadership within the leasing sector for the 12th consecutive year and number one position within the non-bank financial sector.
Strategic Goal: Group Synergies	
Leverage on the parent company's brand strength and the expertise of the subsidiaries, collaborate in mutually beneficial projects and reach cost efficiencies through economies of scale.	<ul style="list-style-type: none"> ◆ Hosted 45 new window operations of the subsidiaries within the PLC branch network. ◆ Extended administrative support along with risk management and compliance expertise to the subsidiaries. ◆ Ventured into domestic leisure sector synergistically complementing property development and fleet management.
Strategic Goal: Product Diversification	
Diversify the products to offer a total solution focusing on value-additions, new products & subsidiary operations.	<ul style="list-style-type: none"> ◆ Developed the value added features to core products – smart phones, mobile apps, palm tops and online processing of facilities. ◆ Established a fully-fledged margin trading operations. ◆ Developed the direct vehicle importing department with MoUs in place with two authorised agencies in Japan. ◆ Promoted green financing loans as - 'GREEN FRIENDS' ◆ Strengthened the subsidiary operations – insurance, microfinance and fleet management with innovative and customised IT solutions and strategic training. ◆ Undertaken new projects in property development and the civil works commenced to construct an office complex at Colombo 5 with environmentally friendly features.
Strategic Goal: Employee Relations	
Ensure on enabling work culture with due remuneration, recognition, rewards and extend the best opportunities in training.	<ul style="list-style-type: none"> ◆ Ensured employee well-being through an increment in remuneration and extended due recognition and rewards. ◆ Implemented a comprehensive training programme strategically targeting the skills gap. ◆ Recognised as one of the "Great Companies to Work For in Sri Lanka, 2013" – Great Places to Work, Sri Lanka.
Strategic Goal: Customer Relationships	
Strengthen the existing customer relationships and attract new customers with best-in-class service through the product offer and the diligence of a motivated team.	<ul style="list-style-type: none"> ◆ Flexibility and speedy transactions enabled through mobile phones, palm tops and online approvals. ◆ Customer survey carried out and findings taken in for deliberations to enhance customer service. ◆ Call Centre was further leveraged to address customer issues, needs and offer speedy communication facilities.
Strategic Goal: Branding & Marketing Communication	
Showcase the PLC brand & promote products through promotional campaigns with cost effective below-the-line tactics.	<ul style="list-style-type: none"> ◆ Advertisements & advertorials placed in the print media including popular business magazines. ◆ Sponsored and participated in key events to showcase the brand. ◆ Brand recognition through coveted accolades and ranking. ◆ Direct promotions through three propaganda teams.
Strategic Goal: Governance and Risk Management	
Advocate the best practices in governance, risk management and engage stakeholders responsibly to grow in strength and stability.	<ul style="list-style-type: none"> ◆ Strengthened the governance and greater internalisation of risk management within the branch operations. ◆ Two international ratings; a rating equivalent to the Sovereign of 'B+/B' long term and short term issuer credit rating by Standard & Poor's and a long term foreign and local currency Issuer Default Ratings (IDRs) of 'B+', a rating one notch below the Sovereign by Fitch Ratings International.
Strategic Goal: Community & Environment Footprint	
Integrate corporate social responsibility including community development and initiatives to reduce the environmental footprint as an integral part of operations towards greater sustainability.	<ul style="list-style-type: none"> ◆ Invested a sum of Rs. 66.02 million on CSR projects, measures and initiatives. ◆ Sustainability measures integrated into the Board agenda. ◆ Focused projects advocating social development across the island. ◆ Greater participation in projects with public and private, partnerships targeting community development. ◆ Increased commitment on biodiversity and initiatives to reduce the corporate environment footprint.

OPERATIONAL REVIEW

STRATEGIC GOALS

OUTREACH

In the post-merger scenario and reinforcing the commitment to inclusive finance, PLC's branch and window network grew in depth and scale across all provinces reaching out to diverse socio-economic profiled customers. Accessibility, even in the most remote areas played a key role in converting customers from the informal sector to embrace financial solutions with PLC, in turn, building up the market share. The branch and the window network stood at a total of 194 as at the reporting date on a cumulative basis compared to the non-cumulative position for PLC of 184 as at the prior year. This entailed 85 fully-fledged branches and 109 window offices across the country with a cadre strength of 399 marketing staff. In the reporting year, the Company opened 16 new branches including 10 arising from the merger and pragmatically closed down 18 window operations which overlapped with the branch network.

In these settings, the Company succeeded to sustain its positioning as the market leader with the highest market share in terms of the disbursements for the 12th consecutive year in the leasing sector and the number one position in the non-bank financial sector.

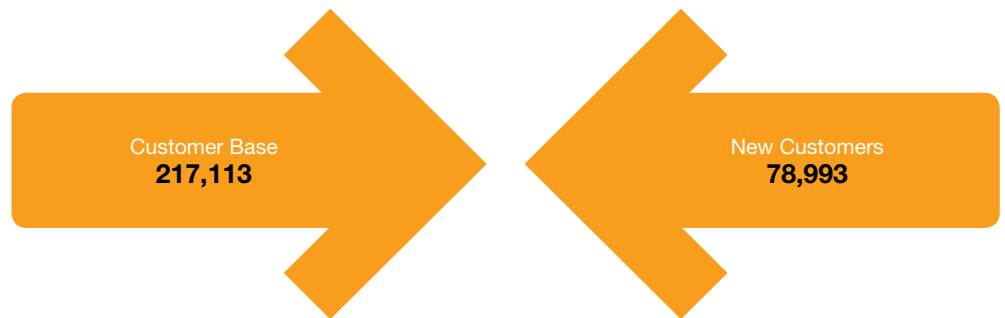
GROUP SYNERGIES

The focus in the year was to position PLC and its subsidiaries as a comprehensive solution for diverse financial requirements of the stakeholders including green financing. In this momentum, leveraging on synergies within the Group to brace the product and the distribution channel played a pivotal role in the corporate strategy. The brand strength and the solid standing of the parent entity, People's Bank in the financial circles of Sri Lanka, paved the way for the Company to steadily expand its footprint deeper into the market.

The Company also consolidated the Group structure to drive synergistic collaborations among and with its five subsidiary companies. The expertise of each subsidiary company enabled to broaden the Company's product horizon from finance products, microfinance, insurance, fleet management to property development. Hosting window offices of the subsidiaries combined with the rationalisation that entails centralised and shared administrative functions - human resources management, ICT, legal and audit continued to bring in significant cost savings whilst nurturing best practices in business and risk management across the Group.

In the preceding year, having obtained the approval to operate as a finance company under the purview of the Finance Business Act No. 42 of 2011 of the Monetary Board of Sri Lanka, PLC made a strategic move, also abiding by the statutory guidelines, to merge operations with its subsidiary, People's Finance PLC which came into effect on 2nd April 2013. This opened further avenues to build the brand, streamline the service to customers and offer a versatile product with greater accessibility. The strength of the merger also supported to prop cost effective funding options both through deposits locally and through international borrowings. This buttressed the overall company performance including the margins and enhanced the shareholders' value.

CUSTOMER RELATIONSHIPS



PLC reinforced its stance as a customer centric organisation with its two-tier customer relationship strategy - service offer and employee factor. The Company prioritised service excellence based on relationships and products tailor-made to address profiled customer needs. Cross selling within the Group and product bundling together with an effective mechanism to handle customer issues and complaints were sought to give a versatile and flexible solution to reach and retain a wider and a diverse customer base. The customer survey carried out at the branch level in the year aptly supported these efforts with the insight to offer the aspired best in service. Pages 90 to 96

EMPLOYEE RELATIONS

The Company continued during the year to give priority and invest on empowering employees with the right tools - remuneration, rewards, recognition and training whilst heightening the diversity especially through community recruitments. Due focus was given to motivate and build team spirit. These essentially complemented the Company to muster the support of the employees to build loyal customer relationships and meet the strategic goals envisioned for PLC. Pages 98 to 108

BRANDING & MARKETING COMMUNICATION




The preceding year with the receipt of finance business license saw a rebranding campaign including the name and logo change. Following on this lead, PLC in the year focused on below-the-line measures to showcase the brand values - growth, prosperity, reliability, accountability and trust - aptly distinguishing the Company within the non-bank financial arena. Apart from the marketing and propaganda initiatives at the branch level, the head office leveraged on the print media, events and direct marketing to promote the PLC brand and the service offer.

OPERATIONAL REVIEW

PRODUCT PORTFOLIO


Keeping the momentum of growth intact, the Company continued to focus on being a diversified financial service provider which in effect supported the operations to weather the shocks in the recent years within its core portfolio - leasing and hire purchase business sector whilst contributing positively to grow the market share. Obtaining the finance company license and the subsequent merger served the Company well to strategically embrace greater diversification and thereby, the long-term viability.

Closely following the diverse customer profiles and their rapidly changing needs especially accentuated in the present emerging market scenario, the Company sought to build on its product offer. Value addition through flexible and efficient features to core products especially leveraging on technology, remained significant in the Company's diversification strategy. The year saw operations moving on to greater automation, the trending smart phone transactions and mobile apps to e-payment gateway.  Pages 86 to 89

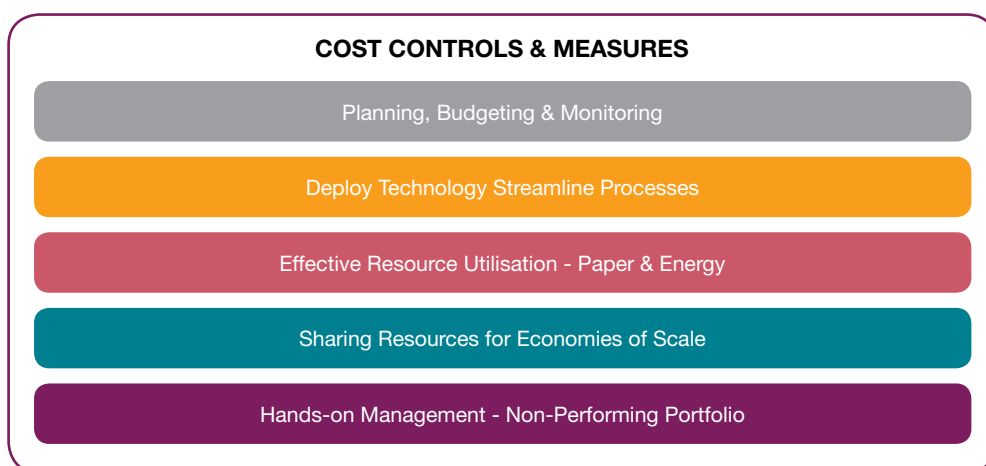
Apart from value additions, the Company sought to brace on new products – direct vehicle importation facilities from the auctions in Japan and margin trading which are discussed in the ensuing sections. The year also saw greater activity in savings, fixed deposits, forex transactions to Islamic finance products aligned to the Shari'ah guidelines. The subsidiaries engaged in providing insurance, microfinance, fleet management, vehicle valuations, servicing and property development further complemented the Company's diversification aspirations.


“
THE MOMENTUM OF GROWTH INTACT, THE COMPANY CONTINUED TO FOCUS ON BEING A DIVERSIFIED FINANCIAL SERVICE PROVIDER WHICH IN EFFECT SUPPORTED THE OPERATIONS TO WEATHER THE SHOCKS IN THE RECENT YEARS
 ”

RISK MANAGEMENT




Effective risk management policies and procedures are fully integrated to the Company's operations - strategy development process to the implementation of action plans at the operational level. The role is further accentuated in the current scenario due to the changing nature of the business environment and regulatory requirements. Fully recognising the necessity and the significance of risk management, ultimately reflecting on the long-term sustainability, the Company in the year under review remained steadfast in its drive to balance risks and returns in all its operational transactions. The Integrated Risk Management Committee sought to internalise risk management at the operational level. The branch level Credit Committees were established in the year to ensure that risk management is structured at the branch level and reflected in daily operations especially addressing credit risks in decision-making and actions. The Committee also reviewed risk tolerance levels with due consideration on business objectives, current market sentiments and regulatory requirements. These updated tolerance levels approved by the Board were then integrated across the organisation.  Pages 191 to 205

FINANCIAL DISCIPLINE



The macro dynamics and industry conditions continued to pressure the Company's performance in the year under review. Whilst driving the top-line growth, it was vital to ensure proper checks on costs across the organisation to prop the bottom-line and sustain the margins. Although in effect expenses increased by 17.58 percent intensified by the merger, recruitments to feed the top-line growth and the performance based salary increase supported to abate further proliferation of expenses which would have had dire consequences on the margins. The Company in the year commendably posted an increase in net profits and sustained the margins whilst the financial position as at 31st March 2014 was upheld with capital adequacy and solvency well above the prescribed norms.  Pages 45 to 53

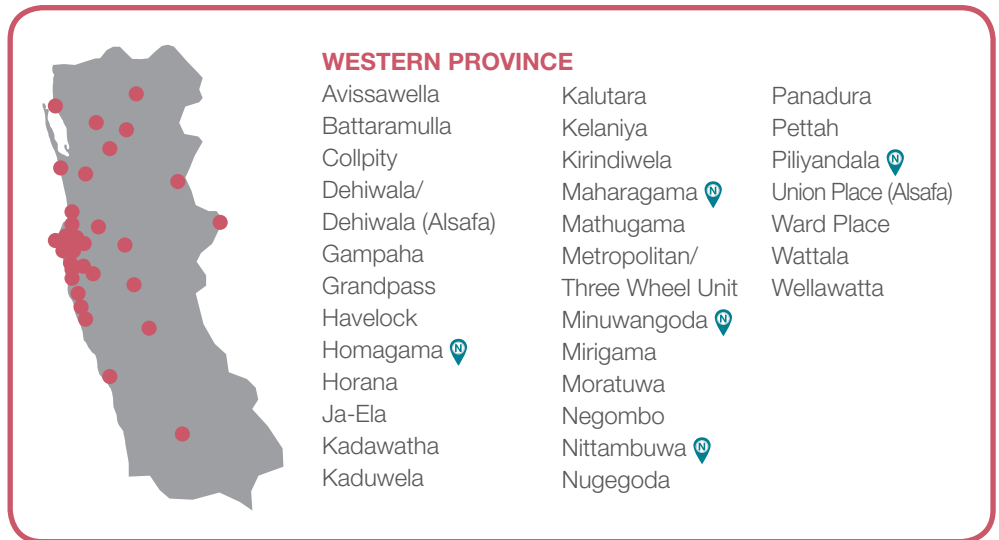
FUNDAMENTALS

Upholding good governance and being a responsible corporate citizen accountable for all stakeholders is the very foundation of PLC's '17 -year' corporate success. Necessary measures are in place to be in compliance with regulations, statutory requirements and standards. Corporate social responsibility (CSR) is the most valued tenet integrating value creation with sustainable business practices - encompassing accountability and trickle down benefits inter-alia, to shareholders, employees, communities and the environment in which we operate. This year under review, the Company sought to move on to an integrated approach to embrace triple-bottom-line sustainability facets in its strategic decision making and actions through focused CSR. The reporting this year herein attempts to highlight the Company's efforts in this regard.  Pages 140 to 183  Pages 118 to 126  Pages 109 to 117

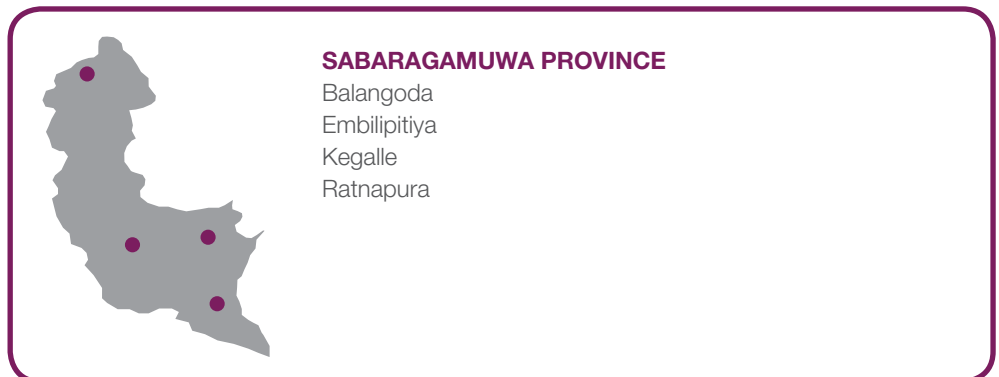
OPERATIONAL REVIEW

BRANCH NETWORK

Western Province	
No. of Branches	31
No. of Window Offices	17
No. of New Branches	5
GDP (Rs. Bn)	3,291
Population ('000)	5,866



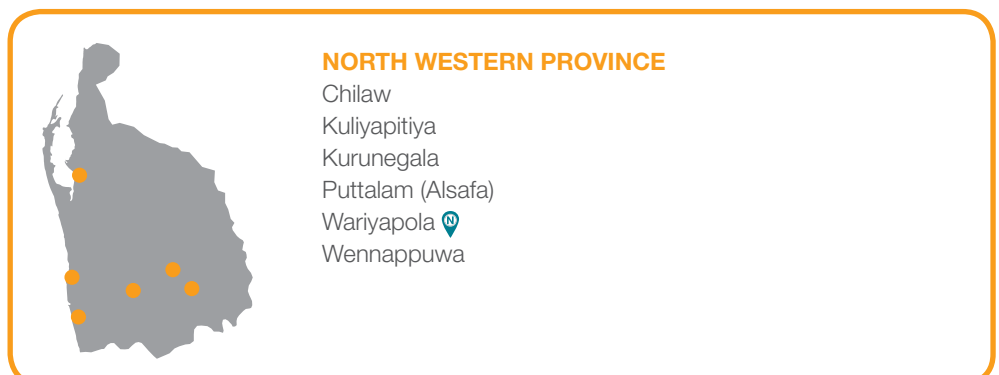
Sabaragamuwa Province	
No. of Branches	4
No. of Window Offices	15
No. of New Branches	-
GDP (Rs. Bn)	465
Population ('000)	2,493



Central Province	
No. of Branches	10
No. of Window Offices	10
No. of New Branches	3
GDP (Rs. Bn)	744
Population ('000)	2,592



North Western Province	
No. of Branches	6
No. of Window Offices	11
No. of New Branches	1
GDP (Rs. Bn)	730
Population ('000)	2,393



OPERATIONAL REVIEW


Eastern Province	
No. of Branches	8
No. of Window Offices	12
No. of New Branches	1
GDP (Rs. Bn)	474
Population ('000)	1,571




EASTERN PROVINCE

- Ampara
- Batticaloa
- Kaluwanchikudy 
- Kalmunai (Alsafa)
- Kanthale
- Kattankudy (Alsafa)
- Mutur (Kinniya)
- Trincomalee

North Central Province	
No. of Branches	4
No. of Window Offices	8
No. of New Branches	1
GDP (Rs. Bn)	354
Population ('000)	1,276



NORTH CENTRAL PROVINCE

- Anuradhapura
- Kekirawa 
- Polonnaruwa
- Thambuttegama

Southern Province	
No. of Branches	11
No. of Window Offices	20
No. of New Branches	2
GDP (Rs. Bn)	872
Population ('000)	2,493



SOUTHERN PROVINCE

- Akuressa
- Ambalangoda
- Ambalanthota
- Deniyaya
- Elpitiya
- Galle
- Hambantota 
- Matara
- Neluwa
- Tangalle
- Thissamaharama 

Uva Province	
No. of Branches	6
No. of Window Offices	6
No. of New Branches	2
GDP (Rs. Bn)	343
Population ('000)	1,278



UVA PROVINCE


- Badulla
- Bandarawela
- Mahiyanganaya
- Monaragala
- Welimada 
- Wellawaya 

North Province	
No. of Branches	5
No. of Window Offices	10
No. of New Branches	1
GDP (Rs. Bn)	305
Population ('000)	1,073



NORTH PROVINCE

- Chunnakam
- Jaffna
- Kilinochchi 
- Mannar
- Vavuniya

Branches opened during the year 

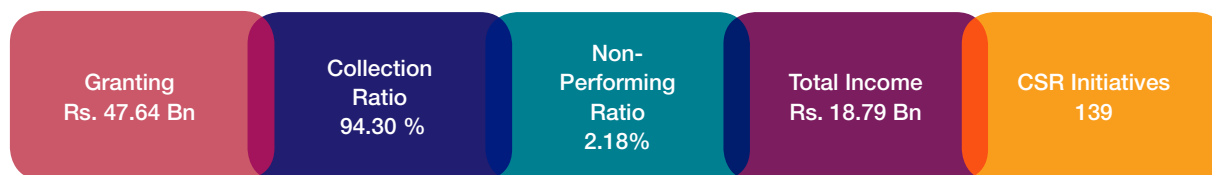
* Provisional GDP for 2012 and provisional population for 2013 are extracted from the CBSL Annual Report 2013.

OPERATIONAL REVIEW

BRANCH OPERATIONS

Strategic Priorities	Performance Highlights – FY 2013/14
<ul style="list-style-type: none"> ◆ Amalgamate the branch operations smoothly, embracing the post-merger scenario. ◆ Infuse resources to strengthen the systems and processes and extend pertinent training and development opportunities for employees towards career and personal development. ◆ Provide right tools to support the branch performance. ◆ Set pragmatic targets and review periodically to best fit the current developments. ◆ Monitor targets at the branch and the officer level and tie up performance with the rewards and recognition. ◆ Build up healthy competition between branches to drive the topline growth as well as maintain credit quality. ◆ Collaborate with and support the subsidiary network. ◆ Good governance and implement sustainability initiatives focusing on the environment and community development - infrastructure, education and healthcare. 	<ul style="list-style-type: none"> ◆ Opened 16 new branches. ◆ Recruited 315 new branch employees and 78.95 percent as community recruitments. ◆ Total employees reached 1,575 with 25 percent as marketing officers. ◆ Trained all employees within the branch network. ◆ Established branch level credit committees to oversee the credit process and recoveries resulting in improved risk governance structure. ◆ Organised the Annual Branch Competition and recognised branch performance, best CSR initiatives and employee performance. ◆ Erected display boards with the PLC brand and product information in ten selected branches. ◆ Carried out direct marketing campaigns to canvass business across the country. ◆ Initiated and implemented CSR projects.

Key Performance Indicators – 2013/14



For the FY	2013/14	2012/13	% Change
Customer Base (Number)	217,113	151,987	42.85
Portfolio (Rs. Mn)	90,218.36	88,404.48	2.05
Non-Performing Ratio (%)	2.18	1.44	51.39
Rental Collections (Rs. Mn)	87,506.20	63,723.00	37.32
Employees at Branch Level (Number)	1,244	1,011	23.05
CSR Projects (Rs. Mn)	12.79	17.11	(25.25)

Economic Policy

We are committed to building and sustaining an economically sound business model that will be centered on an integrated and focused approach constructed on a platform of sound governance, ethics, transparency and accountability, while enhancing stakeholder value and being a true partner in sustained national economic development.

OUR APPROACH

The branch strategy this year was to consolidate on the position of branches and window offices of both the PLC and People's Finance PLC in the post-merger context. Focused efforts sought to bring in greater discipline and to inculcate professionalism, diligence and environmental and social assessments to daily operations. Branches were encouraged to take on the leadership under the aegis of three Assistant General Managers and a Chief Manager to enable greater flexibility, timeliness and effective decision making which in fact were vital to stay ahead of the competition.


TARGETS & MONITORING

Performance aligned to targets which were set at the onset of the financial year during an interactive planning process, was closely monitored under the guidance of the head office senior management to ensure the volume and the quality of the portfolio. Regular performance monitoring meetings were held to address issues that may hamper the targets; as and when needed targets were revisited, revised or validated with the concurrence of the Board. The performance dashboards which could be easily accessed through the intranet, buttressed the efforts to maintain a healthy portfolio.

Branch Credit Committee



The branch level Credit Committees which were established in the year with the representation from marketing, recoveries and branch management played a crucial part in enhancing the credit evaluation process and monitoring the quality of the portfolio. From the time of application to evaluation, granting and settlement, the Branch Credit Committees were pro active to ensure best practices were followed with special focus on risk management and compliance to

OPERATIONAL REVIEW

statutory and regulatory requirements. The granting process and follow-up were closely monitored with due diligence on the risk parameters prescribed by the Integrated Risk Management Committee; necessary remedial action was taken to mitigate any material risks.  Pages 191 to 205

Support Services

Further resources were infused to strengthen the network - IT infrastructure and software, to enhance the overall operational performance. Due investments were made on document scanners and palm tops to bring in productivity improvements as well as to optimise resource utilisation ultimately supporting the Company's efforts to minimise paper usage.

Necessary training including on-the-job, rotations and internal and external structured training programmes focusing on marketing, recoveries as well as on soft skills were extended to branch staff to take on their responsibilities effectively.  Pages 98 to 108
 Pages 86 to 89

Marketing Initiatives

Complementing the centralised brand and marketing communication efforts, the branches carried out their own initiatives to impress and retain their customer base whilst attracting new opportunities to grow the market. Following were the key marketing initiatives implemented in the year:

- ◆ **Branch Branding:** Bringing consistency aligned to the PLC branding and the new logo, the Company selected ten branches in the Western, Southern and North Central provinces to erect light board display units to showcase the logo and information on products. This initiative will be extended to the entire network in the ensuing year.
- ◆ **Direct Marketing:** Propaganda vehicles, road shows and door to door campaigns reached out to a wider spectrum of customers across the country. These were effective channels not only to communicate to the public on PLC's service offer, but also to advocate financial literacy and open up opportunities to elevate the lives of the rural and the under-privileged masses.
- ◆ **“Riya Pola” Campaign:** In collaboration with reputed vehicle dealers, vehicle fairs were organised to promote lease and hire purchase of registered & unregistered vehicles in strategic locations surrounding the branches.

Best Branch Competition



The “Best Branch” competition continued to hold centre-stage in the branch level operations where employees individually and as a team competed to be recognised for their best efforts to reach operational excellence. Branches were adjudged under three categories as category A, B and C combined with the best CSR project . The evaluation was well structured and based on pre-agreed criteria that had material impact on the shareholder wealth and other stakeholder aspirations. In the year, the top achievers – both individuals and teams were well recognised, incentivised and exciting gifts were offered including all-inclusive foreign travel and holiday packages in Sri Lanka.

Kandy - Best Branch - Category A




Matara - Best Branch - Category B



Trincomalee - Best Branch - Category C



Trincomalee - Best CSR Project

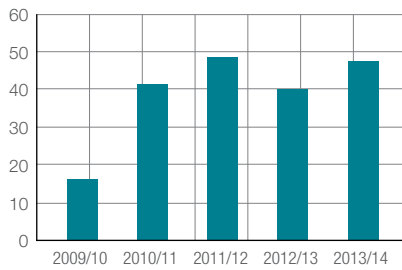


Kandy - Overall Best Branch of the year

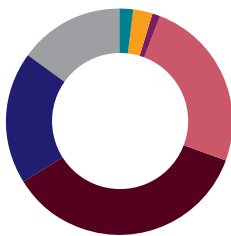


OPERATIONAL REVIEW

Rs. Bn



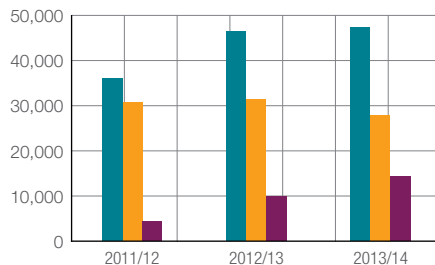
DISBURSEMENTS OVER 5 YEARS



SECTOR WISE GRANTING - 2013/14

Agriculture	1.94%	Services	35.72%
Constructions	2.71%	Tourism	0.21%
Fisheries	0.04%	Trading	18.96%
Industry	0.79%	Transport	14.81%
Others	24.82%		

Rs. Mn



LEASE, HP & LOAN PORTFOLIO

Lease	Loans & Advances
HP	

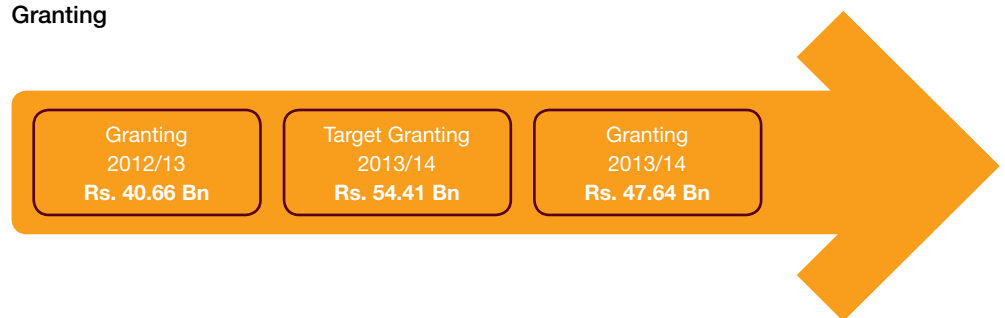
Supporting Subsidiaries

The subsidiaries enjoy synergies within the PLC branch network with window operations in diverse geographic locations and collaborations in terms of technical, marketing and financial management. During the year, the subsidiary presence within the branches increased to a total of 127 windows offices with representation from People's Microfinance Ltd, People's Insurance Ltd and People's Leasing Fleet Management Ltd.

	People's Microfinance	People's Insurance	People's Leasing Fleet Management
Windows	32	69	26

OPERATIONAL PERFORMANCE

Granting



Consolidating the growth momentum, PLC as a merged entity continued to drive market share in the year under review. Total granting increased by Rs. 6,972.02 million to Rs. 47,635.50 million corresponding to an 17.15 percent growth as compared to the cumulative granting in the preceding year of both PLC and its subsidiary, People's Finance PLC. Although complemented by a more stable macroeconomic scenario in the year under review underpinned by an easy monetary policy stance, granting was still susceptible to the industry dynamics given the higher tariff structure for vehicles. However, the brand strength of both PLC and the parent, People's Bank, coupled with the efficiencies of scale and productivity enhanced by the merger, the Company was able to perform well in all four quarters. PLC sustained its market leadership at the number one slot for the 12th consecutive year in the leasing sector.

Sector Performance

The granting in the year were mainly targeted at the small and medium enterprises to finance commercial and passenger vehicles, machinery and equipment. The highest granting continued to be for the services sector representing 35.72 percent of the total granting during the year. The granting exposure to the trading sector, accounted for 18.96 percent followed by 14.81 percent to the transport sector. The granting for the construction and agriculture sectors were relatively lower at 2.71 percent and 1.94 percent respectively.

Product Mix

The product mix remained to be skewed towards lease (finance lease)/ ljarah and hire purchase/ BBA totaling to Rs. 75.27 billion which represented over 83.43 percent of the total lending portfolio amounting to Rs. 90.22 billion. Finance leases per se accounted for the bulk with 52.40 percent of the total whilst hire purchase accounted for 31.03 percent. Term loans, however, have been gaining in the recent years and accounted for 15.85 percent of the total lending portfolio in the year under review compared to 11.21 percent in the previous year.

Lease and Hire Purchase Performance

Lease and hire purchase market continued to be challenged by the higher tax regime for imported vehicles combined with higher fuel prices. Yet, the relatively stable macro environment – lower interest rates, single digit inflation rate and less volatile exchange rate reflected well on the demand for lease and hire purchase; granting of finance leases and hire purchase in the year improved by 13.08 percent from Rs. 32,864.78 million in the prior year on a cumulative basis to Rs. 37,163.52 million in the reporting year. Finance leases in the year posted a 17.51 percent increase in interest income to reach Rs. 8,485.41 million vis-à-vis the preceding year whilst revenue generated by the hire purchase portfolio amounted to Rs. 5,702.49 million.

OPERATIONAL REVIEW

“
THE COMPANY IS COMMITTED AND CONSISTENT IN ITS EFFORTS FOR TIMELY COLLECTIONS AND TO SUSTAIN A LOWER NON-PERFORMING (NP) PORTFOLIO WHICH IS VITAL FOR SUSTENANCE WITHIN THE CURRENT MARKET DYNAMICS
 ”

Provinces

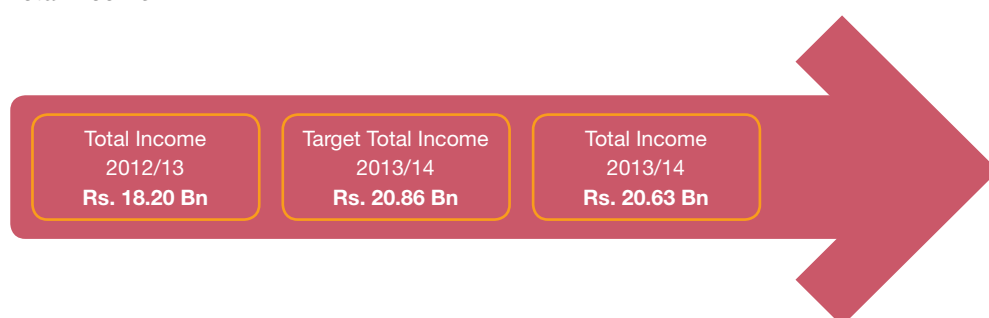
Mirroring the propensity of the level of economic activity, branches within the Western Province recorded the highest granting totaling to Rs. 21,938.68 million – 46.06 percent of the total. Southern, Central and North-Western provinces also contributed a sizable portion of 28.66 percent to total granting. Kandy branch topped the list for the highest granting followed by Union Place Alsafa and Metropolitan branches.

Within the Group framework, Western province still came out on top in terms of Group granting inclusive of the microfinance loans.

Granting during the year 2013/14 – People's Leasing Group

Province	Granting – PLC Group (Rs. Mn) - FY 2013/14					
	PLC (Rs. Mn)	% Share	People's Microfinance (Rs. Mn)	% Share	Group (Rs. Mn)	% Share
Western	21,938.68	46.06	187.15	15.55	22,125.83	45.30
Southern	5,514.98	11.58	131.00	10.89	5,645.98	11.56
Central	5,073.13	10.65	151.11	12.56	5,224.24	10.70
North Western	3,064.57	6.43	106.69	8.87	3,223.98	6.60
Uva	3,003.70	6.30	194.28	16.15	3,197.98	6.55
Sabaragamuwa	2,820.82	5.92	71.71	5.96	2,892.53	5.92
North Central	2,638.59	5.54	159.41	13.25	2,745.28	5.62
Eastern	2,513.75	5.28	201.81	16.77	2,715.56	5.56
Northern	1,067.28	2.24	-	-	1,067.28	2.19
Total	47,635.50	100.00	1,203.16	100.00	48,838.66	100.00

Total Income

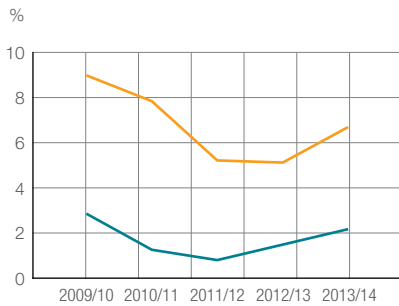


Majority of the Company's core business transactions are handled by the branch network and therefore, plays a pivotal role in value creation, spreading across the country. The branches accounted for 91.11 percent of the total income of Rs. 20.63 billion generated for the year under review. Dehiwala branch is the highest contributor to the total whilst Battaramulla and Metropolitan branches contributed to the total as the second and the third top performers respectively. Topping the performance Kandy branch recorded the highest profit during the year under review followed by the Battaramulla, Dehiwala, Galle and Nugegoda branches.

Collections & Non-Performing Ratio

Key Provinces	NP Ratio	
	2013/14	2012/13
Central Province	1.12	1.02
Uva Province	1.42	0.57
North Central Province	1.55	1.29
Sabaragamuwa Province	1.64	1.58
Company Ratio	2.18	1.44
Industry NP Ratio	6.70	5.00

OPERATIONAL REVIEW

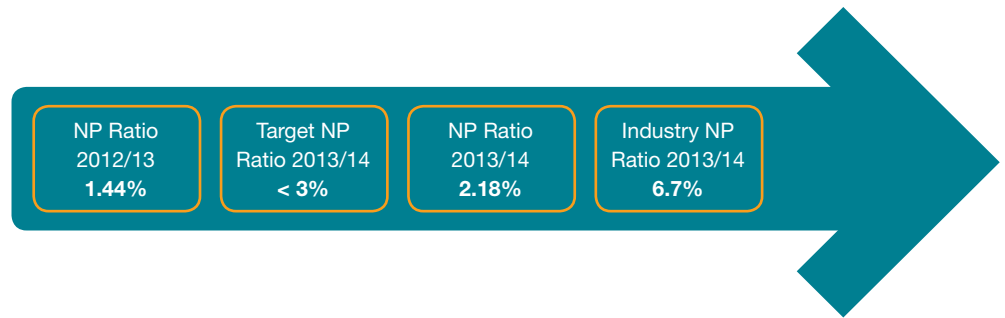


NON-PERFORMING LOAN RATIO

— Company
— Industry

The Company is committed and consistent in its efforts for timely collections and to sustain a lower non-performing (NP) portfolio which is vital for sustenance within the current market dynamics. The Company follows a cohesive approach to ensure the quality of the portfolio by nurturing firm relationships with customers on mutual trust and integrity. This in effect has opened up a channel for effective credit evaluations prior to structuring a facility, monitoring the portfolio and addressing any gaps leading up to possible defaults with financial and even technical advice and support. Performance evaluations and related rewards of operational units and officers are linked inter-alia, to their recovery efforts and results.

Supported by the stringent follow-up on collections and recovery efforts, the branches managed to curtail the proliferation of the non-performing portfolio. The collections for the year touched Rs. 87,506.22 million with a ratio creditably at 94.30 percent. The overall non-performing ratio was maintained below the targeted ratio of 3 percent at 2.18 percent and was way below the industry average of 6.7 percent. In terms of branches, the lowest non-performing ratios were recorded from Central Province.



Impairment Policy

The policy endorsed by the Board seeks to bring in the best practices into portfolio quality management. The Company follows a conservative provisioning policy well in line with the revised Accounting Standards aligned to the principles of International Financial Reporting Standards. Total impairment charges including disposal losses during the year under review amounted to Rs. 1,217.75 million.

FUTURE OUTLOOK

PLC driving on volume as its top-line strategy, will seek to leverage on the vast branch network reaching to a diverse customer base in strategic locations in the country. In the ensuing years, PLC will seek to further its outreach - within its own network as well as through relocations and converting window operations to branches; targeting partially or fully untapped markets that have the highest concentration of potential customers. Within these expansionary plans, the Company will pursue on the following:

- ◆ **Rationalise the Network:** Review and reorganise branches to minimise overlapping areas and re-align the network to increase the presence in high density locations.
- ◆ **Upgrade Operations:** Upgrade and step up the scope in operations in window offices and mini branches to reach the levels of the fully-fledged branches.
- ◆ **Resource Allocation:** Further invest on the right tools including technology and training to strengthen the structure, processes and operations.
- ◆ **Planning:** Advocate interactive planning and setting up of targets to best fit the current macroeconomic and industry scenarios.
- ◆ **Cost Controls:** Implement effective cost controls by seeking further synergies within the Group for shared support services and leverage on innovative solutions whilst capping on avoidable overheads.
- ◆ **Performance Culture:** Closely monitor performance and targets at the collective level as well as on the individual level to ensure the investment on branches yield the aspired returns. It is proposed to evaluate marketing and recovery staff on a quarterly basis.
- ◆ **Promotions:** Streamline propaganda campaigns for effective promotions covering the entire island.
- ◆ **CSR Initiatives:** Encourage staff to engage effectively with the external stakeholders and participate in CSR initiatives and special projects on pre identified focus areas.

OPERATIONAL REVIEW

VEHICLE IMPORTATION

Strategic Priorities	Performance Highlights – FY 2013/14
<ul style="list-style-type: none"> ◆ Decentralise operations to the branch level. ◆ Secure the supply chain with formal contracts or MoUs. ◆ Seek new suppliers to enable negotiations for better terms. 	<ul style="list-style-type: none"> ◆ Commenced operations of direct imports of vehicles as a separate department in August 2013. ◆ Signed 02 MoUs with authorised agents in Japan. ◆ Increase vehicle imports by 93.67 percent.

Key Performance Indicators – 2013/14



For the FY	2013/14	2012/13	% Change
Vehicles Imported (Number)			
- Indirect imports	107	79	35.44
- Direct Imports	46	-	-
Hybrids Imported (Number)			
- Indirect imports	62	25	148.00
- Direct Imports	32	-	-
Operating Profit (Rs. Mn)	12.73	24.73	(48.52)

OVERVIEW

Following on the need for product diversification and the total solution offer, PLC commenced operations in the preceding year to directly import vehicles on behalf of the customers from the auctions in Japan. Unlike the operations earlier, where the Company undertook importation of vehicles on behalf of the customers in a limited scale, the current operations enable customers to bid through PLC for direct imports of vehicles.

Apart from being a separate profit centre, this operation enabled to complement the Company's core product – leasing and hire purchase as well as the subsidiary, People's Insurance with new business opportunities. This also paved the way for customers to enjoy substantial cost advantages, convenience, flexibility and quality assurance in selecting and directly importing the vehicle of their choice.

PERFORMANCE

In the year under review, the direct vehicle imports were introduced to operate as a fully-fledged business unit with necessary staff training, IT infrastructure and other support services. Memorandums of Understanding were signed in the year with two agencies authorised to transact in the Japanese Auctions. Leaflets on creating awareness on the service and the benefits were circulated amongst the PLC customer base.

The number of vehicles imported under the purview of this unit per month touched 12 on average taking the total to 153 by the year-end. Out of these vehicles, 61 percent was hybrids – supporting the policy to promote carbon friendly products.

FUTURE OUTLOOK

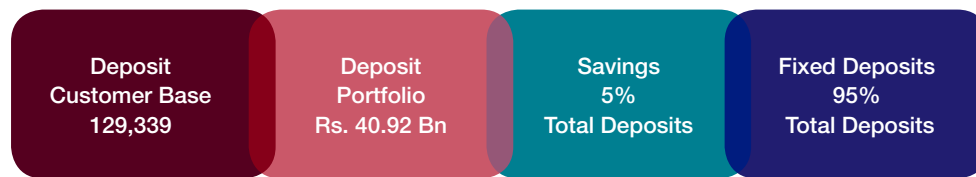
In the current context where consumers are becoming increasingly cost conscious, especially pertinent to the imported vehicle market, the Company firmly believes that the direct vehicle import business unit has the potential to thrive in the future. Hence, the Company intends to expand the operations which are primarily carried out at the head office to selected branches. Already, two branches, Metropolitan and Pettah have been identified and are handling transactions on a limited scale. In the ensuing year, importing vehicle operations will be intensified in these two branches whilst another 25 have been earmarked as prospective branches to take on these operations successfully. Plans include necessary training and support systems.

OPERATIONAL REVIEW

DEPOSITS

Strategic Priorities	Performance Highlights – FY 2013/14
<ul style="list-style-type: none"> ◆ Inculcate the habit of savings amongst the grass root masses whilst promoting the PLC deposit offer. ◆ Add value with flexible and attractive features to deposit products. ◆ Use of technology to mobilise savings – palm tops for door to door campaigns. 	<ul style="list-style-type: none"> ◆ Obtained finance company license and commenced deposit mobilising in December 2012. ◆ Deposit base reached Rs. 40.92 billion. ◆ No. of palmtops as at 31st March 2014 amounted to 87.

Key Performance Indicators – 2013/14



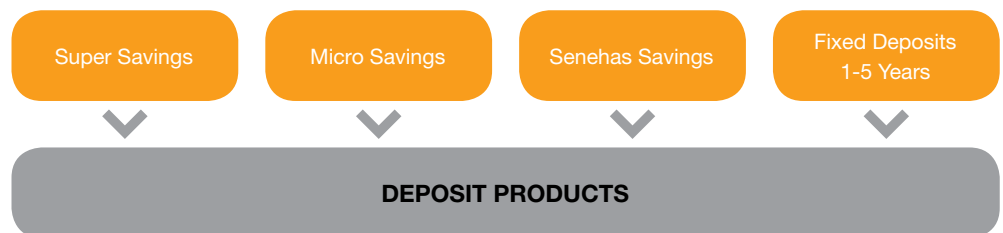
For the FY	2013/14	2012/13	% Change
Number of deposit holders at the year end			
- Fixed Deposit	20,159	11,924	69.06
- Savings	109,180	25,450	328.99
New Customers (Number)	55,801	36,615	52.40
Fixed Deposit Portfolio (Rs. Mn)	38,855.82	18,099.64	114.68
Savings Portfolio (Rs. Mn)	2,065.66	747.03	176.52

OVERVIEW

With the issuance of the Finance Company License, PLC commenced operations as a deposit taking institution in December 2012. Opening up further avenues for PLC to be more accessible to the public through deposit products - fixed-term and savings, this operation firmly established its place within the corporate strategy and plans, enabling to compete well in the market. Mobilising deposits from the public also opened the Company to low cost funds much needed to finance the growth aspirations.

PERFORMANCE

The Company offers fixed term deposit products ranging from 1 year to 5 years whilst savings are structured into three products (excluding Islamic Finance products) with competitive rates. During the year, the Company succeeded to mobilise deposits of both fixed and savings including Mudharabah worth Rs. 22,074.81 million. Fixed deposits accounted for 95 percent of the total deposits whereas, the saving accounted for 5 percent. Field staff was given palmtops to mobilise deposits on 'door to door' campaigns.



FUTURE OUTLOOK

Pertinently matching the Company's strategy to grow the market share, the deposit operations will continue to play a pivotal role in the Company. Plans are drawn up to systematically grow the deposit customer base with special focus on savings which is the most cost effective funding tool. To this end, the Company will promote the deposit products through:

- ◆ **Awareness Building:** Inculcate the habit of savings amongst the masses including the microfinance customers by carrying out awareness programmes highlighting the importance of planning and saving for their future.
- ◆ **Promote Deposit Products:** Impress upon the existing customer base as well as new customers on the benefits of depositing their life savings with PLC given the stability and the strength of the organisation.
- ◆ **Add Attractive Features:** Offer flexible terms including easy and speedy withdrawals, ATM facilities, online services and competitive rates.
- ◆ **Minor Savings:** Attract minor savings by always offering the highest possible rates. This is a true benefit a minor can get.

OPERATIONAL REVIEW

MARGIN TRADING

Strategic Priorities	Performance Highlights – FY 2013/14
<ul style="list-style-type: none"> ◆ Gear margin trading operations to avail the opportunities present within emerging capital market settings. 	<ul style="list-style-type: none"> ◆ Strengthened systems and processes to effectively manage the margin trading operations. ◆ Trained existing staff on margin trading to build capacity. ◆ Identified key personnel including the head of operations with necessary expertise to lead margin trading operations.

Key Performance Indicators – 2013/14



For the FY	2013/14	2012/13	% Change
Facilities Processed (Number)	9	5	80.00
Income generated (Rs. Mn)	9.06	1.16	681.03

“
THE COMPANY IS OPTIMISTIC ON POSITIONING MARGIN TRADING AS A STRONG OPERATIONAL UNIT WHICH CAN SIGNIFICANTLY CONTRIBUTE TO THE BOTTOM-LINE ESPECIALLY IF THE CAPITAL MARKET REACHES ITS FULL POTENTIAL AS EXPECTED WITHIN THE DEVELOPMENT DRIVE IN THE COUNTRY
 ”

OVERVIEW

As a diversification strategy and having identified the market gap, the Company went into margin trading in the year 2011. Licensed under the Securities and Exchange Commission of Sri Lanka, the margin trading operations extend credit facilities up to 50 percent of the share portfolio of mainly small to mid-range investors on the Colombo Stock Exchange. The operations are still at an infancy stage.

PERFORMANCE

The Company sought in the year to strengthen the margin trading operations by investing on margin trading platform, know-how and capacity building so that the operations are geared to take its place when the much anticipated pick-up in the capital market comes in to play. During the year, reflecting the market movement, margin trading operations were moderate; 9 facilities were processed taking the total to 24 facilities. Pages 38 to 44

PLANS AHEAD

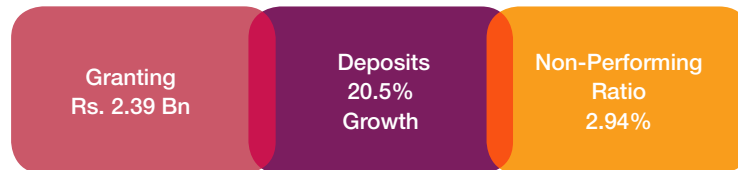
The Company is optimistic on positioning margin trading as a strong operational unit which can significantly contribute to the bottom-line especially if the capital market reaches its full potential as expected within the development drive in the country. The Company in the year made some concrete changes to strengthen this operation and the ensuing year is expected to see greater activity as a fully-fledged unit.

OPERATIONAL REVIEW

AL-SAFA ISLAMIC FINANCE SERVICES UNIT

Strategic Priorities	Performance Highlights – FY 2013/14
<ul style="list-style-type: none"> ◆ Establish dedicated branches and develop window operations within the PLC network. ◆ Promote awareness on Islamic financial products among general public. ◆ Develop a specialized team with proficiency in extending Islamic finance services. ◆ Automate functions and work process to bring in greater efficiency. ◆ Ensure compliance to Shari'ah framework for good governance. ◆ Comply with accounting and auditing standards applicable to Islamic financial institutions in Sri Lanka. 	<ul style="list-style-type: none"> ◆ Consolidated operations within the dedicated branches and window operations. ◆ Grantings reached Rs. 2,386.92 million and posted a creditable PBT of Rs. 208.44 million. ◆ Automated Islamic finance functions with a customised system and extended due training to the team. ◆ Clearly segregated Islamic finance functions from conventional products in terms of work process, accounting & preparation of financial statements. ◆ Strengthened compliance to Shari'ah governance principles. ◆ Obtained audit certification in compliance to Shari'ah guidelines.

Key Performance Indicators – 2013/14



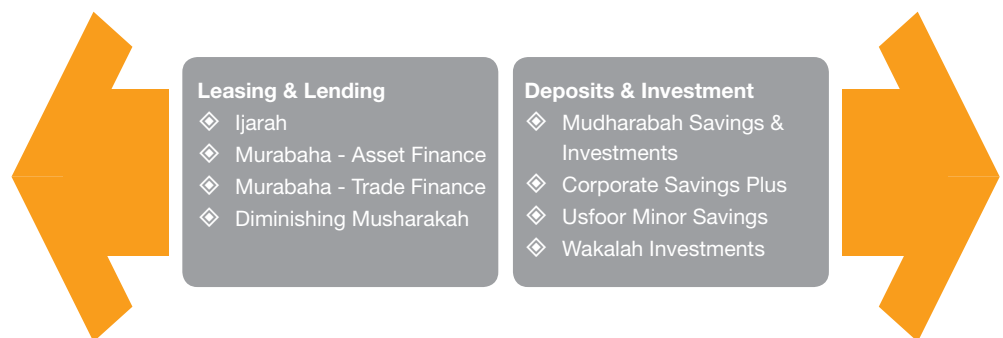
For the FY	2013/14	2012/13	% Change
Customers (Number)	4,364	4,265	2.32
Muslim Customers (% of Total)	93.52	96.09	(2.67)
Non-Muslim Customers (% of Total)	6.48	3.91	65.73
Portfolio (Rs. Mn)	4,108.45	4,560.93	(9.92)
Profit Before Tax (Rs. Mn)	208.44	86.15	141.95
Deposits (Rs. Mn)	2,386.85	1,981.16	20.48
Non-Performing Portfolio (Rs. Mn)	106.50	107.90	(1.30)

OVERVIEW



ISLAMIC GRANTING -2013/14

■ Ijarah	26.47%
■ Murabah	50.23%
■ Trading Murabah	23.30%



Demonstrating the Company's commitment to diversity and inclusive finance, Al-Safa Islamic Finance Service (AIF) is a specialised unit that provides Islamic finance products in compliance to Shari'ah Guidelines in Sri Lanka. AIF which began its operations in 2005 has evolved presently to be the foremost Islamic financial services provider in the non-bank sector. AIF operates dedicated branches and has representation in the main branches in strategic locations. The product offer is comprehensive and caters to institutional clients in trading, transportation, agriculture and services as well as to the retail market.

OPERATIONAL REVIEW

PERFORMANCE

Amidst growing competition in the Islamic finance sector, the Company sought in the year to consolidate the AIF operations. Several progressive measures were taken to properly segregate the operations between Islamic finance and conventional core businesses to lay emphasis to compliance under the Shari'ah Guidelines.

OUTREACH

The Company in the year, looked to reinforce its outreach on the 'Al-Safa' brand strength and "positive-word-of-mouth" and also through media publicity on the service quality and range of products catering to diverse needs of its customer base. During the year, AIF strengthened the seven dedicated and fully-fledged branches in Union Place, Dehiwela, Kandy, Puttalam and three in the Eastern Province – Kattankudy, Kalmunai and Muttur. Apart from the dedicated branches, AIF has representation within selective main branches as window operations in Kurunegala, Matale and Kekirawa. This year, the Company commenced the work to set up another dedicated branch in Galle which is expected to be launched in the next financial year 2014/15 and also proposed to set-up "windows" in 22 more PLC branches.

FINANCIAL RESULTS

Although challenging within difficult market conditions, the year saw AIF sustaining its position as the market leader in Islamic leasing services within the non-bank sector whilst posting a creditable financial performance. AIF lending portfolio consisting mainly of Ijarah, Murabaha and Trade Murabaha facilities decreased by 10 percent over the preceding year to reach Rs 5.13 billion in the year. Granting for the year reached Rs. 2,386.92 million led by the operations in Dehiwela and Kandy. AIF registered a net profit before tax of Rs. 208.44 million, representing an increase of 142 percent in comparison to the preceding financial year.

Funds for the AIF were sourced from the in-house Mudharabah deposit base which accounted for nearly 58.10 percent of the total requirement. The funds from Mudharabah increased by 20.4 percent over the preceding year to reach Rs. 2.39 billion in the year under review. Apart from this, funds were also sourced through corporates and

Islamic Finance Product Features	
Ijarah	<ul style="list-style-type: none"> Acquire/ lease goods & assets on a monthly rental Ownership transfer at the end of lease period
Diminishing Musharakah	<ul style="list-style-type: none"> Acquire property/asset jointly with the client Client undertake to purchase share of the financier Client pays usage payment to financier Ownership transfer periodically with the purchase of share
Murabaha	<ul style="list-style-type: none"> Financing for purchase of goods/assets Client pays the cost and agreed profit mark-up Ownership transfer immediately
Mudharabah Investment	<ul style="list-style-type: none"> Partnership between capital provider and the fund Manager Fund is invested in Shari'ah compliant investment Profit share is agreed with investor in advance.
3-6 months Mudharabah Investment	<ul style="list-style-type: none"> Minimum investment : Rs. 50,000/- Pre-mature withdrawals permitted Profit share linked to tenure & paid at maturity
12 months Mudharabah Investment	<ul style="list-style-type: none"> Option 1: Minimum investment: Rs. 25,000/- & profit share: 75% at maturity Option 2: Minimum investment :Rs. 100,000/- for profit share monthly - Profit share 65% Option 3 : Minimum investment Rs. 50,000/= for profit share quarterly - Profit rate 70%
Usfoor Minor Savings	<ul style="list-style-type: none"> Minimum investment : Rs. 500/- Profits credited monthly Withdrawals for education & hospitalisation Converted to Mudharabah Savings at age 18
Corporate Savings Plus	<ul style="list-style-type: none"> Special features & higher returns Minimum investment: Rs. 100,000/- Minimum balance: Rs. 5,000/- Profits credited monthly
Al-Safa Mudharabah Savings	<ul style="list-style-type: none"> Minimum investment : Rs. 1,000/- Benefits: debit card , SMS alerts, transactions up to Rs. 100,000, Nil service charge for low balances

financial institutions under the Wakalah investment scheme. Assets of AIF as at 31st March 2014 stood at Rs. 5.31 billion, balancing out the liabilities in turn underpinning a sound financial position.

NON- PERFORMING PORTFOLIO

During the year, AIF was challenged to maintain a quality portfolio. The agriculture sector related exposure accounting for over 6.38 percent of the total lending portfolio, mainly from the Eastern Province, came under pressure given the volatilities in weather that impacted the performance of this sector. However, the AIF continued to focus on 'hand-on' recovery management - fostering relationships to address any issues that hinder customers from standing by their contractual obligations. Recoveries were flexible and benevolent towards customers as per Shari'ah guidelines. Hence, the non-performing portfolio was well managed and the ratio was curtailed to 2.94 percent.

OPERATIONAL REVIEW



SYSTEM & TRAINING

The operational process was automated and streamlined to optimise on costs and enable effective decision making to firmly establish Islamic finance as a viable undertaking for the Company. The system is now able to generate branch wise financial statements whilst identifying and generating reports separately between conventional and Islamic transactions. The system also enables users to check on daily collections and thereby, improving the recovery management process. The ICT department extended appropriate training for the AIF team to effectively use the system and its features.



CSR INITIATIVES

Aligned to the Company's objectives to be socially responsible, AIF initiated key special community projects in the year, viz:

- ◆ Distribution of school books and accessories for 100 under privileged primary/secondary school students at Al-Nassar College, Grandpass.
- ◆ Donation of Rs. 175,760 to Walahawiddewewa Muslim Vidyalaya to construct temporary shelter accommodating up to approximately 150 students.
- ◆ A Donation of Rs. 258,000 to Spiritual Solidarity Trust in order to purchase equipment to facilitate their social service activities.



The penalties charged on customer for delays in meeting their financial obligations were duly transferred to carry out these CSR initiatives.

GOVERNANCE

The Company is committed to good governance and therefore, gives precedence to develop Islamic finance on a solid foundation of best practices and principles prescribed by the Accounting & Auditing Organisation for Islamic Financial Institutions.

AIF operations come under the purview of an independent non-executive, Shari'ah Council of Al'safa. This body which comprises five eminent scholars in Shari'ah principles as well as in Islamic finance, is responsible to audit AIF's financials and processes and to ensure Shari'ah compliance. Apart from Islamic finance governance practices, AIF is also responsible and took necessary steps to align its operations to the regulations for finance companies stipulated by the Central Bank of Sri Lanka.



FUTURE OUTLOOK

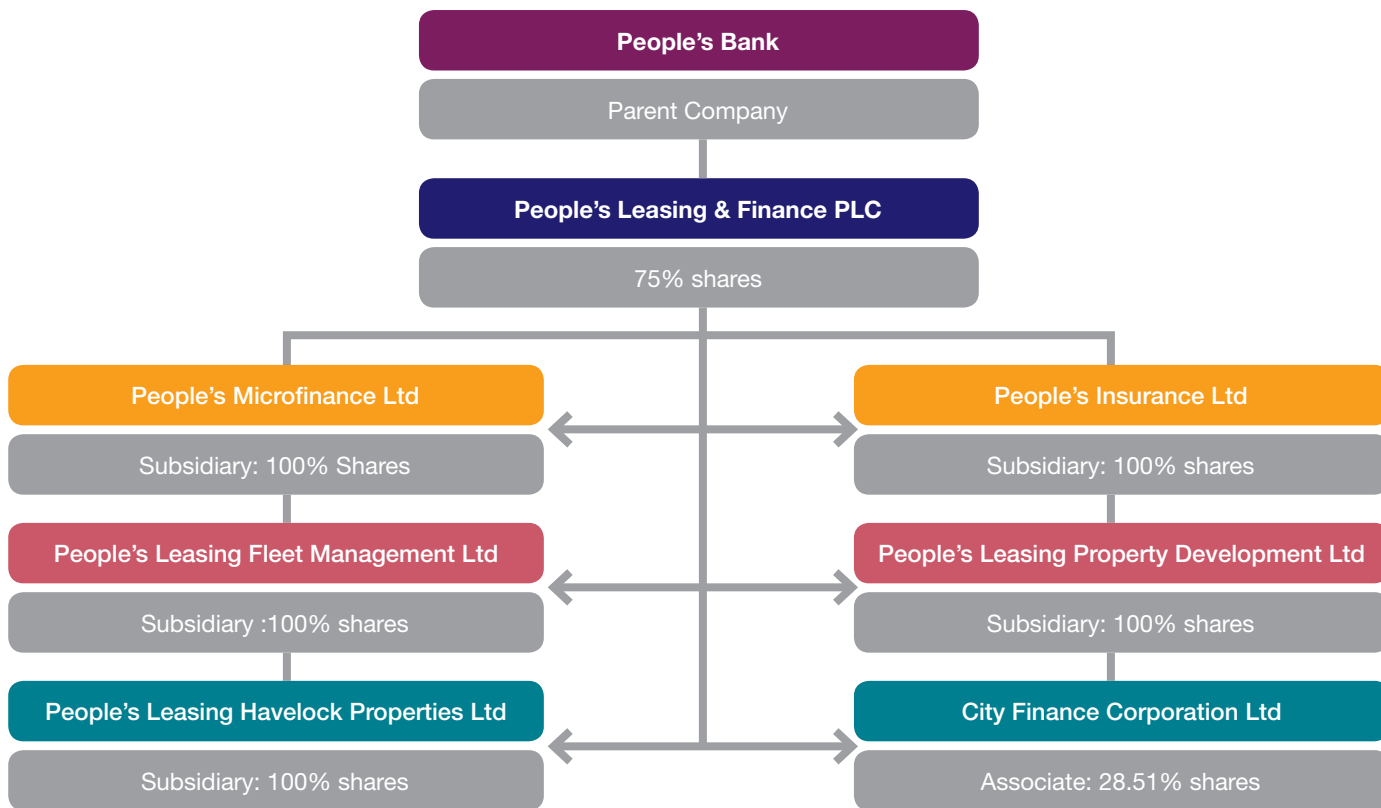
With the growing interest and lifestyle changes, demand for Islamic finance products has become increasingly popular and grown rapidly within the last decade. With the advantage of the head-start gained over most of the other players in the financial arena of this country, coupled with a sound brand image of - 'Al-safa', AIF has potential and the necessary foundation to grow its market share further and substantially support PLC's value creation process. Hence, in the short to medium term, AIF proposes to further its position in the industry through the following initiatives and focus areas.



Donation for temporary shelter at Walahawiddewewa Muslim Vidyalaya

- ◆ **Outreach:** Establish a dedicated branch in Galle and increase window operations targeted up to 22 within the PLC branch network in selected locations.
- ◆ **Strategic Promotional Campaigns:** Organise special promotional campaigns on the product offer and benefits in strategic locations predominantly inhabited by the Muslim community.
- ◆ **Awareness Building:** Create awareness on Islamic finance targeting both Muslim and Non-Muslim communities.
- ◆ **Product Development:** Develop new products especially targeting microfinance and special deposits to uplift the lives of the women population.
- ◆ **Value Addition:** Add-value to core products with special benefits to retain the existing customer base as well as to attract new customers.
- ◆ **System Improvements:** Further improve the system assigned for Islamic finance to enhance the versatility and efficiency.
- ◆ **Training:** Extend training to employees in the Islamic finance division on credit and marketing and also employees in PLC conventional division to understand the principle and product knowledge of Islamic instruments and services in compliance to Islamic Financial Guidelines.

SUBSIDIARY REVIEW



Group Snapshot		
PLC Consolidated Performance		
<p>Total Income Rs. 24,177 Mn</p>	<p>Profit Rs. 3,463 Mn</p>	<p>Assets Rs. 118,417 Mn</p>
<p>Legend: ■ PLC ■ Fleet ■ PIL ■ PMF ■ Property ■ Havelock</p>		
Subsidiary Snapshot		
<p>Peoples Insurance Ltd <i>Business: Non-life Insurance</i></p> <p>Total Income: Rs. 4,169 Mn</p> <p>Total Assets: Rs. 4,115 Mn</p> <p>Net Profit: Rs. 484 Mn</p> <p>No. of Employees: 218</p>	<p>People's Microfinance Ltd <i>Business: Microfinance</i></p> <p>Total Income: Rs. 311 Mn</p> <p>Total Assets: Rs. 1,056 Mn</p> <p>Net Profit: Rs. 26 Mn</p> <p>No. of Employees: 181</p>	
<p>People's Leasing Fleet Management Ltd <i>Business: Fleet Management</i></p> <p>Total Income: Rs. 166.14 Mn</p> <p>Total Assets: Rs. 238 Mn</p> <p>Net Profit: Rs. 19 Mn</p> <p>No. of Employees: 56</p>	<p>People's Leasing Property Development Ltd <i>Business: Property Development projects</i></p> <p>Total Income: Rs. 389 Mn</p> <p>Total Assets: Rs. 2,616 Mn</p> <p>Net Profit: Rs. 154 Mn</p> <p>No. of Employees: 8</p>	
<p>People's Leasing Havelock Properties Ltd <i>Business: Office complex at Havelock Road</i></p>		

SUBSIDIARY REVIEW

CONSOLIDATED PERFORMANCE

During the year, PLC merged with its subsidiary, People's Finance PLC. As at the reporting date, PLC Group consisted of 5 subsidiaries and one associate company.

The PLC Group posted a strong consolidated performance in the year under review. Group income of Rs. 24,177.22 million corresponded to an increase of 16.16 percent whilst net profits reached Rs. 3,463.22 million, representing a 11.35 percent increase. PLC as the holding company contributed 80.08 percent and 81.43 percent to consolidated income and net profits respectively. Out of the subsidiaries, the highest contribution to the

consolidated income and profits was endowed by People's Insurance Ltd followed by People's Microfinance Ltd. The Group's asset base of Rs. 118,416.78 million represented an increase of 17.08 percent as at 31st March 2014 as compared to the position as at 31st March 2013.

PEOPLE'S INSURANCE LTD (PIL)

Date of Incorporation: 22nd July 2009

Business: Non-life insurance - motor, lifestyle and business for institutional clients and for the retail market.

Directorate:

Mr. J. P. Amaraturunaga (Chairman)

Mr. D. P. Kumarage (Managing Director)

Mrs. D. N. W. N. Gammampila (Director)

Mr. N. Vasantha Kumar (Director)



Strategic Priorities	Performance Highlights – FY 2013/14
<ul style="list-style-type: none"> ◆ Exercise discipline in underwriting and claims management and drive cost efficiencies. ◆ Diversify and promote non-motor products to reduce the dependency on motor class. ◆ Strengthen the distribution channel through regional branches, window operations and the bancassurance channel with People's Bank. ◆ Strengthen governance, risk management and reinsurance scheme. ◆ Effectively transition to the risk based capital model. ◆ List on the Colombo Stock Exchange prior to the due date in February 2016. 	<ul style="list-style-type: none"> ◆ Surpassed the Rs. 100 million mark in underwriting profits. ◆ Opened the second regional office in Negombo. ◆ Opened 25 new window offices within the PLC network. ◆ Entered into a formal agreement on bancassurance with People's Bank. ◆ Extended in-house training for staff on the customised ERP system.

Key Performance Indicators – 2013/14



For the FY	2013/14	2012/13	% Change
Customers			
Policy Holders (Number)	109,456	88,712	23.38
Branch Network			
Branches (Number)	2	2	-
Window Offices (Number)	69	44	56.82
Employees			
Total Employees (Number)	218	165	32.12
Training Expenditure (Rs. Mn)	1,622	1,712	(5.26)
Operational & Financial			
Premium Income (Rs. Mn)	4,012	2,944	36.28
Underwriting Profits (Rs. Mn)	157	42	273.81
Profit After Tax (Rs. Mn)	484	235	105.96
Claims Ratio (%)	75	80	(6.25)
Combined Ratio (%)	96	98	(2.04)
Asset Base (Rs. Mn)	4,115	3,319	23.98
Return on Equity (%)	48	33	45.45
Return on Average Assets (%)	17.46	11.06	57.87

SUBSIDIARY REVIEW

“
PEOPLE'S INSURANCE IS TAKING THE NECESSARY STEPS TO FURTHER STRENGTHEN THE STRUCTURE, GOVERNANCE AND RISK MANAGEMENT TO FACE THE IMMINENT CHANGES IN THE INDUSTRY
 ”

OVERVIEW

Just over four years into operations, PIL has established its positioning; leveraging on astute management policies coupled with the brand strength of PLC to be among the top-tier in the non-life insurance sector. PIL, operating from Colombo with two regional offices in Negombo and Galle and 69 window offices within the PLC branch network, extends a versatile product ranging from motor, lifestyle to business. Currently, PIL ranks 5th in the industry in terms of market share.

PERFORMANCE

Continuing to be weighed down by the industry dynamics, the motor segment accounting for the bulk of the insurance business posted a modest performance of 11 percent growth. Non-motor segment only grew by 8 percent. In this context, the overall premium income registered a growth of 36 percent to reach Rs. 4,012 million which is anticipated to exceed the industry average growth. The underwriting profits surpassed the Rs. 100 million mark with an increase of Rs. 115 million to reach Rs. 157 million in the reporting year. Profit after tax recorded Rs. 484 million, accounting for 14.10 percent of the consolidated net profits. The dividend declared for the year was Rs. 2.25 per share amounting to Rs. 135 million, contributing significantly to PLC's other income. Total assets of Rs. 4,115 million of PIL exceeded the liabilities reflecting a strong financial position as at 31st December 2013. The solvency position was maintained ahead of the obligatory margin.

FUTURE OUTLOOK

People's Insurance is gearing its operations to respond effectively to the changes that are taking place in the regulatory environment, advocated by the Insurance Board of Sri Lanka. Apart from focusing on the top-line earnings and underwriting and claims management to sustain margins within a highly competitive industry, People's Insurance is taking the necessary steps to further strengthen the structure, governance and risk management to face the imminent changes in the industry. The key initiatives and plans for the ensuing years in the short to medium terms are as follows:

- ◆ **Risk Base Capital Model:** Strengthen the structure including training on actuarial expertise to effectively transition to the risk based capital model by the stipulated date in 2016.
- ◆ **Listing:** Strengthen governance and bring in international best practices to complement the listing on the Colombo Stock Exchange prior to the due date, 7th February 2016.
- ◆ **Financial Discipline:** Reinforce effective underwriting, claims management and drive cost efficiencies to bolster the bottom-line.
- ◆ **Promotions and value additions:** Carry out strategic promotions and add value to products to attract as well as to retain the existing customers to increase the market share.
- ◆ **Diversify:** Promote alternate products on lifestyle and business to reduce dependency on motor class.

SUBSIDIARY REVIEW

PEOPLE'S MICROFINANCE LTD (PML)

Date of Incorporation: 3rd September 2010

Business: Financial services including funding, technical and marketing support to the underprivileged and low income communities.

Directorate

Mr. Gamini S. Senarath (Chairman)

Mr. D. P. Kumarage (Managing Director)

Mr. P. Kudabalage (Director)



Strategic Priorities	Performance Highlights – FY 2013/14
<ul style="list-style-type: none"> ◆ Leverage on the PLC branch network with window operations in selected locations to grow the outreach and to bring in cost efficiencies in distribution. ◆ Avail the PLC customer base to tap the microfinance requests. ◆ Engage the rural masses to develop strong bonds through regular site-visits, cluster meetings and awareness building campaigns. ◆ Extend training opportunities, technical and marketing support to build effective linkages in the supply chain. ◆ Bring in greater discipline to funding and recoveries to improve the quality of the portfolio. 	<ul style="list-style-type: none"> ◆ Established 32 window offices in 32 key branches. ◆ Collaborated with the Central Bank of Sri Lanka on carrying out financial literacy awareness campaigns in Anuradhapura, Batticaloa, Ampara and Grandpass. ◆ Implemented the two-week collection scheme and consistently monitored on the cluster model to ensure credit quality and curtailed the non-performing ratio to 2.13 percent. ◆ Effectively leveraged on the customised microfinance system to enable efficiency in daily operations and for MIS. ◆ Extended in-house ICT training for team on using the applications in the microfinance system. ◆ Extended training on microfinance principles to staff through structured programmes with certified microfinance resource persons.

Key Performance Indicators – 2013/14



For the FY	2013/14	2012/13	% Change
Customers			
Customers (Number)	43,625	20,531	112.48
Branch Network			
Window Offices (Number)	32	25	28.00
Employees			
Total Employees (Number)	181	105	72.38
Training Expenditure (Rs. Mn)	1.4	0.3	366.67
Operational & Financial			
Income (Rs. Mn)	317.3	121.3	161.58
Profit After Tax (Rs. Mn)	36.9	19.7	87.31
Non-Performing Ratio (%)	2.1	1.5	40.00
Asset Base (Rs. Mn)	1,069.3	737.5	44.98
Return on Equity (%)	34.8	27.76	25.36
Return on Average Assets (%)	4.1	4.48	(8.48)

SUBSIDIARY REVIEW



WITH A PRESENCE IN KEY LOCATIONS THROUGH 32 WINDOW OPERATIONS WITHIN THE PLC NETWORK, PEOPLE'S MICROFINANCE HAS SET ITS MARK AS ONE OF THE KEY MICROFINANCING INSTITUTIONS IN THE COUNTRY



OVERVIEW

Reflecting PLC's commitment to social responsibility, PML was established to support micro entrepreneurship among the grass-root communities who are generally deemed unbankable. With a presence in key locations through 32 window operations within the PLC network, PML has set its mark as one of the key microfinancing institutions in the country. The market share skewed characteristically towards women, has steadily grown with a significant contribution to the masses at the bottom of the pyramid to embrace a culture of responsibility and savings and make a livelihood in sectors of agriculture, animal husbandry and small industries.

PERFORMANCE

During the reporting year, PML proactively pursued to grow its customer base whilst focusing on maintaining the quality of the portfolio. Complemented by a growth of 112.5 percent in terms of its customers, PML posted a revenue increase of 156.1 percent to reach Rs. 310.7 million. PML contributed 1.3 percent to the consolidated revenue and canvassed savings from the informal sector to reach over Rs. 80.83 million contributing significantly to PLC's funding base. Net profits further improved to Rs. 26.6 million as compared to Rs. 19.7 million in the previous financial year.

Given the difficulties faced by the exposures in the agriculture sector combined with the nature of the informal sector, the non-performing portfolio trended upwards. However, the 'hands-on' relationship management accompanied by cluster monitoring vitally supported recoveries which in turn sustained the non-performing ratio at a creditable level of 2.13 percent as compared to 1.52 percent in the preceding year.

FUTURE OUTLOOK

As advocated by the roadmap for Sri Lanka's development, PML is ideally placed to take on the opportunities and be a catalyst in developing the informal sector especially in the rural economies. To this end, PML in the short to medium terms will focus on the following key initiatives and plans:

- ◆ **Distribution:** Setup more window offices targeted to grow the outreach and also bring in cost efficiencies to the operations.
- ◆ **Relationship Building:** Encourage the marketing officers to build and enhance customer relationships and strengthen the cluster monitoring scheme.
- ◆ **Graduate Customers:** Nurture the customer base to graduate to the next tier of funding within the microfinance model, ultimately aiming to bring them to the formal small and medium sector to be eligible for more funding options with the parent, PLC.
- ◆ **Awareness Campaigns:** Organise awareness campaigns with the participation of the local bodies, government and non-government institutions and the Microfinance Association to spread financial literacy among the under-privileged communities and inculcate the habit of savings and planning into their livelihoods for better living standards.
- ◆ **Diversify Funding:** Move away from ad-hoc general funding to individual entrepreneurs which currently accounts for over 90 percent of the portfolio and focus on more organised groups and societies mainly in sectors of tea, vegetable cultivation, animal husbandry etc. to bring in greater discipline and clarity to the funding process and enhance recoveries.

SUBSIDIARY REVIEW

PEOPLE'S LEASING FLEET MANAGEMENT LTD (PLFML)

Date of Incorporation: 6th August 2008

Nature of Business: Providing operating leases, vehicle service, hiring/renting of vehicles and vehicle valuation.

Directorate

Mr. Gamini S. Senarath (Chairman)

Mr. D. P. Kumarage (Managing Director)

Mrs. L. K. P. Sangakkara (Director)



Strategic Priorities	Performance Highlights – FY 2013/14
<ul style="list-style-type: none"> ◆ Strengthen the fleet strategically to match with the business opportunities present. ◆ Offer comprehensive solutions in fleet management within the PLC Group and with People's Bank. ◆ Promote and expand the vehicle hire business for domestic tours and rent-a-car business. ◆ Strengthen the valuations department with a strong team of certified valuers and extend due training. ◆ Firm the synergies with PIL for valuations and other related services. ◆ Upgrade the repair and the service centre to enhance the quality of the service. ◆ Drive cost efficiencies with Group synergies and leverage on IT solutions. 	<ul style="list-style-type: none"> ◆ Stepped up the valuation department by recruiting Certified Valuers to take the total to 22. ◆ Initiated steps to build a yard and garage for the fleet in Malabe ◆ Invested on two vehicle carriers for the fleet operations. ◆ Set up a GPS system to monitor fuel consumption to bring in cost efficiencies. ◆ Successfully commenced vehicle hires for domestic tourism in three routes covering Adam's Peak, Anuradhapura, Bandarawela. ◆ Posted a revenue of Rs. 158.63 .million and a profit of Rs. 19.22 million.

Key Performance Indicators – 2013/14



For the FY	2013/14	2012/13	% Change
Customers			
Customers (Number)	215	162	32.72
Fleet			
Vehicle Fleet – fully owned (Number)	56	53	5.66
Branch Network			
Branches (Number)	3	3	-
Window Offices (Number)	26	12	166.66
Employees			
Total Employees (Number)	56	34	64.71
Certified Valuers (Number)	22	10	120.00
Inspection Officers (Number)	7	3	133.33
Training Programmes(Number)	1	4	(75.00)
Operational & Financial			
Income (Rs. Mn)	158.63	117.95	34.49
Profit After Tax (Rs. Mn)	19.22	37.55	(48.81)
Asset Base (Rs. Mn)	238.17	239.08	(0.38)

SUBSIDIARY REVIEW



PLFML HAS IMMENSE POTENTIAL TO EXPAND WITHIN THE GROWING OPERATIONS OF THE PLC GROUP, INCLUDING FLEET SERVICES AND VALUATIONS FOR THE INSURANCE BUSINESS



OVERVIEW

In the preceding year, PLFML restructured its operations with the support of PLC. This year under review, PLFML firmly positioned its services within the Group and currently covers over 75 percent of the transport requirements of PLC and the other subsidiaries with a fully owned fleet of 56 vehicles. PLFML also covers fleet management for People's Bank. Out of fleet management portfolio, 33 percent is accounted for, by the PLC Group whilst People's Bank accounts for 40 percent. Balance 27 percent is accounted for, by external customers especially the vehicle hires as tour packages promoted for domestic tourists covering three routes in Adam's Peak, Anuradhapura and Bandarawela as a value addition to the core services.

In addition, PLFML has the expertise of 12 certified valuers to carry out vehicle valuations mainly catering to the insurance sector for underwriting and claims management. Over 30 percent of valuations of PIL is undertaken by PLFML. The maintenance division, Auto Care Unit in Rathnapitiya is well equipped to handle servicing and repairing requirements, both within and outside the Group.

PERFORMANCE

Post restructure, PLFML in the year under review strengthened its operational performance and posted robust financial results. PLFML in the reporting year increased its revenue by 34.49 percent to Rs. 158.63 million vis-à-vis the preceding year whilst posting Rs. 19.22 million in net profits. The asset base was Rs. 238.17 million as at 31st March 2014.

FUTURE OUTLOOK

PLFML has immense potential to expand within the growing operations of the PLC Group, including fleet services and valuations for the insurance business. Firm plans are in place to further strengthen the operations as set out below:

- ◆ **Specific Services:** Customise operations to the requirements of the Group.
- ◆ **Tour Packages:** Expand operations in vehicle hires as tour packages for domestic tourists from three destination that are covered at present to Adam's Peak, Anuradhapura and Bandarawela. More destination targeting popular destinations – Madu Temple, Katharagama and Nuwara-Eliya.
- ◆ **New venture:** Seek synergies to promote tour packages in collaboration with the proposed new venture in the leisure sector schedule to take- off a hotel project in the North by the year 2015.
- ◆ **Valuations:** Strengthen the panel of valuers and give the required training whilst seeking further synergies with PIL.
- ◆ **Cost Efficiencies:** Drive cost effective measures and seek IT solutions to make operations more streamlined and productive.

SUBSIDIARY REVIEW

PEOPLE'S LEASING PROPERTY DEVELOPMENT LTD (PLPDL)

Date of Incorporation: 15th August 2008

Nature of Business: Carrying out mixed development projects and property development activities.

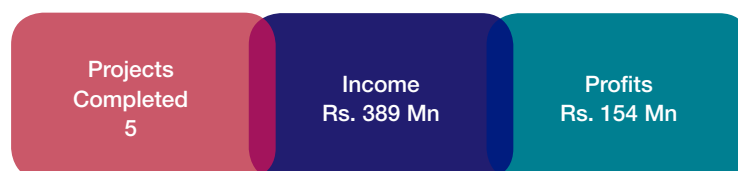
Directorate

Mr. Gamini S. Senarath (Chairman)
Mr. D. P. Kumarage (Managing Director)
Mr. Piyadasa Kudabalage (Director)
Mr. N. Vasantha Kumar (Director)



Strategic Priorities	Performance Highlights – FY 2013/14
<ul style="list-style-type: none"> ◆ Complete the projects in hand as per the timeline and budgets without resorting to cost over-runs. ◆ Enhance expertise into property development and management consultancy for internal as well external projects. ◆ Seek external clients to expand operations. 	<ul style="list-style-type: none"> ◆ Completed construction works of five branches in Anamaduwa, Wilgamuwa, Piliyandala, Trincomalee branch and regional office were handed over to People's Bank.

Key Performance Indicators – 2013/14



For the FY	2013/14	2012/13	% Change
Projects			
Projects in Hand (Number)	21	22	(4.55)
Employees			
Employees (Number)	8	6	33.33
Operational & Financials			
Income (Rs. Mn)	388.75	414.60	(6.23)
Profit After Tax (Rs. Mn)	154.30	219.37	(29.66)
Asset Base (Rs. Mn)	2,615.57	2,336.81	11.93
Return on Equity (%)	18	32	(43.75)
Return on Average Assets (%)	6	10	(40.00)

OVERVIEW

PLPDL is the property development arm of the Group. After the successful completion of the PLC head office building in Colombo 08, PLPDL has undertaken many of the property projects for both People's Bank and PLC Group, totaling as at date to 20 projects.

PERFORMANCE

In the reporting year, PLPDL completed the construction and handed over five branches in Anamaduwa, Wilgamuwa, Piliyandala, Trincomalee branch and regional office to People's Bank. Construction work of Phase II of regional office projects in Vavuniya and Trincomalee are currently in progress while the Mathugama, Naula and Beruwala are at the tender evaluation stage.

The year under review posted a decrease of 6 percent in income resulting in Rs. 388.75 million from Rs. 414.60 million in the preceding year. Profit after tax was Rs. 154.30 million. The assets as at 31st March 2014 stood at Rs. 2,615.57 million reflecting an increase of 12 percent.

SUBSIDIARY REVIEW



Proposed building at Havelock Town

FUTURE OUTLOOK

PLPDL is well set to take on the opportunities present within the expansionary plans of People's Bank and the PLC Group, including a consultancy to the new venture in the leisure sector that proposes to construct a property initially in the North of the country. PLPDL already has 11 projects in hand within the network and also intends to seek other collaborations outside the Group in the medium term in its next phase of growth.

PEOPLE'S LEASING HAVELOCK PROPERTIES LTD (PLHPL)

Date of Incorporation: 12th August 2010

Nature of Business: Construct and manage an office complex in Havelock Road, Colombo 5

Directorate

Mr. Gamini S. Senarath (Chairman)
 Mr. D. P. Kumarage (Managing Director)
 Mr. N. Vasantha Kumar (Director)
 Mrs. D. N. W. N. Gammampila (Director)



OVERVIEW & PERFORMANCE

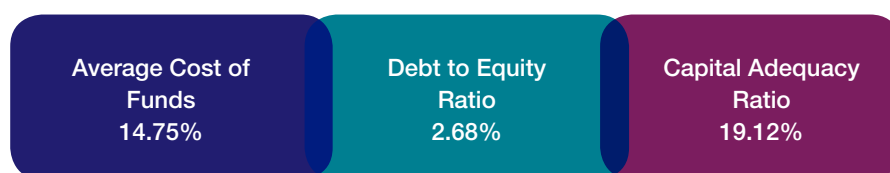
People's Leasing Havelock Properties Ltd (PLHPL) commenced the construction work of an office complex at Havelock Road, Colombo 5. The construction work is due to be completed by June 2015 whilst commercial operations of the complex is scheduled to be launched in October 2015. As at the balance sheet date, PLHPL asset base was Rs. 449.83 million which includes the land value of Rs. 178.5 million.

SUPPORT SERVICES

TREASURY OPERATIONS

Strategic Priorities	Performance Highlights – FY 2013/14
<ul style="list-style-type: none"> ◆ Source low cost funds to support the top-line growth strategy and targets. ◆ Seek new funding sources including foreign funding. ◆ Manage risks arising from fluctuations in the exchange rates, interest rates and liquidity. ◆ Address and manage asset-liability mismatch and effectively deleverage for a stronger financial position. ◆ Evaluation of funding rates. ◆ Address and respond to regulatory requirements and developments. ◆ Provide required information to the Assets and Liability Committee in order to decide the deposit and lending rates. 	<ul style="list-style-type: none"> ◆ Reduced the maturity mismatch between assets and liabilities by sustaining a good mix between long-term and short-term funding sources. ◆ Deleveraged short-term exposures through long-term funding sources. ◆ Raised Rs. 15,380.30 million through Asset Backed Securitisations. ◆ Penetrated the time-deposit and savings market with funds reaching up to Rs. 41 billion. ◆ Raised a foreign currency facility of USD 10 million of one year tenor. ◆ Raised a long-term first ever syndicated foreign currency facility of USD 50 million.

Key Performance Indicators – 2013/14



For the FY	2013/14	2012/13	% Change
Short Term Borrowings (Rs. Mn)	6,030.07	24,491.15	(75.38)
Long Term Borrowings (Rs. Mn)	42,575.12	31,741.07	34.13
Total Deposit Portfolio (Rs. Mn)	40,921.48	18,846.67	117.13
Average Cost of Funds (%)	14.75	15.53	(5.02)
Investments (Rs. Mn)	19,626.76	4,806.18	308.36
Investment Income (Rs. Mn)	391.44	212.05	84.60

OVERVIEW

Against the backdrop of the macroeconomic challenges coupled with the regulatory changes that are taking place within the financial sector in the country, the treasury assumes a fundamental role in addressing the needs and managing the overall efficacy of the rapidly growing operations of the Company. The treasury is primarily responsible to manage the risks arising from fluctuations in foreign exchange, interest rates and liquidity whilst sourcing funds to enable the Company to pursue its overall business strategy and sustaining a sound financial position with the right treasury tools and investments.

FUNDING PERFORMANCE

Unlike in the preceding year, treasury in the financial year under review operated under better liquidity conditions. The task at hand was to plan the funding sources effectively to control the cost of funds to sustain the margins and strike the best balance to

Fitch Rating Lanka National Long Term Rating "AA-(lka)"

Standard & Poor's 'B+/B' Stable Outlook (Equal to the Sovereign)

Fitch Ratings International Long-Term Issuer Default Rate 'B+' Stable Outlook (Notch Lower than the Sovereign)

manage maturity mismatches between financing and lending, thereby upholding the stability of the financial position. To this end, the treasury leveraged on the strength of the PLC brand, the positioning at the helm of the industry and the financial stability recognised by international rating agencies comparable to the Sovereign to broad-base the funding options and to raise funds at competitive rates.

DOMESTIC INSTRUMENTS

During the year under review, the Company continued to obtain funding through long-term domestic inter-bank sources which accounted for 14.8 percent of the total funding requirements. The Company also resorted to borrow by way of Asset Back Securities (securitisations) which were ideal to control the maturity mismatch created through short term borrowings and lending long term; asset backed securitisations accounted for 23.5 percent of the total funding requirement. Short term instruments like commercial papers accounted for 6.6 percent of the total. Additionally, the Company also raised funds through Wakala loans to carry out Islamic finance under the Sha'riah guidelines.

SUPPORT SERVICES

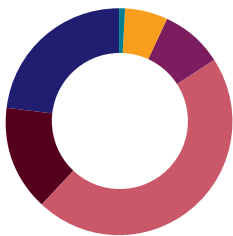
TREASURY OPERATIONS

Funding

- ◆ Commercial Paper
- ◆ Promissory Notes
- ◆ Asset Backed Securitisations
- ◆ Short & Long Term Loans
- ◆ Wakala loans
- ◆ Debentures
- ◆ Fixed Deposits
- ◆ Mudharabha
- ◆ Refinance Loans
- ◆ Foreign Currency Loans

Investments

- ◆ Government Securities
- ◆ Investment in equity
- ◆ Fixed and savings deposits



FUNDING SOURCES

■ Bank overdraft	0.17%
■ Short term borrowings	6.56%
■ Debentures	8.64%
■ Deposits	45.71%
■ Term Loans	14.60%
■ Refinance Loans	0.21%
■ Securitisation	23.53%
■ Preference shares	0.58%

FOREIGN DEBT

To manage the exposures in the domestic arena given the growing operations and taking the cue from the recent budgetary moves to liberalise the exchange controls for foreign currency borrowings, the Company raised a break-through foreign currency facility of USD 10 million for a tenor of one year at a competitive rate from Emirates NBD.

Further availing the benefits of the current exchange control regime, the Company successfully raised long term funds in the range of USD 50 million within a 'club-deal' in the Middle East through the lead arranger, Emirates NBD. The facility is structured for two and half years at a competitive rate and is well amortised to cushion the interest rate risk especially pertinent in the context of the anticipated scenario of quantitative easing by the Federal Reserve in the US. The exchange rate fluctuations are proposed to be managed with a Currency SWAP arrangement in consultation with the Assets and Liabilities Committee of the Company. As of 31st March 2014, SWAP and forward rate agreements were signed with People's Bank for the initial period and the agreement with HSBC for the balance period was to be signed. This facility which was partly utilised to settle the short term debt supported to strengthen the financial position of the Company.

GLANCE AT THE MACRO ECONOMY

In the settings of optimism in the world economy, the year witnessed the country moving on to a stronger ground with a higher GDP growth and a more stable macroeconomic framework. Clearly signaling the end of the tight monetary policy regime effected in the preceding year, the Central Bank of Sri Lanka lifted the cap on commercial bank's credit ceiling and reduced the policy rates by an overall 50 basis points and the Statutory Reserve Ratio on rupee deposit liabilities by two percentage points. In this scenario, the market interest rates adjusted downwards and liquidity levels improved as compared to the prior year. The rupee exchange rate against the dollar was relatively stable.

 Pages 38 to 44

Source: Annual Report 2013, Central Bank of Sri Lanka.

RETAIL SECTOR

The licence to operate as a finance company from November 2012 and the merger effected in the month of April 2013 with its subsidiary, People's Finance PLC, opened up new avenues of retail funding through savings and time deposits. During the year under review, though not aggressively promoting the deposits amongst the retail sector, there was a remarkable growth in the time and saving deposits portfolio. The Company was able to generate on average Rs. 2 billion a month on time and saving deposits purely on the strength of the Company standing within the industry. The Mudharabha deposits within Islamic finance also posted an improvement of 20.48 percent over the preceding year.

INVESTMENT INCOME

The treasury continued to invest strategically to keep an effective check on risks whilst maximizing the returns. Adhering to the Central Bank's regulations on liquidity, the Company continued its investments in the government securities. In addition, the Company also invests in fixed and saving deposits as well as equity in blue chip companies.

PLANS AHEAD

The emerging economy together with the current dynamics in the regulatory framework especially the proposed mergers and acquisitions within the industry will underpin the treasury operations in the ensuing year. The treasury will remain focused in its funding strategy to diversify and balance the risk arising from maturity mismatches whilst driving the low cost funds to bolster the Company margins. Some of the key plans for the ensuing year are:

- ◆ Seek options of raising funds as done successfully in the previous year in raising Rs. 6 billion the largest at that time, on the corporate debt market by way of debentures to capitalise on the tax concessions granted at the hands of the investors.
- ◆ Seek further options of raising foreign currency facilities within the relaxed foreign exchange control regime with due diligence on risk management aspects.
- ◆ Improve the savings and minor savings portfolio.
- ◆ Adhering to the relevant regulatory and statutory requirements Treasury is looking forward to funding possible acquisitions.

SUPPORT SERVICES

LEGAL & RECOVERIES

Strategic Priorities	Performance Highlights – FY 2013/14
<ul style="list-style-type: none"> ◆ Maintain the non-performing ratio below the targeted ratio under the Company's strategic plan as well as the industry average ratio. ◆ Follow-up on recoveries on bad debts and negotiate settlements including re-schedulements and waivers to improve the non-performing ratio. ◆ Automate the legal work-process to enable efficiency and speedy documentation. ◆ Build in-house legal expertise to handle all legal matters of the Company and establish an island wide legal panel. ◆ Improve the legal department contribution to add- value to governance and operations. ◆ Established a special recovery unit. 	<ul style="list-style-type: none"> ◆ Maintained the non-performing ratio of 2.18 percent - below the targeted amount of 3 percent and industry average of 6.7 percent. ◆ Legal recoveries division assisted to recover Rs. 242.40 million from the portfolio of Rs. 1.72 billion. ◆ Handled 1,793 civil cases of non-performance. ◆ 'Consent motion' settlements through courts reached 11 percent of the total civil cases. ◆ Extended system training to the staff at the legal department.

Key Performance Indicators – 2013/14



For the FY	2013/14	2012/13	% Change
Legal Recoveries (Rs. Mn)	242.40	77.87	211.29
Civil Cases as at 31st March (Number)	1,793	1,416	26.62
Consent Motions (Number)	188	133	41.35
Notary Fees (Rs. Mn)	8.46	3.12	171.15
Write offs recovered (Rs. Mn)	17.10	29	(41.03)

“
RECOVERY MANAGEMENT IS WELL EMBEDDED WITHIN THE OPERATIONS, SUPPORTED BY A CUSTOMISED SYSTEM WITH REAL-TIME DATA AND INFORMATION. HIGHEST PRIORITY IS GIVEN TO ENSURE THAT THE PROCESS IS WELL INTEGRATED AND EFFICIENT
 ”

OVERVIEW

RECOVERY PROCESS

Recoveries are looked upon as a collective responsibility of the entire organisation. Recovery management is well embedded within the operations, supported by a customised system with real-time data and information. Highest priority is given to ensure that the process is well integrated and efficient, with clearly defined functions between the operations and the special recovery unit under the purview of the legal department.

Stringent measures are adopted to minimise the propensity of defaults and prevent from building up a non-performing portfolio with direct implications on the Company's financial results. The operational staff is well trained and encouraged to evaluate credit worthiness with prudence and build solid relationships with customers to cap on bad-debts at the very onset of the credit process. From the time of granting a facility to settlement, the operational staff is required to keep a regular track and report monthly to the management on the recoveries which in effect is tied to individual as well as departmental and branch performance evaluations and the related incentives and recognition.

The portfolio that falls within three months arrears is transferred to the special recovery unit for necessary action in terms of letters of demand, negotiations, re-schedulements and re-possession of leased assets and subsequently for litigation, write-offs or consent settlements as final options which are handled directly by the legal department.

SUPPORT SERVICES LEGAL & RECOVERIES

LEGAL

Legal, a centralised function, plays a crucial role in the Company - supporting to meet the regulatory and statutory obligations as well as to uphold professionalism and integrity in operations. The department which is headed by Senior Manager, Legal and supported by a team of qualified lawyers is responsible to give advice, opinions and briefings for the management including the subsidiaries on all legal matters relating to operations and other material transactions. The department extends vital support services in the recovery process as well as to negotiate, prepare and execute legal contracts including lease agreements, collateral documentation of immovable and movable mortgage assets and real estate transactions. The legal department handles all litigation matters and research on legislation and regulatory requirements. Safe custody of documentation also comes under the purview of the legal department.

PERFORMANCE RECOVERIES

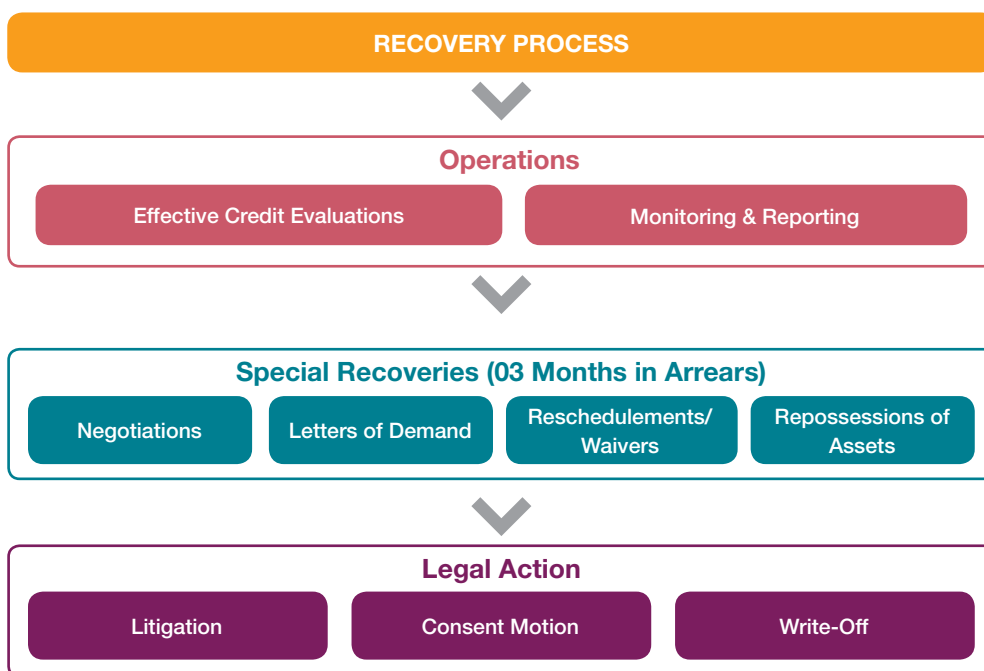
During the year, the operational staff including the dedicated recovery officers within the branch network strengthened their efforts to minimise the non-performing portfolio. All branches worked on the basis of a comprehensive recovery plan, with performance indicators including recovery ratio, non-performing ratio, collection ratio and provisioning as well as remedial actions recommended to be taken for a cohesive impact to reduce non-performing facilities.

The year saw the non-performing portfolio trending upwards given the dynamics within the macro environment. However, the recovery efforts enabled us to cap non-performing portfolio to Rs. 2,460.71 million. This corresponded to a ratio 2.18 percent which in effect is higher than the ratio of 1.44 percent in the preceding year, but, commendably well below the industry average of 6.7 percent.

The number of non-performing contracts transferred to the legal recoveries unit for the year totaled to 369. The total collections touched Rs. 242.40 million compared to collection of Rs. 77 million in the preceding year.

LITIGATION

The civil cases in the process of litigation increased by 369 cases in the year to reach a total of 1,793 which compares well in terms of the total portfolio. Out of the total civil cases, 11 percent was settled with a 'consent motion'. There were no write-offs for the year. The legal department also



handled 84 criminal cases with respect to cheque returns and 13 cases were settled during the year.

NOTARY FEES

During the reporting year, the legal department brought in a revenue contribution from notary fees of Rs. 8.46 million for legal services in preparing contracts, mortgage bonds, opinions etc. for both PLC and the subsidiary network. This represented an increase of 168 percent over the previous year.

SYSTEMS & TRAINING

In the preceding year, the ICT department introduced automation to streamline the recovery and legal work processes. Document management system was initiated to facilitate easy and speedy legal documentation. This year, intensive training on systems were extended to the legal department staff to internalise the system usage in daily operations and thereby avoid unnecessary delays and enhance the overall efficiency of recoveries and legal work.

FUTURE OUTLOOK

With rapidly growing operations within the Company and the subsidiary network, the legal department inclusive of the special recovery unit will assume a more significant role in the years to come. The role is further accentuated given the regulatory developments that are taking place within the industry. In this backdrop, the legal department will continue to give precedence to recovery management whilst seeking to further strengthen its in-house capabilities as well as eliminate any bottlenecks to support the corporate strategy and the goals therein. Key plans for the year ahead are set out below.

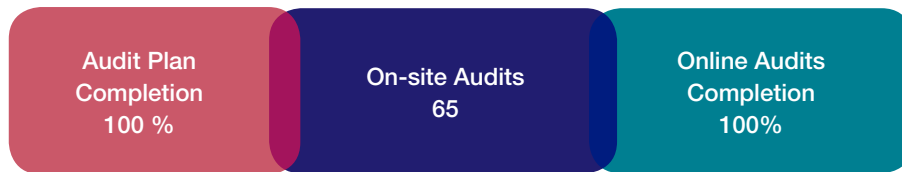
- ◆ **Decentralisation:** Decentralise the legal function by appointing regional panel lawyers to cater to the growing branch operations.
- ◆ **Recoveries:** Intensify the recovery effort through greater interaction between operations and recovery unit at the very onset of the non-performing process.
- ◆ **Training:** Extend focused training especially to keep abreast of the latest regulatory developments in the industry and the best practices in the legal arena.
- ◆ **Automation:** Identify and eliminate bottlenecks by further improving the work-process through greater automation of legal procedures.
- ◆ **Documentation:** Use the document management system to effectively process and safe-keep documentation.
- ◆ **IT:** Continue with systems training to enhance IT proficiency amongst the employees in the legal department.
- ◆ **Regulatory Developments:** Prepare with the necessary legal documentation for the imminent regulatory changes of mergers and acquisitions proposed by the Central Bank of Sri Lanka to restructure the industry.

SUPPORT SERVICES

INTERNAL AUDIT

Strategic Priorities	Performance Highlights – FY 2013/14
<ul style="list-style-type: none"> ◆ Internal controls to be aligned to the corporate strategy and goals. ◆ Maintain sound internal auditing principles and best practices and guidelines issued by the Institute of Internal Auditors. ◆ Auditing to evolve and address internal changes and regulatory developments. ◆ Revise the Internal Audit Charter as per the current and best practices in internal auditing. ◆ Implement an annual audit plan formulated through a systematic and structured process in line with the Internal Audit Charter. ◆ Maintain a sound auditing team and extend staff training to address skills gap and to be current with the best practices in internal auditing. 	<ul style="list-style-type: none"> ◆ Board validated the Internal Audit Charter. ◆ Formulated the Audit Plan for the year in consultation with the senior management and approved by the Board Audit Committee. ◆ Implemented a comprehensive system for on-line monitoring of the branch network. ◆ Discussed the key audit observations with the corporate management and the Board Audit Committee and recommendations implemented. ◆ Produced significant audit findings to the Board Audit Committee. ◆ Trained internal audit staff on the current auditing practices and techniques and soft skills. ◆ Central Bank of Sri Lanka completed comprehensive on-site inspection and their recommendations were fully implemented.

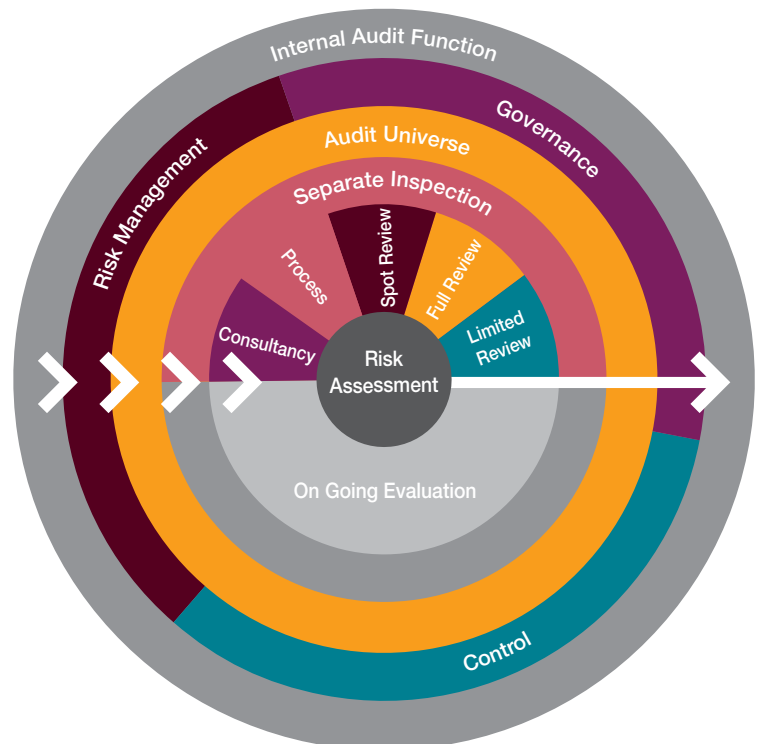
Key Performance Indicators – 2013/14



For the FY	2013/14	2012/13	% Change
Branches Audited (Number)	65	43	51.16
Plan Coverage (%)	100	98	2.04
Recommendation Implemented (%)	75	70	7.14

The internal audit function at PLC is centralised to overlook and provide an objective assurance on the adequacy and effectiveness of risk management, control and governance in the organisation including the branch network and the subsidiary operations. The internal audit is independent from operations and reports directly to the Board sub-committee – Board Audit Committee comprising three members and chaired by a non-executive director and guided by a comprehensive Terms of Reference. The Board Audit Committee monitors the internal controls of the Company on a regular basis and recommends corrective action, if any, aligned to the current best practices and relevant regulatory and legislative requirements.

The internal audit is steered as per the mandate extended by the Board approved Internal Audit Charter. Internal audit framework encompassing the entirety of operations ensures that internal controls are in place, properly documented, updated and adhered to. Internal audit as an on-going process ascertains and assesses principal risks that may adversely affect the Company as a going concern and assures on the appropriate and timely controls adopted to mitigate same; whilst ensuring the effectiveness and efficacy of operations, compliance on financial reporting aligned to the Sri Lanka Financial Reporting Standards and to applicable laws and regulations.



SUPPORT SERVICES

INTERNAL AUDIT

POLICIES & GUIDELINES

INTERNAL AUDIT CHARTER

- ◆ Gives the mandate to carrying out the internal audit activities.
- ◆ Sets out the mission, scope, responsibilities, authority, accountability, independence, continuity and impartiality of the internal audit function.
- ◆ Establishes the internal audit position within the organisation.
- ◆ Provides the basis for the Board Audit Committee to evaluate internal audit activities.

POLICY ON WHISTLE BLOWER PROTECTION

- ◆ Sets out in all three national languages, the procedure for reporting alleged improper/ illegal activities and unethical practices within the Company and subsidiaries.
- ◆ The Board Audit Committee is responsible to address any reporting and protect the whistleblower.
- ◆ Establishes confidentiality and the protection available for whistleblowers from harassment or victimisation.
- ◆ Specifies the reward system for whistleblowing as well as disciplinary action for false allegations.
- ◆ Protection covers all employees across the board.

PERFORMANCE

AUDITING OPERATIONAL PROCESSES

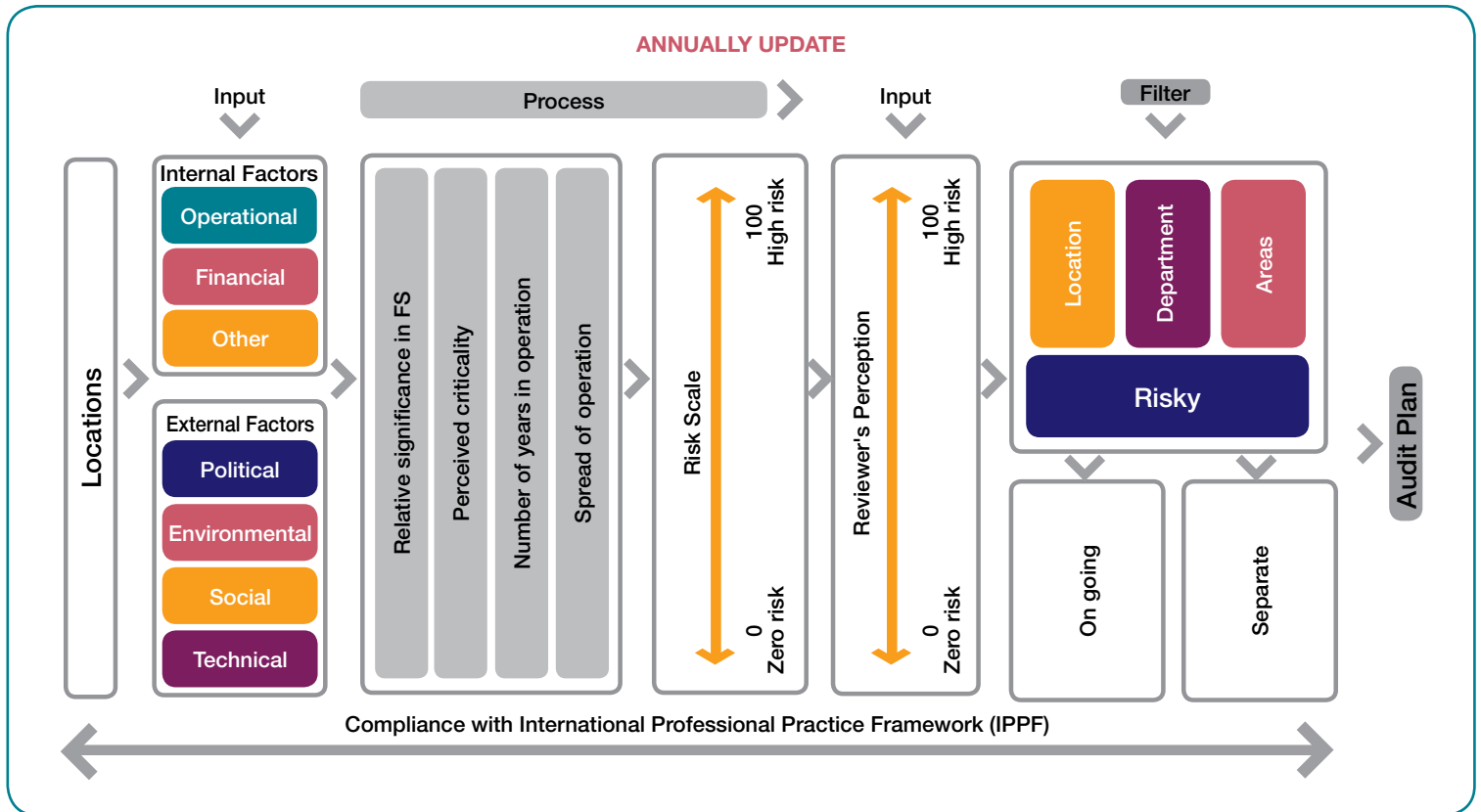
In the reporting year, the internal audit continued to effectively assess, guide and monitor necessary controls essential to ensure sustainable operations in the Company's drive towards growth. This assumed greater significance in the light of the merger with People's Finance PLC that was effected in April 2013 when the operations were expanded and volume was increased.

The year saw the internal audit effectively deploying technology to carry out its functions online and obtain critical reports even on 'real-time' to ensure that the operational units are complying with the checks and balances placed by the internal controls. Two dedicated officers were specially trained to handle the online monitoring of the operations.

In line with the Annual Audit Plan, the internal audit department carried a total of 65 audits of operational units including branches and subsidiaries. The selection and the basis for auditing considered the risk criteria identified at the onset of audit planning under a well-structured process as illustrated in the Planning Process diagram.

 Pages 140 to 183

SUPPORT SERVICES
INTERNAL AUDIT



“
IN THE REPORTING YEAR, THE INTERNAL AUDIT CONTINUED TO EFFECTIVELY ASSESS, GUIDE AND MONITOR NECESSARY CONTROLS ESSENTIAL TO ENSURE SUSTAINABLE OPERATIONS IN THE COMPANY’S DRIVE TOWARDS GROWTH.
”

TRAINING

During the year, much emphasis was placed on staff training especially to bring the required skills for effective auditing more significant in the current context. Special training extended in the year inter-alia, included:

- ◆ Auditing requirements as per the revised Sri Lanka Financial Reporting Standards aligned to International Financial Reporting Standards conducted by industry professionals
- ◆ Microsoft Excel applications including development of Excel VBA programmes
- ◆ In-house training on report writing skills
- ◆ In-house training on presentation skills

COMPREHENSIVE ON-SITE INSPECTION BY THE CENTRAL BANK

In terms of Section 24 (Examinations and Supervisory Actions on Finance Companies) of Finance Business Act No. 42 of 2011, the Central Bank of Sri Lanka conducted a comprehensive on-site inspection and their recommendations were implemented during the same year.

PLANS AHEAD

With widespread changes that are taking place within the organisation spurred by the growth momentum and the regulatory framework in the country, effective internal controls have become an essential part of the governance process. Having recognised this, the internal audit intends to further strengthen its structure, planning and techniques to be current and in line with best practices in internal controls. Staff training will be prioritised not only within the department but also targeting external staff including the new recruits especially taken for the growing branch operations.

SUPPORT SERVICES

INFORMATION AND COMMUNICATION TECHNOLOGY

Strategic Priorities	Performance Highlights – FY 2013/14
<ul style="list-style-type: none"> ◆ Seek practical solutions to optimise operational productivity. ◆ Align systems and processes to the latest but appropriate technology. ◆ Extend training to users to maximise the usage and avail the potential benefits distinctive to the system. ◆ Provide timely management information and facilitate online decision making. ◆ Support strategic decision making at the senior management level. 	<ul style="list-style-type: none"> ◆ Successfully implemented the integrated system of the merged entity. ◆ Established a help desk to address the user issues of the integrated platform. ◆ Moved on to a fee based shared services model for the IT services extended to the subsidiary network. ◆ Automated and setup a system to carryout Islamic Finance functions . ◆ Introduced e-payments in collaboration with LankaClear. ◆ Enhanced mobile transactions promoting mobile collections and app for smart phones. ◆ Placed digital signage and surveillance system. ◆ Engaged independent audit firms to endorse on security management and obtained re-certification for ISO/IEC 27001 standards.

Key Performance Indicators – 2013/14

IT investment Rs.
45 Mn

48 ICT Training
Programmes

Compliance
ISO/IEC:27001

For the FY	2013/14	2012/13	Change %
New branch implementations (Number)	13	8	62.50
IT investments (Rs. Mn.)	45	33	36.36
Training Programmes (Number)	48	30	60.00
Branch Re-Locations and Re-Structuring (Number)	30	10	200.00
ISMS Review /Re-Certification Audits Conducted (Number)	2	2	-

ICT Policy

We pledge to use ICT as a driver and tool for developing our future objectives, maintained within relevant laws and regulations, to create, innovate and build our business to meet stakeholder demands that will require speedy, efficient and innovative responses, to initiate timely decision making and ensure that information risk and security hazards are minimized.

IT Platform

Strategic

- Decision Support System
 - Planning Tools
 - Strategic Management Reports

Operational

- Core Business System
 - Leasing, HP,Savings, FD, Islamic Finance modules
 - General Ledger - Core operations, administration, finance and internal controls
 - Mobile Services - SMS Alerts & Routine Transactions
 - Cashier Payment Module
 - Document Management System

Tactical

- Management Information System
 - Compilation & Analysis of Critical Data
 - MIS Reports for Decisions Making

OUR APPROACH

Information and communication technology (ICT) has become an integral part of the corporate strategy. The IT platform in place, geared with modern but user-friendly and flexible solutions has facilitated the organisation to streamline and improve structures and processes be it in the operations or in administrative functions including enabling synergies within the PLC Group.

The Company has in place a comprehensive IT platform to enable efficient solutions to support the Company in its day to day operations and decision making for the long term. IT systems encompassing strategic, tactical and operational aspects of the organisation, facilitate effective planning and management of operations and people, better customer service and implementing internal controls for good governance and risk management.

SUPPORT SERVICES

INFORMATION AND COMMUNICATION TECHNOLOGY

CASE FOR ADVOCATING DOCUMENT MANAGEMENT SYSTEM

- ◆ Minimise time lag in processing documentation
- ◆ Tracks the movement of documents
- ◆ Speedy retrieval of documents
- ◆ Reduces prime storage space
- ◆ Improves security and information confidentiality
- ◆ Promotes a 'less paper office' concept



IN THE YEAR, THE BUSINESS MODEL OF THE ICT DEPARTMENT TRANSITIONED FROM A PURE COST CENTRE TO A FEE-BASED SHARED SERVICES MODEL APPLICABLE TO THE SERVICES RENDERED TO THE SUBSIDIARY NETWORK.



DECISION SUPPORT AND MANAGEMENT INFORMATION SYSTEMS

The decision support system in the Company provides efficient and speedy analytical facilities together with historical, current and predictive data necessary for strategic planning whilst the management information system (MIS) facilitates the top-tier as well as the middle management to make effective decisions on operations considering productivity, efficiency, cost-effectiveness and resource optimisation.

CORE BUSINESS SYSTEM

As a centralised function, the business system links operations through a central processing system across the organisation from window offices, mini and fully-fledged branches and departments at the head office to subsidiaries within the network. Most of the core operations including leasing, hire purchase, Islamic Finance, deposits and investments as well as non-core functions in human resources & administration, finance and internal controls are integrated into the "General Ledger" which facilitates real-time information and transactions. The core system also covers the cashier module integrating all cashier transactions, mobile services for routine transactions at the customer's doorstep and SMS gateway to alert employees as well customers on the key initiatives and developments. Apart from this, the document management system within the core promotes the Company's drive for e-initiatives which in effect has brought in a myriad of benefits from speedy and efficient documentation to saving on paper consumption.

IT PERFORMANCE

This year under review, the focus was on optimising the IT solutions which are already in place and tailor-making the solutions to best fit the present demands of the organisation whilst ensuring security and confidentiality of information towards better IT governance.

SYSTEM MERGER

The reporting year commenced under an integrated platform to support the operations of the Company as a merged entity which was effected on 2nd April 2013 with its finance company subsidiary, People's Finance PLC. The complex amalgamation of the core systems and modules of leasing, hire purchase, deposits, Islamic Finance and all other products of both entities was successfully launched as one platform. Detailed user manuals, necessary training extended to all staff and the help-desk established in the year with six dedicated officers to assist the users to master the common system supported operations to transition smoothly without significant glitches and discontinuity due to system issues.

SHARED SERVICES MODEL

In the year, the business model of the ICT department transitioned from a pure cost centre to a fee-based shared services model applicable to the services rendered to the subsidiary network. This includes the services of providing IT infrastructure, software, networking and maintenance of the IT systems. The ICT department during the year entered into an agreement with the Group's insurance arm, People's Insurance Ltd to provide and maintain the Core Insurance Software Solutions (PGIns) initiated in the preceding year to manage insurance functions on a fee basis and sold the system for Rs. 60 million. Apart from that, the department during the year generated Rs. 19 million on the shared services fee based model from all the subsidiaries.

BRANCH IT INFRASTRUCTURE

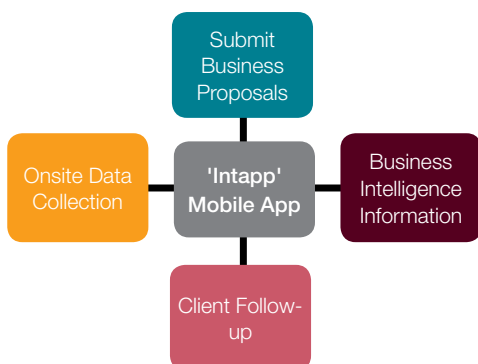
The reporting year saw focused efforts to further automate, strengthen processes and introduce innovation to the core functions especially pertinent to address the needs and sustain the rapid branch expansion. Some of the branches in the year were restructured in terms of hardware and networking whilst 13 new branches were fully equipped with the necessary IT infrastructure and linked to the centralised system.

STRENGTHENING MIS

During the year, MIS was further strengthened to generate critical reports by capturing a wider spectrum of data across the branches which grew significantly in the post-merger scenario. The reports gave precedence to non-performing indicators, provisioning cover, arrears, marketing and operational information to enable the management to make effective decisions based on a holistic perspective.

SUPPORT SERVICES

INFORMATION AND COMMUNICATION TECHNOLOGY



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THE ICT TEAM DESIGNED IN THE YEAR, A CUSTOMISED APP - 'INTAPP' WHICH GIVES SEAMLESS AND CURRENT INFORMATION AND SPEEDY PROCESSING SOLUTIONS FOR OPERATIONAL STAFF TO CARRY OUT MARKETING AND RECOVERY FUNCTIONS WHEN 'ON THE GO'
 ”

MOBILE TRANSACTIONS

Promoting speedy, flexible and efficient transactions, mobile collection devices which were originally introduced to the former People's Finance PLC were extended to PLC and People's Microfinance Ltd., to carry out collections at the point of sales based on wireless communication technology – 'GPRS'.

Further, with the trending smart phones and mobile apps, the ICT team designed in the year, a customised app - 'Intapp' which gives seamless and current information and speedy processing solutions for operational staff to carry out marketing and recovery functions when 'on the go'. 'Intapp' has the key features to facilitate:

- ◆ onsite data collection including capturing documents and images for inspection and collecting information for savings and fixed deposit applications,
- ◆ submit business proposals for leasing, hire purchase, Islamic products and investments,
- ◆ business intelligence information including the current status on the portfolio, non-performing indicators, provisioning and deposit rates and
- ◆ client follow-ups with options to manage field visits and to access client, facility and payment details including cheque movement.

ISLAMIC FINANCE

In compliance to the Shari'ah guidelines, all functions related to Islamic Finance were automated to facilitate greater efficiency and smooth operations. The system was set up as a parallel to the conventional system and linked with 6 dedicated Islamic branches in strategic locations along with other 80+ branches. Currently all these branches are fully capable of handling the entire scope of Islamic Finance within this system.

MARGIN TRADING SYSTEM

The Company focused on developing the margin trading arm to be fully geared to take-off operations especially pertinent in the context of positive signals from the equity market in Sri Lanka. A special system to accommodate margin trading was established and necessary training was extended for system familiarisation to the staff assigned for margin trading.

CALL CENTRE

The call centre which was relocated to the head office and revamped with state-of-art call solutions during the preceding year continued in the year to be an ace in the Company's efforts to advocate customer centricity. During the reporting year, further features enhancing to Card Center operations and increased the concurrent calling capacity were added on to better the service to the customer.

SURVEILLANCE

The ICT department initiated to set up closed circuit televisions (CCTVs) to improve general surveillance and thereby security of the branch network. All branches are now fully equipped and CCTVs are fully operational under the central system.

DIGITAL SIGNAGE

The IT department set up state-of-the-art digital signage solutions across the branch network bundling information targeting the customer on products, interest and exchange rates, vehicle tenders and latest developments and offers. Signage screens were fitted and made operational in 30 branches accounting for nearly 35 percent of the total.

ENABLING GROUP SYNERGIES

The ICT department continued to support IT hardware and system requirements of the subsidiary network. In the preceding year, the team at ICT focused on the Insurance system for People's Insurance Ltd and set up a tailor-made microfinance system for People's Microfinance Ltd. Whilst supporting these initiatives with maintenance services, this year, the department focused on developing the following solutions for the subsidiaries:

- ◆ **Global Positioning System (GPS) for People's Leasing Fleet Management Ltd:** This system apart from identifying the location of vehicles in the fleet enables effective monitoring of fuel and mileage for cost controls.

SUPPORT SERVICES

INFORMATION AND COMMUNICATION TECHNOLOGY

◆ Accounting system for People's Leasing Property Development Ltd:

With in-house expertise, a comprehensive and customised accounting system was developed to process accounting transactions whilst enabling effective and real-time monitoring and reporting.

◆ Integrating with the e-Revenue Licence System:

Envisaged by the Information and Communication Technology Agency (ICTA) and complementing the PLC product offer, People's Insurance system was integrated with the e-Revenue Licence System of the Revenue Licence Department to enable customers to obtain revenue licenses online.

INFORMATION SECURITY

Business Continuity Plan

PLC gives precedence to ensure business continuity through safeguarding information security and preventing any loss of data and information. The comprehensive Business Continuity Plan includes a contingency system for disaster recovery which is maintained internally and externally. This system covers all functions across the organisation together with the subsidiary network to secure and back-up data and information. The system has an effective monitoring mechanism to identify and rectify network issues with speed and efficiency whilst an SMS option is in place to prompt action and recovery of information and data in the event of a power failure. Necessary administrative controls are in place to block unwarranted social media activities and building up traffic on the network.

Audit & Certification

The Company continued to give precedence to information security management and sought in the year independent validation on the checks and balances adopted to safeguard systems and process and soundness of practices. Encompassing disaster recovery and patch management, a penetration & vulnerability assessment was completed by the audit consultancy, M/s KPMG Sri Lanka and validated on the effectiveness and the currency of IT security measures adopted to prevent systems and data from malicious attacks. In addition, a due diligence was carried out by M/s PricewaterhouseCoopers Sri Lanka on the network & firewall security measures. Complemented by the above mentioned audits, the global certification body, M/s Det Norske Veritas, Sri Lanka (DNV) audited the

overall ICT functions including policies, systems, processes and applications and re-certified the Company's security management on the standards of ISO/IEC 27001 for the period 2014 to 2017.

TRAINING & DEVELOPMENT

Training on ICT skills - embracing latest developments in technology, upgrades in software and applications remained a top priority within the Company's training calendar. Internal ICT staff during the year was given extensive training both general and functional to refine their skills and exposure to best practices in the fast moving world of technology. In the reporting year, 12 members of the ICT staff were extensively trained in Malaysia on database handling, applications management and product development by a service provider, Progress Corporation, USA. Training was also extended to operational staff to make them ICT literate and enhance skills in Microsoft applications and processes enabling them to reach higher standards and productivity levels in their daily operations.

CONTRIBUTION TO THE ENVIRONMENT

The Company continued to dispose e-waste responsibly in collaboration with CRM Sri Lanka. This together with the document management system advocating less paper usage reinforced the commitment towards carbon neutral initiatives.

FUTURE OUTLOOK

Within the emerging landscape in the industry and the Company's momentum for growth, ICT will no doubt continue to play a crucial supporting role in the corporate mission in the ensuing years. The ICT department in keeping with the strategic priorities will look further to strengthen the systems and processes in line with the latest in technology. The department will continue to evaluate the options to re-engineer and streamline processes, appropriately, to best fit the company strategy and bring in greater efficiency to build on the bottom-line. Key initiatives planned for the year are:

- ◆ **Credit Approval System:** Further driving the e-initiatives within operations, the ICT department intends to look at options to introduce a credit approval system where facilities can be fully processed online. Currently, the department in consultation with the operational units is looking at integrating the system to cover facility limits, terms and delegation of authority to ensure effective transition to this system in the medium term.
- ◆ **E-Board Paper solution:** As another initiative of 'paperless' environment concept, it is proposed to completely replace the circulation of Board Papers as hard copies with circulation online. Necessary amendments to the governance framework are currently being deliberated to ensure that this move will not hinder the smooth functioning of the Board proceedings.
- ◆ **Islamic Finance:** The system to be further developed to capture online branch wise profitability and financial position. The system will accommodate users to check on daily collection balances in order to segregate collections on Islamic facilities over the conventional facilities and an option will be provided to net off the balances.
- ◆ **Shared Services Model:** The ICT division will look at more opportunities to support the Group network and in turn prop its fee income from both supply of hardware, software and maintenance.
- ◆ **Promote AppServer Technology:** To reduce the load on the terminal servers, the Company's core system is proposed to be transformed to AppServer technology.
- ◆ **Official Website:** With the rebranded official website in place, the focus in the year is to enhance the responsiveness, interactivity and user-friendliness of the site. More features will add to address the queries of the 'tech-savvy' customers as well facilitate online requests for communication and registration. Apart from this, it is planned to develop an HTML5 version of the website enabling customers to view the website on their smart phones.

CUSTOMER & PRODUCT RESPONSIBILITY

OUR APPROACH

At PLC, our primary aim is to cater to customers with products and services that continuously and consistently meet their diverse financial requirements. In this endeavour, the Company is responsible and seeks to comply with the Finance Business Act No.42 of 2011 and to other relevant laws and regulations. The Company effectively combines service excellence with the latest and the most appropriate in technology to ensure quality, product diversity and responsible marketing communication.

Customer Policy

PLC is committed to a spirit of empowerment, inclusivity and a partnership approach while expanding our reach, constantly improving our service standards, innovating products, building customer confidence, trust and safeguarding customer rights

SERVICE QUALITY

CUSTOMER HEALTH AND SAFETY

As a finance institution, health and safety impacts are mostly related to the core product offer - leasing of vehicles and equipment. PLC's policies set out that the products and services have to meet with legal and regulatory requirements including applicable environmental, health and safety standards. Therefore, the Company has taken necessary action and structured measures to ensure that the vehicles which are to be leased meet with the required health and safety standards as set out below:

- ◆ Inspections are carried out prior to a third party sale to ensure that the vehicles are well maintained and comply with environmental regulations and safety standards including the requisite emission certification and safety features such as air bags, crumple zone, anti-skid brake system, seat belts etc.
- ◆ Lobby with vehicle suppliers to ensure that vehicles are fully equipped with the safety features and the user and safety manuals are available.
- ◆ Strictly follow the 'know your customer' principle to ensure lease facilities are not given out for illicit and environmentally damaging activities and purposes.

- ◆ Direct importation facility enables the customer to be more involved with the transaction and have greater degree of control on selecting vehicles with best options.

Apart from the above, PLC also supports organic farming among micro customers advocating sustainable and safe practices in agriculture, advocacy on road safety for customers and community at large whilst supporting with philanthropic contributions to address serious health issues of loyal customers. More details are set out under Social Review in pages 112-113.

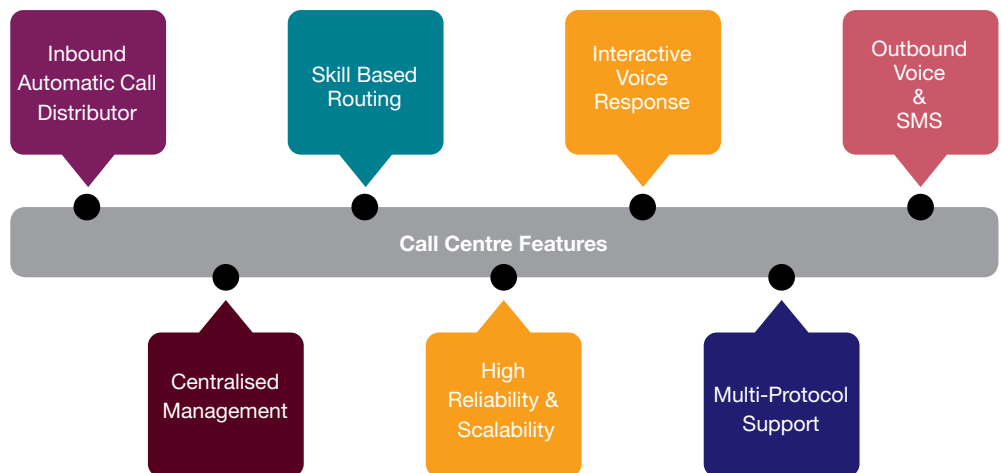
PRODUCT AND SERVICE LABELLING

PLC fully recognises the importance of maintaining transparency in the product offer and seeks to extend adequate information on products – facility terms, risk and legal implications as well as safety and user guides to enable customers to make informed decisions. Product information is given out as leaflets, brochures, legal contracts and other documentation. Tactical training opportunities on the product, updates and value-added features are extended to the operational staff and they in turn, are competent to identify customer needs and assist and guide them in choosing products that are appropriate to their respective profiles.

During the year under review non compliance on health and safety or labelling was not reported.

QUALITY SERVICE TOWARDS GREATER CUSTOMER SATISFACTION

The Company is a customer oriented organisation and nurturing customer relationships are significant for sustaining its viability both in the short and the long term. Therefore, PLC is steadfast in its efforts to exceed customer expectations by offering the best in service and delivering positive customer experience. The operational staff in all customer touch points is well trained by the best resources persons in customer service and relationship management. In turn, employees seek to respond flexibly to diverse customer needs, thereby ensuring a 'hand-on' approach. Customised training is also offered to security personnel, lift operators, drivers and office assistants who are often the first point of contact for customers. The modern call centre facilities as well as online services including a well maintained official website with versatile and user-friendly features have further strengthened the Company's efforts towards customer orientation. These initiatives in effect, have supported PLC to build a loyal customer base underscoring the strong brand and market positioning at the top for the 12th consecutive year within the leasing sector and to be the highest rated institute in the non-bank financial sector.



CUSTOMER & PRODUCT RESPONSIBILITY

CUSTOMER SERVICE ENHANCEMENTS - RECENT INITIATIVES

Product Development

- ◆ “Quick-cash”, one day service facility
- ◆ Direct vehicle imports from Japan as a value addition to the core product
- ◆ Margin trading facilities

Outreach

- ◆ Vast branch network of 85 in the post-merger scenario
- ◆ Operating with 109 window offices across the country

Deploying ICT

- ◆ Mobile transactions at the customers’ doorstep with point of sales terminals
- ◆ Smart phone & mobile apps for seamless information and speedy processing solutions
- ◆ e-payment system for interbank transactions and utility bill payments in collaborations with LankaClear
- ◆ State-of-the-art call centre for efficient communication facilities
- ◆ Revamped official website with interactive features
- ◆ Document Management System for simplified processes & speedy and efficient transactions

Training

- ◆ 25 customer service programmes conducted by renowned resource persons within the past two years

CUSTOMER FEEDBACK & SATISFACTION SURVEY

Feedback and assessment of satisfaction levels are important for the Company to strategically develop new products and tailor value additions to best fit customer needs. Towards this end, the Company encourages the operational level staff to engage customers regularly and they in turn, obtain feedback informally as well as through feedback forms on the products and services on a regular basis; results are analysed and highlighted at monthly meetings for deliberation and action, if necessary. Field reports generated by propaganda staff are also communicated to Deputy General Manager, Operations for review and required action.

The Company also carries out structured and independent customer satisfaction surveys

periodically and the results of same are reviewed and deliberated by the management for corrective action. In the year under review a customer survey was conducted by independent outsourced parties from a top line of 139 SME customers and findings are set out below.

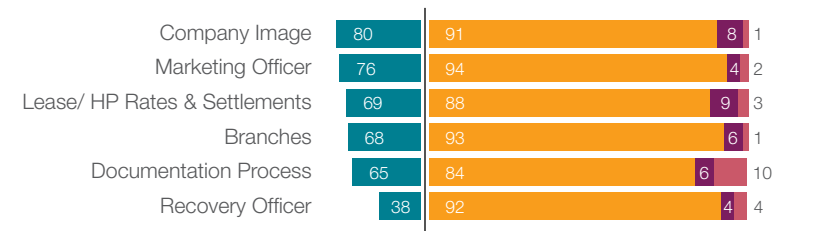
Summary: Top line survey findings

Sample: 139 SME customers’ representing all provinces except North & East

Mode of survey: Face to face interviews

PLC has achieved a world class *eQ score of 88 and the eQ score is at 88 among both leasing and HP customers. Performance is high for PLC for all the key dimensions among SME customers. Key drivers for satisfaction are Company Image, Marketing officer, Lease/ HP rates & settlements and Branches.

Company image, Marketing officer, Lease/ HP rates & settlements and branches are areas for differentiation for PLC. There are no critical areas for improvement for PLC.



DRIVERS VS PERFORMANCE (PEOPLE'S LEASING/ SME)

■ Importance ■ Weighted Top 2 Box
 ■ Middle Box ■ Weighted Bottom 2 Box

Base: (139)

*eQ Index / Score- Measures the overall performance, taking all the attributes in the model into consideration, and weighted by importance. Simply, the WEIGHTED AVERAGE SATISFACTION SCORE.(Ranges from 20 to 100 for 5-point scale)

WORDS OF GRATITUDE

“In 1996, I applied for my first lease facility for a bus to operate from the Colombo-Matara route with People’s Leasing, at the head office. My facility was granted with the security of two personal guarantors. I ensured that all dues were paid on time and built the trust and loyalty. From there onwards, I kept coming for further facilities to People’s Leasing whilst taking my business towards progress. As at date, I have taken eight facilities.

Today, I have established a successful business with four buses operating in four routes. In my endeavours, I have to thank People’s Leasing with deep gratitude for their services and the support they have extended to me to move forward. I value People’s Leasing with my heart and pay tribute to the Chief Executive Officer, head office management and officers. Presently, I am a customer at People’s Leasing Galle branch which extends an excellent service that is so personalised and humane. I thank the manager of the branch for his support.

In fact, when I started I had no support from anybody and I had my share of hardship. But People’s Leasing has been with me throughout and I will never forget the support and the guidance given to bring up my business to what it is today. I don’t believe any other leasing company will parallel People’s Leasing in service quality. My heartfelt wish is to see People’s Leasing as the world’s best leasing company”.

Mrs. Leela Sellahewa

The above is a translation of a testimonial given by the Managing Directress of Shermila Travels in Matara - one of PLC’s longstanding and loyal customers who have grown from humble beginnings to be a successful business woman.

CUSTOMER & PRODUCT RESPONSIBILITY

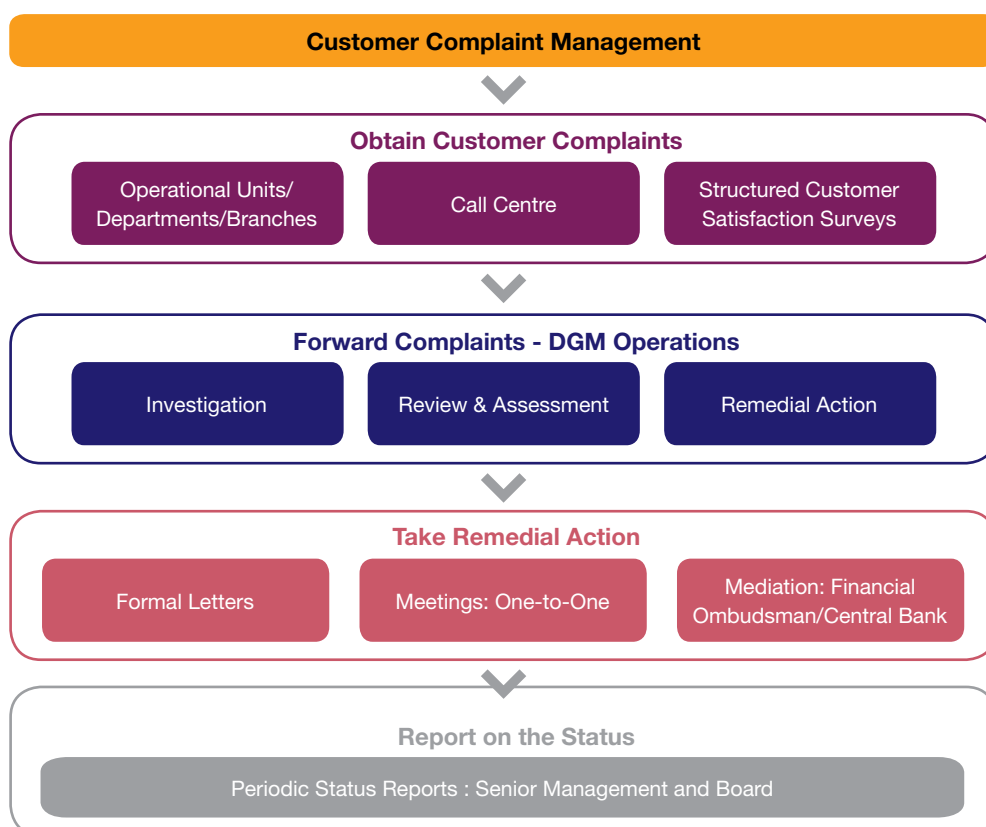
CUSTOMER COMPLAINTS

The customer complaint function at PLC is under the direct supervision of Deputy General Manager -Operations. With the dedicated 24-hour hot-line call service and the 'open door policy', customer complaints are managed effectively. The call centre has features to directly connect to an agent of the customer service team where complaints or even feedback can be lodged for immediate redressal or to be forwarded to the management for their mediation and corrective action.

When the Company is faced with customer complaints, a dialogue is initiated with the customer via formal letters or through one-to-one meetings where issues and grievances are redressed. Apart from these internal measures, the Company will also resort to the mediation of the Financial Ombudsman and the regulatory body, the Central Bank of Sri Lanka as deemed necessary.

Key Solutions Offered to Address Customer Complaints - 2013/14

- ◆ At any point a customer lodges a complaint with the Company, the same is directed to the DGM – Operations who therein allocates the same to the relevant AGM/ CM – Branch Operations overseeing the respective branch. Most often the complaints are in respect of default interest being charged, seizure of vehicles or legal action taken for recovery of losses. Immediately upon the complaint being made by the customer, he/ she is requested to meet the relevant officials of the branch to discuss their grievance and reach a possible settlement. Often a default interest waiver or a re-schedulement is proposed depending on the repayment capacity of the complainant.
- ◆ When complaints are received in respect of recovery of disposal losses the complainants are requested to meet with the officials of the legal department to enter into a settlement through Court. Accordingly, resettlements are most beneficial to the customer as the repayment plan entered in Court is made according to their repayment capacity and suggested settlement plan.



During the year under review, the Company effectively managed customer complaints in a fair and reasonable manner. The number of customer complaints and the actions taken by the Company to resolve such complaints in the year together with the number resolved are set out in the table below:

Channel of Complaints	No. of Complaints	Action Taken	No. of Complaints Resolved
Financial Ombudsman	9	The Company was duly represented at all hearings.	9
Central Bank of Sri Lanka	14	Timely responses to inquires along with information requested were submitted to the Central Bank of Sri Lanka.	14
Chairman	4	Necessary steps were taken to address the issue in a just and fair manner.	4
Chief Executive Officer/General Manager, Deputy General Manager	5	Steps were taken to resolve the matter in consultation with the relevant customer touch point heads in mutually agreed manner.	5

CUSTOMER & PRODUCT RESPONSIBILITY

PRODUCT OFFER & INCLUSIVITY

The strategy focuses on positioning PLC as a comprehensive provider of financial products - a "one stop shop" with penetration deeper into the market. This is significant to create a competitive advantage and sustain the market positioning at the top. As at the year-end, PLC has an outreach island-wide with a total of 194 customer touch points and extends a gamut of financial products together with its subsidiary network catering to diverse customer groups and needs.

The Company is consistent and proactive in seeking to improve the product to tailor customer needs. Therefore, structuring new products, adding value through the latest technology, cross-selling and product bundling in line with customer requirements assume greater significance in the operations especially to beat the competition in the non-bank financial sector. In this process, PLC seeks to ensure a 'win-win' solution for both the customer and the Company. The products are designed and structured as well as marketed in keeping with highest principles of customer protection - impartiality, transparency and accountability as well as advocating empowerment and inclusivity. The policies on fair communication, hand-held approach in recoveries and re-negotiation of loans for 'distressed' customers are clear examples of how PLC extends the fairness principle in daily operations. This in effect has enabled PLC to muster customer confidence and trust which feed the long term viability and sustainability of the Company.

Loans & Leases

- ◆ Finance Leases
- ◆ Operating Leases
- ◆ Hire Purchase
- ◆ Term Loans
- ◆ Working Capital Facilities
- ◆ Personal Loans
- ◆ Letters of Guarantee
- ◆ Refinance loans
- ◆ Quick Cash

Deposits

- ◆ Fixed Deposits
- ◆ Promissory Notes
- ◆ Commercial Papers
- ◆ Super Savings
- ◆ Senior Citizen Savings
- ◆ Dhana Surakum Savings
- ◆ Minor Savings
- ◆ Micro Savings

Islamic Products

- ◆ Murabahah
- ◆ Mudharaba
- ◆ Diminishing Musharakah
- ◆ Ijarah (Lease)
- ◆ Mudharabah Savings
- ◆ Usfoor Minor Savings
- ◆ Corporate Savings Plus
- ◆ Hajj Savings
- ◆ Mudharabah Investments

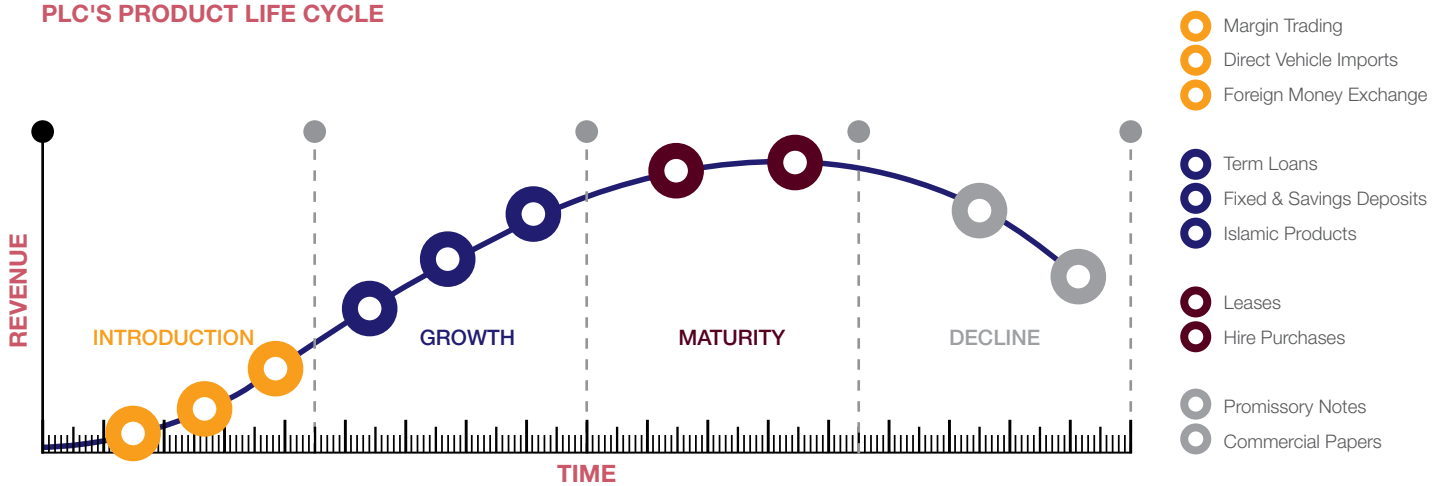
Emerging Products

- ◆ Margin Trading
- ◆ Direct Vehicle Imports - Japan
- ◆ Foreign Money Exchange

Subsidiary Products

- ◆ Non-Life Insurance
- ◆ Microfinance
- ◆ Fleet Management
- ◆ Vehicle Valuation
- ◆ Vehicle Servicing Solutions
- ◆ Property Development

PLC'S PRODUCT LIFE CYCLE



CUSTOMER & PRODUCT RESPONSIBILITY

MARKETING COMMUNICATION

The Company recognises the strategic significance of marketing communications in building and managing relationships with customers, essentially underpinning the long-term growth and value creation. But, PLC communication policy does not advocate ad-hoc and irresponsible communication. The Company in effect, gives due precedence and invests well on effective communication campaigns on the brand as well as on the product offer with a clear focus on maintaining the highest standards of integrity and accountability.

The operations department is responsible to carry out effective marketing communication programmes and campaigns and produce material including brochures and leaflets with fair and unambiguous representation of information subjected to the final confirmation of corporate communications department. The corporate communication department in turn reviews the facts and ensures that they are not distorted to unduly solicit customer response. The compliance officer also ensures that the communication initiatives meet product-specific disclosure and contractual obligations and comply with all legal and regulatory requirements. All initiatives are endorsed by the Board of Directors and submitted to the Central Bank for concurrence.

Marketing Mix

The Company firmly believes in the benefits of a positive 'word of mouth' which in fact, is well recognised for its asymmetric impact on customer decision making. Therefore, the Company focuses well on positive customer experience which is further complemented by PLC's superior brand image. The employees are well trained as mentioned above in

delivering the best in service and projecting a coherent message on PLC's commitment to customers which support well to create a positive 'word of mouth' and thereby PLC's positioning at the top.

Apart from cultivating the word of mouth, the Company also focuses on structured marketing promotions. Mostly, the Company resorts to below-the-line tactics including direct marketing initiatives within the distribution network, road shows, street promotions and events; whilst above-the-line initiatives are limited to advertisements on the print media and billboards.

Given below are marketing communication initiatives of the Company for the year under review excluding the branch initiatives which are discussed under operations:

- ◆ **Print Media:** Targeting the local corporate sector audience, the Company showcased its brand strength and product offer through advertisements published monthly on the popular business magazines in Sri Lanka – 'Lanka Monthly Digest' and 'Business Today'. The Company maintains an annual renewable agreement with these magazine companies. Advertisements are also placed on the 'Serendib Magazine' which is published semi-annually and is expected to reach the international customer base. Apart from magazine advertisements were placed in the national newspapers to obtain brand mileage with the general public.
- ◆ **Events:** During the year, the Company participated in the following events which had the potential to bring in brand mileage.
 - **Industrial Exhibition and Trade Fair 2013:** The Company had a stall in the trade fair which was organised by the Institution of Incorporated Engineers, Sri Lanka on 28th, 29th and 30th June 2013 at BMICH. The PLC stall created awareness among the visitors on the products and services especially leasing and fixed deposits.
 - **Annual Conference of the Institute of Chartered Accountants of Sri Lanka:** Gold sponsor at the three-day conference held at the Waters Edge, Battaramulla on 24th, 25th and 26th October 2013. The Company availed the opportunity to promote special packages targeted at the professionals. As an extension to this initiative, the Company launched an email campaign targeting 268 Chartered Accountants.
- ◆ **'Sanwathsara Wasi':** A compelling campaign was organised to celebrate 17 years of PLC's corporate journey including a raffle for PLC customers. The raffle which was drawn on 1st January 2014 offered exciting gifts – tours to Malaysia and premium hotel packages in Sri Lanka.
- ◆ **Street Promotions:** In addition to periodic propaganda campaigns in the month of July 2013, the Company organised an island wide street promotion with all staff to showcase the PLC brand among the general public and branded memorabilia were distributed including T-shirts, caps, umbrellas, key tags etc.
- ◆ **Letters:** Personalised letters of appreciation were sent to 142,890 customers for their loyalty and patronage. The letter also entailed promotional leaflet on the 'Sanwathsara' Raffle.



CUSTOMER & PRODUCT RESPONSIBILITY

- ◆ **Sponsorships:** Reaching out to a broader segment, the Company sponsored "Benchmark" and "Rupees and Sense" on television and "Jana Jaya Mawatha" and World News on Sri Lanka Broadcasting Corporation giving PLC a significant brand mileage.
- ◆ **New Age Tools:** Promotions were done through e-flyers & brochures, social networking sites and the official website which has been updated and revamped in the preceding year.

CUSTOMER PRIVACY

As a financial institution, PLC is privy to customers' personal data and information and as custodians is committed to protect the confidentiality and security of information. The Company has in place physical, electronic and procedural safeguards which are in line with the applicable laws. Employees are well trained in customer privacy policy and against breaches and losses of customer personal data and information in their day to day operations as well as when seeking to tailor products and services to meet customer preferences. The Company also ensures that customer privacy is maintained in terms of secondary usage when sharing with the affiliate companies.

The ICT systems and processes that are in place with connectivity across the network support the Company's policy on customer privacy. The Document Management System (DMS) minimises the information loss and enables back-up of documents at an off-site storage which is particularly important in the event of a disaster at the location of operations. The DMS also entails proper authority limits and an audit trail with information on user and modifications to the documents within the system. Periodic vulnerability assessments are also performed by independent auditors for assurance on the entire system.

In the year under review, the Company did not report any breach of customer privacy or loss of customer data and information related to same.

ANTI-CORRUPTION

The Company's internal controls and operating procedures are well designed and set out to detect, prevent and deter any improper and illegal activities or unethical practices in operations. The internal audit and the risk management department play a central role in this function with periodic reporting to the Board through the Board Audit Committee and the Integrated Risk Management Committee respectively.

PLC's Code of Ethics clearly sets out the Anti-Corruption Policy which is periodically reviewed and revised in keeping with the current best practices. All employees are well trained on policies and procedures governing ethics and anti-corruption practices and the revisions are communicated periodically through employee meetings, staff circulars, emails and the intranet. The induction programme for new recruits entails a session on the Code of Ethics and the Anti-Corruption Policy of the Company.

A formal process is in place to investigate and resolve complaints of corruption and in the event such should occur, due disciplinary action is promptly taken. The recently established and implemented Whistleblower Policy complements this process well.

During the reporting year, all departments, branches and subsidiary network were analysed for risks related to corruption and incidences. Corruption incidences were not reported and the Company did not incur financial losses related to same.

PUBLIC POLICY

As a foremost institution in the non-bank financial arena in this country, PLC is well aware of the responsibility and its role in shaping public policy. Hence, the Company actively participates and contributes to any dialogue and decision-making in public policy development related to the industry, the Company or employees.

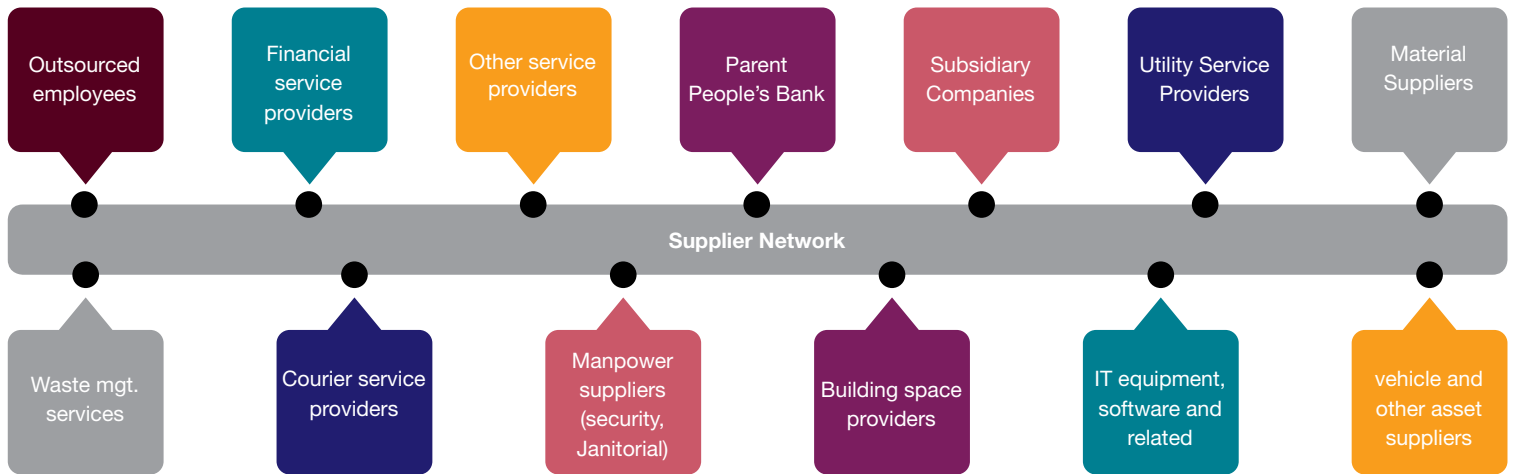
The Company is an active member of the Leasing Association of Sri Lanka and of the internationally recognised Asian Leasing and Finance Association. Mr. D. P. Kumarage, the Chief Executive Officer/ General Manager and Mr. Sanjeewa Bandaranayake Deputy General Manager - Finance & Administration are Vice Presidents of the Asian Leasing and Finance Association. The Company also maintains memberships and linkages with policy advocacy and regulatory bodies and reimburses the membership dues to encourage the senior management to continue and contribute to recognised professional bodies.

COMPLIANCE

During the year under review no incident on non compliance recorded. Further, PLC has not incurred any fines for non compliance or has services any banned or disputed product or a service.

CUSTOMER & PRODUCT RESPONSIBILITY

SUPPLY CHAIN



A customer given PLC memorabilia at a promotional campaign



Sanwathara Waasi raffle draw to mark the 17th anniversary of the company



Best customers of the year with outstanding performers at PLC during their stay in Malaysia

POLICY AND PRACTICES ON LOCALLY-BASED SUPPLIERS

PLC is committed to spread best practices in value creation within the supply chain. In fact, the Company considers it as a compelling proposition to broaden its horizon of being a responsible corporate citizen.

PLC supplier base ranges from small cottage industries to multinationals. Some suppliers have grown as we grew- through win-win partnerships. Products and services we source range from vehicles, equipment to stationary, and software and hardware to other services.

INVESTMENT & PROCUREMENT PRACTICES

The Company has the necessary financial prowess to influence its business partners to be ethical in policies and practices that underscore their businesses. The Company carries out due diligence on their compliance to statutory and regulatory obligations prior to entering into agreements and contracts for any investment or procurement transactions. The Company is currently looking at the possibilities of including best practices as covenants in the contracts and agreements that will be entered into with business partners in the future. In the year under review, the Company did not record any transactions with business partners, suppliers and service providers who have undergone human rights screening.

Previous year, PLC introduced a Supplier Code of Conduct to communicate its expectations of suppliers and also has set in place a questionnaire for evaluation of suppliers. The Company is currently working closely with over 100 of its suppliers to identify and support areas of improvement in social, ethical and environmental performance.

The Company advocates sustainability practices among its suppliers including the new, emphasising on sound labour practices, human rights, impacts on society, environmental management and compliance to the relevant regulations and legislation.

During the year under review no significant actual and potential impacts for labour practices or risk for incidents of forced or compulsory labour or human rights or society were reported in the supply chain.

FREEDOM OF ASSOCIATION & COLLECTIVE BARGAINING

PLC is not prejudiced against the right to exercise freedom of association and collective bargaining. However, as mentioned under the Human Capital Management, the Company does not have collective bargaining agreements with trade unions. The Company does not decree on supplier's freedom of association and collective bargaining and suppliers have not been identified on violating same.

MEMBERSHIPS, AWARDS & RECOGNITIONS

CORPORATE MEMBERSHIPS & ASSOCIATIONS

- ◆ Leasing Association of Sri Lanka
- ◆ Asian Leasing and Finance Association
- ◆ The Finance Houses Association of Sri Lanka
- ◆ The Financial Ombudsman Sri Lanka (Gte) Ltd.
- ◆ Credit Information Bureau of Sri Lanka
- ◆ The Association of Margin Providers
- ◆ The Sri Lanka Institute of Directors
- ◆ Asian Financial Services Association
- ◆ The Ceylon Chamber of Commerce Business for Biodiversity Platform - Patron Member



"Financial Service Provider of the Year"

"SLIM Nielsen People's Award for the Financial Service Provider of the Year" - for the second consecutive year at the SLIM Nielsen People's Awards 2013



AWARDS & CERTIFICATIONS

- ◆ 'LMD State 20' ranking improved from 10th to 9th (Published in the LMD, July 2013)
- ◆ "Most Valuable Brands" by Brand Finance PLC; ranking improved from the 21st to 17th, with a brand value of Rs.4,265 million reflecting an outstanding improvement from Rs. 623 million and AA- rating (Published in Brands Annual 2013)
- ◆ CRIB (institutional rating for PLC reviewed as A+ considering the quality, accuracy and timely submission of data)
- ◆ "Asia's Most Promising Brands 2012-13" by Iconic brands 360 (ibrands 360)



"Gold Award in the Finance Sector"

Annual Report "Encompassing our Diversity" secured "Gold Award" in the finance sector at the Annual Report Awards 2013 organised by the ICASL.



"Gold Winner of the Non-Banking & Finance Sector"

"Gold winner" for the 2nd consecutive year at the National Business Excellence Awards 2013, organised by the National Chamber of Commerce of Sri Lanka



"18th Amongst the Top 25 Winning Listed Companies"

Selected by the 'Business Today'



" GOLD, SILVER & BRONZE AWARD"

Secured four awards at the 2013 Spotlight Awards organised by the LACP;

- ◆ Competition Class of Print Annual Reports, Asia Pacific - **Gold Award**
- ◆ Most Creative Annual Report (Worldwide Special Achievement Award) - **Silver Award**
- ◆ Sustainability Report (Printed Other Category) - **Bronze Award**
- ◆ Ranked among the Worldwide Top 100

HUMAN CAPITAL MANAGEMENT

Strategic Priorities	Performance Highlights – FY 2013/14
<ul style="list-style-type: none"> ◆ Nurture employee diversity and extend equal opportunities. ◆ Embrace the current best practices in performance management. ◆ Invest strategically on employee career development through skills training aligned to the corporate strategy. ◆ Benchmark and sustain employee compensation to attract and retain the best talent. ◆ Advocate employee wellbeing through work-life balance, welfare and health & safety measures. 	<ul style="list-style-type: none"> ◆ Revised the compensation package of employees across the Company based on employee performance. ◆ Extended 22 special skills management and life long training by and eminent resource person to support continual employability of staff and on professional and personal development. ◆ Organised 7-day induction programme covering 399 new recruits and adequate on the job training was given to employees at departmental and branch level. ◆ Extended external training to 17,313 training hours. ◆ Retained staff and reduced staff turnover with its pragmatic measures on compensation, performance based culture and training. ◆ Awareness programmes on sustainability extended to 132 new staff to embed sustainability as an integral part of PLC culture. ◆ Recognised employee volunteerism in stakeholder engaged strategic CSR.

Key Performance Indicators – 2013/14



For the F.Y	2013/14	2012/13	% Change
Employees (Number)	1,575	1,388	13.47
Employee Promotions (Number)	598	235	154.47
Financial Assistance for Staff (Rs. Mn)	256.78	127.85	100.84
Wealth Creation to Employees (Rs. Mn)	1,338.05	1,026.16	30.39
Employee Turnover Ratio (%)	13.90	14.09	(1.35)
Employees Trained (Number)	1,497	1,074	39.39
Training Hours	34,075	33,608	1.39
Training Investment (Rs. Mn)	20.33	14.37	41.48
Company Contribution to Welfare Activities (Rs. Mn)	52.76	38.65	36.51
Work Related Fatalities (Number)	2	-	-

Human Talent Management Policy

Our people will be motivated, respected, ethical and responsible, empowered to be leaders and entrepreneurs, to be individuals who excel and teams that win, positioned as the most sought after human talent team within the corporate milieu journeying towards the unwavering vision of the organisation and committed to achieve results that will position them as the best among the best.

HUMAN CAPITAL MANAGEMENT

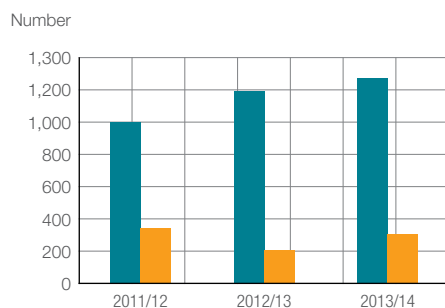
OVERVIEW

It is well recognised at PLC that the vitality and professionalism of employees underscore many of the milestones and feats that the Company has achieved in its corporate journey. The corporate strategy and the goals therein are entwined with employee performance. Therefore, the Company gives precedence as per the HR policy to ensure an empowering work culture by extending equality of opportunity, developing employee skills and nurturing their wellbeing to bring out the full potential for the long term sustainability of the Company.

HR STRUCTURE

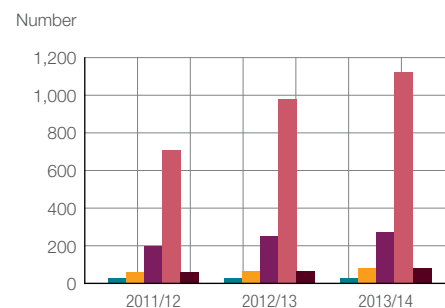
HR management is centralised across the entire network of the PLC Group. The HR department is headed by the Chief Manager, HR and reports to the Deputy General Manager Finance and Administration. Within the centralised structure, the management at the branch level and the subsidiaries are encouraged to carry out daily HR functions to ensure seamless HR management. Necessary training on best HR management practices coupled with the system support has empowered the branch and subsidiary management to identify and set out the initial process for new recruitments, training, performance appraisals and address employee grievances.

Centralisation has also enabled effective Group synergies not only in terms of cost and economies of scale but also in terms of talent share and coordinated efforts to bring out operational excellence within the Group.



EMPLOYMENT STATUS

■ Confirmed in Service
■ Training or on probation



EMPLOYEE CATEGORY ANALYSIS

■ Senior Management ■ Executive Officers
■ Line Managers ■ Non Executives
■ Minor Staff

EMPLOYEE COMPOSITION

EMPLOYEE STRENGTH

With operations spanning across the country, PLC's cadre, represented by a diverse group of employees reached to a total strength of 1,575 as at the reporting date. This corresponded to a 13.47 percent growth as compared the position in the preceding year.

EMPLOYEES BY CONTRACT & CATEGORY

Out of the total employees, over 80.44 percent is employed on a permanent basis. The structure is well balanced between operational and the management grades giving greater stability and effectiveness in terms of executing the corporate strategy.

Provincial Representation

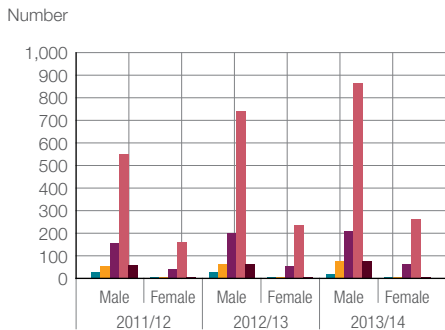
Reflecting the growth in outreach, deeper into the periphery of the country, the branch network accounted for 1,244 employees, corresponding to 78.98 percent of the total employed and growth of 23.05 percent over the previous year; whilst the head office staff in Colombo accounted for the balance 21.02 percent. Within the branch network, the Western Province accounted for the highest number of employees, 32.83 percent followed by Southern and Central Provinces of 9.08 percent and 8.51 percent respectively. Number of departments and business units at Head Office depicts a decline compared to the previous year mainly due to the removal of overlapping departments with the amalgamation.

Breakdown of Workforce by Location & Gender

Province/ Departments and other Business Units	2013/14				2012/13				2011/12*			
	No. of Branches/ Business Units	No. of Employees			No. of Branches/ Business Units	No. of Employees			No. of Branches/ Business Units	No. of Employees		
		Male	Female	Total		Male	Female	Total		Male	Female	Total
Departments and other Business Units	29	222	109	331	37	259	118	377	30	178	79	257
Central	10	112	22	134	9	82	12	94	4	60	8	68
Northern	5	49	3	52	3	40	3	43	3	40	2	42
North-Central	4	52	11	63	3	45	9	54	2	35	9	44
North-Western	6	70	18	88	7	63	16	79	4	48	9	57
Sabaragamuwa	4	60	9	69	6	54	10	64	3	35	8	43
Uva	6	83	8	91	4	74	5	79	4	64	4	68
Western	33	392	125	517	32	305	98	403	19	257	71	328
Eastern	8	79	8	87	8	74	4	78	4	47	6	53
Southern	11	120	23	143	13	98	19	117	5	78	12	90
Total	116	1,239	336	1,575	122	1,094	294	1,388	78	842	208	1,050

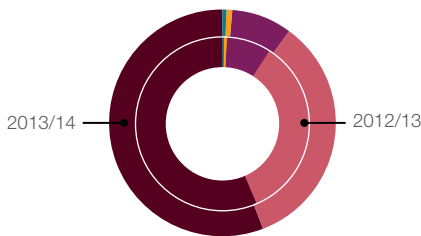
*2011/12 represents the pre-merger figures

HUMAN CAPITAL MANAGEMENT



EMPLOYMENT CATEGORY ANALYSIS BY GENDER

- Senior Management
- Line Managers
- Minor Staff
- Executive Officers
- Non Executives



AGE ANALYSIS OF EMPLOYEES

	2012/13	2013/14
Above 60 years	6	6
50-59 years	9	13
40-49 years	115	140
30-39 years	478	535
29 bellow	780	881

EMPLOYEE DIVERSITY

The Company is strongly committed towards embracing greater diversity and therefore, consciously promotes the principles of employee inclusion and equal opportunity irrespective of ethnicity, gender, culture and other socio-economic prejudices. This in effect works best with the corporate strategy that encompasses a spectrum of activities and customers and other stakeholders from diverse cultural contexts across the country. Hence, the Company is focused on addressing any barriers that may exist and seek opportunities to achieving workforce diversity. The work culture promotes and encourages all employees to allay any conflicts arising from diverse perspectives, values and socio-economic backgrounds.

GENDER REPRESENTATION

Given the scope and the nature of operations within the branch network that requires extensive fieldwork more suitable for males, the workforce continues to be skewed towards male employees. However, seeking to embrace greater diversity in gender, the management structured its recruitment policy to bring in more females to the cadre and this year, 74 female employees joined the PLC network, improving the male-female ratio from 26.64 percent in the preceding year to 27.12 percent. The Senior Management Committee is represented by two female members.

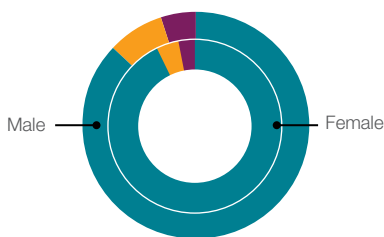
AGE REPRESENTATION

Generational diversity at PLC in effect has brought in a progressive balance between the more senior and younger employees. A conducive work culture has enabled the stability and the experience of the senior staff to blend in with the creativity and new thinking of the 'Generation Y' employees to bring in team spirit at its best.

As at the reporting date, out of the total workforce, 89.90 percent fell into the age category below 40 years whilst 8.89 percent is between 40 to 49 years. The majority of the management level staff is between 40-49 years.

Age and gender analysis of staff according to employee category

Category	Senior Management		Line Managers		Executives Officers		Non Executives		Minor Staff		Total	
											2013	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Above 60 years	3	-	1	-	-	1	1	-	-	-	5	1
50-59 years	5	1	3	-	-	-	1	-	2	1	11	2
40-49 years	13	-	32	5	33	19	18	7	11	1	107	32
30-39 years	1	1	36	1	140	28	235	65	29	-	441	95
29 below	-	-	-	-	35	15	606	191	34	-	675	206
Total	22	2	72	6	208	63	861	263	76	2	1,239	336



EMPLOYEE COMPOSITION BY ETHNICITY

	Female	Male
Sinhalese	311	1088
Tamil	14	93
Muslim	11	58

ETHNIC REPRESENTATION

Majority of the staff of 88.83 percent is represented by the Sinhala community. Minority community representation accounting for 11.17 percent of the cadre however has been improving over the years especially with the business penetrating to the North and East of the country.

DISCRIMINATION

PLC does not conform to social prejudices in its corporate conduct. During the reporting period, the PLC Group did not record any incidence of discrimination; necessary procedures and measures including grievance redressal discussed below are in place to safeguard the employees from such incidents if and when they occur in the future. Recruitment, promotions, remuneration, incentives and benefits are not subject to any form of discrimination.

HUMAN CAPITAL MANAGEMENT

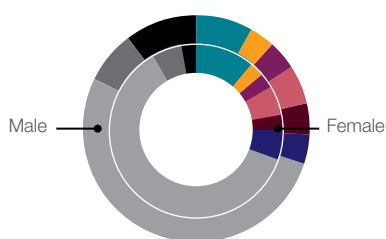
RECRUITMENT, PROMOTIONS & ATTRITION ANALYSIS

RECRUITMENT & PROMOTIONS

As reiterated under employee diversity, PLC's recruitment policy is set on the principle of equal opportunity. Recruitment at PLC seeks to attract the best talent in the country to build on a multi-skilled workforce. On par with the best HR practices, recruitment strictly follows a structured and competitive process and has clear shortlisting and selection criteria consistent with job descriptions including qualifications, aptitude, experience, responsiveness and positive attitude. All external recruitments are subject to this process and selected purely based on merit.

However, as a policy, priority is given to external recruitments over internal whenever the right candidate cannot be found within the Company and the subsidiary network. The Company extends the best learning opportunities and skills training to both external recruits and internally promoted staff to embrace the new job roles and the duties therein.

In the year under review, 399 employees were externally recruited reflecting an increase of 60.24 percent compared to the preceding year. The Company recruitment remained strong for employees below 30 years of age, with 86.22 percent of the new recruits within this age category, including the recruitment of 20 physical science graduates earmarked to take on future leadership responsibilities.



NEW EMPLOYEE RECRUITMENT BY REGION

	Female	Male
Central	8	27
Northern	2	11
North-Central	2	14
North-Western	4	18
Sabaragamuwa	2	14
Uva	4	14
Western	44	170
Eastern	4	24
Southern	4	33

New employee recruitment by age group and gender

	2013/14			2012/13			2011/12		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Above 60 years	-	-	-	-	-	-	-	-	-
50-59 years	-	-	-	-	-	-	1	-	1
40-49 years	3	-	3	-	1	1	-	-	-
30-39 years	50	2	52	19	2	21	26	3	29
29 & below	272	72	344	179	48	227	214	61	275
Total	325	74	399	198	51	249	241	64	305

In terms of promotions, 597 employees were promoted based on performance, evaluated through a structured scheme. The promotions reflected 154 percent increase as compared to the preceding year mostly in the Non Executives with 112 female promotions.

Promotions by Gender and Category Wise

Category	2013/14			2012/13			2011/12		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Senior Managers	10	-	10	-	-	-	9	-	9
Line Managers	29	1	30	3	-	3	27	3	30
Executives	93	35	128	18	3	21	72	8	80
Non Executives	345	76	421	143	62	205	163	20	183
Minor Staff	9	-	9	6	-	6	2	-	2
Total	486	112	598	170	65	235	273	31	304

Recruitment strategy seeks wherever possible, to recruit employees within the communities in which the branches operate. Such employees with bonds, sense of responsibility and local knowledge of the host communities in effect have supported the Company to harness its true potential; the Company has been able to offer a better service and to be responsive to the needs of the customers within the local areas, culminating in increased market share and the positioning at the forefront of the industry. However, finding suitable recruits in line with the job description and the recruitment criteria in some of the local areas remain a perennial challenge.

In the reporting year, 214 new recruits representing 53.63 percent of the total were taken from the Western Province to fill in the vacancies of the growing branches in this province. Recruitments from the other eight provinces totaling to 185 new recruits represented the balance 46.37 percent.

EMPLOYEE TURNOVER & RETENTION

“Your employees trust the people they work for, have pride in what they do and enjoy the company of people they work with. It is evident in their feedback in response to our survey. We were also very impressed with several of your practices that we discovered in the culture audit analysis conducted by our team. It is with great pleasure that we would like to inform you here that your company has been selected as one of the TOP 15 BEST COMPANIES TO WORK FOR IN SRI LANKA FOR 2013.”

Summing up findings of the first ever study on “Sri Lanka's Best places to work 2013” by Great Place to Work Institute, Sri Lanka, an affiliate of the Great Place to Work Inc., USA.

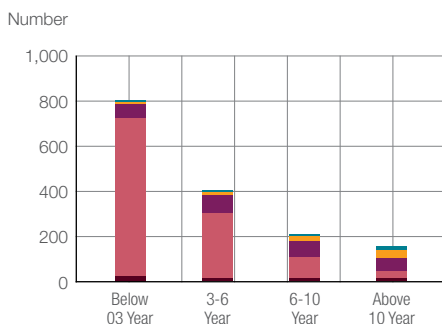


HUMAN CAPITAL MANAGEMENT

Retention strategy assumes greater significance for the operations which is challenged by intense competition in the industry. The Company places much emphasis on retaining the employees by ensuring a progressive platform for them to nurture their skills, develop their careers, enhance wellbeing and spur team spirit to bring out the best in them, collectively, to achieve corporate goals in a broader perspective. To this end, the Company is focused in maintaining an 'open dialogue' with employees to redress grievances and discuss new career opportunities, remuneration and fringe benefits benchmarking the industry, due recognition for high performers, structured training and encouraging staff to balance work-life.

In this context, the Company maintains its staff turnover at lower levels with minimum financial implications due to resignations and replacing experienced and trained staff. In fact, the service record of the Company mirrors the success of the retention strategy; nearly 39 percent accounted in the year for employees between 3-10 years' service category while 10.10 percent was above 10 years of service.

In the reporting year, there were 206 resignations out of which 169 were in the non executive grade. The average staff turnover ratio was 13.90 percent which was lower well with the preceding year's ratio of 14.09 percent. Turnover ratio of executive and above grades was 14.08 percent. In terms of age, 96.12 percent of staff turnover corresponded to the 'Generation Y' employees of below 30 years of age while the turnover was relatively lower at 3.88 percent of the more stable age group between 30 to 55 years. The Western Province recorded the highest turnover and the lowest was in Central Province.



SERVICE ANALYSIS OF EMPLOYEES BY CATEGORY

■ Senior Management ■ Executive Officers
 ■ Line Managers ■ Non Executives
 ■ Minor Staff

Turnover by age and gender

Age Group	2013/14			2012/13			2011/12		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Above 60 years	-	-	-	1	-	1	1	-	1
50-59 years	2	-	2	2	-	2	2	-	2
40-49 years	6	-	6	2	2	4	3	-	3
30-39 years	47	6	53	47	3	50	15	3	18
29 bellow	119	26	145	108	23	131	74	12	86
Total	174	32	206	160	28	188	95	15	110

RETENTION AFTER MATERNITY

Maternity leave and related benefits are extended as per the Shop and Office Employees Act and therefore female employees are entitled for 84 working days for the 1st and 2nd child and 42 days for the third child. During the year under review, 29 employees went on maternity leave corresponding to 8.63 percent of the total female employees and 28 employees returned to work. The retention rate corresponded to 96.55 percent.

PERFORMANCE EVALUATION

PLC operates on a high-performance based culture. A well-structured and transparent process is in place to manage employee performance thereby motivating them to reach out to their potential individually as well as collectively at the team level and give their best to the organisation. The annual performance evaluation encourages managers and employees to interact openly to ascertain and assess performance on pre-agreed indicators; rewards are extended on pure merit for the strengths and achievements whilst supporting to remedy weaknesses or address skills gap. This process effectively enables the management to structure training, map careers and succession planning.

PERFORMANCE EVALUATION CRITERIA

- ◆ Pre-agreed Operational Targets
- ◆ Service Delivery and Quality
- ◆ Relationship Building
- ◆ Attitude
- ◆ Team Spirit
- ◆ Participation in CSR Initiatives
- ◆ Participation in Extra-Curricular Activities
- ◆ Discipline and Punctuality



HUMAN CAPITAL MANAGEMENT

A Career in Making....

"I joined People's Leasing & Finance PLC in 2004 as a marketing officer. At the inception, I was given an excellent training at the head-office, before starting my duties at the Badulla branch.

I was assigned to setup a window operation at the People's Bank branch in Mahiyangana in 2005. It was by no means easy, but I worked hard and gave my best to bring up this window office to a 'C' grade level branch with 9 employees in 2010. Today, the branch has 36 employees working with me. I am deeply honoured to be recognised as one of the best marketers and to see Mahiyangana awarded as one of the best at the annual branch-level competition. My sincere thanks go out to my colleagues at the branch.

My journey in this organisation has been really rewarding. Not only have I come up in my career, but also developed my personal life. I take this opportunity to thank my superiors and the senior management for their training, encouragement and the support extended to me over the years."

An extract from a testimonial of Mr. Chandana Samantha, Branch Manager, Mahiyangana, March 2014.

Performance in the Company is formally evaluated on a bi-annual basis. In the reporting year, performance evaluation was extended to all employees and duly rated on pre agreed basis and validated by the Management Committee. All rewards - annual increment, bonus and incentives as well as promotions were based on merit ascertained during the evaluations.

SUCCESSION PLANNING

At PLC, succession planning is a continuous process and well-structured. The annual performance evaluation scheme supports the management to identify potential employees, displaying leadership and management capabilities. Under the aegis of the Board, these employees are mentored with necessary training opportunities both structured programmes and on-the-job training to empower them in their future roles as leaders within the organisation.

The ongoing management trainee programme has also enabled effective and smooth succession over the years complemented by the Company policy on giving precedence to internal recruitments for senior positions.

REMUNERATION & REWARDS

Remuneration policy at PLC seeks to align employee remuneration with the industry norms coupled with due consideration to current trends in the economy. Remuneration policy is fair and impartial to any form of social bias including gender.

Total remuneration of an employee includes base remuneration, allowances and incentives including bonus subject purely to performance collectively and individually ascertained during bi-annual performance evaluations as discussed above.

Ratio of Basic Salary by gender and employee category

Employee Category	Basic Salary Ratio	
	Male	Female
Senior Management	1.0	0.5
Line Management	1.0	1.1
Executives	1.0	1.1
Non Executives	1.0	1.1
Minor Staff	1.0	0.9

During the reporting year, the Company revised the remuneration package both in terms of the basic and allowances. The revision was effected on July 2013 and all employees of PLC benefited from this move. Other benefits offered to permanent employees are set out in the table below.

Benefits Offered to Permanent Staff

Employee Benefit (Rs. Mn)	2013/14	2012/13	2011/12
Salaries & Incentives	776.40	624.79	501.39
Bonus	247.64	181.17	131.41
Overtime	18.18	8.96	6.74
Leave Encashment	20.75	15.10	10.86
Allowances	77.65	39.08	8.55
Reimbursement of staff travelling - Non Executives	115.16	112.98	93.83
Reimbursement of fuel and vehicle maintenance - Executives	143.43	116.79	73.32
Interest support on housing loans	5.96	5.48	4.30

STATUTORY OBLIGATIONS

The Company is consistent in upholding the principles, laws and regulations governing labour in Sri Lanka and thus, adheres to the requirements of the Shop and Office Employees Act No. 15 of 1954. All statutory obligations in terms of defined benefits have been met including the contribution to the Employees' Provident Fund (EPF) and Employees' Trust Fund (ETF) as per the Act No. 15 of 1958 and Act No. 16 of 1980 along with the subsequent amendments respectively. The Company also maintained the gratuity scheme as prescribed by the Gratuity Act No. 12 of 1983 as at the reporting year, the Company's defined benefit obligations for EPF and ETF totaled to Rs. 94.73 million and the gratuity liability recorded as at the reporting date was Rs. 128.87 million.

HUMAN CAPITAL MANAGEMENT

TRAINING AND DEVELOPMENT

Learning culture with due precedence to skills training has essentially played a central role in reaching organisational success. The Company invests well in tactical training opportunities to enhance technical as well as soft skills to develop an astute employee base much sought after to face today's challenges inherent in the industry. The approach to training is pragmatic, structured and geared for the long term. The annual training plan setting out training priorities in line with the skills gap has enabled the Company to avail maximum benefits from the training investments.

INTERNAL TRAINING

PLC is an ideal platform for employees to gain rounded skills. The learning opportunities present within the Group network are extensive and therefore, internal training including on-the-job training at relevant departments and branches, job rotation and cross placements assume a greater significance in the Company's training plan. Apart from this, in the year under review, 30 internal training programmes were structured and organised to strengthen technical expertise in credit evaluation and management of non-performing loans. The IT department extended training to employees in line with the latest technology and strengthened skills in Microsoft Office applications and web browsing. The Company's 24-hour self-paced e-learning portal on the intranet further supported employees to enhance their IT skills. Employees are also encouraged to share their learning and knowledge on the intranet. Structured internal training covered 795 employees for 16,762 training hours.

INDUCTION PROGRAMME

The Company extended intensive induction training totaling to 24 programmes covering 12,768 hours for 399 new recruits. The induction training focused on educating and giving an insight into the corporate culture and workings-values, strategy, goals, code of ethics, Group structure and operations. The training entails general orientation and rotations covering all departments at the head office and subsequently at the branches. In some instances, if the need is identified, new recruits are given temporary cross placements within the subsidiaries.



TYPES OF TRAINING AND TRAINING HOURS BY EMPLOYEE CATEGORY

	2013/14			2012/13		
	Technical	Soft Skills	Overseas	Technical	Soft Skills	Overseas
Senior Management	79	179	75	432	227	45
Line Management	273	644	64	1,806	320	16
Executives	2,089	2,682	160	6,150	521	-
Non Executives	17,838	9,832	160	23,310	767	16

EXTERNAL TRAINING

External training is structured to avail the opportunities and the talents of some of the best resource persons and institutions in Sri Lanka as well as to tap into the best practices of foreign institutions.

During the year, the Company invested a sum of Rs. 18.07 million on external training including Rs. 1.44 million on foreign training for 14 employees covering 459 training hours.

AVERAGE TRAINING HOURS PER EMPLOYEE BY EMPLOYEE CATEGORY

Employee Category	Senior Management	Line Management	Executives	Non-Executives	Total Staff
No. of Employees	24	78	271	1,202	1,575
No. of Training Hours	333	980	4,931	27,831	34,075
Average No. of Trainings per Employee (Hours)	14	13	18	23	22

ADVOCATING PROFESSIONAL STUDIES

Further reinforcing the commitment to enhance employee knowledge and skills, the Company encourages employees to avail the higher education reimbursement scheme to further their professional studies. In the reporting year, the Company spent a total of Rs. 1.17 million on this scheme on employees to carry out their professional studies.

Employees are also eligible for financial support to obtain and renew their memberships from professional bodies which amounted to Rs. 0.74 million in the year.

HUMAN CAPITAL MANAGEMENT

Wellbeing Measures

MEDICAL FACILITIES

- ◆ Comprehensive Insurance Policy
- ◆ Personal, Medical, Accident & Life
- ◆ OPD limit for a quarter
- ◆ Personal accidents cover for Non Executives, Executives and Managerial staff.
- ◆ Health care policies for permanent employees and immediate families

DEATH DONATIONS

- ◆ Death donation on the death of the father/ mother/ spouse of employee, death of the mother in law and father in law of employee and death of an employee

HOUSING & VEHICLE FACILITIES

- ◆ Vehicle loans with preferential interest rates and repayments
- ◆ Maintenance allowance for vehicles/ motorbikes
- ◆ Fuel allowance for management, executives, marketing & recovery staff
- ◆ Transport allowance for Non-Executive staff
- ◆ Concessionary rates on vehicles for employee vacations
- ◆ Interest support on housing loans

TELEPHONE FACILITIES

- ◆ Telephone bill reimbursement
- ◆ 50% reimbursement of the cost of mobile phones

GYM FACILITIES

- ◆ In-house fully equipped gym with trainers at the head office
- ◆ Rebate on gym membership for outstation employees

HOLIDAY ACCOMMODATIONS

- ◆ Concessionary rates for Holiday Bungalow in Bandarawela and Holiday Home at Maradana



Training on HIV for head office staff

EMPLOYEE WELLBEING

WORK-LIFE

The Company encourages the staff to be more conscious and disciplined in balancing their work-life which is vital for employee wellbeing and in turn support the organisation to maintain high productivity levels, reduce job absenteeism and even control staff turnover. A well balanced work environment is in place including a flexible leave system to give the independence required to balance work responsibilities with their personal lives.

WELFARE MEASURES

Comprehensive welfare measures are in place for both employees and immediate family, advocating better life styles both in term of physical wellbeing and spiritual. The Company spent Rs. 52.76 million in the year for employee welfare - inter alia, on medical benefits, death donations, vehicle loans, gym facilities and transport facilities for employee vacations on concessionary rates through the subsidiary, People's Leasing Fleet Management Ltd. Employee welfare expenditure corresponded to an increase of 36.57 percent over the prior year

HEALTH & SAFETY

The Company is not bound to ensure health and safety of employees by formal agreements given the absence of a trade union. Nevertheless, the Company has adopted pragmatic measures to ensure health and safety of employees at workplace.

The comprehensive medical, accident and life insurance policy together with travel insurance covering local, foreign and training related travel ensures that employees are safeguarded for any work related illnesses and accidents. Additionally, the Company maintains its Critical Illness Fund to cover health issues of employees not covered by the insurance scheme. The gym facilities and memberships to health clubs for corporate management encourage the staff to be physically fit. Awareness building programmes on serious diseases including AIDS, cancer, heart disease etc., further complement the measures to enhance a healthy lifestyle among employees. During the reporting year, the following awareness programmes were carried out the at the head office and is expected to be extended to the branches in the immediate future.

The building maintenance and logistics department of the Company focuses on the quality of work spaces and safety issues and adheres to the best building standards conducive to ensure physical well-being and safety of employees. The head office has implemented comprehensive safety measures including a fully computerised building management system (BMS) to safeguard employees and infrastructure from fire, system failures and other work hazards. The branch network is also equipped with necessary safety measures including fire extinguishers, purified water, air etc. Periodically, employees are educated and trained on safety measures in place whilst fire drills are carried out to test the effectiveness of the fire safety measures and readiness of staff including the designated fire wardens. Both head office and branches maintain fully equipped first aid kits.



The Company mainly engages in office-based activities and hence, employees are not generally subject to occupational health issues; the occurrences of work related injuries are minimal and if at all, limited to road accidents during site visits. During the year under review, 2 employees were injured on work related travelling; all medical bills were reimbursed and due leave was granted without any material change to their remuneration.

HUMAN CAPITAL MANAGEMENT

PLC SPORTS AND WELFARE SOCIETY

PLC Sports and Welfare Society has become a pillar in the organisation with its outstanding efforts to motivate and promote team spirit to bring out the potential of all employees collectively. The Welfare and Sports Society is funded by the members together with substantial support from the Company for all welfare related activities.

Under the ageis of the management and the HR department, the Welfare and Sports Society this year organised a number of key events and programmes to enhance the ties and quality of working relationships including fellowship among family members of employees.

“
THE WELFARE AND SPORTS SOCIETY HAS BECOME A PILLAR IN THE ORGANISATION WITH ITS OUTSTANDING EFFORTS TO MOTIVATE AND PROMOTE TEAM SPIRIT TO BRING OUT THE POTENTIAL OF ALL EMPLOYEES COLLECTIVELY
 ”

"Thatsara 2013" Musical Show
 Musaeus College Auditorium with performances from iconic and renowned musical personalities in Sri Lanka



Bhakthi Gee & Wesak Lantern Competition
 organised in celebration of Wesak Festival



Annual Christmas Carols
 Organized by the welfare society in celebrating Christmas, was presented by PLC Group staff.



Greeting Card Competition
 The welfare society organised a birthday greeting card design competition, providing PLC Group staff an opportunity to come up with innovative and creative designs.



Employee Singing Competition
 Employee singing competition was successfully concluded at the annual get-together which was held in December 2013



HUMAN CAPITAL MANAGEMENT

COLLECTIVE BARGAINING

PLC does not have a trade union and therefore employees are not covered by collective bargaining agreements. The Company however, advocates a smooth process to redress grievances as discussed below while the Sports and Welfare Society plays its role essentially bringing harmony to the entire organisation. As at the balance sheet date, the Company has not faced any industrial disputes.

GRIEVANCE REDRESSAL

The management is committed to address employee grievances on Company policies and management practices. The management firmly believes in an 'open-dialogue' policy and encourages the staff to express issues, grievances or feedback at the immediate supervisor level. The heads of departments/branches are advised to be attentive and to address employees concerns proactively under the guidance of HR department at the head office. If the grievances are not addressed sufficiently at the informal level, the employee could resort to a formal process which is well-structured and independent.

During the year under review no grievance was field on labour practices or human rights.

EMPLOYEE PRODUCTIVITY

Reflecting on the management practices and commitment to employees, productivity indicators have improved in the year under review as compared to the preceding two years.



Training for security personnel of head office and Colombo suburb branches

For the Year Ended	2013/14	2012/13	2011/12
No of Employees	1,575	1,388	1,050
Gross Income Per Employee (Rs. Mn)	13.92	13.39	13.56
Profit Before Tax Per Employee (Rs. Mn)	2.96	3.04	3.97
Profit After Tax Per Employee (Rs. Mn)	2.11	2.10	2.70
Net Assets Per Employee (Rs. Mn)	12.96	12.98	16.01
Value Added Per Employee (Rs. Mn)	0.92	0.75	0.81

HUMAN RIGHTS

The Company's business ethics and governance framework converge to employment and work-related policies set out by the International Labour Organisation. The Company's policy on human rights pledges allegiance to International Labour Standards and the Universal Declaration of Principles of Human Rights therein. The Company policies and practices that advocate integrity and accountability in the operations promote and protect human rights within the purview of the organisation.

EMPLOYEE TRAINING ON HUMAN RIGHTS

The Company in the recent years has strived to create awareness on aspects of human rights amongst the staff members. During the year under review, the Company initiated a special 2 hour training programme on human rights for head office employees. The training was conducted by a specialist resource person. Further, plans are underway to extend this programme to the branch level staff in the ensuing year.

SECURITY STAFF TRAINING ON HUMAN RIGHTS

PLC fully recognises that the security personnel is the front-line staff and in most instances the first point of contact for the employees, customers and other stakeholders. Hence, the Company seeks to inculcate best practices of impartiality and civility in the security personnel when meeting their daily duties. In the year, the Company structured and carried out 3 hour training for 27 security personnel on the Company's policies and practices including on human rights relevant to the operations. Training programme covered security personnel which was conducted by a trainer from the Labour Department.

NON-DISCRIMINATION

PLC does not resort to social prejudices in its corporate conduct. During the reporting period, the PLC Group did not record any incidence of discrimination. Necessary procedures and measures including grievance redressal are in place to safeguard employees from such incidents if and when they occur in the future. Recruitments, promotions, remuneration, incentives and benefits are not subject to any form of discrimination.

CHILD LABOUR

At PLC, minimum age of employment is 18 years and above. The Company has not resorted to child labour in the past and is steadfast in this policy at present and will be in the future. The Company also seeks within its scope to ensure that child labour is not practised among its service providers and business partners. As mentioned in page 96, the Company intends to further this cause by including same as clauses in formal agreements and contracts from 2014/15.

FORCED LABOUR

PLC's corporate ethos upholds employee rights and does not resort to any form exploitation and therefore, the Company has not recorded any incidents on forced or compulsory labour within its operations. The management follows best practices in employee relations and the compensation offered is fair and on par with industry standards.

HUMAN CAPITAL MANAGEMENT



Training on human rights to create awareness amongst staff members.

INDIGENOUS RIGHTS

The PLC operations has not infringed upon the lives of indigenous groups in a detrimental manner. As at the balance sheet date, the Company and its network has not violated any indigenous rights.

ASSESSMENT & REMEDIATION

The Company advocates best practices and ethics in its corporate strategy, goals and daily actions. PLC as a Group has not been reviewed and assessed on human rights as at the balance sheet date.

The Company has a formal process for grievance redressal for employees as well as customers. Yet, grievances on human rights have not been filed through these formal processes within the organisation through litigation.

LOCAL SOURCING OF STAFF

PLC recruits from the localities of its branches whenever a vacancy arises and selection criteria has been met as a policy. As at 31st March 2014, out of the 24 members of Corporate and Senior Management, 20 members reside in close proximity to their respective location of operation.

Location of Operation	No. of staff
Head Office Level	16
Branches located in Western Province	4
Branches located in Other Provinces	4

FUTURE OUTLOOK

Within the current dynamics in the business landscape, it is paramount to focus on building a cohesive HR strategy to facilitate the corporate strategy that encompasses diversity and expansive market share not just within Sri Lanka but beyond the borders. To this end, the Company will seek to further employee engagement and strengthen quality management in the year ahead.

The key initiatives planned for the year ahead include:

- ◆ **Training:** Further plan and action training to build on skills and competencies that are strategic to the organisation and to develop careers.
- ◆ **Performance Evaluation:** Focus on new evaluation techniques to be current with the best industry practices on performance management.
- ◆ **Compensation:** Sustain employee remuneration package on par with industry norms that would underscore retention of the top talent within the organisation.
- ◆ **Succession Planning**
 - Further strengthen the process by extending exposure opportunities to the identified potential future leaders.
 - Recruit the best talent in the industry for the gaps in the middle management and senior levels.
 - Strengthen the management trainee programme to attract the most talented young people in the country.
- ◆ **Support diversification:** Strengthen the in-house teams with necessary training and recruit few professionals with relevant exposure and experience for new products that have taken-off in the recent years - foreign currency operations, vehicle imports and margin trading.

SOCIAL REVIEW

OVERVIEW

Key Performance Indicators – 2013/14

Total investment
on CSR
Rs. 66 Mn

Number of
Entrepreneurial
Initiatives
16

Investment
on Road
Amenities Based
Infrastructure
Rs. 23 Mn

Number of
Educational
Initiatives
31

Number of
Employees
Volunteered
1,371

For the FY	2013/14	2012/13	% Change
Society Based Investments (Rs. Mn)	55.9	58.1	(3.78)
Philanthropic Contribution (Rs. Mn)	4.0	6.8	(41.17)
Health Care Initiatives (Number)	20	8	150.00
Community Initiatives (Number)	177	73	142.46
Water Related Initiatives (Number)	02	02	No Change
Building Entrepreneurship and Advocating Financial Literacy			
CSR Initiatives on Entrepreneurship	16	2	700.00
Entrepreneurs Trained (Number)	23	-	-
Road Amenities & Safety			
Road Amenities Developed (Number)	5	3	66.66
People Educated on Road Safety (Number)	725	700	3.57
Road Safety Programmes (Number)	3	3	No Change
Supporting Education			
Education Related Projects (Number)	31	31	No Change
Scholarship Initiatives (Number)	6	2	200.00

Social Policy

By encouraging, supporting, caring and empowering, we remain committed to pursuing our sustainability agenda by building sustainable development platforms that will positively impact the communities around us.

OUR APPROACH

Being people centric, community responsibility is an essential part of the PLC culture, underscoring the 17- year success. The social responsibility strategy is focused on improving the livelihoods and the lives of the communities wherever the Company operates. The scope of the society based activities spans the entire island through the CSR department at the head office as well as through the branch network. CSR department is the central point for all CSR activities and is overseen by a senior manager.

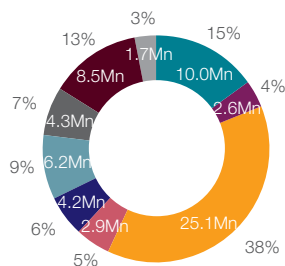
INVESTMENT ON SOCIETY BASED INITIATIVES

In the year under review, PLC invested a total sum of Rs. 66 million on all CSR projects and represented an increase of 1.5 percent over the preceding financial year 2012/13 as indicated in the table below. Out of this investment, 80.6 percent (Rs. 53.22 million) was by the head offices whilst the balance of 19.38 percent (Rs. 12.84 million) was for the programmes initiated at the branch level.

Society Based Investment (Rs. Mn)			
For the FY	2013/14	2012/13	% Change
Head Office	53.22	48.12	10.59
Branches	12.84	16.89	(23.98)
Total	66.02	65.01	1.55

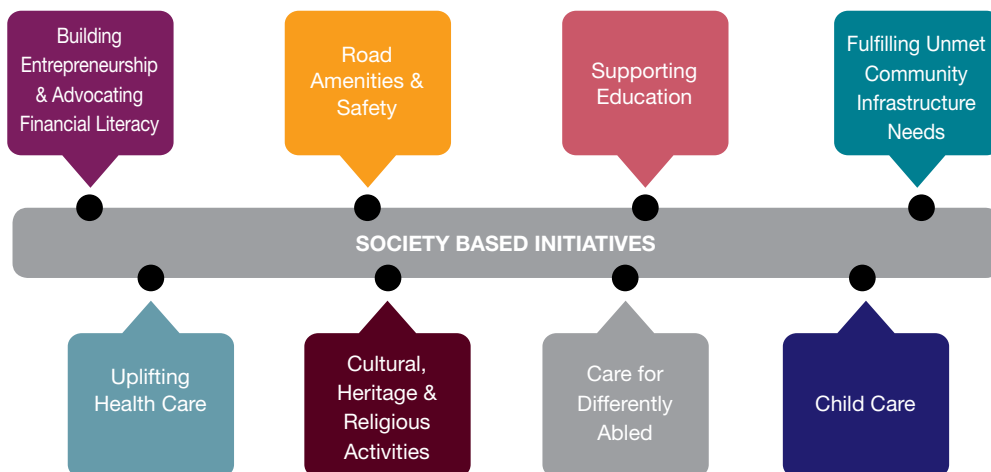
In terms of focused areas on community, entrepreneurship building & advocating financial literacy programmes accounted for nearly 4 percent, road amenities & safety, supporting education, fulfilling unmet community infrastructure, uplifting health care, cultural heritage and religious activities and stakeholder relationship building at 38.2, 4.5, 6.4, 9.4, 12.9 and 6.5 percent respectively. Other community based activities such as supporting the underprivileged children, senior citizens, differently-abled and disadvantaged people account for 2.6 percent of the total CSR expenses. All these CSR initiatives were based on local community needs. Branch network/ departments are encouraged to identify projects in their areas of operation in line with set guidelines and submit their CSR proposals for head office approval through Branch Operations and CSR department. CSR department will keep the Board informed on CSR activities while the Sustainability Governance Steering Committee will meet periodically to review the progress thereof.

SOCIAL REVIEW



SOCIETY BASED INVESTMENT BY PLC IN 2013/14

Category	Number of Initiatives
Environment	14
Building Entrepreneurship & Advocating Financial Literacy	24
Road Amenities & Safety	7
Supporting Education	31
Infrastructure Development	7
Uplifting Health Care	20
Stakeholder Relationship Building	46
Cultural, Heritage & Religious Activities	36
Other	6



Premier Awards - 2013, a glamorous annual event to reward outstanding performance of PLC staff also recognised Best 3 CSR initiatives for the 3rd consecutive year.

Category	Branch	CSR Initiative
Winner	Trincomalee	Free dental camp
1st Runner Up	Kandy	Colour washed Kumbukgolla Kanishta Vidyalaya, Meemure and presented stationery and sportsware for the school children
2nd Runner Up	Gampaha	E-waste collection programme

BUILDING ENTREPRENEURSHIP AND ADVOCATING FINANCIAL LITERACY

◆ **SME Development Initiative–Kandy:** The Kandy branch in partnership with the Chamber of Commerce & Industry of Central Province rolled out this entrepreneurship project targeting the small and medium entrepreneur sector. Subsequent to a screening process of one-to-one interviews with 200 SMEs involved in cottage industries, 25 were shortlisted for the programme. Shortlisted SMEs were given a five-day comprehensive training on financial and managerial aspects of running an enterprise. The training session was followed by business proposal submission. The trained entrepreneurs were supported to expand and enhance the efficiency or to start a new product line based on the strategic learning instilled in them during the training series. The Kandy branch also assured financing at concessionary rates to cater to the funding requirements as was set out in the business proposal and support to link with new markets in partnership with the Chamber.

Highlights

- ◆ Entrepreneurs Trained - 25
- ◆ Business Proposals Received - 23
- ◆ Training Hours - 45
- ◆ Staff Volunteered Hours - 1,125



An educational session for selected entrepreneurs - Kandy branch



PLC authorities hand over machinery sets to New Magazine Prison

Towards Better Entrepreneurship

"I believe that this programme was very useful and important to my business. I am currently running a farm with more than 80 cows. I gained immense knowledge during the training sessions on managing my farm more effectively and efficiently.

I take this opportunity to thank People's Leasing & Finance PLC - the Kandy Branch Manager and all the staff for organising this type of a programme for us as their CSR project and selecting me for the training at my young age of 21 years".

This is a testimonial from Mr S.S.L. Jayasekara, Royal Animal Farm, Hettiyawaththa, Delthota.

SOCIAL REVIEW



Prof. Daya Rohana Athukorala conducting a session on the concept of thrifty - Three wheeler department



Mr. D.P. Kumarage, CEO/GM officially hands over the sponsorship to CA officials.

- ◆ **Promoting Entrepreneurism at New Magazine Prison:** In response to a request made by Superintendent of the New Magazine Prison, the head office presented machinery and equipment for the vocational training programme structured for the inmates when 25-30 inmates are being trained at a time. This is expected to enable inmates to develop their skills for a better livelihood after their release with far reaching benefits to both the inmates and the society.
- ◆ **Financial Literacy:** The Three wheeler department of PLC organised an awareness building programme to inculcate the habit of savings among three-wheeler operators. The eminent resource person- Prof. Daya Rohana Athukorala, education expert and Senior Lecturer, University of Colombo conducted the programme for nearly 30 three-wheeler operators at Niwandama Deepaduthararama Old Temple in Nittambuwa. This programme was also extended to over 25 school children, their parents and teachers at Batagama Siddhartha Vidyalaya in Ja-Ela.

“Going beyond profit motives, PLC demonstrated their commitment towards community development. Three wheeler operators participating at the programme here today witnessed the same and this initiative will last long in their minds.”

Prof. Daya Rohana Athukorala
Senior Lecturer, University of Colombo

- ◆ Company believes that advocating financial literacy among customers as well as the general public is important. During the reporting year, the Company spent a sum of Rs. 1.9 million on awareness building programmes and sponsorships promoting financial literacy reaching out to over 5,000 participants in total of which over 50 percent comprised school children and youth.

Programme name	Beneficiaries	No. of participants	Investment (Rs)	Nature of investment
27th National CA Students Conference, Institute of Chartered Accountants of Sri Lanka	CA students, members and participants	550	100,000	Bronze Sponsorship
"Best Annual Report & Accounts Competition of National Schools 2013", Association of Accounting Technicians of Sri Lanka	All national schools	750	25,000	Sponsorship
25th Anniversary Convention 2013, Association of Professional Bankers-Sri Lanka	Professionals of banking sector	300	250,000	Bronze Sponsorship
34th National Conference of Chartered Accountants, Institute of Chartered Accountants of Sri Lanka	CA students, members and participants	1,288	1,000,000	Gold Sponsorship
Conference of the Association of Accounting Technicians (AAT) of Sri Lanka	AAT present & past members, staff, AAT students, professionals of other Institutions	1,200	150,000	Sponsorship
28th National CA Students' Conference, Institute of Chartered Accountants of Sri Lanka	Students of national schools	600-650	100,000	Sponsorship
Training programme conducted for the staff of Corporate Rural Banks, organised by Gampaha branch	Gampaha Corporate Rural Bank staff	350	250,000	CSR
Two positive thinking programmes at Niwandama Deepaduthararama Old Temple premises for three-wheeler drivers and students, teachers and parents of Batagama Sidhhartha Vidyalaya, organised by Three wheeler department	Three wheeler drivers, students, teachers and parents of Batagama Sidhhartha Vidyalaya	500	50,000	CSR

SOCIAL REVIEW



Completed bus terminal with all amenities, Madawachchiya



Security watch tower with fixed clock faces -
Avissawella branch



Renovated bus stand, Bulathsinhala - Kalutara branch



Constructed clock tower - Polonnaruwa branch



Head of Ambalangoda branch giving PLC memorabilia to
a participant

DEVELOPING ROAD AMENITIES AND ADVOCATING ROAD DISCIPLINE/ SAFETY

As a natural extension and complementing the core operations - leasing and hire purchase of vehicles, the initiatives and projects aimed at developing road amenities and advocating road safety in the midst of the country's surging road accidents assume greater significance for the Company. These initiatives have the capacity to reach the Company's goals in social responsibility whilst seamlessly reinforcing the business competencies amongst the public.

In the year under review, PLC incurred a total sum of Rs. 25.2 million for such initiatives including infrastructure development, beautification and awareness building programmes which significantly improved commuter facilities and advocated road safety. The key projects and programmes within this scope are detailed out below.

Developing Road Amenities

- ◆ **Bus Terminal:** Led by the head office, PLC jointly with the parent, People's Bank, funded the construction of a modern bus terminal in Madawachchiya in the North Central province. The investment was Rs. 60 million out of which Rs. 38 million was contributed by PLC. During the year under review PLC contributed Rs. 24 million towards the same. This project was initiated in the last financial year and handed over to the public on 14th June 2013 and brings in vast benefits to over 100,000 commuters and 500 buses per day.
- ◆ **Security Watch Tower:** The Avissawella branch funded the construction of a security watch tower in the last financial year to facilitate better surveillance on thefts and illegal activities in the market area particularly at night in Avissawella. During the year under review a further investment of Rs. 380,900 was made for clock faces. This initiative benefited for over 500,000 commuters per day, 500 businesses, financial institutions, property and the community at large.
- ◆ **Renovation of Bus Stand:** Kalutara branch renovated the Bulathsinhala bus stand which was constructed in 2009 with the patronage from PLC. Project brings in benefits to around 1,000 commuters per day.
- ◆ **Clock Tower Project:** Led by the Polonnaruwa branch, funding support is being extended for the construction of a three-faced clock tower at the main junction in Polonnaruwa, close to the ancient city. During the year under review Rs. 465,000 has been disbursed from the project.

Advocating Road Discipline/Safety

Highlights

◆ Guide Books on Road Discipline Issued	-	900
◆ Awareness on Road Safety	-	18 Hours

- ◆ **Road Safety Awareness for Children:** Organised by the Ambalangoda branch in collaboration with the Elpitiya Police Division, awareness was created on safe driving and road rules amongst 125 school children representing schools in the area as well as bus and van operators transporting children. The students were awarded participator certificates & PLC memorabilia were distributed among the participants.
- ◆ **Road Safety Awareness for Bus Operators:** The Kalutara branch completed a series in road safety awareness programmes targeting bus operators. This initiative was the first of a series planned on road safety by the Kalutara branch held in Kalutara North where 150 people from passenger transport vehicles, bus owners, drivers, and conductors participated. Five resource personnel including Prof. Daya Rohana Athukorala, Senior Lecturer Colombo University, officials from the Passenger Transport Authority and the Kalutara Police conducted the programme. The programme entailed educational tips for quality passenger service, implications of road accidents, road safety & rules, laws, technical knowledge on bus, vehicle maintenance to minimise accidents, personal life improvement and the benefits to the society at large. Useful materials, guide books and other PLC memorabilia were gifted to the participants.

SOCIAL REVIEW



Resource person from the Sri Lanka Police creating awareness on road safety - Kalutara branch



Customers participating at the road safety awareness programme - Three wheeler department



Before: Two students of Kahatagasya Vidyalaya bringing water from a nearby lake to school as there was no access to clean drinking water - Ampara branch



After: Head of Ampara branch declares open the completed water initiative - Ampara branch

◆ **Awareness on Livelihood Improvement & Responsible Driving towards a Better Career for Three-wheeler Operators:** The Three wheeler department organised this programme for 450 existing and potential customers involved in three-wheel operations. Resource persons panel including Prof. Daya Rohana Athukorrala from the Colombo University and an official from Sri Lanka Police conducted the programme. The programme sought to create awareness on the responsibilities of a good driver, road safety and accident prevention. Guide books and PLC memorabilia were distributed whilst a drama was staged on the theme of responsible driving and the impact on society.

“We gained valuable knowledge on minimising our mistakes when operating our three wheelers. Also the importance of being a responsible driver and the negative consequences of careless driving. Road rules and experiences shared by resource persons provided greater insight. Drama staged instilled what we learnt throughout the day for the rest of our lives. We are thankful to PLC.”

Mr. D.M.S. Alwis
President
All Island Metered Taxi Association

SUPPORTING EDUCATION

Recognising the significance for social progress, PLC strives to place a higher level of support for education related social responsibility initiatives. The programmes initiated and the funding support extended to children are mainly in the form of developing school infrastructure facilities, scholarships, educational seminars and awareness building programmes; these aim to improve the quality of education and advocate social inclusivity which has immense power to change the status quo in the long term.

During the year under review, education related initiatives reached to 4.5 percent of the total community responsibility expenditure, corresponding to Rs. 2.6 million. The initiatives supported 21 schools. Key initiatives and programmes related to education for the FY 2013/2014 are given below.

◆ **Access to Clean Drinking Water and Sanitation Facilities:** Marking the World Water Day, the Ampara branch initiated a project to supply clean drinking water and sanitation facilities to underprivileged schools in Amapara. Six schools have been identified for this programme in association with Zonal Education Office.

"Out of the 6 selected schools from Uhana education zone, Kahatagasyaya Vidyalaya with a student population of 72 and 11 teachers was the first school to receive access to clean drinking water and sanitation. The school was in the 'ramshackle' state, in dire need of this. In addition to financial assistance given, our team provided 122 volunteered hours in collaboration with principal, parents, school development society and community to successfully complete the project".

Mr. Dinesh Willarachchige
Second Officer - Ampara branch

SOCIAL REVIEW



Prof. Sarath Wijesooriya giving an inspiring speech on parent-child relationship - Grandpass branch



DGM Finance & Administration declares open the stage auditorium - Havelock Town branch



Students seated for the official chair handing over ceremony at the school main hall - Gampaha branch



CEO/GM, Mr. D.P. Kumarage symbolically hands over the vehicle to authorities of Teaching Hospital Karapitiya



PLC high officials at the opening ceremony of newly established patient care rooms at Colombo South Teaching Hospital, Kalubowila - Nugegoda branch

- ◆ **Auditorium Facilities:** The Kurunegala branch funded the construction of the auditorium roof of Malkaduwa D.B Welagedara Madya Maha Vidyalaya with a student population of over 2,000. The project is expected to pave the way to develop and showcase student talents.
- ◆ **School Colour Wash:** The Kurunegala branch colour washed the school and placed a name board for W/I Ridi Egodamulla K.V in the Ridigama division of Ibbagamuwa Education Zone. The branch funded to set up an intercom (PA) system. The benefits of this project are expected to reach the entire school which has a student population of 117.
- ◆ **Seminar:** The Grandpass branch for the second successive year organised a seminar on the grade five scholarship exams for the underprivileged students at the Kumara College in Kotahena. The seminar was conducted by the Journalists Education Foundation and the students were given study packs and refreshments. Prof. Sarath Wijesuriya, Senior lecturer, University of Colombo delivered an inspiring speech on 'parent-child relationship'. Around 200 students with their parents participated at the seminar.
- ◆ **Funding for Stage Auditorium:** The Havelock Town branch provided Rs. 404,976 financial assistance to the Colombo South Vidyathilaka Vidyalaya to construct a permanent stage auditorium and provided stage curtains. The school has a student population of 500 mainly from less privileged low income communities. This project is expected to support the students to explore their hidden talents to be good citizens of the country.
- ◆ **Presentation of Chairs for the School Main Hall:** The Gampaha branch presented 300 chairs for the school main hall of the Siddhartha Kumara Vidyalaya, in Gampaha at a cost of Rs. 350,000; 1,500 students in the school benefitted from this project which enables them to host an event/function without having to face inconveniences with shortage of chairs. On the day of the presentation, a session on positive thinking was conducted by Prof. Daya Rohana Athukorala for school children.
- ◆ **Scholarships:** During the year under review, PLC continued with its 6 scholarship schemes.

UPLIFTING HEALTH CARE

Accounting for 9.4 percent of the Company's community responsibility expenditure, health care initiatives in year reached to Rs. 6.2 million. The initiatives were mainly targeted at developing hospitals, health camps to address pertinent health care issues as well as sponsoring blood donation campaigns.

- ◆ **Vehicle for Home Based Palliative Care Unit of Karapitiya Teaching Hospital:** The head office presented a van for the use of the palliative care team for a value of Rs. 3.17 million. This is expected to be used to transport the team to treat terminally ill cancer patients at the comfort of their homes.

"The cancer patients who are beyond cure need special assistance. These patients need support to keep up their high moral and nursing care. We have a dedicated task-force comprising doctors, nurses and assistants to pay home visit to check the health of these patients need and this donation will surely add muscle and value to the process."

Dr. Upul Ekanayake
Chief Cancer Specialist
Karapitiya Teaching Hospital, Galle

- ◆ **Colombo South Teaching Hospital, Kalubowila:** Nugegoda branch funded the construction of patient care rooms in ward 11 & 27 for an investment of Rs. 659,635. Earlier there were no separate patient care rooms in the wards and doctors engaged patients including medical check-ups in common areas. This had implications on the quality of medical services offered to patients. The objective of this project is to optimise healthcare

SOCIAL REVIEW



Renovated Hospital, Sandalankawa - Kuliyaipitiya branch



Health screening camp - Kaduwela branch



Health screening camp - Kaththankudi branch



Health screening camp - Kegalle branch



PLC Vavuniya team with the community in Kallikulam - Vavuniya branch

services by re-arranging the building, utilising open space areas and infrastructure to create a highly functional medical centre environment. The benefits are estimated to reach to around 400 patients per month, obtaining treatment at these wards.

◆ **Jaffna Teaching Hospital:** The Jaffna branch renovated the female ward No. 26 of the Chemotherapy Unit as the annual contribution to maintenance. Over 2,500 patients per year are estimated to be benefited by this initiative.

◆ **Renovation of Sandalanka Hospital:** The Kuliyaipitiya branch repaired and renovated the ward No. 02 of Sandalanka hospital in Kuliyaipitiya. Over 2,600 patients from the area are estimated to be treated in this ward annually.

◆ **Health Screening Camps:** Kaduwela, Kaththankudi and Kegalle branches organised three medical camps marking the National Health Week. The camps at a cost of Rs 592,405 entailed preventive measures on non-communicable diseases amongst stakeholders including free tests for diabetes, blood pressure, cholesterol and ECGs for heart disease, eye care and dental; Body Mass Index (BMI) was calculated for each participant. Comprehensive medical reports were issued and the participants identified for further treatment were referred to hospitals and specialised doctors in the respective areas. The camps also offered free medicine and educated the participants on nutrition and health. Nearly 1,200 people living in these areas including customers benefitted from this project.

◆ **National Cancer Institute, Maharagama:** At the request of the Director of the National Cancer Institute in Maharagama, the head office installed six fish tanks in the institute and Maharagama branch gifted toys for the children's ward. The head office also presented a multi-media projector and screen to the Nuclear Medicine Laboratory of National Cancer Institute. This project will be useful to present information on thyroid related cancers and available treatment for patients to make informed decisions. Over 950 patients are treated in this laboratory for a year.

◆ **Access to Clean drinking water to combat CKD:** Vavuniya branch provided financial assistance for the construction of a tube well and water supply in Kallikulam village. This area is arid with very poor access to clean drinking water. This project is in support of reducing the prevalence of chronic kidney disease (CKD) in this area. The construction cost of the tube well was Rs. 264,988 and will benefit 100 newly re-settled families.

◆ **Renovation of accident and traumatic care unit of Kaththankudi Hospital:** As a CSR initiative, the Batticaloa branch renovated the accident & traumatic care unit at the Base Hospital in Kaththankudi. Due to lack of the hospital resources in the accident and traumatic unit, over 150 patients per month were transferred out to other hospitals prior to the renovation. Recognising this issue, the Batticaloa branch renovated this ward and supported the hospital to provide comprehensive emergency medical services to patients. The project included fixing of six windows with aluminum glass fittings; painting 25 iron beds and 13 ceiling fans; installation of a water filter and planting trees in the premises.

◆ **Blood Donation Campaigns:** Several blood donation campaigns were organised and sponsored by the branches as follows:

Branch	Employee volunteered hours	Employee donors	Number of participants
Embilipitiya	190	8	200
Galle	160	15	300
Gampaha	175	15	1,250
Kegalle	493	24	325
Kelaniya	240	8	150
*Ratnapura	226	04	180

*In addition to blood donation, 52 spectacles were distributed free of charge to the identified students of Batugedara Maha Vidyalaya, Batugedara who were also from low income households.

SOCIAL REVIEW



Renovated Accident and Traumatic Care Unit of Kaththankudi Hospital - Baticaloa branch



Free spectacles distribution to students of Batugedara Maha Vidyalyaya - Ratnapura branch.



Mr Gamini S. Senarath, the Chairman symbolically hands over the tippers to Director General of Civil Security Department



Opening ceremony of Children's Day programme at Hakmana with the participation of Matara branch



Renovated Senior Citizens Home - Nawalapitiya branch

OTHER INITIATIVES

The Company continued to support the community with selected initiatives to support the underprivileged children, senior citizens, differently-abled and disadvantaged people as well as to advocate cultural and religious harmony. In the year under review, PLC invested a total sum of Rs. 10.3 million on such projects which accounted for 18.4 percent of the total community responsibility expenditure. Key initiatives and programmes are highlighted below:

- ◆ **Supporting Beautification & Cultural Development:** The Company donated two tipper vehicles with a value of Rs. 3.8 million to the Civil Security Department of Sri Lanka. The tippers are proposed to be used in the department's restoration initiatives in religious places as well as for beautification and infrastructure projects assigned to the Department.
- ◆ **World Children's Day:** Celebrating the event, the head office supported Divisional Secretariat in Hakmana to organise a programme for the 'disadvantaged and vulnerable' children in the area. The programme entailed games and entertainment items for the children whilst creating awareness on child rights and protection. 350 children participated including 100 children who have lost one or both parents.
- ◆ **43rd International White Cane Day:** The head office donated 500 metal folding white canes, 15 cassette radios, 50 talking wrist watches to differently-abled people. The event was held at the main auditorium of the Colombo Public Library with the participation of teachers and Advanced Level students representing Colombo schools.

"Make the blind see, what others think they do not see" is the theme of the differently abled. Talking watches presented today will surely make our life easier. White canes provide safe mobility. Radio is a close friend for the blind, as it erases our solitude and gives entertainment. We are very thankful for PLC for the contribution."

Mr. S. L. Hettiarachchi
Hon. Secretary/Executive Director
Sri Lanka Council for the Blind

- ◆ **Senior Citizens:** Nawalapitiya branch supported to renovate a senior home in Nawalapitiya to better the living standards of the senior citizens in the home including colour washing, floor repairing and renovation of windows, kitchen and wash room areas where 32 inmates live.

OPERATIONAL IMPACT ON COMMUNITY

The Company's operations spanning across the entire country have not caused any negative impact on the local communities. In fact, the Company engages the local community effectively to address any issues, if any, that may arise in its daily operations. As discussed under the environment section, all new customer touch points are considered only after due diligence for any negative impact on the community and the environment. Consistent and continuous community engagement is a necessary part of this process. As at the reporting year, disputes were not reported with the communities in areas where the Company operated.

SOCIAL REVIEW

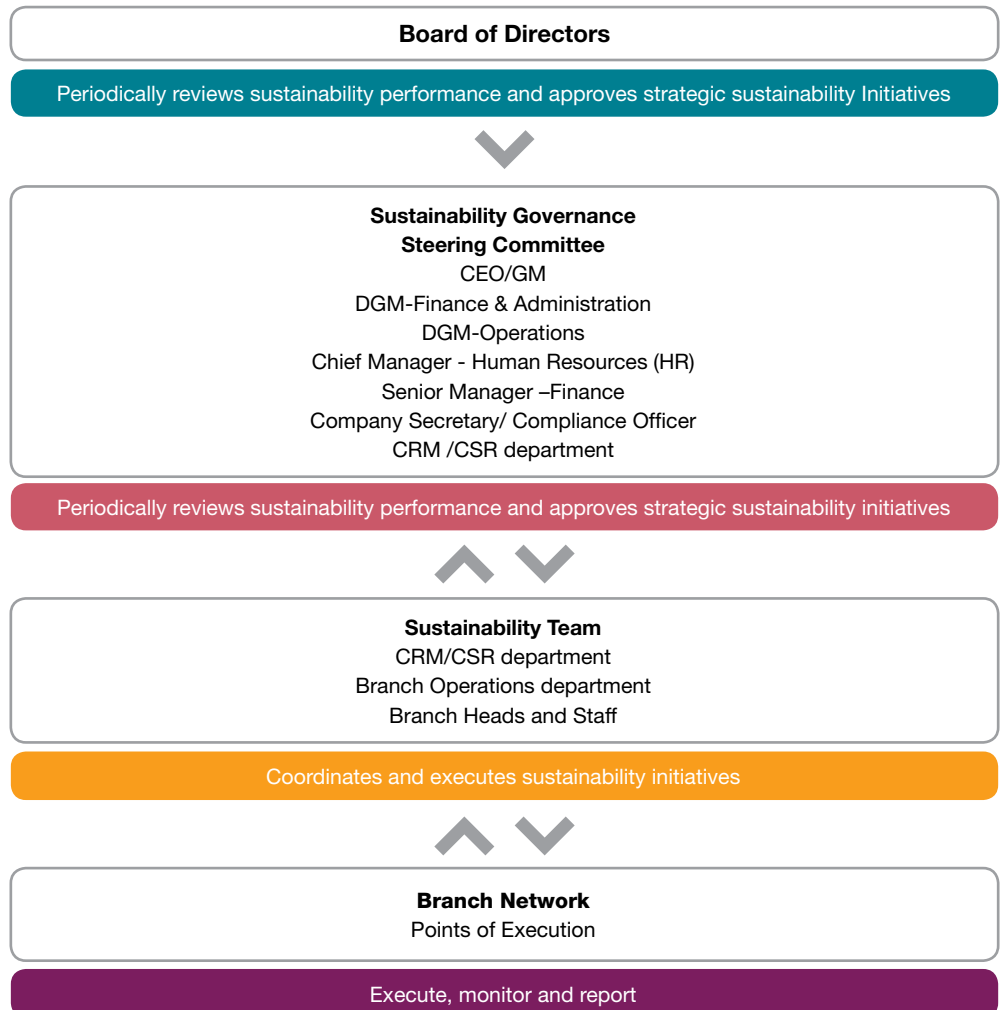
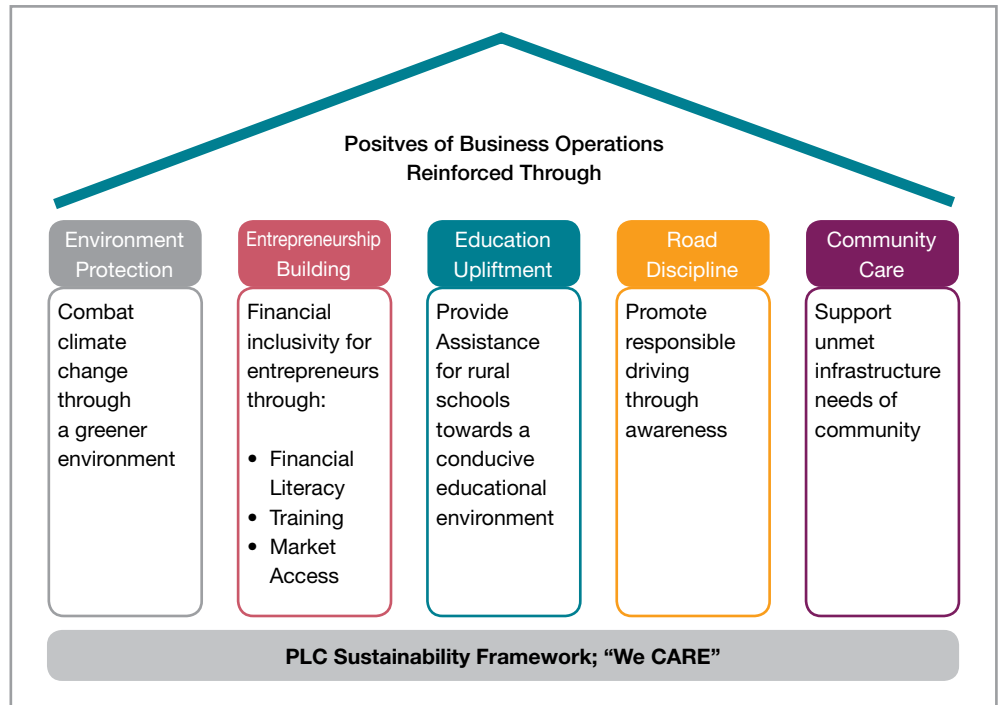
FUTURE FOCUS

Community responsibility will continue to be endeared in the Company's integrated approach which will be a cornerstone in the long term sustainability of the operations. The Company proposes to bring greater clarity to the community based initiatives. To this end, the Company will pursue a structured allocation of resources for these initiatives, effectively combining and bringing in greater coordination between the head office and the branches towards accomplishing the identified goals in terms of community development.

Considering the impact of PLC over business operation facilitating national development, the Company will aim at developing community initiatives for the following focused areas for the financial year 2014/15, encompassing entrepreneur, education, environment, road discipline, and community initiatives.

CSR department will set guidelines for branches/departments to implement these initiatives. Frequent monitoring and follow-up with points of executions will ensure greater awareness and successful implementation of strategic CSR initiatives.

Sustainability Governance Steering Committee will meet periodically to review progress and update on sustainability performance to the Board.



ENVIRONMENTAL REVIEW

OVERVIEW

Key Performance Indicators – 2013/14			
Green Training Programmes 07	Green Vehicles 94	Green Financing Rs. 511.36 Mn.	New Staff Trained on Sustainability 132
For the FY	2013/14	2012/13	Change %
Trees Planted (Number)	1,130	925	22.16
Biodiversity Related Projects (Number)	14	04	250.00
Paper Recycled (Kg)	5,473	867	531.25
E- Waste Disposed (Kg)	1,605	2,340	(31.41)

Environmental Policy
 We commit to spearheading and initiating best practices that will empower us to 'Go Green', building an organisation that is a catalyst in environmental change, taking responsibility for conserving the earth's resources, while reducing our carbon footprint and striving to etch an ecological balance between human survival and the earth's future.

OUR APPROACH

As mandated by the Environment Policy, the Company focuses on an environment strategy that clearly advocates balancing value creation with environmental goals. The three-pillar strategy is built on the following imperatives which are embedded into the daily operations:

- ◆ **Green Practices/Operations:** Adopt specific measures, initiate programmes and comply with relevant legislation and regulatory requirements to reduce the environmental footprint of the business operations including the branch network.
- ◆ **Green Financing:** Manage environmental impacts of financing solutions offered to the customers through proactive screening, assessments and monitoring along with suppliers assessments and advocacy of best practices in environment management.
- ◆ **Green Initiatives:** Invest in effective campaigns and programmes to promote biodiversity and protect the environment from green-house gas emissions, climate change and other negative impacts.



OUR ECO FOOTPRINT

PLC is focused on implementing best business practices that would lead up to optimising resource utilisation. To this end, several key measures and programmes have been initiated based on the 'Three-R' practice - reduce, reuse and recycle which in fact plays a key role in the Company's strategy towards a sustainable environment and lessening the corporate footprint on the planet. The Company focuses on energy and travel management as well as solid waste management that mainly include paper and e-waste.



GREEN PRACTICES/OPERATIONS

ENERGY MANAGEMENT

Energy saving and conservation is fully integrated into the Company's daily operations which not only complements cost efficiencies that has a direct impact on the bottom-line but also brings in far reaching benefits on the world's fast depleting non-renewable resources. The Company's approach to energy management seeks to optimise the usage of energy, deploy technology and promote alternate sources of energy, wherever possible. The Company also relies on engaging the employees through awareness programmes to muster their support to utilise energy responsibly which is crucial to reach sustainability objectives.

Energy Consumption at Head Office

Energy Source	Consumption Level	
	2013/14	2012/13
Fuel (GJ)	1,612.50	1,222.66
Electricity (GJ)	5,023.64	4,624.73

Energy consumption comes as electricity which is used to power the building, air conditioning, lighting and other electro-mechanical operations as well as fuel used for transportation of employees and to carryout daily operations.

ENVIRONMENTAL REVIEW

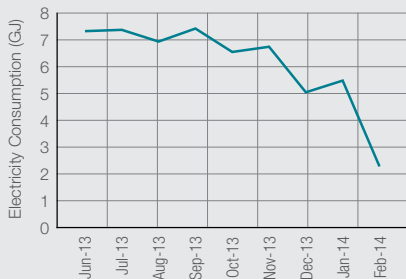
Reduction in Energy Consumption

Energy Source	Per Head Consumption	
	2013/14	2012/13
Electricity (GJ)	1.26	1.02

Despite the energy saving efforts, due to increased activity at head office with the merge and supplementary building operations no reduction in energy was achieved during the financial year.

Further with the merge and expansion of branch network vehicle fleet was increased resulting in an increase in fuel consumption.

ENERGY CONSERVATION MEASURES



Electricity Saving of Bandarawela Branch

Energy Saving Tips - Bandarawela Branch

- ◆ Maximum usage of sunlight by setting aside curtains
- ◆ Electrical bulbs are not switched on until 5.30 pm
- ◆ Air conditioning used sparingly - only between 1.00 pm - 2.00 pm, if needed

The above measures which have been adopted since October 2013 are proudly showcased with effective results by the Bandarawela branch



A PLC employee shreds his daily set of waste paper before sending away for recycling

The Company constantly and consistently strives to adopt best practices and take necessary measures to save and conserve energy. The maintenance department under the purview of the premises manager is responsible to control and closely monitor heating, ventilation, lighting and air conditioning systems at the head office and create awareness on best practices amongst staff members across the organisation to advocate energy conservation.

◆ Design of the Head Office Complex:

The state-of-the-art head office complex is specially designed to conserve energy by maximising access to natural light. In terms of building orientation, window to wall ratio and material properties have been specifically designed to reduce energy consumption.

◆ Building Management System

(BMS): The complex is equipped with a comprehensive BMS which effectively controls and monitors electrical and mechanical systems including water consumption; air conditioning through time scheduling, sensors and actuators; operating time of exhaust fans; and emergency lights in stairways.

◆ Split-Air Conditioning:

The supplementary building adjoining the head office and most of the branches operate on variable refrigerant flow (VRF) type of split-air conditioning due to less energy consumption vis-à-vis the normal type of air conditioning.

◆ Deploying Technology:

The Company has effectively sought options through deploying the latest in technology to reduce the usage of energy viz:

- **Virtualisation:** Apart from the myriad of benefits including flexibility of control, cost effectiveness and security features, the server virtualisation has enabled the Company to create efficiencies in space utilisation and energy consumption.
- **Energy Efficient Computers:** The Company has moved on towards energy efficient computers with light emitting diode (LED) monitors which consume less energy and greatly improve performance per watt of power supply. The management staff and most of the executive level staff have been given laptops and tablet PCs which are more efficient in energy usage than personal computers. All computers and laptops are configured with fully energy-saving settings to reduce indirect energy consumption.

- **Printers:** The print policy advocates sharing printers, use high capacity toner cartridges and printing on higher capacity photocopier machines.

◆ Lighting:

Installed automatic lighting controls and converted incandescent lighting to energy saving CFL bulbs.

◆ Staff Awareness:

Workshops are organised to advocate responsible energy and resources usage and signage is placed in common areas to prompt staff to switch off unnecessary lights and use water sparingly.

Further plans are underway to conduct an energy audit through an outsourced team of professionals for the head office building in the next financial year with their recommendation to reduce energy consumption.

WASTE MANAGEMENT

Paper Management

In the drive towards a 'Greener' business, saving up on paper usage has become an important part of the efforts taken towards environment stewardship. Key measures initiated to reduce paper consumption are set out below:

◆ Automated and Streamlined

Processes: This has enabled the Company to effectively carry operations online, leading towards less paper usage. All employees are well trained on the systems and comfortably carry out their daily functions including accessing information, file sharing, using email, internet for internal communication and online training including training material.

◆ Document Management System (DMS):

Recently initiated, DMS which converts paper-based information into electronic files has enabled to streamline document storage, retrieval, delivery and sharing. This has not only supported to gain on efficiency and speedy transactions, but has also paved the way towards a 'lesser' paper office. In effect, the DMS has enabled both the head office as well as the branch network to save on paper consumption with less faxes, printing and cumbersome filing along with security of information and data.

◆ Print Policy:

The Company's print policy encourages employees to be conscious of unnecessary printing and resort to double-sided printing and re-use paper wherever possible.

ENVIRONMENTAL REVIEW

PAPER WASTE MANAGEMENT

◆ **Recycle Paper:** The Company has outsourced a paper recycling firm to recycle used paper taking necessary precautions to ensure confidentiality of information. In the reporting year, the Company recycled 5,473 kilograms of waste paper in comparison to 867 kilograms in the prior year.

Recycle Paper: The Company has outsourced a paper recycling firm to recycle used paper taking necessary precautions to ensure confidentiality of information. In the reporting year, the Company recycled 5,473 kilograms of waste paper in comparison to 867 kilograms in the prior year.

Savings incurred through recycling of paper

◆ Fully grown trees	-	93
◆ Litres of oil	-	9,605
◆ Electricity (GJ)	-	78.81
◆ Litres of Water	-	173,931
◆ Land fill (cubic meters)	-	16.90



E-Waste collection week - Kadawatha branch



E-Waste collection week - Havelock Town branch



E-Waste collection week - Metropolitan branch

HAZARDOUS E-WASTE MANAGEMENT

The Company continued with its e-waste collection initiative for the third consecutive year. Under this programme, e-waste collection bins are placed at selected locations on each floor at the head office as well as at the branches located within the Colombo suburbs. Employees are encouraged to make use of this facility to dispose their office as well as their personal electric and electronic waste including computers and accessories, mobile phones, batteries and other appliances.

E-waste thus collected is disposed responsibly through a reputed e-waste exporting organisation certified by the Central Environmental Authority. The disposal which is ultimately handled in Germany is endorsed by the BASEL Annex VII Document, confirming zero environmental pollution in the disposal process. In this financial year 1,605 kilograms of e-waste was collected and fully exported for responsible disposal through the outsourced company mentioned above.

PLC's employees also come together regularly to volunteer their time and effort to spearhead e-waste collection projects at the community level. This year, Kadawatha, Havelock Town and Metropolitan branches, mustered the support of their respective communities to collect e-waste totalling to 855 kilograms and made arrangements for responsible disposal.

REDUCED TRAVEL

The impact of transportation on the environment is limited to greenhouse gas emissions from vehicles used for transporting employees for field visits and meetings, travel and logistics between the branches and head office and for marketing communication purposes by the two propaganda vehicles. The Company advocates and has adopted the following simplest measures to reduce travel, thus reducing costs as well as the carbon footprint:

- ◆ **Vehicle Fleet:** Transportation is managed by the subsidiary, People's Leasing Fleet Management Ltd which uses effective measures to control fuel usage viz: hybrid vehicles in the fleet
- ◆ **Teleconferencing:** Conferencing facilities are available at the head office and the staff is encouraged to resort to same especially to curtail overseas travel.

No other kinds of emissions or transportation of effluents, waste or hazardous material is applicable to PLC.

GREEN FINANCING

As a financial institution, the impact of the Company's products and services on the environment is relatively low. However, through the core product – leasing of vehicles mainly comprising buses, trucks and three-wheelers, the Company impacts the environment indirectly, contributing to emissions of greenhouses gases which harm the ozone layer leading up to climate change and global warming. The green lending programme promoting leases with lesser carbon emissions - four stroke engine three wheelers, hybrids and NANO powered vehicles support to some extent to minimise the indirect impact the Company has on the environment. In the year under review, the green lending facilities granted were 50 and the portfolio reached Rs. 511.36 million.

GREEN LENDING TRAINING

Operational-level employees as mentioned above are well trained in credit appraisals and monitoring which include green solution financing principles and policies and operational circulars.

CREDIT ASSESSMENT & MONITORING

The credit policies and standard operating procedures clearly set out that all financing solutions granted to customers have to be in line with the necessary environmental and social requirements including compliance to accepted standards, regulations and legislation. From the time of accepting a credit proposal, appraisal and subsequently, settlement, the customer credit worthiness and the facility performance are closely assessed and monitored for environmental and social impacts and risks with relevant and necessary assessments and due diligence.

ENVIRONMENTAL REVIEW



A batch of new recruits at the orientation programme



Customers obtained green financial solutions at the launch of "Green Friends"

“Fulfilling the environmental responsibility, PLC launched “Green Friends” loan scheme recently. This scheme offers financial solutions at concessionary rates for eco-friendly vehicles as well as for small and medium entrepreneurs to start, expand or modify their businesses conserving energy, minimising pollution and enhancing productivity of their business processes. Further, in our operational meetings and through operational guidelines released we educate our employees especially marketing officers regarding the importance of screening the environmental and social impact of a particular project before financing. Performance appraisals take into consideration how our staff apply this knowledge into practice.”

Mr. Lionel Fernando
DGM - Operations

The operational level staff and management, the department of risk and the Integrated Risk Management Committee play an active role in ensuring this function. The internal audit department also carries out spot checks as well as detailed audits to ensure due diligence and compliance to the prescribed internal controls as well as to regulatory requirements including those related to environmental and social risks.



ENVIRONMENTAL REVIEW



Customer receiving a coconut sapling at the environmental day programme - Galle branch



A group of participants at the environmental day programme in Jaffna - Jaffna branch



Water tank established at Indikatupana - Nuwara Eliya branch



Staff of Ratnapura branch with collected waste at Adam's Peak



Employees of Bandarawela branch engage in planting of saplings in catchment areas

GREEN INITIATIVES TO PROTECT BIO DIVERSITY

Supporting the natural balance of the eco system and protecting biodiversity in the country is central to the Company's environmental strategy and goals. The Company spearheaded practical programmes that has tangible benefits and strives to engage the civil society to embrace following biodiversity conservation practices.

- ◆ **World Environment Day:** Celebrating this event on 05th June 2013, PLC organised five plant distribution campaigns under the theme 'Plant Trees to Protect the Environment'. Five branches in Colombo (Metropolitan), Galle, Jaffna, Ampara and Bandarawela representing the five provinces spearheaded the campaigns. A total of 740 tree saplings comprising Mango, Coconut, Teak etc. were distributed for planting among customers and other stakeholders.
- ◆ **Adam's Peak Project - Nuwara Eliya Branch:** Adam's Peak - a well-known biodiversity hotspot, also known for its sacredness is highly polluted, mainly with polythene bags disposed by the pilgrims and visitors. For the 7th consecutive year, employees cleaned the Hatton route to Adam's Peak and distributed 500 eco-friendly cloth bags to visitors. Employees also planted 12 Nagasarium, known as "Naa" saplings along Sama Chaithya. The branch fully supported to fix 1000 litre capacity water tank near 'Indikatupahana' and placed 10 message boards advocating a 'clean environment'. 25 employees from Nuwara Eliya branch and 07 from Hatton participated with a total of 200 volunteer hours.
- ◆ **Adam's Peak Project - Ratnapura Branch:** Extending the Adam's Peak initiative further, the Ratnapura branch cleaned a stretch of 12km from Palabaddala to Adam's Peak in the off-season with the support of Divisional Secretariat, Janatha Padanama, Army soldiers of Gemunu Regiment and school children of Sri Palabaddala Maha Vidyalaya. Three tractor loads of polythene, plastics and other non-biodegradable material were collected. 20 employees from the branch volunteered with a total of 384 volunteer hours.
- ◆ **Tree Planting in Upper Catchment Areas:** The Bandarawela branch completed the first phase of its tree planting programme in the catchment area in Bandarawela. This programme is expected to complement the work being planned and initiated by the Divisional Secretariat to resolve the acute water shortages currently being faced within the catchment regions due to rapid de-forestation.

ENVIRONMENTAL REVIEW



PLC employees volunteer in beach cleaning initiative - Negombo branch



Employees planting saplings to protect the coastal area - Negombo branch



Awareness boards on the importance of protecting the marine eco system - Negombo branch



MOU signed between PLC and UDA for the beach front development initiative



Exposure visit for Microfinance customers on organic farming

ACUTE SHORTAGE OF WATER IN CATCHMENT AREAS – BANDARAWELA

“The regions falling under the divisional secretariat in Banadarawela are presently facing an acute water shortage. Increasing population and the demand for land, housing and agriculture have led to widespread de-forestation with adverse impacts on retaining water within the catchment areas. Turpentine trees have started to rapidly dominate these areas further accentuating this problem and damaging the native biodiversity.

The divisional secretariat together with the other local government and related agencies is currently drawing up structured plans and segregating administrative duties to protect these water catchment areas and to sustain their biodiversity.

The Bandarawela branch of People’s Leasing & Finance PLC supports us in this endeavour and for that we remain truly grateful.”

This is an excerpt from Mr. E. M. S. B. Jayasundera, Divisional Secretary, Bandarawela.

❖ **Beach Cleaning to Prevent Marine Pollution:** In collaboration with the Coast Conservation Department, Marine Environment Protection Authority, Public Health Inspectors, Negombo Police, Municipal Council of Negombo and the employees of the Negombo branch cleaned the beach stretch of five kilometres from "Mora Wala" to Duwa, Pitipana. The Negombo branch also organised the following activities within this project:

- Planted 140 saplings such as coconut, 'Pandance' and 'Mudilla' which are more suitable for the coastal areas.
- An awareness campaign was carried out and 16 sign boards displaying messages on protecting the environment were placed in strategic locations along the coastal stretch.
- Organised an art competition themed “Importance of Keeping the Beach Environment Clean” amongst school children in the area. Nearly 135 drawings were received and winners were given PLC compliments.
- Set up 10 benches in the coastal area in "Mora Wala" for recreation and relaxation purposes for tourists and for the community and constructed steps in two different strategic locations to reach the beach.
- Garbage bins were placed along this route to encourage the public to be conscious of litter and embrace "Greener" habits.

45 employees participated in this project with 585 total volunteer hours where employees from Ja-Ela, Wennapuwa and Gampaha also teamed up with Negombo staff.

❖ **Beautification of Moratuwa Beach Front Development Project:** Moratuwa, a large suburb of the Colombo City is situated on the south western coast of Sri Lanka. It is an 18 kilometres stretch on the Galle- Colombo main highway and contains many biodiversity intense natural scenic resources such as the Lunawa Lagoon, Bolgoda Lake and beach front extending to over two kilo metres. As per the Moratuwa Town Development Plan formulated by the Urban Development Authority (UDA), this stretch is earmarked to be developed as a coastal belt recreation area. The head office of PLC is the funding partner of the Phase 1 of this project which is to develop a stretch of 100 metres extending from Peiris Mawatha to Egoda Uyana Station Road. This includes landscaping, planting of trees to conserve the coastal stretch, construction of walking tracks, food courts, provision of washroom and parking facilities and seating areas. Estimated cost is Rs. 22.1 million and for the year under review, PLC's contribution reached Rs. 8.8 million.

❖ **Organic Farming Project:** As highlighted in the Sustainability Report 2012/13 as a future goal, the Company launched its maiden organic farming initiative in the year under review, advocating sustainable agricultural practices. The project was launched as two programmes creating awareness and advocating organic farming in schools and home gardens in Avissawella and Baduraliya areas in partnership with Business & Bio Diversity Platform, IUCN & Ceylon Chamber of Commerce.

ENVIRONMENTAL REVIEW



Students of Baduraliya Junior Model School at their model organic farm



Group of farmers who benefitted from organic farming project with PLC officials



Students working in their school organic farm

Highlights

- ◆ Farmers educated on organic farming - 20
- ◆ Students educated on organic farming - 25
- ◆ Home gardens developed - 13
- ◆ School organic farms developed - 01
- ◆ Students initiated organic gardens at their homes - 10
- ◆ Average number of varieties grown per home garden - 35
- ◆ Farmers educated on organic certification - 07
- ◆ Field training days on organic farming - 31
- ◆ Sessions on organically grown produce certification - 03

CASE STUDY: ORGANIC FARMING

Project Location: Avissawella and Baduraliya areas

Implementation Period: August 2013 to March 2014

Initiated By:

- ◆ PLC - Head Office and Branches in Avissawella Kalutara and Matugama
- ◆ Business & Biodiversity Platform/ IUCN - Facilitator
- ◆ Dilmah Conservation - Field visit exposure

Team: Five-member team of consultants outsourced through Business & Biodiversity Platform/ IUCN

Project Rationale: Unsustainable agriculture practices to increase the produce for commercial reasons have become widespread in the recent times. Use of agro chemicals in the form of pesticides in agriculture is now common place. However, the side-effects of such chemical usage are rightly identified to have direct impact on people's health through toxic effects and bringing on complications such as sub-fertility, neurological disorders and cancer. Chemicals also impact soil fertility, water bodies and biodiversity. Sustainable agriculture practices like organic farming without chemical usage are being advocated around the world and consumers are increasingly demanding and willing to purchase such produce even at premium pricing.

The organic farming project initiated by PLC aims to educate, guide and direct people especially the farming community and youth, leading up to long-term productivity of land, food security, preservation of biodiversity and healthier living styles.

Project Initiatives:

- ◆ **Supporting Farmers:** The project supported two farmer groups of 10 each in Avissawella and Baduraliya, customers of People's Microfinance Ltd. Details of the support initiatives are:
 - **Initial Awareness Programmes:** 10 farmers from Avissawella and 6 from Baduraliya were given a comprehensive training on organic farming at the Dilmah Agricultural Centre at Katubedda in August 2013. Farmers at Avissawella were involved in commercial scale green leaves cultivation and 09 out of 10 were female participants. All farmers at Baduraliya were male farmers.
 - **Regular Site Visits:** Subsequent to the initial training, the team of consultants together with the PLC representatives carried out site visits to selected farmers at their home gardens. During these visits, the consultants identified farmers' capacity, land availability, commitment and extended necessary technical assistance to successfully take forward their initiatives. Further support was extended with seeds and planting material.
- ◆ **Certification:** Initial awareness and required guidelines were communicated to farmers to obtain organic farming certification. They were given printed record books to encourage them to maintain due records which will be useful at the time of obtaining certification from reputed organic farming certification bodies.
- ◆ **Baduraliya Junior Model School:** The team supported the students and guided to establish a model organic farm in their school garden, with more than 40 plant varieties with name boards in all three languages including their scientific names. Comprehensive awareness programme on organic farming was organised at Dilmah Agricultural Training Centre in Katubedda. Consultants also supported the school to establish an organic Agricultural Society to monitor and sustain the project and startup organic farms in the homes of the selected student.
- ◆ **Other Remarks:** The Company provided plants, seeds and agricultural tools to the farmers along with financial support to hire additional labour resourced from their vicinities. The total expenditure on this project as at the year end 31st March 2014 amounted to Rs. 389,174.

ENVIRONMENTAL REVIEW

“
**PLC IS A PATRON
 MEMBER OF THE
 BUSINESS AND
 BIODIVERSITY
 PLATFORM TO HAVE A
 GREATER IMPACT ON
 BIODIVERSITY ISSUES**
 ”



PLC's environment stewardship ensures that the branch operations do not impact biodiversity even when opening a new customer touch point. All expansions of the Company are undertaken after a due diligence and structured consultation process headed by the senior and branch management with all relevant stakeholders including employees and the hosting communities.

PLC works in partnership with the IUCN to protect the bio diversity. The Sri Lanka Business and Biodiversity Platform is a tool to foster dialogue between the private sector and conservation agencies. The Ceylon Chamber of Commerce has joined together with IUCN (International Union for the Conservation of Nature) and Dilmah Conservation to launch the Platform and provide valuable services to Sri Lankan businesses invested in sustainable development and conserving the natural resources of our country. PLC is a patron member of the platform to have a greater impact on biodiversity issues.

IMPACT OF OPERATIONS ON BIODIVERSITY

There are 12 branch offices in close proximity, albeit not “adjacent” to biodiversity hotspots.

Name of the Closest Branch	Biodiversity Hotspot & Location	Proximity to the Closest Branch (km)
Deniyaya	■ Sinharaja forest	12
Digana	■ Randenigala conservation	15
Galle	■ Roomassala mountain	02
	■ Kanneliya Rain Forest	34
Gampola	■ Ambuluwawa mountain	04
Hambantota	■ Tropical Botanical Garden - Mirijjavila	12
Kekirawa	■ Rose quartz mountain	15
Negombo	■ "Mora Wala", Pitipana	05
Ratnapura	■ Adams Peak	43
Wilgamuwa	■ Wasgamuwa Sanctuary	15
	■ Riverstan	20
Wattala	■ Muthurajawela Marsh	10
Welimada	■ Horton Planes	30
Wellawayaya	■ Diyaluma waterfall	12
Eco System Category		
■ Marine ■ Fresh Water ■ Terrestrial		

The current operations at the head office and at the branch network do not pose any threat to endangered plant or animal species as identified by the IUCN Red List.

IMPACT OF CLIMATE CHANGE ON COMPANY OPERATIONS

Climate change impacts businesses, both directly and indirectly. As a financial institution, the impacts of climate change on PLC are through the business it lends to and are more financial rather than physical in nature. Agriculture, which accounts for 1 percent of our portfolio is weather dependent and hence is PLC. Extreme weather patterns such as droughts followed by heavy rainfall or extreme temperatures during different times of the year, as now scientifically established, are a result of climate change. Our customers also include the transportation industry - buses and three wheelers in particular, which are responsible for emissions and hence face regulatory risk through increased costs or other factors which could impact their competitiveness. PLC thus monitors the effects of climate change patterns and factors in the necessary contingency measures to keep business operating at optimal level.

ENVIRONMENTAL REVIEW

“
IN THE ENSUING YEAR, PLC INTENDS TO REVISIT AND REFINE THE THREE-PILLARS AND INTENDS TO ADD ON ANOTHER DIMENSION “GREEN CULTURE” TO FURTHER STRENGTHEN ENVIRONMENTAL CONSCIOUSNESS AMONGST THE STAFF MEMBERS AND ADOPT GREEN PRACTICES AS AN INTEGRAL PART OF THE OPERATIONS
 ”

Description	2013/14	2012/13
Green Training Expenditure (Rs.)	53,484	15,000
Green Training Programmes (Number)	6	5
Document Management System - Purchase of Scanners Expenditure (Rs. Mn)	3.47	10.30
Scanners Purchased (Number)	28	105

COMPLIANCE

PLC is committed and is intrinsic in the Company ethos to be compliant to the rules and regulations stipulated by the Central Environment Authority and the relevant legislation. The Company did not report any fines and allegations for causing harm to the environment or penalised for non compliance to the standards prescribed, regulations and legislation for environment protection.

FUTURE FOCUS

PLC intends to further its environmental initiatives on the focused strategic pillars. In the ensuing year, PLC intends to revisit and refine the three-pillars and intends to add on another dimension “Green Culture” to further strengthen environmental consciousness amongst the staff members and adopt green practices as an integral part of the operations.

GREEN CULTURE

- ◆ Educate all levels of PLC staff on environmental management and its significance

GREEN FINANCING/OPERATIONS

- ◆ Promote green lending products among customers
- ◆ Educate employees on “Green Friends”
- ◆ Supplier rating and preferential treatment based on compliance to environmental and social aspects
- ◆ Training of branch staff on environmental and social screening

GREEN PRACTICES

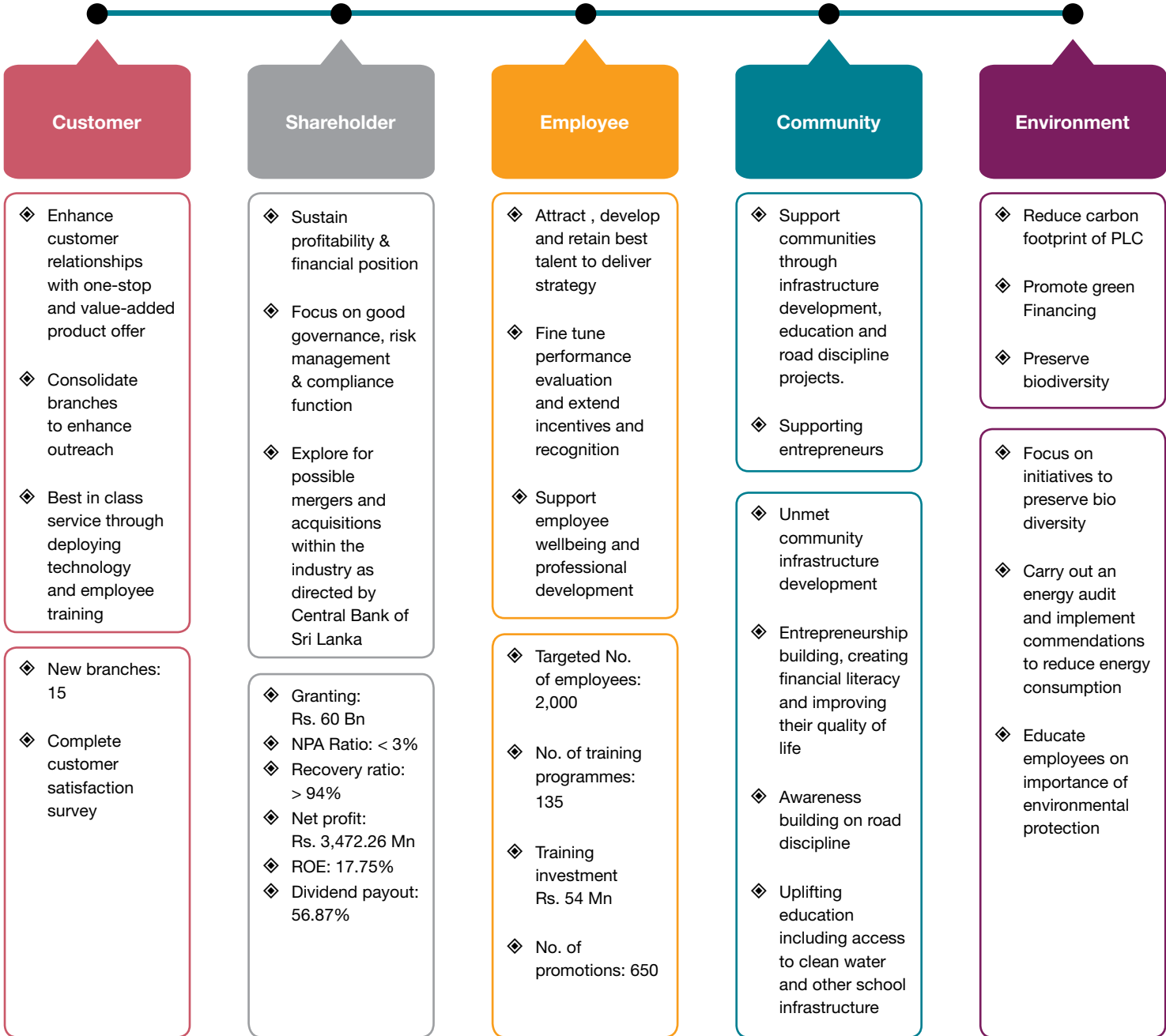
- ◆ State-of-the-art head office complex designed for energy efficiency
- ◆ Building management system to control energy usage
- ◆ Energy audit to quantify and improve on yearly basis based on the baseline data
- ◆ Expand e-waste collection project to branches
- ◆ Further strengthen paper recycling initiative

GREEN INITIATIVES

- ◆ Tree planting in catchment areas to conserve water
- ◆ Adams peak polythene cleaning project

ROADMAP AND TARGETS

Roadmap & Targets 2014/15





**IT DOESN'T MATTER
WHERE I COME FROM,
I AM ALWAYS TREATED
WITH RESPECT AND
CARE**

**THEY ARE MORE THAN
A BUSINESS. THEY
CARE ABOUT THEIR
SURROUNDINGS AND THE
COMMUNITY**

**THEY GIVE
OPPORTUNITIES
TO ALL STRATA OF
SOCIETY**

**THEY ARE BACKED BY
A STRONG PARENT
COMPANY WHICH
INSPIRES CONFIDENCE**



**IT'S SO EASY TO WORK
WITH THEM. THEY ARE
ALWAYS FRIENDLY AND
HELPFUL**

**THEY UNDERSTAND THEIR
ROLE IN THE INDUSTRY AND
CREATE PROSPECT FOR
SO MANY ALL OVER THE
COUNTRY**

**BY SUPPORTING THE
PEOPLE THEY ARE
SUPPORTING THE
NATION**

CORPORATE STEWARDSHIP

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STEWARDSHIP IS “THE RESPONSIBILITY TO TAKE ALL REASONABLE STEPS TO ENSURE (I) THAT INVESTEE COMPANIES HAVE BUSINESS MODELS WHICH CAN DELIVER GROWTH IN SHAREHOLDER VALUE OVER THE LONG-TERM AND WHICH HAVE PROPER REGARD TO THE WIDER ECONOMY AND ENVIRONMENT, AND (II) THAT SUCH BUSINESS MODELS ARE BEING EFFECTIVELY IMPLEMENTED.” [FAIR PENSIONS SUBMISSION TO FRC STEWARDSHIP CONSULTATION (APRIL 2010)]



OVER THE
YEARS,
 WE HAVE DEFINITELY
MADE
OUR MARK AS THE
BEST AMONG
Equals

“
**THE BOARD OF
 DIRECTORS PROVIDES
 ENTREPRENEURIAL
 LEADERSHIP TO PLC,
 SETS ITS STRATEGIC
 OBJECTIVES, TO
 BE ASSESSED AND
 MANAGED**
 ”

The Board of Directors is the principal steward of investors' interests and is responsible to guide and lead the Company, emulating and practicing the highest ideals in business ethics. The Board is accountable to ensure that delegated responsibilities by the investors are met and the relevant reports are prepared, published and circulated in a timely manner. They expect the Board to provide strategic direction; to ensure that such strategy is implemented by the management and reported transparently, enabling them to assess the affairs and progress of the Company. Responsible stewardship results in the creation of economic value with cascading benefits to the society at large.

The Board of Directors provides entrepreneurial leadership to PLC, sets its strategic objectives, determines its operational policies and performance criteria and delegates to the management the detailed planning and implementation of those objectives and policies within a framework of prudent and effective controls enabling risks to be assessed and managed whilst setting the Company's values and standards to meet the obligations towards the shareholders and other stakeholders.

BOARD OF DIRECTORS



1. **MR. GAMINI S. SENARATH**
Non-Executive, Non-Independent Chairman
2. **MR. PIYADASA KUDABALAGE,**
Non-Executive, Non-Independent Director
3. **MR. N. VASANTHA KUMAR**
Non-Executive, Non-Independent Director

4. **MR. P. A. I. S. PERERA**
Non-Executive, Senior Independent Director
5. **MR. H. H. ANURA CHANDRASIRI**
Non-Executive, Independent Director
6. **MR. ROHAN PATHIRAGE**
Company Secretary

BOARD OF DIRECTORS

MR. GAMINI S. SENARATH

Non-Executive, Non-Independent Chairman

Appointment date: 28th February 2013.

SKILLS AND EXPERIENCE:

A graduate of the University of Kelaniya, Mr. Senarath joined the Sri Lanka Administrative Service in the year 1984 as an Assistant Government Agent. He has also served in the capacity of Assistant Controller and Deputy Controller of the Department of Immigration and Emigration, Senior Assistant Secretary to the Ministry of Transport and Civil Aviation and the Commissioner General of Motor Traffic. Mr. Senarath was appointed as the Chief of Staff to His Excellency the President in the year 2009, after his successful tenure as the Additional Secretary to the Prime Minister and as an Additional Secretary to the President. He was the former Chairman of the Sri Lanka Insurance Corporation. He is a well reputed officer in the Sri Lanka Administrative Service.

OTHER DIRECTORSHIPS:

Currently holds the post of Chairman in several other institutions including, People's Bank, People's Leasing Fleet Management Limited, People's Leasing Property Development Limited, People's Leasing Havelock Properties Limited, People's Microfinance Limited, Litro Gas Lanka Limited, Litro Gas Lanka Terminal (Private) Limited, Canowin Hotels & Spas (Pvt) Limited, Canwill Holdings (Pvt) Limited, Sino Lanka Hotels & Spa (Pvt) Limited, Helanco Hotels & Spa (Pvt) Ltd. and Taprobane Hotels & Spa (Pvt) Ltd.

MR. PIYADASA KUDABALAGE,

Non-Executive, Non-Independent Director

Appointment date: 18th July 2013.

SKILLS AND EXPERIENCE:

He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka. He holds a B.Com (Hons) Degree from the University of Kelaniya. He is also a Fellow Member of the Institute of Certified Management Accountants of Sri Lanka and the Institute of Certified Professional Managers of Sri Lanka. He has well over 30 years' experience and has held several senior positions in the mercantile sector.

OTHER DIRECTORSHIPS:

Mr. Kudabalage is the Managing Director of Sri Lanka Insurance Corporation and also the Managing Director/ Chief Executive Officer of Litro Gas Lanka Ltd, Litro Gas Lanka Terminal (Pvt) Ltd, Canwill Holdings (Pvt) Ltd, Sinolanka Hotels & Spa (Pvt) Ltd, Taprobane Hotels & Spa (Pvt) Ltd, Helanco Hotels & Spa (Pvt) Ltd and Canowin Hotels and Spas (Pvt) Ltd and he is the Chairman of People's Merchant Finance PLC. He also serves on the Boards of People's Bank, Colombo Dockyard PLC, Management Services Rakshana

(Pvt) Limited, Sri Lanka Insurance Corporation (Pvt) Ltd – Maldives, People's Leasing Property Development Ltd and People's Microfinance Ltd as a director. Mr. Kudabalage is a Senior Partner of M/s P Kudabalage & Company, Chartered Accountants as well.

MR. N. VASANTHA KUMAR

Non-Executive, Non-Independent Director

Appointment date: 24th July 2007.

SKILLS AND EXPERIENCE:

He holds a Master's Degree in Business Administration and counts over 32 years of experience in Treasury Management. He was the past President of the Association of Primary Dealers and of the Sri Lanka Forex Association.

At present Mr. Vasantha Kumar functions as the CEO/ General Manager of People's Bank. Prior to joining People's Bank, he served as the Treasurer at ANZ Grindlays Bank, Colombo.

OTHER DIRECTORSHIPS:

Mr. Vasantha Kumar also serves on the Boards of Lanka Financial Services Bureau Ltd., Sri Lanka Bank's Association (Guarantee) Ltd., and Financial Ombudsman Sri Lanka Guarantee Ltd., as the Chairman and Credit Information Bureau of Sri Lanka, Institute of Bankers of Sri Lanka, National Payment Council, People's Insurance Limited, People's Travels (Pvt) Limited, People's Leasing Havelock Properties Limited and People's Leasing Property Development Limited as a Director.

MR. P. A. I. S. PERERA

Non-Executive, Senior Independent Director

Appointment date: 22nd August 2011.

SKILLS AND EXPERIENCE:

Mr. Perera is a holder of a Diploma in Accountancy and Higher National Diploma in Finance from UK and has completed up to the final stage of Association of Chartered Certified Accountants (UK).

From 1974 to 1979, Mr. Perera was employed at International Computers Limited, and M/s. R. K. Fryer & Co., Chartered Accountants in UK as an Accountant and Audit Senior respectively. He was awarded the title of "Best Chief Executive" by the Sri Lanka Association of the Advancement of Quality and Productivity in the year 1998. He has served as Director of Lanka Ceramics Limited and Lanka Salt Limited and as a member of the Labour Advisory Council.

He has also served as an Executive Consultant for Noritake Lanka Porcelain (Private) Limited and was the Director/General Manager at Noritake Lanka Porcelain (Private) Limited, Noritake Pannala Limited and Matala Packaging (Private) Limited.

OTHER DIRECTORSHIPS:

Mr. Perera presently holds the position of Chairman of the Urban Development Authority, On'ally Holdings PLC, Lanka Logistics and Technologies Limited and Waters Edge Limited. He also serves as a Director of Road Development Authority, Ocean View Development Company Limited, Urban Investment & Development Company Limited and Rest House Management Limited.

MR. H. H. ANURA CHANDRASIRI

Non-Executive, Independent Director

Appointment date: 18th July 2013.

SKILLS AND EXPERIENCE:

He is an Attorney-at-Law of the Supreme Court of Sri Lanka and holds a Bachelor of Laws Degree from the Open University of Sri Lanka.

He earned his Post Graduate Qualification in Criminology and Criminal Justice from the University of Sri Jayewardenepura of Sri Lanka and received the opportunity to attend and present his research findings to the Refugee Studies Center at University of Oxford, UK.

Mr. Chandrasiri possesses over 11 year' experience in areas of Civil, Criminal and Immigration Law.

OTHER DIRECTORSHIPS:

Presently functions as the Managing Director of Nation Lanka Capital Ltd.

He also serves as a Director of Protege Investment (Pvt) Ltd., Dambulla Hotel Resort & Country Club (Pvt) Ltd., and Punnaikudah Beach Resort (Pvt) Ltd.

MR. ROHAN PATHIRAGE

Company Secretary

Appointment Date: December 2007

SKILLS AND EXPERIENCE:

He is an Attorney-at-Law with a Bachelor of Laws Degree from the University of Colombo. He holds a Postgraduate Diploma in Banking and a MBA in Bank Management from the Massey University in New Zealand.

OTHER POSITIONS

At present, he is the Secretary to the Board of Directors of People's Bank. He serves as the Company Secretary of People's Travels (Pvt) Limited, People's Leasing Fleet Management Limited, People's Leasing Property Development Limited, People's Insurance Limited, People's Leasing Havelock Properties Limited and People's Microfinance Limited.

CORPORATE MANAGEMENT



1. MR. D.P. KUMARAGE
Chief Executive Officer /
General Manager

2. MR. SANJEEWA BANDARANAYAKE
Deputy General Manager -
Finance & Administration

3. MR. LIONEL FERNANDO
Deputy General Manager -
Operations

4. MR. ROHAN TENNAKOON
Assistant General Manager -
Branch Operations



5. MR. DAMITH MALAVITHANTHILA
Assistant General Manager -
Branch Operations

6. MR. LAKSANDA GUNAWARDENA
Assistant General Manager -
Branch Operations

7. MR. PRABATH GUNASENA
Assistant General Manager - ICT
(Group)

8. MR. UDESH GUNAWARDENA
Assistant General Manager -
Internal Audit (Group)

CORPORATE MANAGEMENT

MR. D.P. KUMARAGE

Chief Executive Officer/ General Manager

Mr. Kumarage has been functioning as the CEO/ GM of People's Leasing & Finance PLC since September 1997. He is also the Managing Director of the subsidiary companies of People's Leasing & Finance PLC.

He has over 33 years of experience in Banking and Finance at People's Bank and retired as a Deputy General Manager. He holds a Postgraduate Diploma in Modern Banking and is a Passed Finalist of the Chartered Institute of Management Accountants UK. He is the Vice President of the Asian Leasing & Finance Association and the Chairman of the Leasing Association of Sri Lanka. In addition, he serves as a Non-Executive Director of SANASA Development Bank and Lanka Ashok Leyland PLC and is a Director of the Financial Ombudsman Sri Lanka (Guarantee) Limited (FOSL).

MR. SANJEEWA BANDARANAYAKE

Deputy General Manager - Finance & Administration

Mr. Bandaranayake is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, Member of the Institute of Certified Management Accountants of Australia, Fellow of the Society of Certified Management Accountants of Sri Lanka and a finalist of the Chartered Institute of Management Accountants (UK) and possesses five years experience at Ernst & Young Chartered Accountants. He has over 20 years of post qualifying experience at a very senior level in the finance sector and joined People's Leasing & Finance PLC in July 2007. He currently serves as the Deputy General Manager, Finance & Administration.

He is a Director of the Credit Information Bureau of Sri Lanka and Vice President of the Asian Financial Services Association (AFSA). He was a former Chairman of the Leasing Association of Sri Lanka, a former Committee Member of the Ceylon Chamber of Commerce and a former council member of the Sri Lanka Institute of Credit Management (SLICM).

MR. LIONEL FERNANDO

Deputy General Manager - Operations

Mr. Fernando joined People's Leasing & Finance PLC in 1995 and was promoted as the Deputy General Manager-Operations in 2013. Prior to assuming duties as Deputy General Manager - Operations he held various senior positions of the Company. He

has over 25 years experience in banking and finance sector. He is an Associate Member of the Institute of Chartered Accountants of Sri Lanka and an Associate Member of the Institute of the Bankers of Sri Lanka. He holds a Postgraduate Diploma in Business & Financial Administration from the Institute of Chartered Accountants of Sri Lanka.

MR. ROHAN TENNAKOON

Assistant General Manager - Branch Operations

Mr. Tennakoon is presently serving in the capacity of an Assistant General Manager-Branch operations, after serving in various capacities in PLC over a period of almost 16 years. He also, holds the position of Head of Islamic Division (Al-safa). He counts 23 years of experience in many diversified fields such as accounting, manufacturing and exporting and banking prior to joining the leasing sector.

He holds a Masters Degree in Business Administration (MBA) from the University of Colombo, a MSc in Management from the University of Sri Jayawardenapura, a BSc. in Business Administration – Special Degree (2nd Class Upper) from the University of Sri Jayawardenapura and is an Associate Member of the Institute of Bankers of Sri Lanka.

MR. DAMITH MALAVITHANTHILA

Assistant General Manager - Branch Operations

Mr. Malavithanthila joined People's Leasing & Finance PLC in 1996 and had been the head of Recoveries since the inception of the Company for 10 years and joined to Branch Operations. He is presently serving as an Assistant General Manager – Branch Operations and is in-charge of the North, North Central, North Western, Central and Sabaragamuwa provinces in Sri Lanka. He has over 25 years experience in banking and finance, and several years of experience in auditing and accounting. He is a finalist of the Institute of Chartered Accountants of Sri Lanka and an intermediate of the Institute of Bankers of Sri Lanka.

MR. LAKSANDA GUNAWARDENA

Assistant General Manager - Branch Operations

Mr. Gunawardena joined People's Leasing & Finance PLC in 2002 and had been the Head of the Corporate Leasing for 9 years. He is presently serving as an Assistant General Manager – Branch Operations. He has over

20 years experience in the fields of corporate and SME leasing, covering the areas of credit, marketing, recoveries, branch development & operations. He holds a Masters Degree of Business Administration (MBA), MSc in Strategic Marketing and a Diploma in Credit Management from the Sri Lanka Institute of Credit Management and is an Associate Member of the same institute.

MR. PRABATH GUNASENA

Assistant General Manager - ICT (Group)

Mr. Gunasena joined People's Leasing & Finance PLC in 1999 and has been the Head of ICT for the past 15 years. He holds a Masters Degree in Business Administration (MBA) from the University of Western Sydney (UWS). He holds a Diploma in Computer System Design from the National Institute of Business Management (NIBM), Sri Lanka. He is a member of the British Computer Society. He is presently serving as an Assistant General Manager – ICT and Head of ICT for PLC Group.

MR. UDESH GUNAWARDENA

Assistant General Manager - Internal Audit (Group)

Mr. Gunawardena joined People's Leasing & Finance PLC in 1999 as an Accountant and possesses over 15 years of experience at PLC. He is an Associate Member of the Institute of Professional Finance Managers (UK), Member of the Institute of Internal Auditors, and passed finalist of the Institute of Chartered Accountants of Sri Lanka. He holds a Diploma in Treasury, Investments and Risk Management from the Institute of Bankers of Sri Lanka and counts over 20 years experience in the field of finance, covering accounting, auditing, financial management, treasury operations and management information systems. He is also a world prize winner of the Australian Computer Society. Presently, he also serves as the Secretary to Board Audit Committees of People's Leasing & Finance PLC and People's Insurance Limited as appointed by the respective Boards.

CORPORATE MANAGEMENT



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3

1. MR. RANIL PERERA
Chief Manager - Branch Operations

2. MR. URESH JAYASEKARA
Chief Manager - Human Resources (Group)

3. MR. SAMAN LIYANAGE
Chief Manager - Deposits & Savings



4. MR. ANDY RATNAYAKE
Senior Manager - Risk Management & Control

5. MRS. KAMANI DEMATAWEWA
Senior Manager - Legal Recoveries

6. MRS. INOKA JAYAWARDHANA
Senior Manager - Group Corporate Affairs & Investor Relations

7. MR. OMAL SUMANASIRI
Senior Manager - Finance

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CORPORATE MANAGEMENT

MR. RANIL PERERA

Chief Manager - Branch Operations

Mr. Perera joined People's Leasing & Finance PLC in 1999 and currently serves as a Chief Manager-Branch Operations. He has over 15 years of experience at People's Leasing Group. He holds a Masters in Regional Development and Planning from the University of Colombo, Masters Degree in Business Administration (MBA) from the University of Manipal, Postgraduate Diploma in Economic Development from the University of Colombo and Bachelor's Degree in B.Com (Special) International Trade from the University of Sri Jayewardenapura and possesses part qualifications from the Chartered Institute of Marketing (UK) and the Institute of Chartered Accountants of Sri Lanka.

MR. URESH JAYASEKARA

Chief Manager - Human Resources (Group)

Mr. Jayasekara joined People's Leasing & Finance PLC in 2007. He holds a Bachelor's Degree of Science (Honours) from the University of Kelaniya. He obtained his Diploma in Management from the Open University and Postgraduate Diploma in Business Management from the University of Colombo. He also holds a Master's Degree in Business Administration (MBA) specialized in Human Resources Management from the University of Colombo. He has altogether 15 years of experience in the field of Human Resources including the garments, hospital and financial sectors. He functions as the Chief Manager - Human Resources and Head of HR for PLC Group.

MR. SAMAN LIYANAGE

Chief Manager - Deposits & Savings

Mr. Liyanage joined the Company in 2004 & currently functions as Chief Manager Deposits & Savings. He is an Associate Member of Sri Lanka Institute of Credit Management. He also holds a Masters Degree in Business Administration (MBA, from Sikkim Manipal University of India. He counts over 29 years of experience in the financial industry

MR. ANDY RATNAYAKE

Senior Manager - Risk Management & Control

Mr. Ratnayake joined People's Leasing & Finance PLC in 1997 and had been Head of Finance for 10 years. For the last Six years, he is the Head of Risk Management and involved in CSR/CRM initiatives. He is a member of the Institute of Internal Auditors

(United States) and holds two Bachelor's Degrees in Commerce (Peradeniya) and Arts – Public Administration (J' pura). He is also a Fellow Member of the Chartered Institute of Management Accountants - United Kingdom, and Chartered Global Management Accountant. Mr. Ratnayake is also a member of the Chartered Institute of Ship Brokers, Chartered Institute of Transport and a holder of a Postgraduate Diploma in Shipping from the Norwegian Shipping Academy.

Prior to joining the Company, he was the head of Internal Audit at Ceylon Shipping Corporation, General Manager at Central Freight Bureau and based in Riyadh Saudi Arabia as Audit Manager. He has over 38years experience in auditing, accounting, shipping and general management.

MRS. KAMANI DEMATAWEWA

Senior Manager - Legal Recoveries

Mrs. Dematawewa joined People's Leasing & Finance PLC in 2010, and serves as the Senior Manager - Legal Recoveries. She is an Attorney-at-Law and Notary Public and has over 26 years experience in the financial sector as a Senior Manager - Legal Recoveries and Company Secretary. She was a former Chairperson of the legal circle of the Finance Houses Association of Sri Lanka. She also holds a Diploma in Credit Management from the Sri Lanka Institute of Credit Management and won the President's award for best results in year 2001 and is an Associate Member of the same institute. Mrs. Dematawewa has been awarded the Post Attorney Diploma in Finance, Banking & Insurance Laws by the Institute of Advance Legal Studies of the Incorporated Council of Legal Education in 2012.

MRS. INOKA JAYAWARDHANA

Senior Manager - Group Corporate Affairs & Investor Relations

Mrs. Jayawardhana is an Attorney-at-Law and possesses over 13 years' experience in corporate and commercial law. Prior to joining People's Leasing & Finance PLC, she was a Senior Legal Counsel (January 2009 - July 2010) and an Associate (January 2001- December 2008) at M/s. F. J. & G. de Saram, Attorneys-at-Law & Notaries Public. Mrs. Jayawardhana was also a Director of Corporate Services (Private) Limited, an Associate of M/s. F. J. & G. de Saram providing corporate secretarial services to the clients of the said firm. During her career at M/s. F. J. & G. de Saram, she was seconded

to Overseas Realty (Ceylon) PLC, the owners of the World Trade Centre Building, as Manager Legal. Mrs. Jayawardhana also holds a Diploma in International Relations from the Bandaranaike Centre for International Studies, Colombo, Sri Lanka. She functions as the Senior Manager-Group Corporate Affairs & Investor Relations.

MR. OMAL SUMANASIRI

Senior Manager – Finance

Mr. Sumanasiri joined People's Finance PLC in 2010 as the Deputy Manger – Finance and later promoted as the Manager – Finance of People's Leasing & Finance PLC upon the amalgamation of People's Finance PLC with the People's Leasing & Finance PLC. Currently he serves in the capacity of Senior Manager – Finance. Prior to his appointment at People's Finance he served as a Senior Manager - Assurance at Ernst & Young Chartered Accountants. He holds Bachelor's Degree in Business Management (Accountancy) (1st Class) from the University of Kelaniya. He is an Associate Member of the Institute of Chartered Accountants of Sri Lanka and the Institute of Certified Management Accountants of Sri Lanka. He possesses over 10 years of experience in the fields of Accounting and Auditing.

BRANCH MANAGERS



1. MR. DUSHANTHA SAMARAJEEWA - Executive/O.I.C- Nittambuwa 2. MR. NALIN DE SILVA - Manager - Chilaw
 3. MR. SARATH AGALLA - Asst. Manager/Actg OIC - Wennappuwa 4. MR. NILANGA FERNANDO - Snr. Executive/OIC - Awissawella
 5. MR. SANJEEWA BUTHPITIYA - Snr. Executive/OIC - Minuwangoda 6. MR. SAMANTHA ABEYWICKRAMA - Manager - Embilipitiya
 7. MR. MAHENDRA AMUNUGAMA - Asst. Manager/OIC - Pilimathalawa 8. MR. M. KIRUPAKARAN - Asst. Manager/OIC - Trincomalee
 9. MR. SUMEDHA MAHANAMA - Snr. Manager - Kurunegala 10. MR. DULIP GOMES - Dep. Manager/Actg OIC - Ja-Ela
 11. MR. ASELA BANDARA - Manager - Kandy 12. MR. ROSHAN MADAWALA - Snr. Executive/OIC - Polonnaruwa
 13. MR. MOHAMED ASLAM - Dep. Manager/OIC - Union Place 14. MR. SUMITH JAYASINGHE - Dep. Manager / OIC - Wariyapola



1. MR. CHAMIL HERATH - Snr. Manager - Kelaniya 2. MR. RASIKA SENEVIRATHNE - Executive/OIC - Vavuniya
 3. MR. NIRANJAN FERNANDO - Manager - Kalutara 4. MR. V. P. SAMAN - Asst. Manager/OIC - Akuressa
 5. MR. AMILA WALPITAGAMA - Asst. Manager/OIC - Panadura 6. MR. KESHIKE KARUNARATHNE - Snr.Executive/OIC - Ampara
 7. MR. KANAPATHIPILLAI ANANTHERAJA - Manager - Jaffna 8. MR. CHAMINDA YAPA - Manager - Budulla
 9. MRS. PRIYANKA WIMALASENA - Manager - Nugegoda 10. MR. NEIL THUSHANTHA - Snr. Manager - Nuwara-Eliya
 11. MR. SISIRA GAMAGE - Snr.Executive/OIC- Three Wheel Unit 12. MR. CHANDANA SAMANTHA - Asst. Manager/OIC - Mahiyanganaya
 13. MR. SAMANTHA SENAVIRATHNE - Manager - Gampaha 14. MR. CHAMIL KUMARAPPERUMA - Snr.Executive/Actg OIC - Monaragala
 15. MR. Y. PREMARATHNE - Snr. Manager - Rathnapura

BRANCH MANAGERS



15. MR. CHANDANA KUMARA - *Asst. Manager/OIC - Wattala* 16. MR. BANDULA SAMARAJEWA - *Dep. Manager /Actg. OIC - Homagama*
 17. MR. ASELA WEERAKOON - *Snr.Executive/O.I.C - Matale* 18. MR. ANURADHA JAYASINGHE - *Asst. Manager/OIC - Kaduwela*
 19. MR. SHIRON RANASINGHE - *Snr. Manager - Battaramulla* 20. MR. MOHAMAD AMEEN - *Executive /Actg OIC - Kandy Al-Safa*
 21. MR. NALAKA SURESH - *Snr.Executive/OIC - Dambulla* 22. MR. SUMUDU FERNANDO - *Dep. Manager/OIC - Havelock*
 23. MR. SUSIL PRIYANTHA - *Manager - Anuradhapura* 24. MR. DULEEPA WEERAKOON - *Dep. Manager/OIC - Ward Place*
 25. MR. PADMASIRI KUMARASINGHE - *Snr.Executive/Actg OIC - Kuliypitiya* 26. MR. KANCHANA WARIYAPOLA - *Dep. Manager/OIC - Grandpass*



16. MR. CHANDIKA JAYAWEERA - *Dep. Manager/OIC - Bandarawela* 17. MR. SHANAKA CHAMINDA - *Snr.Executive/Actg OIC - Tissamaharama*
 18. MR. R. PRIYANKARA - *Snr. Manager - Negombo* 19. MR. NISHANTHA WEERASINGHE - *Manager - Matara*
 20. MR. HASANTHA DE SILVA - *Snr. Manager - Galle* 21. MR. BERNARD SUTHARSAN - *Dep. Manager/OIC - Batticaloa*
 22. MR. NANADANA WEERAKKODY - *Manager - Metropolitan* 23. MR. CHAMINDA DHARMARATHNE - *Dep. Manager/OIC - Colpity*
 24. MRS. SHAMALA SEGARAJASINGHE - *Asst. Manager/OIC - Wellawatta* 25. MR. SAMINDA RATNAYAKE - *Asst. Manager/OIC - Kegalle*
 26. MR. RUWAN PRADEEP - *Asst. Manager/OIC - Ambalangoda* 27. MR. BUDDIKA HETTIARACHI - *Executive /Actg OIC - Horana*
 28. MR. ARUNA SANTHA - *Asst. Manager/OIC - Neluwa* 29. MR. ISHAN SENADHEERA - *Snr.Executive/OIC - Ambalantota*
 30. MR. AMILA WANNIARACHCHI - *Executive /Actg OIC - Deniyaya*

CORPORATE GOVERNANCE



AT PLC, WE BELIEVE THAT GOOD GOVERNANCE HAS FOUR FUNDAMENTAL *components:*

LEADERSHIP - CLEAR AND WELL-COMMUNICATED; **CHALLENGE** - FOCUSED AND EFFECTIVE;
OVERSIGHT - ACTIVE AND COMPREHENSIVE; **QUESTIONING** - RIGOROUS AND SUSTAINED.

CHAIRMAN'S STATEMENT ON CORPORATE GOVERNANCE

DEAR STAKEHOLDER,

It is my pleasure to present to you on behalf of my fellow Board members, the Corporate Governance Report of PLC for 2013/14.

This report sets out PLC's approach to corporate governance practices and the manner in which it ensures the adherence to the requirements of the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka (ICASL) and the Securities and Exchange Commission of Sri Lanka (SEC), Corporate Governance Rules embedded in the Listing Rules of the Colombo Stock Exchange (CSE), Finance Companies (Corporate Governance) Directions No. 3 of 2008, No. 4 of 2008 and No. 6 of 2013 issued by the Central Bank of Sri Lanka and the emerging best practices being followed worldwide.

Recognising that a well-governed company takes a long-term view, the Board is committed to integrate environmental and social responsibilities in analysing risks,

discovering opportunities and allocating capital in the best interests of its stakeholders whilst being committed to upholding integrity, transparency and accountability.

The governance structure of the Company demonstrates distinction of the functions between the Board and the Management while at the same time fostering accountability and effective coordination.

In its continued commitment towards good practices in Corporate Governance, the Board's main focus during 2013/14 was to identify and address the gaps in the Company's governance process in line with the internationally acclaimed and emerging best practices. This is discussed in detail in the section on "Governance in Action" on page 141.

Looking ahead, the Board will continue to focus on improving its effectiveness and responding appropriately to be current with the developments taking place in the governance environment. We remain committed to transparency and continuous improvement in our reporting as we continue on our corporate journey.

Concluding, I wish to confirm that, except to the extent disclosed in this Report, I am not aware of any material non-compliances of any of the provisions in the Code of Best Practice on Corporate Governance issued jointly by ICASL and the SEC, Listing Rules of the CSE, the Finance Companies (Corporate Governance) Directions and the Code of Business Conduct & Ethics of the Company.

Gamini S. Senarath
Chairman
19th May 2014

CORPORATE GOVERNANCE

GOVERNANCE PHILOSOPHY

Working on a core value triad of economic viability, environmental responsibility and social accountability, PLC firmly believes that sound governance practices form the cornerstone of effective decision making that ensures corporate success and sustainable value creation.

The corporate culture is based on an organisational environment where sound governance practices have become a way of life in daily operations for each member within the PLC Group. This encompasses four key practices instilled into the Group strategy:

- ◆ Compliance with the law and commercial legitimacy;
- ◆ Fair treatment of employees and business partners;
- ◆ Responsibility to the environment and the community in which it operates; and
- ◆ Probity, integrity and business ethics in its operational practices.

COMPLIANCE STATEMENT

PLC continues to be committed to the highest standards of Corporate Governance and believes that such standards underpin its ability to function with integrity and accountability, to systematically and independently review risks and opportunities and to make decisions that will render sustainable value.

PLC has complied throughout the year with the provisions of the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka (ICASL) and the Securities and Exchange Commission of Sri Lanka (SEC), Corporate Governance Rules embedded in the Listing Rules of the Colombo Stock Exchange (CSE), Finance Companies (Corporate Governance) Directions No. 3 of 2008, No. 4 of 2008 and No. 6 of 2013 except in respect of the composition of the Board (i.e. balance of Independent to Non-Independent Directors and Senior Independent Director) which was subject to changes several times as set out in the table below.

Period	Description of change	Balance of Board after the change	Status of Compliance
18th April –17th July 2013	Resignation of Mrs. M. G. Jinadasa - 18th April 2013	4 Non-Independent Directors 1 Independent Director	Non-compliant
18th July -26th September 2013	Appointment of Mr. P. Kudabalage and Mr. H. H. A. Chandrasiri - 18th July 2013 Designation of Mr. P. A. I. S. Perera as Senior Independent Director - 6th August 2013	5 Non-Independent Directors 2 Independent Directors	Compliant
27th September – 13th October 2013	Resignation of Dr. D. J. D. Jayakody - 27th September 2013	4 Non-Independent Directors 2 Independent Directors	Compliant
14th October – 31st March 2014	Resignation of Mr. H. G. W. S. S. Bandara - 14th October 2013	3 Non-Independent Directors 2 Independent Directors	Compliant

GOVERNANCE IN ACTION

KEY INITIATIVES - BOARD AND BOARD SUB-COMMITTEES

In its continued commitment to foster and maintain the highest standards of governance in all operational aspects, the following key actions were initiated by the Board and its sub-committees during the year under review:

- ◆ Ensured that PLC's corporate governance practices are set to comply with the updated Code of Best Practice on Corporate Governance 2013 issued jointly by ICASL and SEC;
- ◆ Formalised the composition of the Assets & Liabilities Committee (ALCO) which is responsible for coordinating the Company's borrowing and lending strategy and funds acquisition to meet profitability objectives within its risk appetite; the Terms of Reference of ALCO was revisited and refined;
- ◆ Pursuant to the amalgamation of People's Finance PLC with PLC with effect from 2nd April 2013, reviewed, revised and adopted operational policies, procedures and manuals in line with the amalgamated business;
- ◆ Adopted a comprehensive three year strategic business plan in compliance with the Finance Companies (Corporate Governance) Direction No. 3 of 2008;
- ◆ Implemented and subsequently reviewed for compliance the following recommendations to the existing corporate governance practices and procedures of PLC made by the External Auditors, M/s. Ernst & Young, Chartered Accountants in line with the Corporate Governance Direction issued by the Central Bank of Sri Lanka;
 - (i) designated Mr. P. A. I. S. Perera as the "Senior Independent Director" with Board approved Terms of Reference; and
 - (ii) initiated steps to implement a system by which details of related party transactions could be retrieved through the system and monitored and reported accordingly.
- ◆ Reconstituted the Board sub-committees pursuant to the appointment of new directors in July 2013;
- ◆ Re-designated the "Remuneration Committee" as "Remuneration & Nomination Committee" and revised the Terms of Reference thereof accordingly;
- ◆ Voluntarily adopted the Code of Best Practices on Related Party Transactions and appointed a Related Party Transactions Review Committee with Board approved Terms of Reference;
- ◆ Reviewed and updated Company's Risk Appetite Statement in line with the market sentiments;
- ◆ Initiated steps to streamline corporate social responsibility (CSR) initiatives of PLC with the objective of ensuring that all such initiatives are undertaken with sustainability platform at the core;
- ◆ Initiated a satisfaction survey of the customers, a key stakeholder towards sustainable growth, to identify gaps and further improvements in relationship;
- ◆ Initiated an audit to re-affirm the compliance of the Information Management System with the ISO/IEC 27,001: 2005 Information Security Management System Standard.

CORPORATE GOVERNANCE

“
THE PURPOSE OF CORPORATE GOVERNANCE IS TO FACILITATE EFFECTIVE ENTREPRENEURIAL AND PRUDENT MANAGEMENT THAT CAN DELIVER THE LONG-TERM SUCCESS OF THE COMPANY
 ”

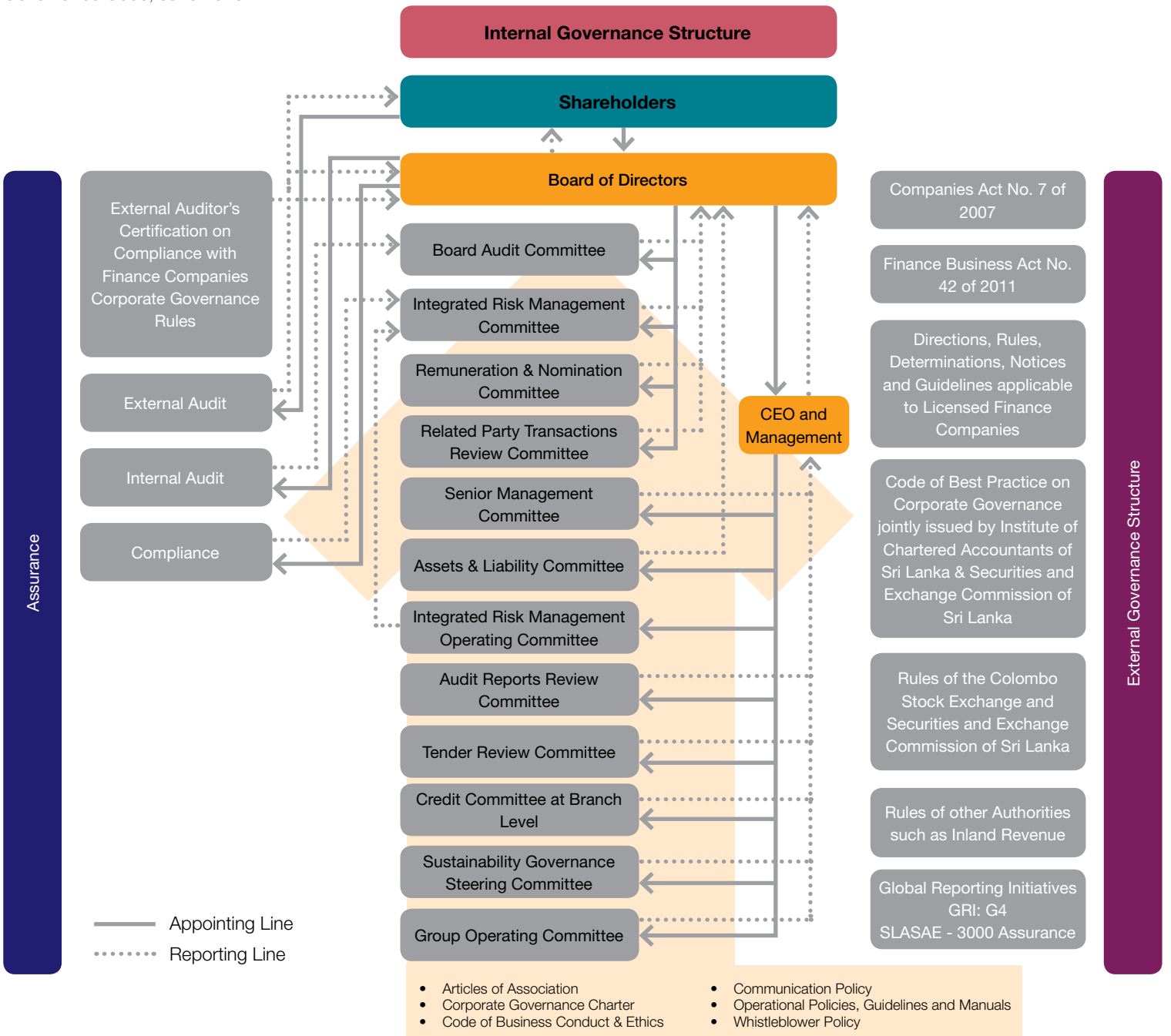
Financial Reporting Council UK Corporate Governance Code, June 2010

GOVERNANCE FRAMEWORK

At PLC, the ultimate responsibility to ensure that it operates within a robust and sound governance framework rests with the Board of Directors. Accordingly, the Board provides entrepreneurial leadership within a framework of prudent and effective controls enabling risks to be assessed and managed whilst setting the Company's values and standards to meet the obligations towards the shareholders and other stakeholders.

Thus, the governance framework of the Company is based on the following key elements,

- A. **Internal Governance Structure** comprising the units and components within the Company that ensures effective monitoring and execution of governance related initiatives, systems and processes thus inculcating a culture of good governance and ensuring the sustainability of the business model.
- B. **External Governance Structure** within which the Company operates towards conforming to applicable laws, regulations and best practices.
- C. **Assurance** which is the supervisory module of the Company's corporate governance framework that ensures integrity of operations.



CORPORATE GOVERNANCE

A. INTERNAL GOVERNANCE STRUCTURE

Internal governance structure of PLC which allows for effective and efficient decision making with clear accountabilities, is based on the following four mainstays as demonstrated in the governance framework on page 142.

1. The Board of Directors

The Board is PLC's highest decision-making body and is ultimately responsible for governance. The governance framework, depicted on page 142, enables the Board to balance its role of providing risk oversight and strategic counsel simultaneously ensuring adherence to regulatory requirements and risk tolerance.

2. Board Sub-Committees

Some of the functions of the Board are delegated to Board Sub-Committees. However, the Board as a whole remains responsible for the areas covered by these Sub-Committees.

3. Management Committees

Under the stewardship and direction of the Board of Directors, the Management Committees implement the policies and strategies determined by the Board and manage the business and affairs of PLC.

4. Internal Charters and Policies

The internal charters and policies support a higher growth, institutionalisation of best processes for governance, management of risk, controls and compliances across the organisation. These form a basis for the Board and the Management to develop and maintain a transparent and effective internal control system.

1. THE BOARD OF DIRECTORS

The Board of Directors sets the strategic objectives of PLC, determines its operational policies and performance criteria and delegates to the Management the detailed planning and implementation of those objectives and policies in accordance with appropriate risk parameters. The Board also monitors compliance with policies and actual performance against set objectives by holding the Management accountable for its activities through regular dialogue.

Principle Responsibilities and Duties

The Board's principle responsibilities and duties are clearly defined in the Company's Corporate Governance Charter and include:

- ◆ Formulation and implementation of an overall sound business strategy ("Business Plan") including an overall risk policy and establishing the Vision, Mission and Corporate Values of PLC;
- ◆ Ensure that the Chief Executive Officer ("CEO") and Key Management Personnel ("KMP") possess the skills, experience and knowledge to implement the strategy;
- ◆ Adoption of an effective CEO and KMP succession strategy;
- ◆ Ensure meetings are held regularly with KMP to review policies, establish lines of communication and monitor progress towards corporate objectives;
- ◆ Ensure effective systems to secure integrity of information, internal controls, and risk management;
- ◆ Exercise due diligence in hiring and oversight of External Auditors;
- ◆ Ensure compliance with laws, regulations and ethical standards;
- ◆ Ensure all stakeholder interests are considered in corporate decisions and such decisions are communicated amongst all stakeholders including depositors, creditors, shareholders and borrowers;
- ◆ Ensure that PLC's values and standards are set with emphasis on adopting appropriate accounting policies and foster compliance with financial regulations; and fulfill such other Board functions as are vital, given the scale, nature and complexity of the business concerned; and
- ◆ Review the effectiveness of governance practices within and make amendments as required and to be current.

Composition of the Board

As at 31st March 2014, all five Directors of PLC were Non-Executive Directors of whom two were Independent Directors thus complying with the required balance between the Independent to Non-Independent Directors.

Composition of the Board as at 31st March 2014 was as follows,

No of members	Executive	Non-Executive	Independent	Non Independent	Gender Representation		Age Distribution		
					Male	Female	Below 50	50-60	60-70
05	Nil	05	02	03	05	Nil	01	03	01

Board Diversity

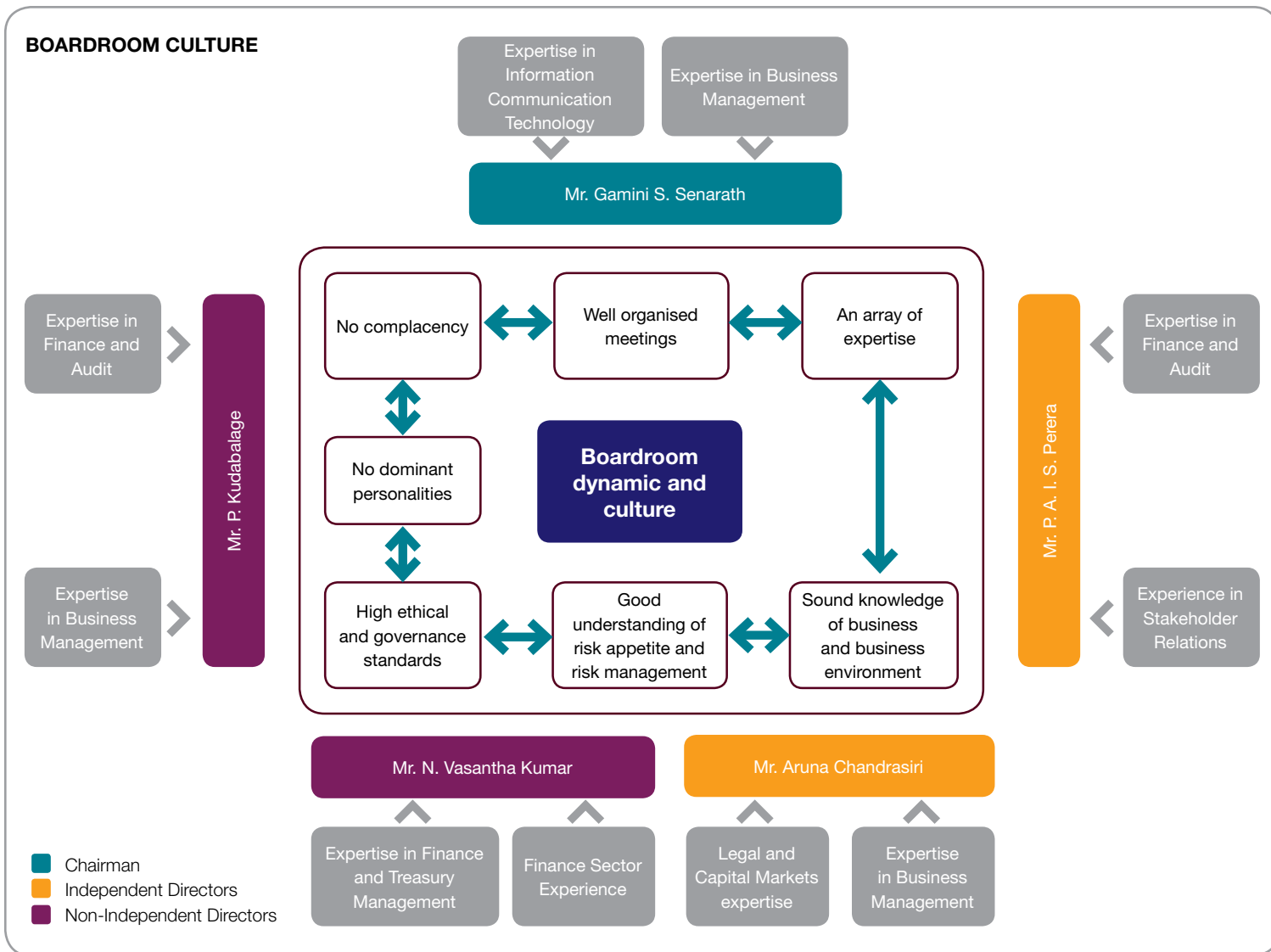
PLC is committed towards a balanced and diversified Board leading to a culture of leadership that provides a long-term vision and policy thinking and thereby improving the quality of governance.

The Board is comprised of experienced and influential individuals with diverse backgrounds and expertise. Their mix of skills and business experience is a major contributor to the proper functioning of the Board and its committees, ensuring that matters are fully debated and that no individual or group dominates the Board's decision making processes.

Name of Director	Directorships in Other Institutions					
	Institutions within the Finance Sector	Others	Listed		Non-listed	
			Executive Capacity	Non-Executive Capacity	Executive Capacity	Non-Executive Capacity
Mr. Gamini S. Senarath	02	10	-	-	-	12
Mr. P. Kudabalage	03	13	-	02	09	05
Mr. N. Vasantha Kumar	07	02	-	-	-	09
Mr. P. A. I. S. Perera	-	08	-	01	01	06
Mr. H. H. A. Chandrasiri	-	04	-	-	01	03

The below graph well demonstrates the diverse and varying expertise of each of the Directors and the value addition they make to the decision making process at the Board level.

CORPORATE GOVERNANCE



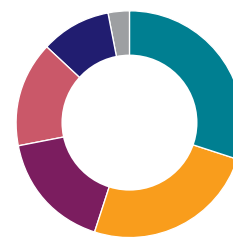
“
GOOD CORPORATE GOVERNANCE IS ESSENTIAL TO CREATE TRUST AND ENGAGEMENT BETWEEN COMPANIES AND THEIR STAKEHOLDERS, THUS CONTRIBUTING TOWARDS THE LONG-TERM SUCCESS OF THE BUSINESS
”

Board Meetings and Participation

Unless the business exigencies demand the convening of additional special meetings, Board meetings are usually held on a monthly basis. At each of these meetings, the Chief Executive Officer reports to the Board an update on the progress of implementing the business strategy, operational performance and funding strategy. The Board also receives reports from the Board Committees from time to time and may also receive reports from the Company Secretary on any relevant corporate governance matters.

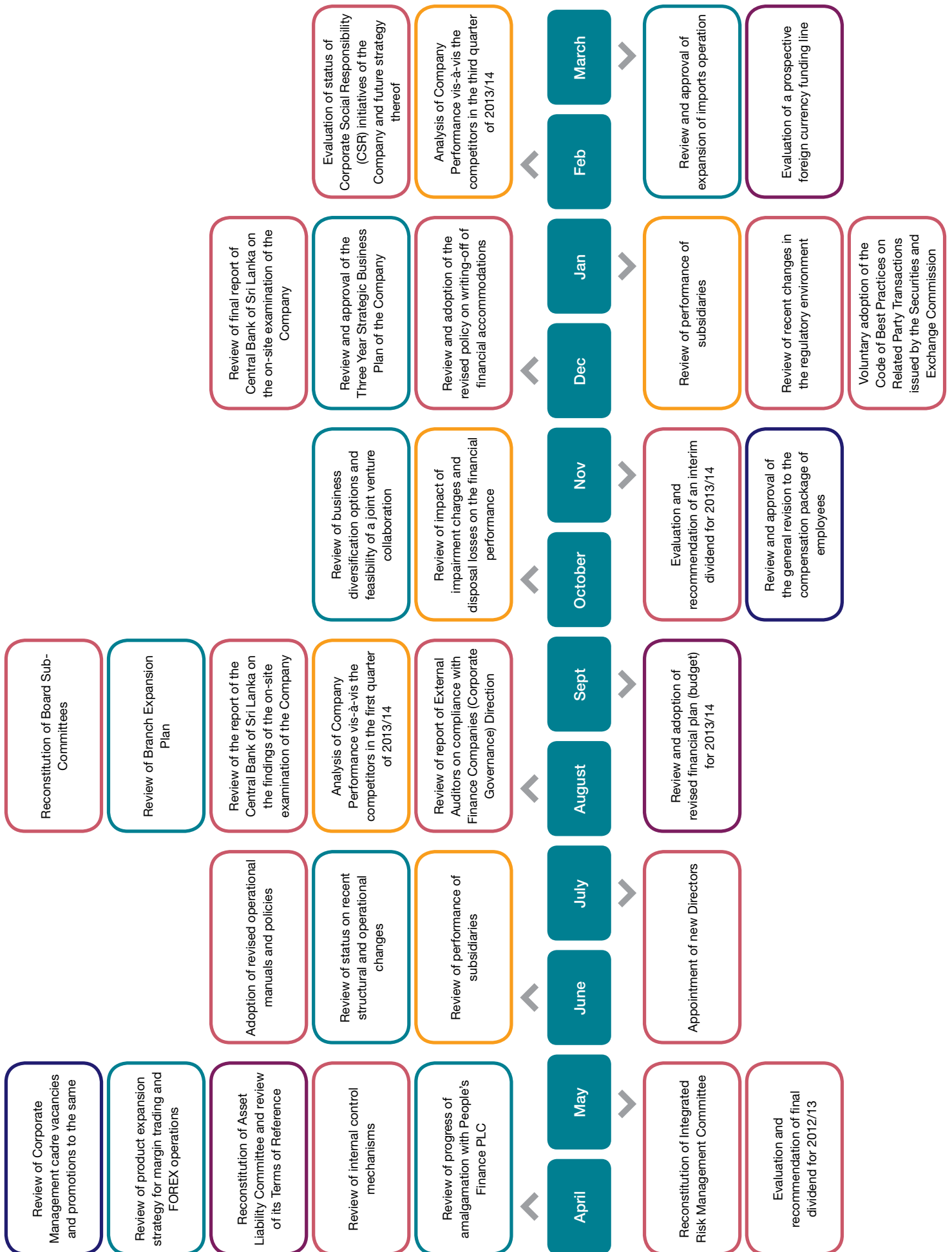
Directors ensure that they are able to dedicate sufficient time and attention to the affairs of the Company.

The key focuses of the Board during the year 2013/14 and the manner in which the Board allocated its time at scheduled Board meetings during 2013/14 is presented in the diagrams set out below.



Business Strategy	30%
Performance	25%
Finance	17%
Governance	15%
Human Capital Management	10%
Other	3%

CORPORATE GOVERNANCE



CORPORATE GOVERNANCE

The Chairman

The posts of Chairman and the Chief Executive Officer (CEO) were held separately by Mr. Gamini S. Senarath and Mr. D. P. Kumarage respectively thereby, ensuring the balance of power and authority.

The Chairman provides leadership to the Board and is responsible for governance and the effective operations of the Board. The Chairman also sets the agenda, style and the tone of the Board deliberations and ensures that opinions of all Directors are appropriately considered in decision making.

Senior Independent Director

In compliance with the requirements of Finance Companies (Corporate Governance) Direction No. 3 of 2008, the Board of Directors of PLC has designated Mr. P. A. I. S. Perera as the Senior Independent Director with Board approved Terms of Reference. The role of the Senior Independent Director is to act as a support to the Chairman, to be a point of contact for shareholders to address their concerns and issues and to assist the other members of the Board as a whole in resolving issues in periods of stress.

Avoidance of Conflicts of Interest

In terms of the Code of Business Conduct and Ethics of PLC, 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 refrain from engaging themselves in the deliberations on that matter and abstain from voting thereon. Such abstentions from decisions are duly recorded by the Company Secretary in the minutes.

Directors Attendance at Board meetings

Name of Director	No. of meetings eligible to attend	No. of meetings attended
Mr. G. S. Senarath	14	14
Mr. P. Kudabalage	10	09
Mr. N. Vasantha Kumar	14	14
Mr. P. A. I. S. Perera	14	09
Mr. H. H. A. Chandrasiri	10	09
Dr. D. J. D. Jayakody*	06	05
Mr. H. G. W. S. S. Bandara*	07	02

* resigned from the office of Director prior to the financial year end.

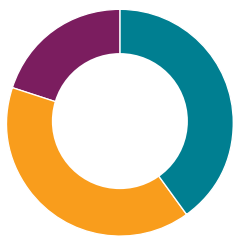
Directors' Remuneration

Page 188 of this report provide the information relating to remuneration procedure and page 222 provides details on Director's remuneration.

Succession Planning

The Board plans for its own succession with the assistance of the Remuneration and Nomination Committee. The key considerations that are taken into account by the Board in this process include the following,

- ◆ skills, expertise and experience necessary to meet the strategic vision for the business;
- ◆ means by which Board performance could be enhanced, both at an individual director level and at the composite level;
- ◆ skills, expertise and experience currently represented at the Board and skills, expertise and experience not adequately represented at the Board; and
- ◆ the process necessary to ensure the selection of a candidate who possesses those qualities.



TENURE OF THE BOARD AS AT 31ST MARCH 2014

■ 0-1 year	40%
■ 1-4 years	40%
■ 4-8 years	20%

CORPORATE GOVERNANCE

Board Induction and Access to Information and Advice

New Directors are provided with an induction on joining the Board by apprising them comprehensively on the values and the culture of PLC, business and operations of the Group and its strategy, policies, governance framework and processes and their responsibilities as a Director in terms of the applicable rules and regulations.

The Directors have access to information that is required for effective and efficient discharge of their responsibilities. PLC has an established procedure that enables the Directors to seek the advice of the Company Secretary and other independent professional advisors.

Board Evaluation

In the last quarter of 2013/14, the Board carried out a comprehensive self-evaluation of its performance and its committees. This process was led by the Chairman and supported by the Company Secretary.

Views of all Directors were canvassed in respect of the performance of the Board as a whole as well as of its committees by requiring the individual Directors to complete a confidential questionnaire. The assessment focused, inter-alia, on the Board's effectiveness in the following areas:

- ◆ Contribution to the development, monitoring and implementation of the strategy;
- ◆ Contribution to ensuring robust and effective risk management;
- ◆ Quality of the relationships with the management, employees and shareholders;
- ◆ Its contribution to ensuring proper functioning of Board Sub-Committees.

The full results of the Board evaluations were then analysed by the Company Secretary and the findings were presented to the Board. Based on these findings, it is duly affirmed that the Board and its committees operated effectively during the year under review.

Subsidiary Companies' Monitoring Framework

All subsidiary companies of PLC are managed by their respective Boards under the rights and obligations as set out in the respective companies' articles in the best interest of their stakeholders. PLC monitors performance of subsidiary companies, inter-alia, by the following means:

- ◆ Financial and operational performance of subsidiaries are regularly reviewed at PLC Board level;
- ◆ The Board Audit Committee, with the assistance of PLC's internal audit department who acts as the Group audit reviews the internal controls that are in place within the subsidiaries;
- ◆ The risk management division through its risk management framework monitors the risk management activities of subsidiaries and reports to the Integrated Risk Management Committee who monitors Group-wide risk management activities; and
- ◆ All transactions with subsidiaries are regularly reported to the Board.

Stakeholder Engagement

Recognising the importance of two-way communication with its stakeholders, PLC has adopted a comprehensive policy that governs communications with its different stakeholders which is based on the following four guiding principles:

- ◆ Efficiency
- ◆ Transparency
- ◆ Clarity
- ◆ Cultural awareness and feedback

The Board places considerable importance to the maintenance of constructive relationships with shareholders and its other stakeholders.

Effective two way communication with institutional investors and analysts is established through regular meetings, presentations and roadshows in Sri Lanka and overseas led by the Directors and Corporate Management. PLC's corporate website: www.plc.lk has information for institutional and retail shareholders alike.

In addition, PLC has established a separate Investor Relations function at the Senior Management level to assist the shareholders seeking information and assistance. Further, the Senior Independent Director is available to discuss with shareholders any major issues that cannot be resolved through normal channels.

Role of the Company Secretary

The Company Secretary plays an important role in ensuring that the Board procedures are followed and regularly reviewed and that all relevant information, details and documents are made available to the Directors and Senior Management for effective decision-making at the meetings.

The Corporate Governance Charter of PLC contains specific provisions and procedure for all the Directors to have access to the advice and services of the Company Secretary, whenever it is required.

Accountability and Audit

The Board has the overall responsibility for ensuring that PLC maintains an adequate system of internal controls and risk management and for reviewing its effectiveness. The Board Audit Committee, on behalf of the Board, undertakes the detailed monitoring of the controls and reports to the Board on its findings; whilst the Integrated Risk Management Committee assesses all risks, i.e., credit, market liquidity, operational and strategic risks on a monthly basis through appropriate risk indicators.

The Board has reviewed the system of internal controls including financial controls for the year under review.

CORPORATE GOVERNANCE

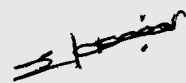
SENIOR INDEPENDENT DIRECTOR'S STATEMENT

The Board of Directors together with the Company Secretary is committed to provide sound and effective leadership. The Chairman's Statement on Corporate Governance affirms PLC's compliance to the corporate governance codes prescribed by the relevant regulatory and statutory bodies.

The Independent Non-Executive Directors are aware of and consistent in their accountability towards the Company's stakeholders. As the Senior Independent Director, I affirm that I am disposed towards my responsibility to address any concerns and issues relating to the shareholders of the Company.

As set out in this report, the Directors provide structured feedback on the effectiveness of the Board and each of the Board Committees through the annual performance evaluation process supports the Board to benchmark its own performance and understand areas of improvement and adopt best and current practices.

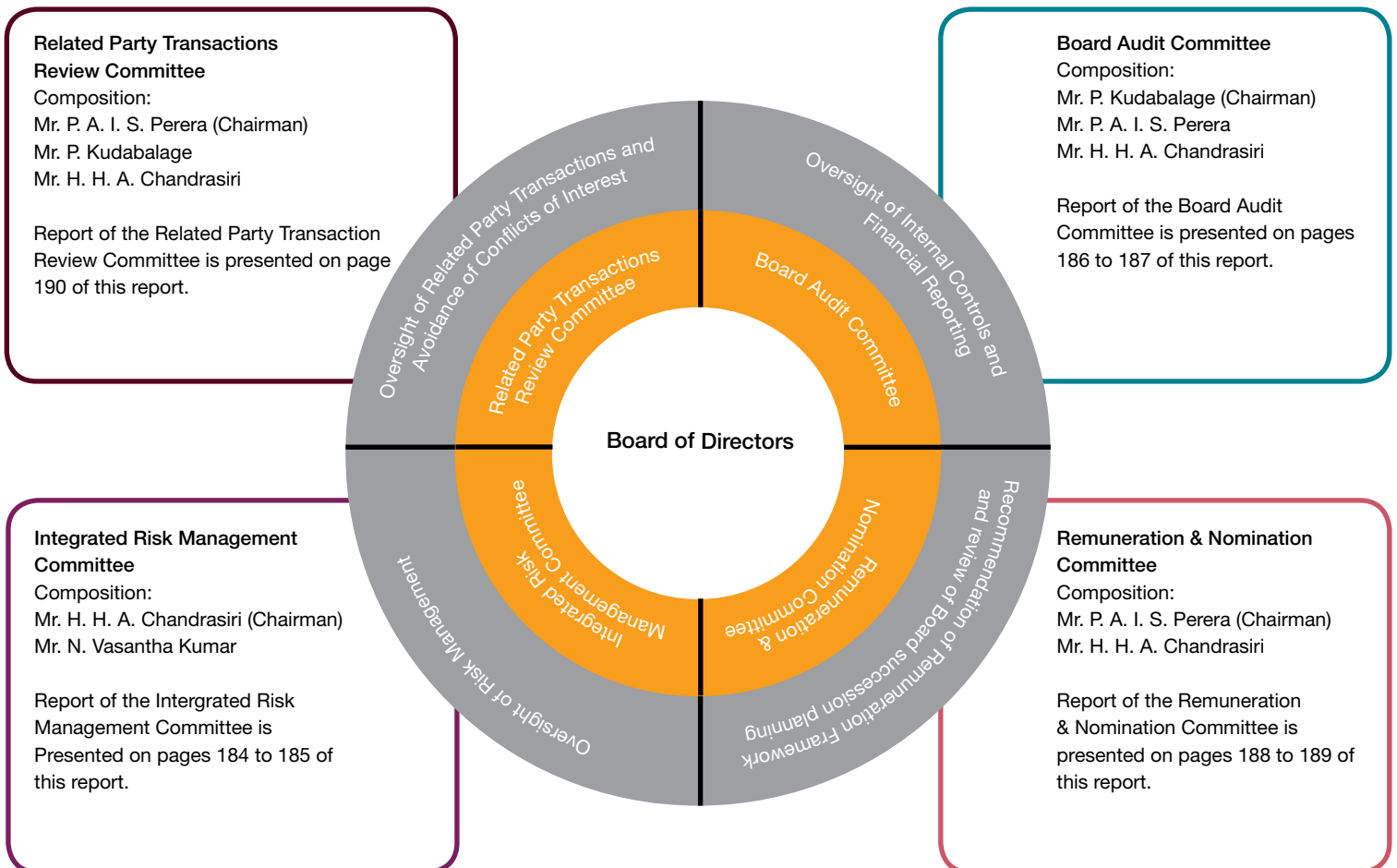
The Independent Non-Executive Directors are satisfied that PLC's corporate governance controls have been effective throughout the financial year 2013/14.



P. A. I. S. Perera
Senior Independent Director

2. BOARD SUB-COMMITTEES

The Board has delegated certain of its functions to a number of Sub-Committees as shown in the diagram below. These Sub-Committees are provided with sufficient resources enabling them to focus on their designated areas of responsibility and ensure independent oversight.



CORPORATE GOVERNANCE

Attendance at Meetings - Board Sub-Committees – FY 2013/14

Name of Director	Board Audit Committee		Integrated Risk Management Committee	
	No. of meetings eligible to attend	No. of meetings attended	No. of meetings eligible to attend	No. of meetings attended
Mr. P. Kudabalage	04	04	N/A	N/A
Mr. N. Vasantha Kumar	04	04	04	04
Mr. P. A. I. S. Perera	07	02	N/A	N/A
Mr. H. H. A. Chandrasiri	03	03	02	02
Dr. D. J. D. Jayakody*	03	03	02	02
Mr. H. G. W. S. S. Bandara*	N/A	N/A	02	01
Mr. D. P. Kumarage	N/A	N/A	04	03
Mr. K. S. Bandaranayake	N/A	N/A	04	04
Mr. L. Fernando	N/A	N/A	04	04

N/A - Not a member of the committee

* Ceased to be a member prior to the financial year end.

3. MANAGEMENT COMMITTEES

In order to ensure that internal operations are managed under the guidance of the Board, several cross-functional committees are formed at the management level. Under the stewardship and direction of the Board of Directors, these committees implement the policies and strategies determined by the Board and manage the business and affairs of PLC with the main objective of improving on sustainable growth.

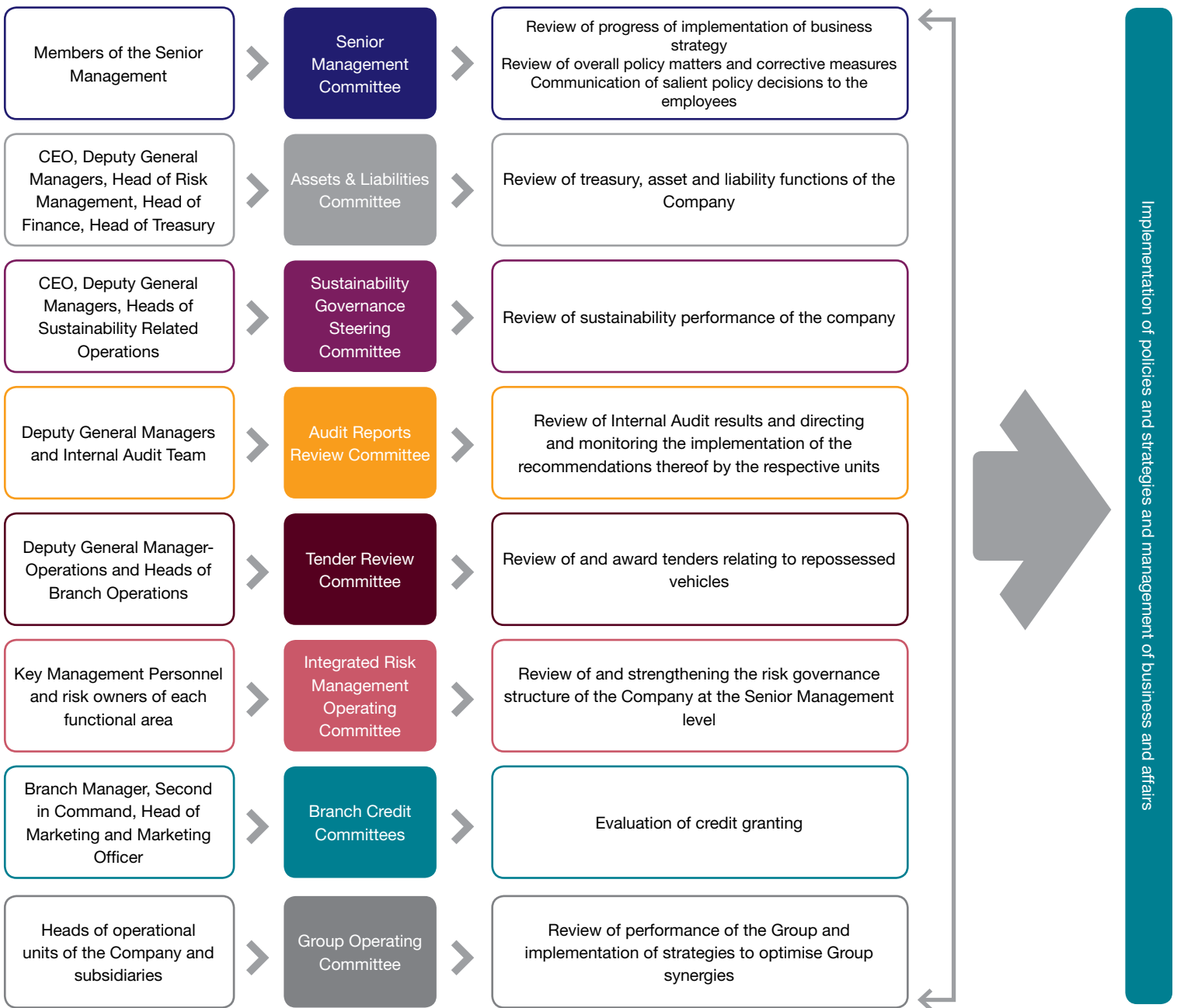
Role of the Chief Executive Officer (CEO)

The day to day running of PLC's operations is managed by the Company's Senior Management Team, headed by the CEO/ General Manager. The CEO/ General Manager is responsible and accountable to the Board to recommend the Company's strategy and its subsequent implementation, to ensure that appropriate internal controls are in place to manage and assess risk and that they are fully complied with.

Management Committees

The cross-functional committees at the management level of PLC and the Group and their composition and responsibilities are outlined in the graph on page 150.

CORPORATE GOVERNANCE



4. INTERNAL CHARTERS AND POLICIES

Internal charters and policies of PLC are designed to support and maintain a transparent and effective internal control system, institutionalisation of best processes for governance, management of risk, and compliances across the organisation. Following charters and policies of PLC play a key role in this respect.

Corporate Governance Charter

The Corporate Governance Charter documented in compliance with the Finance Companies (Corporate Governance) Directions, Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri

Lanka and the Institute of Chartered Accountants of Sri Lanka and the Corporate Governance Rules of the Colombo Stock Exchange, clearly sets out the procedures and processes governing the Board, management, shareholders and other stakeholders with the objective of ensuring that the highest principles of Corporate Governance is maintained across the board.

Code of Business Conduct & Ethics

Business ethics at PLC is not limited to ethical behaviour, but clearly articulates the ethical principles embedded in the Company's ethos and ensures that those principles are fully integrated into the entity's management and operations. The approach to ethics considers the impact of actions on a broad range of stakeholders and to the reputation.

The Company has in place a comprehensive Code on Business Conduct & Ethics ('the Code') applicable to all Directors and employees of the Company. The Code has been circulated to all the Directors and employees and has been published in the Company's intranet to ensure strict compliance with same. Summarised below are the salient features of the business ethics embedded in the Code and in the corporate culture,

CORPORATE GOVERNANCE

- ◆ Avoid conflict of interest where individual's interest interferes with the interest of the Company and make timely disclosure of such situations;
- ◆ Maintain confidentiality of information entrusted to them by the Company or its customers
- ◆ Ensure fair dealings with the Company's customers, suppliers, competitors and employees and refrain from taking unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair – dealing practice;
- ◆ Protect the Company's assets and ensure their efficient use;
- ◆ Comply with laws, rules and regulations, including insider trading laws;
- ◆ Proactively promote ethical behaviour.

Whistleblower policy

PLC is committed to promote ethical behaviour in all its business activities and has in place a mechanism of reporting illegal or unethical behaviour. To this end, the Company's whistleblower policy enables the employees to report violations of laws, rules, regulations or unethical conduct to the Board Audit Committee. Information routed through the whistleblower channel is verified carefully and appropriate actions are taken by the Committee. The confidentiality of those reporting violations is maintained and they are not subjected to any discriminatory action. The policy has been published in all three languages in the Company's intranet.

IT Governance

PLC believes that Information Technology (IT) is a strategic asset and forms an integral part of the Company's Corporate Governance process. In this context, PLC has recognised the need to manage IT, so as to leverage competitive business benefits for the Company. To achieve the same, PLC maintains a well-established IT governance structure, having policies at the forefront.

Regular Information Security Audits are carried out to ensure the confidentiality, integrity and availability of the system. Password and access control policies have been implemented to authenticate the user access and necessary validation and verification functions are activated at the information entry level. In addition, biometrics controls have been installed for the entrances of the ICT department premises at the Head Office and 24-hour security is provided to the disaster recovery site.

The Information & Communication Technology Department was awarded the ISO/IEC 27001:2005 certification by Det Norske Veritas (DNV) for conforming to the prestigious global benchmark of the ISO/IEC 27001:2005 Information Security Management System Standard.

Business Continuity Plan (BCP)

With a view of managing operational risk due to system failure, a Business Continuity Plan (BCP) has been established in compliance with ISO quality standards (ISO /IEC 27001:2005 (E), Clause A.14 Business Continuity Management). The key objective of BCP is to allow the executive to continue to manage business operations under adverse conditions, by the introduction of appropriate resilience strategies, recovery objectives, business continuity, operational risk management considerations and crisis management plans.

As a step towards pre-crisis preparation, the Company has an off-site disaster recovery site used for business continuity.

Disaster Recovery Plan (DRP)

The DRP mainly focuses on the technical environment and provides for the manner in which continuity of IT systems shall be achieved in a disaster. A disaster recovery site has been established in a separate geographical area which has capabilities to continue operations in the event of primary site unavailability. The disaster recovery site and other facilities are compliant with ISO/IEC 27001:2005 Information Security Management System Standard and it is annually reviewed and audited by External Auditors.

B. EXTERNAL GOVERNANCE STRUCTURE

The external governance structure, one of the three main components of the governance framework at PLC comprises the laws, regulations and best practices listed below that enable PLC to operate within a sound corporate governance framework. The internal governance structure at PLC is modeled to create necessary checks and balances and controls to ensure that it conforms to and complies with the external governance structure.

WEBLINKS FOR MAJOR LAWS/REGULATIONS/BEST PRACTICES ON GOVERNANCE

Applicable Law/Regulation/Best Practice	Weblink References
Companies Act No. 7 of 2007	www.drc.gov.lk/App/comreg.nsf/200392d5acdb66c246256b76001be7d8/\$FILE/Act%207%20of%202007%20(English).pdf
Finance Business Act No.42 of 2011	www.cbsl.gov.lk/pics_n_docs/09_lr/_docs/acts/finance_business_act_2011_42E.pdf
Directions, Rules, Determinations, Notices and Guidelines applicable to Licensed Finance Companies	www.cbsl.gov.lk/htm/english/09_lr/_popups/snbfi_fc.htm
Listing Rules of the Colombo Stock Exchange	www.cse.lk/listing_rules.do
Code of Best Practice on Corporate Governance jointly issued by the Securities & Exchange Commission of Sri Lanka and Institute of Chartered Accountants of Sri Lanka	www.cse.lk/pdf/Corporate_Governance_Code_2013_book.pdf
Inland Revenue Act No. 10 of 2006 as amended	www.ird.gov.lk/publications/Acts/Consolidated/IR_Act_No_10[E]_2006_(Consolidation_2013).pdf

* Based on information as per 30th April 2014

A detailed compliance tracker disclosing PLC's level of compliance with Finance Companies (Corporate Governance) Directions, the Code of Best Practice on Corporate Governance and the Listing Rules of the Colombo Stock Exchange is set out on pages 153 to 183 whilst the compliance to GRI Guidelines are set out on pages 321 to 325 of this Annual Report.

CORPORATE GOVERNANCE

C. ASSURANCE

Different components within the assurance act as the supervisory module of PLC's corporate governance framework which ensures integrity of its operations and existence of a sound governance system.

1. COMPLIANCE

Recognising the importance of strengthening governance over internal controls, PLC has established a separate compliance function whose task is to monitor and assess the Company's compliance with laws, regulations, regulatory guidelines and approved policies.

The Compliance Officer reviews the changes in regulations and takes necessary action to ensure that the Company is in compliance with the regulatory requirements. A sound regulatory monitoring mechanism is adopted by the Company to monitor reporting and compliance with all mandatory reporting requirements with the intention of establishing a fully compliant Corporate Governance and risk mitigating culture.

The Compliance Officer reports to the Integrated Risk Management Committee on a quarterly basis on the compliance activities relating to the respective areas.

2. INTERNAL AUDIT

PLC's internal audit department which focuses on providing an independent risk based oversight to the Board Audit Committee on the processes and controls within the Company and the level of compliance with laws and regulations plays a vital role in the governance structure of the Company.

The internal audit department is responsible for independent, objective assurance on internal control mechanism, in order to systematically evaluate and propose improvements for more effective internal control processes and governance. Internal audit also carries out independent reviews of compliance with risk policies and procedures to ensure the effectiveness of risk management procedures in place at PLC.

The internal audit reports directly to the Board Audit Committee on a quarterly basis.

3. EXTERNAL AUDIT

External audit report enables the Board with necessary proof to determine the appropriateness, adequacy and effectiveness of the Company's internal controls which form an essential part of a sound corporate governance mechanism.

In addition to the audit at the financial year end, PLC performs an interim audit to obtain assurance that the internal controls that are in place for the preparation and presentation of the financial statements are adequate and effective.

M/s. Ernst & Young, Chartered Accountants are the External Auditors of PLC as well as its subsidiaries. In addition to the normal audit services, the External Auditors also provide certain non-audit services to the Group. All such services have been provided with the approval of the Board Audit Committee and in a manner to ensure that there are no adverse effects on the independence of their audit work or the perception of such independence. The External Auditors also provide a certificate of independence on an annual basis.

4. EXTERNAL AUDITOR'S CERTIFICATION ON COMPLIANCE

In terms of the requirements of the Finance Companies (Corporate Governance) Directions, the External Auditors perform procedures in line with the Sri Lanka Standards on Related Service 4750 (SLSRS 4750) issued by the Institute of Chartered Accountants of Sri Lanka, to assess the Company's level of compliance to the requirements of the said Directions and provide a certification thereon to the Board.

The findings reported by the External Auditors for the preceding year were deliberated by the Board and their recommendations for further improvements were implemented within the financial year.

CORPORATE GOVERNANCE

“**CORPORATE GOVERNANCE IS CONCERNED WITH HOLDING THE BALANCE BETWEEN ECONOMIC AND SOCIAL GOALS AND BETWEEN INDIVIDUAL AND COMMUNAL GOALS. THE CORPORATE GOVERNANCE FRAMEWORK IS THERE TO ENCOURAGE THE EFFICIENT USE OF RESOURCES AND EQUALLY TO REQUIRE ACCOUNTABILITY FOR THE STEWARDSHIP OF THOSE RESOURCES. THE AIM IS TO ALIGN AS NEARLY AS POSSIBLE THE INTERESTS OF INDIVIDUALS, CORPORATIONS AND SOCIETY**”

(Sir Adrian Cadbury in 'Global Corporate Governance Forum', World Bank, 2000)

Company's compliance with Finance Companies (Corporate Governance) Direction No. 3 of 2008 as amended by Direction No. 4 of 2008 and No. 6 of 2013 issued by the Central Bank of Sri Lanka ("Corporate Governance Directions")

With the intent of improving on and sustaining corporate governance practices and processes across the finance industry, the Central Bank of Sri Lanka issued the Corporate Governance Directions in the year 2008. These Directions based on the following fundamental principles set out the corporate governance requirements to be adhered to by finance companies,

- A. Responsibilities of the Board (see pages 153 to 156)
- B. Meetings of the Board (see pages 156 to 157)
- C. Composition of the Board (see pages 157 to 158)
- D. Fitness and Propriety of Directors (see page 158)
- E. Delegation of Functions (see page 158)
- F. The Chairman and the Chief Executive Officer (see pages 158 to 159)
- G. Board Appointed Committees (see pages 159 to 163)
- H. Related Party Transactions (see page 163)
- I. Disclosures (see pages 164 to 165)

The Company's compliance with the Corporate Governance Directions is tabulated below.

Rule Reference	Principle	Company's Action for compliance
A. RESPONSIBILITIES OF THE BOARD		
The Board's principal responsibilities and duties are clearly defined in the Company's Corporate Governance Charter. The Board provides entrepreneurial leadership within a framework of prudent and effective controls enabling risks to be assessed and managed whilst setting the Company's values and standards to meet the obligations towards the shareholders and other stakeholders.		
2(1) Strengthening the safety and soundness of the Company		
	(a) approving and overseeing the strategic objectives and corporate values and ensuring that the same is communicated throughout the Company.	<p>The Board of Directors sets the strategic objectives of the Company, determines its operational policies and performance criteria and delegates to the management the detailed planning and implementation of those objectives and policies in accordance with appropriate risk parameters.</p> <p>The business plan and the annual budget are approved annually and achievement of the objectives set out therein is closely monitored by the Board.</p> <p>In December 2013 the Board approved the Three Year Strategic Business Plan of the Company encompassing the strategic objectives for the period 2013/14 - 2015/16, and corporate values derived from the Company's vision and mission. These objectives and values have been communicated to all staff members throughout the Company.</p>

CORPORATE GOVERNANCE

Rule Reference	Principle	Company's Action for compliance
	(b) approving the overall business strategy of the Company, including the overall risk policy and risk management procedures and mechanisms with measurable goals, for at least immediate next three years.	<p>Company's strategic business plan covering the period 2013/14 - 2015/16 which was approved by the Board in December 2013 include overall risk management policy, procedures and mechanisms with measurable goals.</p> <p>The business strategy is reviewed by the Board on a regular basis with management updates at Board meetings on execution of the agreed strategy.</p>
	(c) Identifying risks and ensuring implementation of appropriate systems to manage the risks prudently.	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 report to the Board on a quarterly basis.
	(d) Approving a policy of communication with all stakeholders, including depositors, creditors, share-holders and borrowers.	<p>Recognising the importance of two-way communication with its stakeholders, the Board has adopted a comprehensive policy that governs communications with its shareholders and other stakeholders such as depositors, creditors, borrowers, suppliers etc. The Communication Policy is based on four guiding principles namely; efficiency, transparency, clarity and cultural awareness and feedback aimed at ensuring timely and effective communication to all stakeholders.</p> <p>Please refer page 208 for a summary of the Communication Policy.</p>
	(e) Reviewing the adequacy and the integrity of the Company's internal control systems and management information systems.	<p>The Board has overall responsibility for ensuring that the Company maintains an adequate system of internal control and for reviewing its effectiveness.</p> <p>The Board Audit Committee, on behalf of the Board undertakes the detailed monitoring of the controls and reports to the Board on its findings.</p> <p>The Management Information Systems (MIS) are reviewed by the Board through review of MIS Procedure Manual Outline/Guide for Documenting Local MIS Processes submitted to the Board by the Finance Department of the Company.</p>
	(f) Identifying and designating key management personnel, who are in a position to: (i) significantly influence policy; (ii) direct activities; and (iii) exercise control over business activities, operations and risk management.	The Board of Directors, Chief Executive Officer and Deputy General Managers of the Company have been identified and designated as the Key Management Personnel of the Company.
	(g) Defining the areas of authority and key responsibilities for the Board and for the Key Management Personnel.	<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 (KMP's) have been defined and approved by the Board and included in their respective job descriptions.</p> <p>The respective authority limits of the Chief Executive Officer and the Deputy General Managers have also been defined by the Board.</p>
	(h) Ensuring that there is appropriate oversight of the affairs of the Company by Key Management Personnel, that is consistent with the Company's policy.	Affairs of the Company are reviewed and discussed by the Board at Board meetings on a monthly basis. At these meetings, Key Management Personnel are represented by the Chief Executive Officer who appraises the Board on the operations and performance of the Company against set targets.

CORPORATE GOVERNANCE

Rule Reference	Principle	Company's Action for compliance
	<p>(i) Periodically assessing the effectiveness of its governance practices, including:</p> <p>(i) the selection, nomination and election of Directors and appointment of Key Management Personnel;</p> <p>(ii) the management of conflicts of interests; and</p> <p>(iii) the determination of weaknesses and implementation of changes where necessary.</p>	<p>The Articles of Association of the Company and the Corporate Governance Charter provides for the general procedure applicable to selection and appointment of Directors of the Company. Presently, the Directors of the Company, other than the Non-Executive Independent Directors, are recommended by the parent, People's Bank and appointed by the Board in terms of the Articles of Association. Independent Directors are appointed by the Board of the Company. The appointments of Key Management Personnel are made by the Board at the recommendation of the Chief Executive Officer.</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 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 refrain from engaging themselves in the deliberations on that matter and abstain from voting thereon.</p> <p>The effectiveness of the Board's own governance practices including determination of its weaknesses was assessed by the Board through a self-evaluation of the Board carried out in the last quarter of the financial year 2013/14. Feedback of the Directors thereon was discussed at the meeting of the Board held in April 2014.</p>
	(j) Ensuring that the Company has an appropriate succession plan for Key Management Personnel.	In terms of the policy decisions made by the Board succession for the key managerial positions primarily focuses on developing and grooming people internally so as to have adequate options within the Company for replacement of Key Management Personnel (KMP), thus ensuring a smooth transition and continuity of business. However, steps will be initiated to formulate a detailed succession plan for KMPs.
	(k) Meeting regularly with the Key Management Personnel to review policies, establish lines of communication and monitor progress towards corporate objectives.	The Key Management Personnel are represented at the monthly meetings of the Board of Directors by the Chief Executive Officer of the Company who apprises the Board for any concerns raised by the Key Management Personnel at their weekly meetings. Furthermore, the Key Management Personnel are invited to participate in Board Sub Committee Meetings to review policies, establish lines of communication and monitor progress towards corporate objectives.
	(l) Understanding the regulatory environment.	<p>The Board is apprised of any changes to the regulatory environment by the Compliance Officer through the Integrated Risk Management Committee and also by the Company Secretary.</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) Exercising due diligence in the hiring and oversight of external auditors.	<p>The hiring of external auditors is carried out by the Board on the recommendation of the Board Audit Committee and approved at the Annual General Meeting of the Company</p> <p>The Board Audit Committee monitors and reviews the External Auditor's independence, objectivity and the effectiveness of the audit process, taking into account the relevant professional and regulatory requirements.</p> <p>Company's External Auditors for 2013/14, M/s. Ernst & Young, Chartered Accountants have provided a declaration of their independence to the Board Audit Committee in terms of the relevant rules.</p>
2(2)	Appointment of the Chairman and the Chief Executive Officer and defining and approving their functions and responsibilities.	The Board has appointed the Chairman and the Chief Executive Officer. Their roles are separate and have been defined in the Corporate Governance Charter of the Company.
2(3)	Availability of a procedure determined by the Board to enable Directors, to seek independent professional advice at the Company's expense.	The Corporate Governance Charter provides for the Directors to seek independent professional advice, at the expense of the Company. However, no such advice has been taken by any of the Directors during the year under review.

CORPORATE GOVERNANCE

Rule Reference	Principle	Company's Action for compliance
2(4)	Avoidance of conflicts of interest.	In terms of the Articles of Association of the Company and the Code of Business Conduct and Ethics, 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 refrain from engaging themselves in the deliberations on that matter and abstain from voting thereon. Such abstentions from decisions are duly recorded by the Company Secretary in the minutes.
2(5)	Availability of a formal schedule of matters specifically reserved to the Board for decision.	The Corporate Governance Charter of the Company contains a formal schedule of matters specifically reserved to the Board for its decision.
2(6)	Disclosure of insolvency to the Director of the Department of Supervision of Non-Bank Financial Institutions.	No such situation has arisen during the year 2013/14. Furthermore, on a weekly basis the Company reports to the Director of the Department of Supervision of Non-Bank Financial Institutions of the liquidity position of the Company.
2(7)	Inclusion of an annual corporate governance report on compliance with the Corporate Governance Directions in the Annual Report.	The Board publishes in the Company's Annual Report, an annual corporate governance report. This report from page 153 to 165 serves this requirement.
2(8)	Adoption of an annual scheme of self-assessment by the Directors.	<p>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 the last quarter of 2013/14.</p> <p>Each member of the Board carried out a self-assessment of his/her own effectiveness as well.</p> <p>The full results of the Board evaluations were analysed by the Company Secretary and the findings were presented to the Board in April 2014.</p>

B. MEETINGS OF THE BOARD

The Board's key purpose is to ensure the Company's prosperity by collectively directing the Company's affairs, whilst meeting the appropriate interests of its shareholders and stakeholders. Thus, it is important that the Board meets periodically so that Directors can discharge their responsibility to control the Company's strategy and policy, and to monitor its performance against the set objectives.

3(1)	Convening Board meetings at least twelve times a financial year at monthly intervals.	The Board met fourteen (14) times for the financial year under review and obtaining the Board's consent via circulation was kept to a minimum of five (05) instances.
3(2)	Making arrangements to enable Directors to include matters and proposals in the agenda for regular Board meetings.	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)	Giving adequate notice of Board meetings.	The date of the next Board meeting is collectively agreed to, by the members present during the previous Board meeting and subsequently communicated to all the members, so as to ensure that at least 7 days' notice is given of a meeting. Reasonable notice is given for any other special Board meeting.
3(4)	Attendance of Directors at Board meetings.	Please refer page 146 for details on number of Board meetings held during 2013/14 and the individual attendance of the Directors thereat.
3(5)	Appointment of a Company Secretary.	<p>An Attorney-at-law with adequate experience has been appointed by the Board as the Company Secretary.</p> <p>The Company Secretary advises the Board and ensures that matters concerning the Companies Act, Board procedures and other applicable rules and regulations are followed.</p>

CORPORATE GOVERNANCE

Rule Reference	Principle	Company's Action for compliance
3(6)	Responsibility of preparing the agenda for a Board meeting.	The Chairman has delegated to the Company Secretary the function of preparing the Agenda for a Board meeting and accordingly, the Company Secretary is responsible for the same.
3(7)	Directors' access to advice and services of the Company Secretary.	As provided for by the Corporate Governance Charter of the Company, all Directors have access to the Company Secretary who is an Attorney-at-Law by profession.
3(8)	Maintenance of minutes of Board meetings inspection thereof by the Directors.	The Company Secretary maintains the minutes of Board meetings 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 of minutes of Board meetings in sufficient detail.	The Company Secretary records the proceedings of the meetings and the decisions taken thereat in sufficient detail so as to satisfy all the requirements specified in this rule.
C. COMPOSITION OF THE BOARD		
All Directors on the Board are Non-Executive and are therefore independent of the management thereby promoting critical review and control.		
4(1)	Number of Directors on the Board.	During the year 2013/14, there were five (05) Directors at the minimum on the Board thus, complying with the requirement.
4(2)	Period of service of a Director.	The Company does not have any Directors serving the Board for more than nine years.
4(3)	Appointment, election or nomination of an employee as a Director of the Company.	The Company does not have any Executive Directors.
4(4)	Number of Independent Non-Executive Directors on the Board and criteria for assessment of independency.	The Board comprised two Non-Executive Independent Directors throughout the financial year 2013/14 who met the criteria for independence as specified in this rule.
4(5)	Alternate Directors to meet the criteria for independency/executive status of the appointer.	No alternate Directors were appointed during the year.
4(6)	Skills and experience of the Non-Executive Directors to bring an objective judgment to bear on issues of strategy, performance and resources.	The Board comprises solely of 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. Please refer page 133 for the profiles of the Board of Directors.
4(7)	Presence of Non-Executive Directors to satisfy the quorum for meetings of the Board.	Since all of the Directors of the Company during the year 2013/14 were Non-Executive Directors, the required quorum was met at all meetings of the Board convened for the year.
4(8)	Disclosure of Independent Non-Executive Directors, Board composition in corporate communications and in the annual corporate governance report.	Please refer the profiles of the Board of Directors on page 133 for the required information.
4(9)	Availability of a formal, and transparent procedure for the appointment of new Directors.	The Articles of Association of the Company and the Corporate Governance Charter provides for the general procedure applicable to selection and appointment of Non-Executive Directors of the Company. Presently, the Directors of the Company, other than the Non-Executive Independent Directors, are recommended by the parent, People's Bank and appointed by the Board in terms of the Articles of Association.
4(10)	Re-election of Directors appointed to fill a casual vacancy at the first general meeting after their appointment.	Mr. H. H. A. Chandrasiri who was appointed on 18th July 2013 to fill in the casual vacancy created by the resignation of Mrs. M. G. Jinadasa retires at the Annual General Meeting in terms of the Articles of Association and has offered himself for re-election.

CORPORATE GOVERNANCE

Rule Reference	Principle	Company's Action for compliance
4(11)	Disclosure of resignations/removal of Directors to the shareholders and the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.	<p>All resignations/removals and appointments of Directors are informed to the shareholders, with sufficient details, via immediate notification to the Colombo Stock Exchange.</p> <p>Prior approval for such resignations/ removals and appointments is obtained from the Central Bank of Sri Lanka in terms of the applicable regulations.</p> <p>The Annual Report of the Board of Directors on the affairs of the Company on page 221 provides details of resignations/removals and appointments of Directors during the year 2013/14.</p>
D. FITNESS AND PROPRIETY OF DIRECTORS The Company is headed by an effective Board of Directors comprised of experienced and influential individuals with diverse backgrounds and expertise. Their mix of skills and business experience is a major contribution to the proper functioning of the Board and its committees.		
5(1)	Directors over 70 years of age.	As at 31st March 2014, all Directors of the Company were below the age of 70 years.
5(2)	Holding office in more than 20 companies.	<p>There are no Directors who hold office as a Director of more than 20 companies.</p> <p>Details of other directorships/ equivalent positions held by the Directors are set out in their profiles on page 133.</p>
E. DELEGATION OF FUNCTIONS The ultimate responsibility to ensure that the Company operates within a robust and sound governance framework rests with the Board of Directors.		
6(1)	Delegation of Board functions.	<p>In terms 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.</p> <p>However, the Board regularly evaluates such delegations and the limits of authority to ensure that the same does not materially affect the ability of the Board as a whole in discharging its functions and remains relevant to the needs of the Company.</p>
6(2)	Review of delegation of Board functions on a periodic basis.	Please refer comment on rule 6(1) above.
F. THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER The posts of Chairman and the Chief Executive Officer (CEO) were held separately by Mr. Gamini S. Senarath and Mr. D. P. Kumaraage respectively thereby, ensuring the balance of power and authority. The Chairman provides leadership to the Board and is responsible for governance and the effective operations of the Board, whilst the CEO, as the apex Executive, is responsible and accountable for day-to-day management of the affairs of the Company with the assistance of the Senior Management.		
7(1)	Division of the roles of the Chairman and Chief Executive Officer	The posts of Chairman and the Chief Executive Officer (CEO) were held separately by Mr. Gamini S. Senarath and Mr. D. P. Kumaraage respectively thereby, ensuring the balance of power and authority.
7(2)	Designation of an Independent Non-Executive Director as the Senior Director if the Chairman is not an Independent Non-Executive Director.	<p>Since the Chairman is considered non-independent by virtue of the fact that he also holds the office of Chairman of the parent company, People's Bank, Mr. P. A. I. S. Perera was designated as the "Senior Independent Director" with effect from 6th August 2013 with duly documented Terms of Reference approved by the Board.</p> <p>Please refer page 146 for more details on the "Senior Independent Director".</p>
7(3)	Disclosure of relationship between the Chairman, Chief Executive Officer and members of the Board in the corporate governance report.	Particulars of the Chairman and Chief Executive Officer are disclosed in the Annual Report on pages 133 and 135 respectively. There are no material relationships between the Chairperson/ CEO and/ or other members of the Board which will impair their respective roles.

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Rule Reference	Principle	Company's Action for compliance
7(4)	Role of the Chairman.	<p>The Corporate Governance Charter of the Company sets out the responsibilities of the Chairman which includes the provision of leadership to the Board.</p> <p>The annual self-assessment of the Board includes a criterion that evaluates the effectiveness of the Chairman in facilitating the Board's discharge of its responsibilities.</p>
7(5)	Role of the Chairman in the preparation of the agenda for Board meetings.	As stated in comment on rule 3(6) above, the Chairman has delegated the function of preparing the agenda to the Company Secretary.
7(6)	Duty of the Chairman to ensure that all Directors are informed adequately and timely of the issues arising at Board meetings.	The Chairman ensures, that all Directors are properly briefed on issues arising at Board meetings by submission of the agenda and board papers with sufficient time for their perusal prior to a meeting.
7(7)	Role of the Chairman in encouraging Directors to make an active contribution to the Board's affairs.	The Chairman sets the agenda, style and the tone of the Board deliberations and ensures that opinions of all Directors are appropriately considered in decision making thereby promoting active contribution by the individual Directors to the Board's affairs.
7(8)	Role of the Chairman in ensuring constructive relationships between Executive and Non-Executive Directors.	<p>The Company does not have any Executive Directors.</p> <p>Nevertheless, the Chairman ensures that a constructive relationship exists between the Board 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)	Avoidance of engaging in activities involving direct supervision of Key Management Personnel or any other executive duties by the Chairman.	The Chairman is a Non-Executive Director who does not get involved directly in any of the executive duties of the Company or the direct supervision of the Key Management Personnel.
7(10)	Role of the Chairman in maintaining effective communication with shareholders and communicating the views of shareholders to the Board.	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.
7(11)	Role of the Chief Executive Officer.	The role of the Chief Executive Officer (CEO) is detailed in the Corporate Governance Charter of the Company. Accordingly, as the apex executive of the Company, the CEO is responsible for the day-to-day operations of the Company with the assistance of the Senior Management and is accountable to the Board to recommend the Company's strategy and its subsequent implementation, to ensure that appropriate internal controls are in place to manage and assess risk and that they are fully complied with.

G. BOARD APPOINTED COMMITTEES

The Board has delegated certain of its functions to Board sub-committees and provided them with sufficient resources enabling them to focus on their designated areas of responsibility and ensure independent oversight.

8(1)	Presence of at least two Board committees reporting directly to the Board.	<p>The Company has two (02) Board appointed Committees directly reporting to the Board, namely the Board Audit Committee (BAC) and Integrated Risk Management Committee (IRMC). 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 and the minutes of the sub committees are submitted to the Board.</p> <p>Please refer page 148 for the composition of the above committees.</p> <p>Reports of the above committees including their performance, duties and functions are given on pages 184 to 187.</p>
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CORPORATE GOVERNANCE

Rule Reference	Principle	Company's Action for compliance
8(2)	Board Audit Committee (BAC)	
	(a) The Chairman of Audit Committee.	The Chairman of the Board Audit Committee is Mr. P. Kudabalage who is a Non-Executive Director. He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and holds a B.Com (Hons) Degree from the University of Kelaniya. He is also a Fellow Member of the Institute of Certified Professional Managers of Sri Lanka and the Institute of Certified Management Accountants of Sri Lanka. Please refer page 133 for the complete profile of Mr. Kudabalage.
	(b) Composition of the Audit Committee.	All members of the Board Audit Committee are Non-Executive Directors.
	(c) Responsibility of the Audit Committee to recommend: (i) the appointment of the external auditor; (ii) implementation of the Central Bank guidelines issued to auditors; (iii) application of relevant accounting standards; (iv) the service period, audit fee and any resignation or dismissal of the auditor.	The Board Audit Committee has at its meetings recommended (i) that M/s. Ernst & Young, Chartered Accountants be reappointed as the External Auditors of the Company for the financial year 2013/14; (ii) the implementation of Central Bank guidelines issued to auditors from time to time; (iii) the application of International Financial Reporting Standards; and (iv) the Group Audit Fee for the financial year 2013/14. No resignation or dismissal of the auditor has taken place during the year 2013/14 and the present audit partner was appointed during the financial year 2012/13.
	(d) Responsibility of the Audit Committee to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit processes.	The Board Audit Committee monitors and reviews the External Auditor's independence, objectivity and the effectiveness of the audit process, taking into account the relevant professional and regulatory requirements. Company's External Auditors for 2013/14, M/s. Ernst & Young, Chartered Accountants have provided a declaration of their independence to the Board Audit Committee in terms of the relevant rules and they report direct to the Board Audit Committee.
	(e) Responsibility of the Audit Committee to develop and implement a Board approved policy on the engagement of an External Auditor to provide non-audit services.	The Board Audit Committee with the approval of the Board of Directors developed and implemented a policy for engagement of External Auditors to provide non-audit services to safeguard the auditors' independence and objectivity.
	(f) Responsibility of the Audit Committee to discuss and finalise with the External Auditors the nature and scope of the audit.	The Board Audit Committee meets with the External Auditors to discuss their audit plan, nature and the scope of the audit before the commencement of an audit. Accordingly, the Board Audit Committee met the External Auditors M/s. Ernst & Young, Chartered Accountants twice during the year under review to discuss and finalise the scope of the audit.
	(g) Responsibility of the Audit Committee to review the financial information of the Company, in order to monitor the integrity of the financial statements, annual report, accounts and periodical reports prepared for disclosure, and the significant financial reporting judgments contained therein.	The Board Audit Committee periodically reviews the financial information of the Company in order to monitor the integrity of the financial statements of the Company and other financial disclosures. The Committee has reviewed the Company's Annual Report and quarterly financial statements before submission thereof to the Board for approval.
	(h) Responsibility of the Audit Committee to discuss issues, problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss.	During the year under review, the Board Audit Committee met the External Auditors without the presence of the Key Management Personnel.

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Rule Reference	Principle	Company's Action for compliance
	(i) Responsibility of the Audit Committee to review the External Auditor's management letter and the Management's response thereto.	During the year, the Board Audit Committee reviewed External Auditor's Management Letter for the year 2012/13 and the Management's responses thereto.
	(j) Responsibility of the Audit Committee to take the following steps with regard to the internal audit function of the Company: (i) review the adequacy of the scope, functions and resources of the internal audit department; (ii) review the internal audit programme and results of the internal audit process; (iii) review any appraisal or assessment of the performance of the head and senior staff members of the internal audit department; (iv) recommend any appointment or termination of the head, senior staff members and outsourced service providers to the internal audit function; (v) ensure that the committee is apprised of resignations of senior staff members of the internal audit department including the Chief Internal Auditor and any outsourced service providers; (vi) ensure that the internal audit function is independent of the activities it audits.	<p>The Board Audit Committee has reviewed and approved the Internal Audit Plan for the FY 2013/14 presented by the Internal Audit Department prepared based on overall risk assessment and the significant audit observations made during the previous year. This plan also includes the scope, functions and the resources of the Internal Audit Department.</p> <p>During the year under review, the Board Audit Committee also reviewed the major audit findings Management's responses thereto.</p> <p>The Board has assessed the performance of the Head of Internal Audit in the promotion process and the performance of the senior staff members of the Internal Audit Department have been assessed by the Head of Internal Audit.</p> <p>No senior staff members of the Internal Audit Department including the Chief Internal Auditor and any outsourced service providers have resigned during the year.</p> <p>Internal audit function is independent as the Internal Audit Department reports directly to the Board Audit Committee.</p>
	(k) Responsibility of the Audit Committee to consider the major findings of internal investigations and Management's responses thereto.	Based on the reports submitted by the Internal Audit Department, the Board Audit Committee has reviewed and considered the major audit findings during the year and Management's responses thereto.
	(l) Participants at the Audit Committee meetings and the need to meet with the External Auditors without the presence of the Executive Directors.	Although the Board Audit Committee does not comprise any Executive Directors, the Committee met with the External Auditors during the year under review.
	(m) Authority and resources of the Audit Committee.	<p>The Terms of Reference of the Board Audit Committee mandates explicit authority to investigate into any matter within its purview and take necessary action thereto.</p> <p>Please refer the "Board Audit Committee Report" on pages 186 to 187 for a summary of the Terms of Reference of the Committee.</p>
	(n) Meetings of the Audit Committee.	<p>The Board Audit Committee met seven (07) times during the financial year under review.</p> <p>Please refer the "Board Audit Committee Report" on pages 186 to 187 for details of the Board Audit Committee meetings held and the members' attendance thereat.</p>

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Rule Reference	Principle	Company's Action for compliance
	(o) Disclosure of activities of the Audit Committee and attendance of members at meetings thereof in the Annual Report.	Please refer the "Board Audit Committee Report" on pages 186 to 187 for details of the activities of the Board Audit Committee and attendance of members at meetings of the Committee.
	(p) Recording and maintenance of detailed minutes of the Audit Committee meetings.	In accordance with the Terms of Reference, Head of Internal Audit functions as the Secretary to the Board Audit Committee. The Secretary to the Committee records and maintains minutes of all Committee meetings in sufficient detail.
	(q) Responsibility of the Audit Committee to review the process by which employees may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters.	On the recommendation of the Board Audit Committee, the Board has adopted a whistleblower policy that enables the employees to, in confidence, report violations of laws, rules, regulations or unethical conduct to the Board Audit Committee. Information routed through the whistleblower channel is verified carefully and appropriate actions are taken by the Committee. The confidentiality of those reporting violations is maintained and they are not subjected to any discriminatory action. The policy has been published in all three languages in the Company's intranet.
8(3) Integrated Risk Management Committee		
	(a) Composition of the Integrated Risk Management Committee and the duty of the Committee to work with Key Management Personnel closely and make decisions on behalf of the Board within the framework of authority.	The Integrated Risk Management Committee comprises two Non-Executive Directors, Chief Executive Officer and two Deputy General Managers supervising broad risk categories such as credit, market, liquidity, operational and strategic risk. Head of Internal Audit, key risk owners of subsidiaries, the Compliance Officer and Secretary to Assets and Liability Committee (ALCO) attend meetings on invitation. Please refer the "Integrated Risk Management Committee Report" on pages 184 to 185 for further information on composition and function of the Committee.
	(b) Responsibility of the Integrated Risk Management Committee to assess all risks to the Company both on individual basis as well as group basis, monthly through appropriate risk indicators and management information.	The Integrated Risk Management Committee assesses all risks, i.e., credit, market, liquidity, operational and strategic risks on a monthly basis through appropriate risk indicators. In the case of subsidiary companies, risk management is carried out, both on a finance company basis and group basis using the indicators to maintain consistency within the Group. Integrated Risk Management Committee Reviews the risk dash board reports of the Company and other 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.
	(c) Responsibility of the Integrated Risk Management Committee to review the adequacy and effectiveness of all Management Level Committees.	Assets and Liability 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. During the period under review, Integrated Risk Management Committee reviewed and updated these risk tolerance levels considering the business growth and industry concerns. The risk appetite statement including risk tolerance levels was approved by the Board on 23rd August 2013.
	(d) Responsibility of the Integrated Risk Management Committee to take prompt corrective action to mitigate the effects of specific risks which are at levels beyond the prudent levels decided by the Committee.	The Integrated Risk Management Committee has reviewed and considered all risk indicators which have gone beyond their limits after establishing the specific quantitative and qualitative risk limits.
	(e) Responsibility of the Integrated Risk Management Committee to meet at least quarterly to assess all aspects of risk management.	The Integrated Risk Management Committee has met four (04) times quarterly during the financial year 2013/14.

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Rule Reference	Principle	Company's Action for compliance
	(f) Responsibility of the Integrated Risk Management Committee to take appropriate actions against the officers responsible for failure to identify specific risks and take prompt corrective actions as recommended by the committee, and/or as directed by the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.	Risks are identified collectively by the Integrated Risk Management Committee and Assets and Liabilities Committee (ALCO) and such decisions are taken collectively.
	(g) Responsibility of the Integrated Risk Management Committee to submit a risk assessment report within a week of each meeting to the Board.	Risk assessment reports are submitted by the Integrated Risk Management Committee at the next immediate Board meeting following the Integrated Risk Management Committee meeting.
	(h) Responsibility of the Integrated Risk Management Committee to establish a compliance function at key management level to assess the Company's compliance with laws, regulations, directions, rules, regulatory guidelines, internal controls and approved policies on all areas of business operations.	<p>Committee has established a compliance function to assess the Company's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies on all areas of business operations.</p> <p>During the year 2013/14, the compliance function was handled by a Chartered Accountant in the managerial cadre who directly reported to the Integrated Risk Management Committee on the Company's compliance with laws, regulations, directions, rules and regulatory guidelines. This process will be strengthened to assess the Company's compliance with internal controls and approved policies on all areas of business operations. Steps will be initiated in the ensuing year to designate the compliance officer as a Key Management Personnel.</p>
H. RELATED PARTY TRANSACTIONS		
<p>The Code of Business Conduct and Ethics of the Company requires 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.</p>		
9 (2)	Responsibility of the Board to take necessary steps to avoid any conflicts of interest that may arise from any transaction of the Company with Related Parties.	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.
9(3)	Nature of transactions with Related Parties to which the Corporate Governance Directions apply.	The Related Party Transaction Policy adopted by the Company covers all transactions with related parties irrespective of their nature and value. However, the Company has taken the initiative to revisit the Policy to align the same with the Corporate Governance Directions and the Code of Best Practices on Related Party Transactions recently issued by the Securities and Exchange Commission of Sri Lanka.
9(4)	Responsibility of the Board to ensure that the Company does not engage in transactions with a related party in a manner that would grant such party "more favorable treatment" proprietary, confidential.	<p>The Company has established a Board approved documented procedure to ensure that the Company does not engage in transactions with related parties in a manner that would grant such parties "more favourable treatment" as defined in this rule.</p> <p>To further strengthen this process, the Company has taken the initiative to develop a system that enables the Company to monitor and report transactions with identified related parties and retrieve data thereon throughout the Company's network which will be fully implemented during the year 2014/15.</p>

CORPORATE GOVERNANCE

Rule Reference	Principle	Company's Action for compliance
I. DISCLOSURES		
The Board recognises that timely and accurate disclosure of relevant information reflects accountability and transparency of the Company and supports a positive association between the Company and its investors.		
10(1) Responsibility of the Board on disclosure of financial statements		
	(a) preparation and publication of annual audited financial statements and periodical financial statements in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards.	The Board ensured that the annual audited financial statements and periodical financial statements of the Company for the year 2013/14 were prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards.
	(b) publication of abovementioned statements in the newspapers in an abridged form, in Sinhala, Tamil and English.	The Board ensured that the financial statements referred to in rule 10(1)(a) above were published in an abridged form in Sinhala, Tamil and English languages.
10(2) Responsibility of the Board to ensure appropriate disclosures 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.	Required confirmation on preparation of the annual audited financial statements in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures is given in "Statement on Directors' Responsibility for Financial Reporting" on page 226 and the "Independent Auditors' Report" on page 227.
	(b) a report by the Board on the Company's internal control mechanism confirming that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements has been done in accordance with relevant accounting principles and regulatory requirements.	The report by the Board on the Company's internal control mechanism is contained in "Directors' Statement on Internal Controls over Financial Reporting" on page 224.
	(c) External Auditor's certification on the effectiveness of the internal control mechanism	Please refer page 224 for the External Auditor's certification on the Internal Control Mechanism.
	(d) Details of Directors, including names, transactions with the Company.	Details of the Directors are given on page 133 and Directors' transactions with the Company have been disclosed in note 48 to the Financial Statements on pages 276 to 279.
	(e) Fees/remuneration paid by the Company to the Directors in aggregate.	The remuneration paid to the Board of Directors is disclosed in aggregate in note 48 to the Financial Statements on page 276.

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Rule Reference	Principle	Company's Action for compliance
	(f) Total net accommodation outstanding 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.	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 is given on page 279.
	(g) aggregate values of remuneration paid by the Company to its Key Management Personnel and the aggregate values of the transactions of the Company with its Key Management Personnel during the financial year.	The aggregate values of remuneration paid by the Company to its Key Management Personnel and the aggregate values of the transactions of the Company with its Key Management Personnel during the financial year have been disclosed on pages 276 to 277.
	(h) a report containing details of compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any non-compliance.	<p>"The Annual Report of the Board of Directors on the Affairs of the Company" on pages 219 to 223 and the "Corporate Governance Report" on pages 140 to 183 describes the manner in which the Company has complied with prudential requirements, regulations, laws and internal controls during the year 2013/14.</p> <p>There was no material non-compliance to prudential requirements, regulations, laws and internal controls during 2013/14 affecting the Company.</p>
	(i) a statement of the regulatory and supervisory concerns on lapses in the Company's risk management, or non compliance (if any) with the Finance Business Act, and rules and directions that need to be disclosed to the public as directed by the Monetary Board.	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 the compliance with the Finance Business Act and rules and directions issued by the Monetary Board.	The External Auditors have performed procedures set out in Sri Lanka Standards on Related Service 4750 issued by the Institute of Chartered Accountants of Sri Lanka (SLSRS 4750), to meet the compliance requirement of the Corporate Governance Directions. Their findings presented in their report are consistent with the matters disclosed above and did not identify any material inconsistencies to those reported above by the Board. The recommendations made by the Auditors where relevant will be implemented in 2014/15 as done in the previous year.

CORPORATE GOVERNANCE

“**CORPORATE GOVERNANCE IS ABOUT PROMOTING CORPORATE FAIRNESS, TRANSPARENCY AND ACCOUNTABILITY.”**
(THE ECONOMIST INTELLIGENCE UNIT LIMITED – 2002)
 ”

Company's adherence with the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka (“Code”)

The Code, issued in 2008 and last revised and updated in September 2013, provides for the prerequisites for the establishment and maintenance of a sound corporate governance environment. The updated Code encompasses the following seven fundamental principles that should be focused upon by companies in discharging their corporate governance responsibilities,

- A. Directors (see pages 166 to 171)
- B. Directors' Remuneration (see pages 172 to 173)
- C. Relations with Shareholders (see pages 173 to 175)
- D. Accountability and Audit (see pages 175 to 177)
- E. Institutional Shareholders (see page 178)
- F. Other Investors (see page 178)
- G. Sustainability Reporting (see page 179)

The Company's compliance with the updated Code is tabulated below.

Section Reference	Principle	Compliance Status	Company's Action for compliance in 2013/14
SECTION 1 – THE COMPANY			
A. DIRECTORS			
A.1 The Board			
<i>The Company is headed by an effective Board of Directors comprised of experienced and influential individuals with diverse backgrounds and expertise as reflected in their profiles on page 133. Their mix of skills and business experience is a major contribution to the proper functioning of the Board and its committees.</i>			
A.1.1	Board Meetings.	Compliant	During 2013/14, the Board met 14 times, at least on monthly basis, to review the performance of the Company and its subsidiaries. At these meetings, the Board ensured that appropriate and prompt action was taken to align the strategies and operations of the Company and the Group with the interests and expectations of all stakeholders. Please refer page 146 for details on number of Board meetings held during 2013/14 and the individual attendance of the Directors thereat.
A.1.2	Responsibilities of the Board The Board's principal responsibilities and duties are clearly defined in the Company's Corporate Governance Charter. The Board provides entrepreneurial leadership within a framework of prudent and effective controls enabling risks to be assessed and managed whilst setting the Company's values and standards to meet the obligations towards the shareholders and other stakeholders.		
	(i) Ensure formulation and implementation of a sound business strategy.	Compliant	The Board of Directors sets the strategic objectives of the Company, determines its operational policies and performance criteria and delegates to the management the detailed planning and implementation of those objectives and policies in accordance with appropriate risk parameters. The business plan and the annual budget are approved annually and achievement of the objectives set out therein is closely monitored by the Board. On December, 24th 2013 the Board approved the Three Year Strategic Business Plan of the Company encompassing the strategic objectives for the period 2013/14-2015/16.
	(ii) Ensure CEO and the management team possess the necessary skills, experience and knowledge for effective implementation of the strategy.	Compliant	The CEO and the Senior Management team possess extensive knowledge and skills with widespread experience in the industry in which the Company operates. The profiles of the CEO and the Senior Management are presented on pages 135 and 137.

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Section Reference	Principle	Compliance Status	Company's Action for compliance in 2013/14
A.1.2	(iii) Adopt effective CEO and Senior Management succession strategy.	Compliant	A Board approved policy on succession plan for the key managerial positions is in place. In line with the policy of the Company of providing a career path to its employees, the succession plan is primarily focused on developing and grooming people internally so as to have adequate options within the Company for replacement of key management personnel, thus ensuring a smooth transition and continuity of business.
	(iv) Ensure that effective systems are in place to secure integrity of information, internal controls, business continuity and risk management.	Compliant	<p>The Board has overall responsibility for ensuring that the Company maintains an adequate system of internal controls and risk management and for reviewing its effectiveness.</p> <p>The Board Audit Committee, on behalf of the Board undertakes the detailed monitoring of the controls and reports to the Board on its findings, whilst the Integrated Risk Management Committee Independent reviews the risk dash board reports of the Company and its 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.</p> <p>Please refer "Directors' Statement on Internal Controls over Financial Reporting" on page 224 for further details on the above.</p>
	(v) Compliance with laws, regulations and ethical standards.	Compliant	<p>The Company has established a separate compliance function whose task is to monitor and assess the Company's compliance with laws, regulations, regulatory guidelines and approved policies. The Compliance Officer reports to the Integrated Risk Management Committee on a quarterly basis on the compliance activities relating to the respective areas.</p> <p>The Company has also issued a Code of Ethics applicable to the Directors and its employees.</p> <p>Please refer page 203 for further information on Company's actions on compliance activities.</p>
	(vi) Ensure that all stakeholder interests are considered in corporate decisions.	Compliant	<p>All charters and policies of the Company have been developed to ensure that responsibilities to shareholders and other stakeholders are timely and appropriately discharged. Particular emphasis is given by the Board to the framework of these charters and policies in the decision making process.</p> <p>Please refer the "Management Discussion and Analysis" on pages 24 to 127 for further details on the above.</p>
	(vii) Recognise sustainable business development in corporate strategy, decisions and activities.	Compliant	<p>Working on a core value triad of economic viability, environmental responsibility and social accountability, the Board recognises the importance of sustainable business development in the corporate strategy, decisions and activities.</p> <p>Please refer the "Management Discussion and Analysis" on pages 24 to 127 for information on the Company's activities relating to sustainable business development.</p>
	(viii) Ensure that the Company's values and standards are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations.	Compliant	<p>The Company's accounting policies are reviewed annually so as to be current with new developments, changing business requirements and best practices in the industry.</p> <p>Please refer the "Directors' Statement on Internal Control over Financial Reporting" on page 224 and the "Independent Auditors' Report" on page 227 for affirmation that the Company's financial statements are in line with the applicable standards and regulations.</p>
	A.1.2	(ix) Fulfilling other Board functions is vital, given the scale, nature and complexity of the organisation.	Compliant

CORPORATE GOVERNANCE

Section Reference	Principle	Compliance Status	Company's Action for compliance in 2013/14
A.1.3	Compliance with laws and access to independent professional advice.	Compliant	<p>The Board collectively as well as individually complied with the laws of the country that are applicable to the Company. Company's Corporate Governance Charter and the Code of Business Conduct and Ethics emphasises the importance of compliance with these laws and regulations by the Board as well as employees. Please refer pages 150 and 155 for more information in this respect.</p> <p>The Corporate Governance Charter provides for the Directors to seek independent professional advice, at the expense of the Company. No such advice has been taken by any of the Directors during the year under review.</p>
A.1.4	Access to advice and services of the Company Secretary.	Compliant	<p>All Directors have access to the Company Secretary who is an Attorney-at-Law by profession.</p> <p>The Company Secretary advises the Board and ensures that matters concerning the Companies Act, Board procedures and other applicable rules and regulations are followed.</p> <p>The removal of the Company Secretary is a matter to be considered by the Board as a whole.</p>
A.1.5	Independent Judgment of Directors.	Compliant	All Directors exercise independent judgment in decisions made by the Board on issues of strategy, performance, resource allocation and the conduct of business.
A.1.6	Dedication of adequate time and effort by the Board and Board Committees.	Compliant	<p>All Directors ensure that they are able to dedicate sufficient time and attention to the affairs of the Company.</p> <p>The number of meetings held and attended by each Director is presented on page 146 whilst the manner in which the Board allocated its time during 2013/14 is presented on pages 144 to 145.</p> <p>In addition, the Directors function as members of the Board Sub-Committees and ensure that they allocate adequate time to perform their duties as members of such committees. Attendance of Directors at sub-committee meetings is presented on page 149.</p>
A.1.7	Training for New and Existing Directors.	Compliant	<p>New Directors are provided with an induction on joining the Board by apprising them comprehensively on the values and the culture of the Company, business and operations of the Group and its strategy, policies, governance framework and processes and their responsibilities as a Director in terms of the applicable rules and regulations.</p> <p>In addition, Directors are constantly updated on the latest trends and issues facing the Company and the industry in general.</p>
A.2 Chairman and the Chief Executive Officer (CEO) <i>The posts of Chairman and the Chief Executive Officer (CEO) were held separately by Mr. Gamini S. Senarath and Mr. D. P. Kumarage respectively thereby, ensuring the balance of power and authority. The Chairman provides leadership to the Board and is responsible for governance and the effective operations of the Board, whilst the CEO, as the apex executive, is responsible and accountable for day-to-day management of the affairs of the Company with the assistance of the Senior Management.</i>			
A.2.1	Decision to combine the posts of Chairman and CEO.	Not applicable	The roles of Chairman and CEO have not been combined.
A.3 Chairman's Role <i>The Chairman provides leadership to the Board and is responsible for governance and the effective operations of the Board.</i>			
A.3.1	Role of the Chairman in conducting Board proceedings in a proper manner.	Compliant	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.

CORPORATE GOVERNANCE

Section Reference	Principle	Compliance Status	Company's Action for compliance in 2013/14
A.4 Financial Acumen			
<i>The Board comprises of members with academic and professional qualifications in diverse fields who have sufficient financial acumen and knowledge gained through experience gained from both private and public sector entities.</i>			
A.4.1	Availability of sufficient financial acumen and knowledge.	Compliant	<p>The following Directors provide the Board with the guidance on matters of finance, Mr. P. Kudabalage Mr. P. A. I. S. Perera Mr. N. Vasantha Kumar</p> <p>In addition, all members of the Board have experience in various aspects of financial management.</p> <p>Please refer page 133 for the profiles of the Directors.</p>
A.5 Board Balance			
<i>All Directors on the Board are Non-Executive and are therefore independent of the management thereby promoting critical review and control.</i>			
A.5.1	Presence of Non-Executive Directors.	Compliant	The current Board comprises only Non-Executive Directors and their views carry significant weight in the Board's decisions.
A.5.2	"Independence" of Non-Executive Directors.	Compliant	Of the five Non-Executive Directors of the Company, Mr. P. A. I. S. Perera and Mr. H. H. A. Chandrasiri are Independent Non-Executive Directors. Accordingly, the Company is in compliance with the requirement to have the higher of two, or one third of Non-Executive Directors, as "Independent" Non-Executive Directors.
A.5.3	Criteria to evaluate "Independence" of Non – Executive Directors.	Compliant	Both the Independent Non-Executive Directors met the criteria for independence as set out in the Code of Best Practice on Corporate Governance (Code) and the Listing Rules of the Colombo Stock Exchange and are deemed to be independent of management and free of business or other relationship that could materially interfere with the exercise of their unfettered and independent judgment.
A.5.4	Annual declaration of Non-Executive Directors.	Compliant	All Non-Executive Directors have submitted a signed and dated declaration on an annual basis of his/her independency or non-independency.
A.5.5	Annual determination of 'Independence' of Non-Executive Directors by the Board.	Compliant	Based on the declarations submitted by them as mentioned in the comment on principle A.5.4 above, the Board determined that Mr. P. A. I. S. Perera and Mr. H. H. A. Chandrasiri are Independent Non- Executive Directors. Please refer page 133 for Independent Non-Executive Directors' profiles.
A.5.6	Alternate Directors to meet the criteria for independency/executive status of the appointer.	Compliant	No alternate directors were appointed during the year.
A.5.7	Appointment of Senior Independent Director.	Compliant	Although the requirement to appoint a Senior Director does not arise under the Code in view of the roles of the Chairman and the CEO being held by two different individuals, the Company has appointed Mr. P. A. I. S. Perera as the Senior Independent Director with effect from 6th August 2013 in compliance with the Finance Companies (Corporate Governance) Directions.
A.5.8	Availability of Senior Independent Director for confidential discussions with other Directors.	Compliant	<p>The Terms of Reference adopted by the Board for the Senior Independent Director requires him to make himself available for confidential discussions with other Non-Executive Directors who may have concerns which they believe have not been properly considered by the Board as a whole.</p> <p>It also empowers the Senior Independent Director to have the authority to call a meeting of the Non-Executive Directors if, in his opinion, it is necessary.</p> <p>However, no such situation has arisen during the year under review.</p>
A.5.9	Chairman's meetings without the presence of the Executive Directors at least once each year.	Not Applicable	The Board comprises only Non- Executive Directors.

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Section Reference	Principle	Compliance Status	Company's Action for compliance in 2013/14
A.5.10	Recording in Board Minutes Directors' concerns that cannot be unanimously resolved.	Compliant	The Directors' concerns pertaining to unresolved matters are discussed and recorded by the Company Secretary in the Board Minutes in sufficient detail. Further discussions on these matters are pursued at the next Board meeting with a view to resolving them. However, there were no such issues during the year under review.
A.6 Supply of Information <i>Comprehensive information is essential for the decision making process at the Company. Hence, all financial and non-financial information are analysed and presented to the Board to make informed and accurate decisions.</i>			
A.6.1	Management's obligation to provide the Board with appropriate and timely information.	Compliant	The management ensured that the Board was provided with timely, accurate, relevant and comprehensive information before the Board meeting every month, with adequate time for them to review the same and prepare for discussions. The Directors are free to make inquiries for additional information where necessary. Further, the Chairman ensured that all Directors are adequately briefed on issues arising at Board meetings.
A.6.2	Adequate time for effective Board meetings.	Compliant	The Agenda and Board Papers are circulated a week prior to Board meetings.
A.7 Appointments to the Board <i>The Corporate Governance Charter of the Company provides for a formal and transparent procedure to be followed when selecting and appointing new Directors to the Board.</i>			
A.7.1	Presence of a Nomination Committee.	Compliant	Please refer pages 188 to 189 for the details of the Remuneration & Nomination Committee.
A.7.2	Assessment of Board composition.	Compliant	The Board as a whole assesses its own composition to ascertain whether the experience and the exposure of the Board members are adequate to meet the strategic demands faced by the Company and findings of these assessments are taken in to consideration in the appointment of new Directors.
A.7.3	Disclosure of details of new Directors to shareholders.	Compliant	All appointments of new Directors are informed to the shareholders, with sufficient details, via immediate notification to the Colombo Stock Exchange. Prior approval for appointment of new Directors is obtained from the Central Bank of Sri Lanka in terms of the applicable regulations. "The Annual Report of the Board of Directors on the Affairs of the Company" provides details of new appointments of Directors. Please refer page 221 for details of the new appointments.
A.8 Re-election <i>Articles of Association of the Company require any Director who has been appointed to the Board during the year to retire at the next AGM and be re-elected by the shareholders.</i>			
A.8.1	Appointment of Non-Executive Directors.	Part Compliant	Although the Non-Executive Directors are not appointed for a specified time period, they are nevertheless subject to re-election in terms of the Articles of Association of the Company and to the provisions of the Companies Act relating to the removal of a Director.
A.8.2	Election of Directors by the shareholders.	Compliant	In terms of the Articles of Association of the Company, all Directors, including the Chairman, are subject to re-election by shareholders at the first opportunity after their appointment. A brief resume of the Director/s standing for re-election is provided in the Annual Report, enabling shareholders to make an informed decision. Mr. P. Kudabalage and Mr. H. H. A. Chandrasiri retire at the Annual General Meeting in terms of the Articles of Association and have offered themselves for re-election. Please refer page 133 for their profiles.

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Section Reference	Principle	Compliance Status	Company's Action for compliance in 2013/14
A.9 Appraisal of Board Performance			
<i>The Board recognises that it is necessary to periodically appraise their own performance in order to ensure that Board responsibilities are satisfactorily discharged. Thus, the Board has a self-evaluation process in place that encourages all Directors to make a full and active contribution to the Board's affairs.</i>			
A.9.1	Annual appraisal of Board performance.	Compliant	<p>In accordance with the Corporate Governance Charter of the Company, the Board carried out a comprehensive evaluation of its performance and its committees in the last quarter of 2013/14. Views of all Directors were canvassed in respect of the performance of the Board as a whole as well as of its committees. The assessment focused, inter-alia, on the Board's contribution to the development, monitoring and implementation of the strategy; ensuring robust and effective risk management; quality of the relationships with the management, employees and shareholders; and ensuring proper functioning of Board Sub-Committees.</p> <p>Each member of the Board carried out a self-assessment of his/her own effectiveness as well.</p> <p>The full results of the Board evaluations were analysed by the Company Secretary and the findings were presented to the Board in April 2014.</p>
A.9.2	Annual self-evaluation of the Board and its Committees.	Compliant	Please refer comments on Principle A.9.1 above.
A.9.3	Disclosure of evaluation process.	Compliant	Please refer page 147 and comments on Principle A.9.1 above for the process followed in the evaluation of the Board performance.
A.10 Disclosure of Information in respect of Directors			
<i>The Board places considerable importance to the timely disclosure of all relevant information to the shareholders enabling them to make informed decisions.</i>			
A.10.1	Disclosures of information on Directors in the Annual Report.	Compliant	<p>The following information in relation to Directors is disclosed in the Annual Report.</p> <p>The profiles including qualifications, expertise, experience and directorships of all Board members and their status of independence are provided on page 133, whilst page 143 provides details on other Board seats held by the Directors.</p> <p>Details of related party transactions are provided in note 48 to the financial statements on pages 276 to 279.</p> <p>Details of Directors' Interests in transactions and shares and Directors' Remuneration are provided on pages 276 to 279, 215 and 222 respectively.</p> <p>Directors' attendance at Board meetings' their memberships in and attendance at sub-committee meetings are provided on pages 146, 148 and 149 respectively.</p>
A.11 Appraisal of Chief Executive Officer (CEO)			
<i>As the apex executive of the Company, the CEO is responsible for the day-to-day operations of the Company with the assistance of the Senior Management and is accountable to the Board to recommend the Company's strategy and its subsequent implementation, to ensure that appropriate internal controls are in place to manage and assess risk and that they are fully complied with.</i>			
A.11.1	Setting financial and non-financial targets to be achieved by the CEO.	Compliant	<p>The CEO is entrusted with the management of the Company's operations with decision making authority and he is fully accountable to the Board.</p> <p>At the commencement of every financial period, the Board in consultation with the CEO, sets financial and non-financial targets that should be achieved by the CEO in line with the short, medium and long term objectives of the Company.</p> <p>The main corporate goals and objectives emanating from the Company's Corporate Plan and the Budget are incorporated as personal goals of the CEO.</p>
A.11.2	Evaluation of the performance of the CEO against the targets set by the Board.	Compliant	<p>Assessment of the performance of the CEO by the Board is an on-going process. The performance of the CEO is evaluated by the Board at the end of each financial year by comparing with the set targets and objectives.</p>

CORPORATE GOVERNANCE

Section Reference	Principle	Compliance Status	Company's Action for compliance in 2013/14
B. DIRECTORS REMUNERATION			
B.1 Remuneration Procedure			
<i>The Board recognises that the existence of a formal and transparent remuneration procedure supports alignment of Directors' interests with those of shareholders.</i>			
B.1.1	Appointment of a Remuneration Committee.	Compliant	A Remuneration Committee has been appointed with Board approved Terms of Reference. However, during the year under review there were no Executive Directors on the Board of the Company.
B.1.2	Composition of the Remuneration Committee.	Compliant	As prescribed by the Code, all members of the Remuneration Committee are Non-Executive Directors and the Chairman of the Committee is appointed by the Board.
B.1.3	Disclosure of Chairman and members of the Remuneration Committee.	Compliant	Please refer page 188 for the composition of the Remuneration Committee.
B.1.4	Determination of remuneration of Non-Executive Directors.	Compliant	The Board as a whole decides the remuneration of the Non-Executive Directors. The Non-Executive Directors receive a fee for being a Director of the Board and additional fee for being a member of a Board Committee. Fees paid to the Non-Executive Directors are neither performance related nor pensionable. Please refer page 122 for details of the remuneration paid to the Directors during the year under review.
B.1.5	Access to professional advice.	Compliant	The Terms of Reference of the Remuneration Committee empowers it to seek appropriate professional advice inside and outside the Company as and when it is deemed necessary by the Committee.
B.2 The level and make up of Remuneration			
<i>The Board is aware that the level and make up of remuneration affect human motivations and decisions, and consequently, risk outcomes that are ultimately borne by shareholders. Remuneration must therefore reflect value delivered, adjusted appropriately for risk assumed.</i>			
B.2.1	Remuneration for Executive Directors.	Not Applicable	There were no Executive Directors on the Board of the Company during the year under review. Nevertheless, the Board is aware that the remuneration of Executive and Non-Executive Directors should reflect the market expectations and is sufficient enough to attract and retain the quality of personnel needed to run the Company.
B.2.2	Competitiveness of levels of remuneration.	Compliant	The Remuneration Committee as well as the Board as a whole is aware that reward strategies and remuneration structure should be designed to attract, motivate and retain high-calibre people, at all levels of the organisation, in a highly competitive environment. Thus, consideration was given to a survey carried out by M/s. Ernst & Young in the year 2012 and the industry comparable when deciding on the general revision of compensation package of the employees of the Company by the Board in November 2013.
B.2.3	Comparison of remuneration with other companies in the Group.	Compliant	Due to the relatively small size and scale of other companies in the Group, weight is given to the industry comparable when deciding on salary increase levels. However, the Group endeavours to maintain a consistent policy of remuneration across the board.
B.2.4	Performance based remuneration of Executive Directors.	Not Applicable	There were no Executive Directors on the Board of the Company during the year under review.
B.2.5	Executive share options.	Not Applicable	The Company does not have any share option scheme for the Directors or employees at present.

CORPORATE GOVERNANCE

Section Reference	Principle	Compliance Status	Company's Action for compliance in 2013/14
B.2.6	Designing performance based remuneration of Executive Directors.	Not Applicable	There were no Executive Directors on the Board of the Company during the year under review. Nevertheless, the performance related element of remuneration applicable to the CEO is based on achieving the set targets referred to in principle A.11.1 above.
B.2.7 & B.2.8	Compensation commitments on early termination of Directors' contracts.	Not Applicable	There were no Executive Directors on the Board of the Company during the year under review.
B.2.9	Level of remuneration of the Non- Executive Directors.	Compliant	Non-Executive Directors are paid only on their attendance at meetings and sub-committee meetings as stated in comment on principle B.1.4 above.
B.3 Disclosure of Remuneration			
<i>The Company has consistently applied the principle that its remuneration policy should be fair and competitive, and should be reflective of the performance of the business.</i>			
B.3.1	Disclosure of Remuneration.	Compliant	Please refer page 188 for the composition of the Remuneration & Nomination Committee. Pages 188 to 189 and page 222 respectively sets out the Report of the Remuneration & Nomination Committee including the remuneration policy and details on aggregate remuneration paid to the Non-Executive Directors.
C. RELATIONS WITH SHAREHOLDERS			
C.1 Constructive use of the Annual General Meeting (AGM) and Conduct of General Meetings			
<i>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 all shareholders are encouraged to actively participate in the Company's AGM and other General Meetings. To achieve this purpose, the Notices of Meetings are dispatched to the shareholders within the prescribed time periods.</i>			
C.1.1	Use of proxy votes.	Compliant	As a matter of practice, proxy votes together with the votes of the shareholders present at the AGM are considered for each resolution. The Company has a mechanism to record all proxy votes to indicate to the Chairman the level of proxies lodged on each resolution and the number of votes for and against such resolution.
C.1.2	Separate resolutions for each substantially separate issue and adoption of Annual Report and accounts.	Compliant	The Company proposes separate resolutions on each substantially separate issue giving shareholders the opportunity to vote on each such issue separately. The adoption of the reports and accounts is proposed as a separate resolution.
C.1.3	Availability of Board Sub Committee Chairmen to answer queries.	Compliant	The Chairman of the Board ensures that the Chairmen of Board sub-committees are present at the AGM to answer any query by shareholders. The Chairmen of the Board Sub committees were present at the previous year's AGM held on 18th July 2013 and no queries were raised by the shareholders to them.
C.1.4	Adequate notice of the AGM.	Compliant	The Annual Report including financial statements and the notice of the meeting are sent to shareholders at least 15 working days prior to the date of the AGM in compliance with the applicable statutes. The Annual Report for the year 2012/13 was submitted to the Colombo Stock Exchange on 26th June 2013 and was dispatched to all shareholders on the same day. The AGM was held on 18th July 2013. Please refer page 334 for the Notice of Meeting of the 18th AGM to be held on 27th June 2014.

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Section Reference	Principle	Compliance Status	Company's Action for compliance in 2013/14
C.1.5	Summary of procedures governing voting at General Meetings.	Compliant	<p>A summary of procedure relating to voting at General Meetings is set out in the Notices of Meeting itself sent to each shareholder.</p> <p>The Notice of Meeting for the AGM in 2013 containing the procedure governing voting was sent to the shareholders 15 working days prior to the date of the AGM.</p>
C.2 Communication with Shareholders <i>Recognising the importance of two-way communication with its stakeholders, the Board has adopted a comprehensive policy that governs communications with its shareholders and other stakeholders. The Communication Policy is based on four guiding principles namely; efficiency, transparency, clarity and cultural awareness and feedback.</i>			
C.2.1	Channel to disseminate timely information to all shareholders of the Company.	Compliant	<p>The Company has many channels to reach all shareholders of the Company in order to disseminate timely information.</p> <p>Please refer page 208 for more information on the abovementioned channels.</p>
C.2.2	Disclosure of policy and methodology of communication with shareholders.	Compliant	<p>The Communication Policy of the Company encompassing the policy and methodology of communication is available in the Company's intranet.</p> <p>Please refer page 208 for a summary of the Communication Policy.</p>
C.2.3	Implementation of the Communication Policy and methodology of such implementation.	Compliant	<p>The Communication Policy of the Company provides for the manner of implementation thereof and points of responsibility for the same.</p> <p>Please refer page 208 for a summary of the Communication Policy.</p>
C.2.4	Disclosure of Contact person for communication.	Compliant	<p>Contact persons for communications with different stakeholders of the Company are specified in the Communication Policy.</p> <p>Please refer page 208 for a summary of the Communication Policy.</p>
C.2.5	Process to make Directors aware of major issues and concerns of shareholders.	Compliant	<p>The Company Secretary and the Corporate Affairs Division maintains records of all correspondence received from shareholders and direct the same to appropriate channels for resolution.</p> <p>All major issues and concerns of shareholders are referred to the Board.</p> <p>Upon receipt of instructions from the Board or other relevant channel on issues/ concerns referred to them as above, the Company Secretary or the Corporate Affairs Division revert to the respective shareholder with an appropriate response.</p>
C.2.6	Person to be contacted on shareholder matters.	Compliant	<p>Shareholders can contact the Company Secretary, whose details are given below, on matters relating them.</p> <p>Mr. Rohan Pathirage The Company Secretary, People's Leasing & Finance PLC, 1161, Maradana Road, Colombo 8, Sri Lanka.</p> <p>Tel: 011-2631105/103 (phone) Fax: 011-2481500</p> <p>The Senior Independent Director is available to discuss with shareholders any major issues that cannot be resolved through normal channels.</p> <p>In addition, the Company has established a separate Investor Relations function at the Senior Management level to assist the shareholders seeking information and assistance.</p>
C.2.7	The process responding to shareholder matters.	Compliant	Please refer comment on Principle C.2.5 above

CORPORATE GOVERNANCE

Section Reference	Principle	Compliance Status	Company's Action for compliance in 2013/14
C.3 Major and Material Transactions			
<i>The Board recognises that timely disclosure of market sensitive information is essential to maintaining and increasing the confidence of investors in the Company, whilst helping investors making their own judgments.</i>			
C.3.1	Disclosure of major and material transactions.	Compliant	During the year, there were no major or material transactions engaged in or committed to by the Company as prescribed by the Code that required disclosure to the shareholders.
D. ACCOUNTABILITY AND AUDIT			
D.1 Financial Reporting			
<i>The Board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. Therefore, the Board has established a formal and transparent arrangement for considering how they should apply the corporate reporting, risk management and internal control principles and for maintaining an appropriate relationship with the Company's auditors.</i>			
D.1.1	Board's responsibility for statutory and regulatory reporting.	Compliant	<p>The Board is aware that its responsibility to present a balanced and understandable assessment extends to interim and other price sensitive public reports and reports to regulators as well as to information required to be furnished by statutory requirements.</p> <p>Accordingly, the Company has complied with the requirements of the Companies Act No.7 of 2007, Finance Business Act No.42 of 2011 and directions made thereunder in the preparation and presentation of its annual and interim financial statements in conformity with Sri Lanka Accounting Standards.</p> <p>During 2013/14, the interim accounts and annual financial statements were published on a timely basis and regulatory reports were filed by the due dates. Price sensitive information was also disclosed to the Colombo Stock Exchange on a timely basis during the year. Dates of releasing information to the Colombo Stock Exchange during 2013/14 are disclosed on page 211 and the Board's responsibility for financial reporting is given on page 226.</p>
D.1.2	Declarations by Directors in the Directors' Report.	Compliant	The Directors have made all required declarations in the "Annual Report of the Board of Directors on the Affairs of the Company" which is given on pages 219 to 223.
D.1.3	Statements by Directors and Auditors on responsibility for financial reporting.	Compliant	<p>The Statement of Directors' responsibility for the preparation and presentation of financial statements is disclosed in the "Statement on Directors' Responsibility for Financial Reporting" on page 226 and the Auditors' responsibility over financial statements is set out in the "Independent Auditors' Report" on page 227.</p> <p>The "Directors' Statement on Internal Control over Financial Reporting" is given on page 224.</p>
D.1.4	Management Discussion and Analysis.	Compliant	Please refer "The Management Discussion and Analysis (MD&A)" on pages 24 to 127 which is presented as an integrated report covering all aspects referred to in the Code.
D.1.5	Declaration by the Board on the going concern of the business.	Compliant	The required information is provided in the "Annual Report of the Board of Directors on the Affairs of the Company" on pages 219 to 223.
D.1.6	Requirement to summon an Extraordinary General Meeting (EGM) to notify serious loss of capital.	Not Applicable	The situation has not arisen during the year 2013/14 and the likelihood of such a situation is remote. However, should such a situation arises, an EGM would be convened to keep the shareholders informed thereof.
D.1.7	Adequate and accurate disclosure of Related Party Transactions.	Compliant	<p>Each related party has submitted signed and dated declarations mentioning whether they had related party transactions with the Company during 2013/14.</p> <p>Further, an effective and comprehensive system of internal controls has been established to identify, record and disclose related party transactions.</p> <p>A detailed report on related party transactions taken place during the year 2013/14 was reviewed by the Board on 28th April 2014.</p> <p>Please refer note 48 to the financial statements for details on related party transactions.</p>

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Section Reference	Principle	Compliance Status	Company's Action for compliance in 2013/14
D.2 Internal Controls			
<i>The directors are responsible for the Group's system of internal controls and for maintaining and reviewing its effectiveness from both financial and operational perspectives.</i>			
D.2.1	Directors to conduct an annual review of internal controls.	Compliant	<p>The Board has the overall responsibility for ensuring that the Company maintains an adequate system of internal controls and risk management and for reviewing its effectiveness. The Board Audit Committee, on behalf of the Board, undertakes the detailed monitoring of the controls and reports to the Board on its findings, whilst the Integrated Risk Management Committee reviews the risk dash board reports of the Company and its subsidiaries and take prompt corrective action(s) to mitigate the negative effects of specific risks, in case such risks are exceeding the established risk tolerance levels.</p> <p>Functions of the Board Audit Committee and the Integrated Risk Management Committee and the work carried out by them during the year 2013/14 to ensure the effectiveness of the internal control systems are detailed in their reports, appearing on pages 184 to 187.</p>
D.2.2	The need for an internal audit function.	Compliant	The Company has its own in-house Internal Audit Department. Please refer page 187 for more details on the internal audit function.
D.2.3	Review of the process and effectiveness of risk management and internal controls by the Board Audit Committee.	Compliant	<p>The Internal Audit Department of the Company carries out regular reviews on the risk management measures and internal controls system including internal controls over financial reporting and reports their findings to the Board Audit Committee, who then on behalf of the Board, undertakes a detailed monitoring and reviewing of the said controls and risk management measures.</p> <p>The minutes of the Board Audit Committee meetings together with the Committee's findings on internal controls and risk management functions are submitted at the meetings of the Board of Directors periodically.</p> <p>Please refer "Directors' Statement on Internal Control over Financial Reporting" on page 224 for more details on the above.</p>
D.2.4	Responsibilities of Directors in maintaining a sound system of internal controls and content of Statement of Internal Controls.	Compliant	Please refer "Directors' Statement on Internal Control over Financial Reporting" on page 224 for more details on the above.
D.3 Audit Committee			
<i>The Board Audit Committee assists the Board of Directors in its general oversight of financial reporting, internal controls and functions relating to internal and external audits. The Charter of the Board Audit Committee, which is periodically reviewed and revised with the concurrence of the Board of Directors, clearly defines the Terms of Reference of the Board Audit Committee. The Charter demonstrates that activities of the Board Audit Committee are in line with the Code and the directions issued by the Central Bank of Sri Lanka.</i>			
D.3.1	Composition of the Audit Committee.	Compliant	<p>The Board Audit Committee comprises three Directors, all of whom are Non-Executive. Two Directors of the Committee are Independent Non-Executive Directors.</p> <p>Please refer the "Board Audit Committee Report" on pages 186 to 187 for details of the members, secretary and invitees of the Committee.</p>
D.3.2	Duties of the Audit Committee to review the objectivity of the External Auditor.	Compliant	<p>The Board Audit Committee monitors and reviews the External Auditor's independence, objectivity and the effectiveness of the audit process, taking into account the relevant professional and regulatory requirements.</p> <p>Company's External Auditors for 2013/14, M/s. Ernst & Young, Chartered Accountants have provided a declaration of their independence to the Board Audit Committee in terms of the relevant rules.</p>

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Section Reference	Principle	Compliance Status	Company's Action for compliance in 2013/14
D.3.3	Terms of Reference of the Audit Committee.	Compliant	<p>The Board Audit Committee operates within clearly defined Terms of Reference approved by the Board.</p> <p>The duties and responsibilities of the Committee as set out in the Terms of Reference, are in line with the Code and the directions issued by the Central Bank of Sri Lanka.</p> <p>Please refer the "Board Audit Committee Report" on page 186 for a summary of the Terms of Reference of the Committee.</p>
D.3.4	Disclosure of names of the members of the Audit Committee and report of the Audit Committee.	Compliant	<p>Please refer the "Board Audit Committee Report" on pages 186 to 187 for the names of the Directors comprising the Board Audit Committee and details on External Audit.</p> <p>Company's External Auditors for 2013/14, M/. Ernst & Young, Chartered Accountants have provided a declaration of their independence to the Audit Committee in terms of the relevant rules.</p>
D.4 Code of Business Conduct and Ethics <i>Business ethics at the Company is not limited to ethical behaviour, but clearly articulates the ethical principles embedded in the Company's ethos and ensures that those principles are fully integrated into the entity's management and operations. The approach to ethics considers the impact of actions on a broad range of stakeholders and to the reputation of the Company.</i>			
D.4.1	Disclosures on presence of Code of Business Conduct & Ethics.	Compliant	<p>The Company has in place a comprehensive Code of Business Conduct & Ethics applicable to all Directors and employees of the Company. The Code has been circulated to all the Directors and employees and has been published in the Company's intranet to ensure strict compliance with the same.</p> <p>Please refer pages 150 to 151 for a summary of the Company's Code of Business Conduct & Ethics.</p> <p>The Board is not aware of any material violations of any of the provisions of the Code of Business Conduct & Ethics by any Director or Senior Management member of the Company.</p>
D.4.2	Affirmation by the Chairman that there is no violation of the Code of Business Conduct & Ethics.	Compliant	<p>Please refer "Chairman's Statement on Corporate Governance" on page 140 for required details.</p>
D.5 Corporate Governance Disclosures <i>The Board of Directors of the Company continues to focus on improving its effectiveness and responding appropriately to be current with the developments taking place in the governance environment and remains committed to transparency and continuous improvement in reporting as the Company continues on its corporate journey.</i>			
D.5.1	Inclusion of a Corporate Governance Report in the Annual Report.	Compliant	<p>This report from pages 166 to 179 sets out the manner in and the extent to which the Company has complied with the Code.</p>

CORPORATE GOVERNANCE

Section Reference	Principle	Compliance Status	Company's Action for compliance in 2013/14
SECTION 2 – SHAREHOLDERS			
E. INSTITUTIONAL INVESTORS			
E.1 Shareholder Voting			
<i>Effective two way communication with institutional investors and analysts is established by the Company through regular meetings, presentations and roadshows in Sri Lanka and overseas led by the Directors and Corporate Management.</i>			
E.1.1	Communication with shareholders.	Compliant	<p>Developing the two-way communication theme further, the Annual General Meeting (AGM) is used as a forum to have a structured and objective dialogue with shareholders on matters that are relevant to the general membership.</p> <p>From the Company's perspective, the AGM provides a forum for the Board to inform the shareholders what the Company does and how it has performed during the year. For investors, it provides a forum to learn more about the business and ask questions of the directors and to use their votes responsibly.</p> <p>Additionally, the Company has an ongoing programme of dialogue and meetings with institutional shareholders, where a wide range of relevant issues is discussed.</p>
E.2 Evaluation of Governance Disclosures			
<i>Corporate Governance disclosure is a reflection of accountability and transparency that broadens the scope of management responsibility and supports a positive association between the Company and its institutional investors.</i>			
E.2.	Encourage institutional investors to give due weight to relevant governance arrangements.	Compliant	Sufficient attention has been given to the interests of institutional investors on matters relating to the Board structure and the composition.
F. OTHER INVESTORS			
F.1 Investing/Divesting Decisions			
<i>The Company places a high degree of importance on maintaining good relationships and communications with institutional investors and private investors alike and ensures that they are kept informed of significant Company developments thus enabling them to make an informed decision on their acquiring, holding or divesting Company shares.</i>			
F.1	Encourage individual shareholders to seek independent advice in investing or divesting decisions.	Compliant	Individual shareholders are at liberty to carry out adequate analysis or seek independent advice on their investing, holding or divesting decisions.
F.2 Shareholder Voting			
<i>General Meetings provide the principal opportunity for the Board to meet investors and for the Chairman to explain the Company's progress and receive questions from its owners, the shareholders.</i>			
F.2	Encourage individual shareholders to participate in General Meetings and exercise voting rights.	Compliant	Individual shareholders are encouraged to participate at general meetings and cast their votes. To achieve this purpose, the notices of meetings are dispatched to all shareholders within the prescribed time periods.

CORPORATE GOVERNANCE

Section Reference	Principle	Compliance Status	Company's Action for compliance in 2013/14
G. SUSTAINABILITY REPORTING			
G.1 Principles of Sustainability Reporting			
<i>The Company recognises that a sustainability report presents the organisation's values and governance model, and demonstrates the link between its strategy and its commitment to a sustainable global economy. Thus, this Annual Report has been prepared in the form of an integrated report that covers all sustainability reporting parameters as identified by the Global Reporting Initiative (GRI).</i>			
G.1.1	Reporting of Economic Sustainability	Compliant	Please refer pages 38 to 53.
G.1.2	Reporting on the Environment	Compliant	Please refer pages 118 to 126.
G.1.3	Reporting on Labour Practices	Compliant	Please refer pages 98 to 108.
G.1.4	Reporting on Society	Compliant	Please refer pages 109 to 117.
G.1.5	Reporting on Product Responsibility	Compliant	Please refer pages 90 to 96.
G.1.6	Reporting on stakeholders identification, engagement and effective communication	Compliant	Please refer pages 29 to 31.
G.1.7	Formalising sustainable reporting as part of Company's reporting process	Compliant	Please refer pages 26 to 28.

CORPORATE GOVERNANCE

“
GOOD CORPORATE GOVERNANCE IS ESSENTIAL TO THE EFFECTIVE OPERATION OF A FREE MARKET, WHICH ENABLES WEALTH CREATION AND FREEDOM FROM POVERTY
”

(Financial Reporting Council of the UK)

Report on compliance with the Rules on the Content of the Annual Report in Section 7.6 and Rules on Corporate Governance in Section 7.10 of the Listing Rules of the Colombo Stock Exchange (Listing Rules)

The Listing Rules of the Colombo Stock Exchange which aim to secure the confidence of investors by ensuring that companies publish timely and accurate information so as to provide a reliable basis for evaluating a company, sets out in it the reports and disclosures that a listed company must include in its Annual Report. The Listing Rules also sets out certain corporate governance rules that must be followed by listed companies.

The table below provides reference to the relevant sections in the Annual Report where the aforementioned reports and disclosures required is found and the information on the level of compliance by the Company with the corporate governance rules.

Rule Reference	Information required to be disclosed	Annual Report Section Reference	Page
COMPLIANCE WITH RULES ON THE CONTENT OF THE ANNUAL REPORT IN SECTION 7.6 OF THE LISTING RULES			
7.6(i)	Names of persons who during the financial year were Directors of the Company.	Please refer "Annual Report of the Board of Directors on the Affairs of the Company".	219
7.6(ii)	Principal activities of the Company and its subsidiaries during the year and any changes therein.	Please refer "Annual Report of the Board of Directors on the Affairs of the Company".	219
		Note 1.5 in "Notes to the Financial Statements".	234
		"Management Discussion and Analysis".	24 -127
7.6(iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held.	Please refer "Share Information" for the 20 largest holders of voting shares. The Company has not issued any non-voting shares.	214
7.6(iv)	The public holding percentage.	Please refer "Share Information".	214
7.6(v)	Directors' and Chief Executive Officer's holding in shares of the Company at the beginning and end of the financial year.	Please refer "Share Information".	215
7.6(vi)	Information pertaining to material foreseeable risk factors.	Please refer the "Risk Management".	191-205
		"Management Discussion and Analysis".	24-127
7.6(vii)	Details of material issues pertaining to employees and industrial relations.	During the year 2013/14, there were no material issues pertaining to employees and industrial relations of the Company.	
7.6(viii)	Extents, locations, valuations and the number of buildings of the land holdings and investment properties.	Please refer note 29 to the Financial Statement.	268
7.6(ix)	Number of shares representing the stated capital.	Please refer Note 39 to the "Financial Statements" on 'Stated Capital'.	272
7.6(x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings.	Please refer "Share Information".	213

CORPORATE GOVERNANCE

Rule Reference	Information required to be disclosed	Annual Report Section Reference	Page
7.6(xi)	Ratios and market price information on: Equity 1. Dividend per share 2. Dividend pay out 3. Net asset value per share 4. Market value per share (highest and lowest values recorded during the financial year and value as at the end of financial year)	Please refer "Share Information".	210, 212
	Debt 1. Interest rate of comparable government security 2. Debt/equity ratio 3. Interest cover 4. Quick asset ratio 5. The market prices & yield during the year 6. Changes in credit rating	Please refer "Share Information".	210, 212
7.6(xii)	Significant changes in the Company's or its subsidiaries' fixed assets and the market value of land, if the value differs substantially from the book value.	Please refer Note 28 to the "Financial Statements" on 'Property, Plant & Equipment'.	266-268
7.6(xiii)	Details of funds raised through a public issue, Rights Issue and a private placement.	Please refer Note 33.1.1 to the "Financial Statements" on 'Listed Debenture'.	269
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 Schemes at present.	
7.6(xv)	Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 c. and 7.10.6 c. of Section 7 of the Listing Rules.	Please refer "Report on compliance with the Rules on the Content of the Annual Report in Section 7.6 and Rules on Corporate Governance in Section 7.10 of the Listing Rules of the Colombo Stock Exchange (Listing Rules)".	180-183
7.6(xvi)	Related Party transactions exceeding 10% of the Equity or 5% of the total assets of the Entity as per Audited Financial Statements, whichever is lower.	The Company did not have any related party transaction exceeding this threshold during the year 2013/14.	

COMPLIANCE WITH RULES ON CORPORATE GOVERNANCE REQUIREMENTS IN SECTION 7.10 OF THE LISTING RULES

Rule Reference	Requirement	Compliance Status	Details of Company's Action for compliance
7.10.1 Non-Executive Directors			
All Directors on the Board are Non-Executive and are therefore independent of the management thereby promoting critical review and control.			
7.10.1 (a)	Two or one third of the Directors, whichever is higher, should be Non-Executive Directors	Compliant	The current Board comprises only Non-Executive Directors.
7.10.1 (b)	The total number of Directors is to be calculated based on the number as at the conclusion of the immediately preceding Annual General Meeting.	Compliant	All of the Directors who were in office as at the conclusion of the immediately preceding Annual General Meeting were also Non-Executive Directors.
7.10.1 (c)	Any change occurring to this ratio shall be rectified within ninety (90) days from the date of the change.	Compliant	No change in the number of Non-Executive Directors took place during the year 2013/14.
7.10.2 Independent Directors			
The Company is committed towards a balanced and diversified Board leading to a culture of leadership that provides a long-term vision and policy thinking and thereby improving the quality of governance			
7.10.2 (a)	Two or one third of Non- Executive Directors, whichever is higher, should be independent.	Compliant	Of the five Non-Executive Directors of the Company, two are Independent Non-Executive Directors.
7.10.2 (b)	Each Non-Executive Director should submit a declaration of independence/non-independence in the prescribed format.	Compliant	All Non-Executive Directors submitted the requisite declarations during the year under review.

CORPORATE GOVERNANCE

Rule Reference	Information required to be disclosed	Annual Report Section Reference	Page
7.10.3 Disclosures Relating to Directors			
The Board places considerable importance to the timely disclosure of all relevant information to the shareholders enabling them to make informed decisions.			
7.10.3 (a)	Names of Independent Directors should be disclosed in the Annual Report.	Compliant	The Company's Independent Directors are, Mr. P. A. I. S. Perera Mr. H. H. A. Chandrasiri Please refer page 133 for the profiles of the Independent Directors.
7.10.3 (b)	In the event a Director does not qualify as independent as per the rules on corporate governance but if the Board is of the opinion that the Director is nevertheless independent, it shall specify the basis of the determination in the Annual Report.	Compliant	No such determination was required to be made by the Board, as the Independent Directors of the Company met the specified criteria.
7.10.3 (c)	A brief resume of each Director should be published in the Annual Report including the areas of expertise.	Compliant	Please refer page 133 for the profiles of the Directors.
7.10.3 (d)	A brief resume of any new Director appointed to the Board should be provided to the Exchange for Dissemination to the public.	Compliant	The appointments of Mr. P. Kudabalage and Mr. H. H. A. Chandrasiri were announced to the Exchange on 19th July 2013 together with their profiles.
7.10.4 Criteria for determination of independency of Directors			
The Independent Directors can play the crucial role of bringing objectivity to the decisions made by the Board of Directors by playing a supervisory role.			
7.10.4 (a-h)	Requirements for meeting criteria to be independent.	Compliant	All of the Independent Directors of the Company met the criteria for independency specified in this rule.
7.10.5 Remuneration Committee			
The Board recognises that the existence of a formal and transparent remuneration procedure supports alignment of Directors' interests with those of shareholders.			
7.10.5	A listed company shall have a Remuneration Committee.	Compliant	Please refer the "Report of the Remuneration & Nomination Committee" on pages 188 to 189.
7.10.5 (a)	The Remuneration Committee shall comprise a minimum of two Independent Non-Executive Directors or a majority of Independent Non-Executive Directors, whichever is higher.	Compliant	The Remuneration & Nomination Committee comprises solely of Independent Non-Executive Directors. Please refer "Report of the Remuneration & Nomination Committee" on pages 188 to 189 for the composition thereof.
	One Non-Executive Director shall be appointed as Chairman of the committee by the Board.	Compliant	Mr. P. A. I. S. Perera, who is the Senior Independent Director of the Company functions as the Chairman of the Remuneration & Nomination Committee.
7.10.5 (b)	Functions of the Remuneration Committee shall be to recommend the remuneration of the Chief Executive Officer and the Executive Directors.	Compliant	Please refer the functions of the Remuneration & Nomination Committee on page 188.
7.10.5 (c)	The Annual Report shall set out: The names of the Directors that comprise the Remuneration Committee.	Compliant	Please refer page 188 for the composition of the Remuneration & Nomination Committee.
	A statement of remuneration policy .	Compliant	Please refer the "Report of the Remuneration & Nomination Committee" on pages 188 to 189.
	Aggregate remuneration paid to Executive and Non-Executive Directors.	Compliant	Please refer page 222 of the "Annual Report of the Board of Directors on the Affairs of the Company".

CORPORATE GOVERNANCE

Rule Reference	Information required to be disclosed	Annual Report Section Reference	Page
7.10.6 Audit Committee			
The Board Audit Committee, on behalf of the Board undertakes the detailed monitoring of the controls and reports to the Board on its findings.			
7.10.6	A listed company shall have an Audit Committee.	Compliant	Please refer the "Board Audit Committee Report" on pages 186 to 187.
7.10.6 (a)	The Audit Committee shall comprise a minimum of two Independent Non-Executive Directors, or a majority of Independent Non-Executive Directors, whichever is higher.	Compliant	The Board Audit Committee comprises a majority of Independent Non-Executive Directors. Please refer the "Board Audit Committee Report" on page 186 for the composition thereof.
	One Non-Executive Director shall be appointed as Chairman of the Audit Committee by the Board.	Compliant	Mr. P. Kudabalage, a Non-Executive Director of the Company functions as the Chairman of the Board Audit Committee.
	The Chief Executive Officer and Chief Financial Officer shall attend Audit Committee meetings.	Compliant	Both the Chief Executive Officer and the Chief Financial Officer attend the meetings by invitation.
	The Chairman or one member of the Committee should be a member of a recognised professional accounting body.	Compliant	The Chairman is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka (ICASL). Please refer page 186 for qualifications of the members of the Board Audit Committee.
7.10.6 (b)	The functions of the Audit Committee shall be as set out in section 7.10 of the Listing Rules.	Compliant	Please refer the "Board Audit Committee Report" on page 186 for a brief description of its functions.
7.10.6 (c)	The Annual Report shall set out; The names of the Directors who comprise the Audit Committee.	Compliant	Please refer page 186 for the composition of the Board Audit Committee.
	The Audit Committee shall make a determination of the independence of the auditors and disclose the basis for such determination.	Compliant	Please refer the "Board Audit Committee Report" on page 187 for the required disclosure.
	A report by the Audit Committee setting out the manner of compliance of the functions set out in section 7.10 of the listing rules.	Compliant	Please refer pages 186 to 187 for the "Board Audit Committee Report".

INTEGRATED RISK MANAGEMENT COMMITTEE REPORT

At People's Leasing, the Board is primarily responsible for integrated risk management initiatives and delegated its authority to the Integrated Risk Management Committee (IRMC) being the Board appointed Committee to review and assess the adequacy and effectiveness of the risk profile of the Company, in terms of Directions issued under the Finance Act No. 78 of 1988 and Finance Business Act No. 42 of 2011.

The Committee was set up to have an overview and input into People's Leasing's efforts relating to the Integrated Risk Management. The Committee proceedings were based on the Terms of Reference of Integrated Risk Management Committee adopted by the Board of Directors for the functioning of the Committee.

A detailed approach to the Company's key Integrated Risk Management process has been dealt with in pages from 191 to 205 of this report.

COMPOSITION OF THE INTEGRATED RISK MANAGEMENT COMMITTEE

Integrated Risk Management Committee for the financial year 2013/14 comprised of the following members:

Mr. D.J.D. Jayakody	Committee Chairman (Non Independent/Non-Executive Director) up to 27.09.2013
Mr. H. H. Anura Chandrasiri	Committee Chairman (Independent/Non-Executive Director) w.e.f. 25.02.2014
Mr. Wajira S. Bandara	Committee Member (Non Independent/Non-Executive Director) up to 14.10.2013
Mr. N. Vasantha Kumar	Committee Member (Non Independent/Non-Executive Director)
Mr. D.P. Kumarage	Chief Executive Officer/GM
Mr. Sanjeewa Bandaranayake	DGM (Finance & Administration)
Mr. Lionel Fernando	DGM (Operations)

Mr. Andy Ratnayake - Senior Manager - Risk Management and Control functioned as the Secretary of the Integrated Risk Management Committee. Key Management Personnel from PLC Subsidiaries, Secretary to the ALCO and the Compliance Officer also participated the meeting on invitation.

COMMITTEE MEETINGS

Committee held four meetings during the year under review. The risk assessment of the Committee is reported to the Board of Directors seeking the Board's views, concurrence and/or specific directions.

The attendance of the members of the Committee was as follows.

Name of the Directors/ KMPs	Designation	Total Number of Meetings Eligible to Attend	Number of Meetings Attended
Mr. D.J.D. Jayakody up to 27.09.2013	Non Independent/ Non-Executive Director	2	2
Mr. H.H. Anura Chandrasiri w.e.f 25.02.2014	Independent/Non-Executive Director	2	2*
Mr. N. Vasantha Kumar	Non Independent/ Non-Executive Director	4	4
Mr. Wajira S. Bandara up to 14.10.2013	Non Independent/ Non-Executive Director	2	1
Mr. D.P. Kumarage	Chief Executive Officer/GM	4	3
Mr. Sanjeewa Bandaranayake	DGM (Finance & Administration)	4	4
Mr. Lionel Fernando	DGM (Operations)	4	4

*Mr. H.H. Anura Chandrasiri - Independent/Non-Executive Director chaired these two meetings as the pro-tem Chairman.

INTEGRATED RISK MANAGEMENT COMMITTEE REPORT

TERMS OF REFERENCE (TOR) OF INTEGRATED RISK MANAGEMENT COMMITTEE

The TOR clearly sets out the Purpose, Policy and Framework, Authority/Delegations, Composition, Meeting Frequency and Quorum, Agenda and Minutes, Responsibilities and Reporting Procedures of the Committee.

RISK TOLERANCE LEVELS

Risk tolerance is the acceptable level of variation relative to achievement of a specific objective, and often is best measured in the same units as those used to measure the related objective. PLC has determined tolerable ranges for the purpose of assessing risk. Risk tolerance levels help to ensure appropriate reporting and monitoring processes that can put in place for the effective management of identified risks. The risk tolerance levels are required to timely update considering the factors such as strategic objectives of the Company, changes in regulatory requirements, competitiveness in the business environment and future economic conditions. During the year under review, the IRMC reviewed and updated the risk tolerance levels for the better monitoring and evaluation purpose.

ASSESSING THE RISK PROFILE OF SUBSIDIARY COMPANIES

People's Leasing Fleet Management Ltd (PLFML) is a wholly owned subsidiary of PLC which was incorporated on 06th August 2008. The main business activities of PLFML are fleet management solutions, asset valuation services and auto care services etc. PLFML has been recognised as a Company with high growth potential which has the ability to spread its activities into different business spheres. During the year under review, PLFML is added for IRMC's review in providing sound risk oversight to the Company.

ACTIVITIES OF THE COMMITTEE

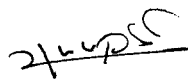
The Committee focused on the following activities during the year under review.

- ◆ Reviewing the risk indicators of the risk dash board reports designed to monitor the level of specific risks at any given time, with a view of determining the adequacy and the appropriateness of such indicators.
- ◆ Reviewing the risk dash board reports of PLC and other subsidiaries (People's Insurance Limited, People's Microfinance Limited and People's Leasing Fleet Management Ltd) and take prompt corrective action(s) to mitigate the negative effects of specific risks, in case such risks are exceeding the prudent thresholds.
- ◆ Reviewing the adequacy and effectiveness of Management level Committees such as Integrated Risk Management Operating Committee (IRMOC) and Assets and Liability Management Committee (ALCO).
- ◆ Ensuring risk assessment decisions are taken within the framework of the authority and responsibility assigned to the Committee.
- ◆ Reviewing of the ALCO reports submitted by the Secretary to ALCO for the information of the Committee.
- ◆ Commenced the risk review of operations pertaining to People's Leasing Property Development Limited, a wholly owned subsidiary of PLC.
- ◆ Reviewing the compliance report 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.

The Risk Management & Control Department co-ordinated with subsidiary companies and briefed the Committee with the relevant information through various risk indicators and additional information.

The Committee has reviewed the process for identification, evaluation and management of all significant risks throughout the People's Leasing Group.

During the year under review, the IRMC provided the necessary guidance in the execution of the business strategy emphasising the upside and downside risks which can have impact on the Company.



H. H. Anura Chandrasiri
Chairman
Integrated Risk Management Committee

19th May 2014
Colombo



A. Ratnayake
Secretary
Integrated Risk Management Committee

BOARD AUDIT COMMITTEE REPORT

THE COMPOSITION OF THE BOARD AUDIT COMMITTEE

The Board appointed Audit Committee is comprised of the following Non-Executive Directors of the company:

Mr. Piyadasa Kudabalage
 Mr. P. A. I. S. Perera
 Mr. H. H. Anura Chandrasiri

The Chairman of the Committee, Mr. Piyadasa Kudabalage is a Non-Executive Director, who is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and holds a B.Com (Hons) Degree from the University of Kelaniya. He is also a Fellow Member of the Institute of Certified Professional Managers of Sri Lanka and the Institute of Certified Management Accountants of Sri Lanka. He has well over 30 years' experience in the mercantile sector.

Mr. P. A. I. S. Perera who serves in the Committee is an Independent Non –Executive Director. He has completed up to the final stage of Association of Chartered Certified Accountants (U.K.) and is a holder of a Diploma in Accountancy and Higher National Diploma in Finance from U.K.

Mr. H. H. Anura Chandrasiri is also an Independent Non –Executive Director, an Attorney-at-Law of the Supreme Court of Sri Lanka and holds a Bachelor of Laws Degree from the Open University of Sri Lanka.

Mr. Udesh Gunawardena, Head of the Internal Audit is acting as the Secretary to Board Audit Committee.

CHARTER OF THE COMMITTEE

The Charter clearly defines the Terms of Reference of the Audit Committee. It demonstrates that activities of the Audit Committee are in line with the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission, and the directions issued by the Central Bank of Sri Lanka.

The purpose of the Board Audit Committee is to assist the Board of Directors in its general oversight of financial reporting, Internal controls and functions relating to internal and external audit.

MEMBERSHIP

Members of the Committee are appointed by the Board. The Committee is made up of at least 03 members. All members of the Committee are non-executive directors.

The Board appoints the Committee Chairman who shall be a non-executive director, who possesses qualifications and experience in accountancy and/or audit.

The duties and responsibilities of the Audit Committee;

THE COMMITTEE HAS BEEN MANDATED TO CARRY OUT THE DUTIES SET OUT BELOW;

FINANCIAL REPORTING

The Committee monitors the integrity of the financial information/financial statements of the company, including its interim management statements, and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgments, any changes in accounting policies and practices, significant adjustments arising from the audits and the going concern assumptions which they contain. The Committee shall also review summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of a price sensitive nature.

The Committee verifies the Company's compliance with financial reporting requirements, information requirements of the Companies Act, and other relevant financial reporting related regulations and requirements

BOARD AUDIT COMMITTEE REPORT

INTERNAL CONTROLS, RISK MANAGEMENT SYSTEMS AND GOING CONCERN

The Committee keeps under review the company's internal controls and risk management systems ensuring the procedures are adequate to meet the requirements of the Sri Lanka Auditing Standards and assesses the Company's ability to continue as a going concern in the foreseeable future;

The Committee reviews and approves the statements to be included in the annual report concerning the effectiveness of internal controls system.

INTERNAL AUDIT

The Committee reviews the adequacy of the scope, functions and resources of the internal audit department, and satisfied itself that the department has the necessary authority to carry out its work and monitor and review the effectiveness of the company's internal audit function in the context of the company's overall risk management system. The Committee ensured that the internal audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care;

The Committee reviews, assesses and approves the internal audit plan and the internal audit programme.

The Committee also reviews and monitors management's responsiveness to the significant audit findings and recommendations of the internal auditor.

EXTERNAL AUDIT

The Committee monitors independence and objectivity of the audit processes of external audit in accordance with applicable standards of best practice. The Committee with the approval of the Board of Directors developed and implemented a policy for engagement of external auditors to provide non-audit services to safeguard the auditors' independence and objectivity.

The Committee met with the external auditors to discuss their audit plan and the scope before the commencement of audit. Accordingly, the Committee met the external auditors M/S Ernst & Young twice during the year under review.

MEETINGS

The Committee held seven meetings during the year under review. The attendance of Committee Members at meetings is listed below.

Name of the Member	Number of Committee Meetings Eligible to Attend	Number of Committee Meetings Attended
Mr. Piyadasa Kudabalage - Chairman	03	03
Dr. D. J. D. Jayakody - Former Chairman	04	04
Mr. P. A. I. S. Perera - Member	07	02
Mr. H. H. Anura Chandrasiri - Member	03	03
Mr. N. Vasantha Kumar - Former Member	04	04

On the invitation of the Committee the Chief Executive Officer/GM, Deputy General Managers, other officers and external auditors may attend the meetings. The proceedings of the Audit Committee meetings are recorded with adequate details and reported to the Board of Directors.

GOOD GOVERNANCE

The Committee promotes the good governance among the internal audit staff by reviewing and approving the internal audit policy charter and among all staff by introducing the whistleblower policy.

REGULATORY COMPLIANCE

The committee closely monitors the compliance with mandatory finance and other statutory requirements, systems and procedures to ensure the compliance with such requirements. The compliance reporting has been set up in such a way that the compliance officer keeps the board apprised of compliance through the Integrated Risk Management Committee. The committee has advised the group internal audit function to conduct compliance checking on a regular basis in order to ensure compliance awareness and there is an independent assurance for compliance.

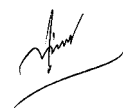
WHISTLE BLOWING AND FRAUD

The Company's whistle blower policy intends serving a wide-spread informal channel for the corporate fraud risk management. An employee, who observes or notices any improper or illegal activity or unethical practices in the Company or receives credible information of the same, may forthwith report the same to the Board Audit Committee.

The policy has been published in all three languages in the company intranet.

RE-APPOINTMENT OF THE EXTERNAL AUDITORS

The Audit Committee recommended to the Board that M/s. Ernst & Young; Chartered Accountants be re-appointed as External Auditors of People's Leasing & Finance PLC for the financial year ending 31st March 2015, subject to approval by the shareholders at the next AGM.



Piyadasa Kudabalage
Chairman - Board Audit Committee



Udesh Gunawardena
Secretary - Board Audit Committee

19th May 2014
Colombo

REPORT OF THE REMUNERATION & NOMINATION COMMITTEE

“THE LEVEL AND MAKE UP OF REMUNERATION AFFECT HUMAN MOTIVATIONS AND DECISIONS, AND CONSEQUENTLY, RISK OUTCOMES THAT ARE ULTIMATELY BORNE BY SHAREHOLDERS. REMUNERATION MUST THEREFORE REFLECT VALUE DELIVERED, ADJUSTED APPROPRIATELY FOR RISK ASSUMED.”

The Remuneration Committee was established on 22nd August 2011 and was renamed as the Remuneration & Nomination Committee on 6th August 2013 and was duly reconstituted.

Composition of the Committee

As at the end of the financial year 2013/14 the Remuneration & Nomination Committee comprised of the following Independent Non-Executive Directors of the Company:

- ◆ Mr. P. A. I. S. Perera (Chairman)
- ◆ Mr. Anura Chandrasiri

Profiles of the members of the Remuneration & Nomination Committee are given on page 133.

Terms of Reference

The Committee operates within the agreed Terms of Reference and is committed to the principles of accountability and transparency, and ensuring that remuneration arrangements in the Company align reward with performance.

The scope of the Committee includes,

- ◆ Making recommendations to the Board on the Company's framework of Executive Directors' remuneration and its cost and to determine on behalf of the Board specific remuneration packages (including pension rights) for Executive Directors (which also includes that of the Chief Executive Officer and/or equivalent position thereof);
- ◆ Recommending any contract of employment or related contract with Executive Directors on behalf of the Company;
- ◆ Determining the terms of any compensation package in the event of early termination of the contract of any Executive Director;

- ◆ Making recommendations to the Board regarding the content to be included in the Annual Report on Directors' remuneration.
- ◆ Identifying suitable candidates to the Board, for the purpose of appointing the most suitable candidate(s) to fill any vacancy/vacancies of the Board and considering all re-appointments to the Board;
- ◆ Acting in accordance with the Corporate Governance Charter in recommending such appointments or re-appointments of Directors;
- ◆ Providing advice and recommendations to the Board or the Chairman (as the case may be) on any such appointment;
- ◆ Regularly reviewing the structure, size, composition and competencies (including the skills, knowledge and experience) of the Board and making recommendations to the Board with regard to any changes that needs to be introduced.

Authority of the Committee

The Committee has the authority to discuss issues under its purview and report back to the Board with recommendations, enabling the Board to take a final decision on the matter.

The Committee is authorised by the Board to seek appropriate professional advice inside and outside the Company as and when it considers this necessary.

Remuneration policy

The Company's reward strategies and remuneration structure is designed to attract, motivate and retain high-calibre people, at all levels of the organisation, in a highly competitive environment. Accordingly salaries and other benefits are reviewed periodically taking into account the performance of the individual, comparisons with peer group companies, institutional guidelines and reports from specialist consultants. The skills, experience of the individual and his/ her level of responsibility are also taken into account in deciding on the remuneration. Consideration is given to total reward and the appropriate balance between fixed and variable pay for all employees, depending on seniority and roles.

Principles that underpin the Company's remuneration strategy are,

- ◆ The reward focus is on total reward and the creation of an appropriate balance between the fixed and variable pay.
- ◆ Remuneration is commensurate with each employee's expertise and contribution and is aligned with the business- performance and long term shareholder returns.
- ◆ There is no discrimination against employees based on diversity or physical difference.
- ◆ Remuneration structures encourage a focus on achieving agreed deliverables and behaviours.
- ◆ Individual performance appraisals identify talent at all levels in the organisation, enabling fair and competitive remuneration.

Remuneration and other benefits of Directors

Fees

The Board as a whole decides the remuneration of the Non-Executive Directors. The Non-Executive Directors receive a fixed fee for being a Director of the Board and a member of a Board Committee. Fees paid to the Non-Executive Directors are neither performance related nor pensionable. There are no contractual arrangements for compensation for loss of office for any of the Directors.

The fees paid to the Directors during the year 2013/14 are disclosed on page 222. This includes fees for all the committees of the Company that they serve on.

Share Option for Directors

The Company does not have a share option scheme for Directors.

REPORT OF THE REMUNERATION & NOMINATION COMMITTEE

Directors' Shareholding

The shareholdings of Directors are provided in page 215.

Personal Loans for Directors

None of the Directors have taken loans from the Company.

Remuneration and other benefits of Employees

Remuneration Package

The remuneration package of employees consist of a fixed component and a variable component and is influenced by factors such as performance of the business and the individual, comparisons with peer group companies, institutional guidelines and reports from specialist consultants.

In addition, certain other benefits are also available to employees as noted below.

Employee performance appraisals are conducted twice a year and increments and promotions are granted solely based on results of such exercises.

Other Benefits

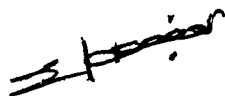
Other benefits provided to employees include travelling allowances, vehicle loans and insurance benefits including the Staff Health Insurance Cover, Critical Illness Cover and the Personal Accident Cover.

Retirement Benefits

Gratuity, Employees Provident Fund (EPF) and Employees Trust Fund (ETF) comprise the retirement benefits of employees.

Employee Share Scheme

The Company does not have a share option scheme for employees.



Mr. P. A. I. S. Perera

Chairman

Remuneration & Nomination Committee

19th May 2014
Colombo

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

“RELATED PARTY TRANSACTION DISCLOSURES ENHANCES TRANSPARENCY AND HELPS INFORMED DECISION MAKING”

With the voluntary adoption of the Code of Best Practices on related party transactions – December 2013 (‘the Code’) issued by the Securities and Exchange Commission of Sri Lanka by the Board of Directors of the Company at its meeting held on 31st January 2014, the related party transactions Review Committee was established by the Board on the said date to ensure strict compliance with the rules and regulations governing related party transactions for Listed Entities and thus improve its internal control mechanisms.

Composition of the Committee

The Committee as at the end of the financial year 2013/14 consisted of the following members:

Mr. P. A. I. S. Perera - Non-Executive, Senior Independent Director (Chairman)

Mr. P. Kudabalage - Non-Executive, Non-Independent Director

Mr. H. H. A. Chandrasiri - Non-Executive Independent Director

Purpose of the Committee

The purpose of the Committee is to review in advance all proposed related party transactions other than those transactions explicitly exempted in the Code. Accordingly, except for transactions mentioned under Rule 27 of the Code, all other related party transactions are required to be reviewed by the Committee either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.

Scope of the Committee includes:

- ◆ Reviewing in advance all proposed related party transactions of the Company except those explicitly exempted in the Code;
- ◆ Adopting policies and procedures to review related party transactions of the Company and reviewing and overseeing existing policies and procedures;
- ◆ Determining whether related party transactions that are to be entered into by the Company require the approval of the Board or Shareholders of the Company;
- ◆ If related party transactions are ongoing (recurrent related party transactions) the Committee establishes guidelines for senior management to follow in its ongoing dealings with the relevant related party.

- ◆ 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 for the express purpose of providing information concerning the related party transaction to the Committee.
- ◆ If there is any potential conflict in any related party transaction, the Committee may recommend the creation of a special committee to review and approve the proposed related party transaction.
- ◆ Ensuring that immediate market disclosures and disclosures in the Annual Report as required by the Code are made in a timely and detailed manner.

Review of transactions

Since the Committee was established only during the last quarter of the financial year 2013/14, the related party transactions that have taken place during the said financial year were reviewed at the Board level at the meeting of the Board held on 28th April 2014. The Committee however, intends to formulate and implement a methodology for periodical review of related party transactions from the year 2014/15 onwards.

Policies and procedures

The Board has adopted a Related Party Transaction (RPT) Policy whereby the categories of persons who shall be considered as “related parties” have been identified.

The Company has initiated steps to develop a system that enables the Company to monitor and report transactions with identified related parties and retrieve data thereon throughout the Company’s network.

Declaration

A declaration by the Board of Directors in the Annual Report as an affirmative statement of the compliance with these rules pertaining to related party transactions is included on page 222 of the Annual Report.



Mr. P. A. I. S. Perera

Chairman

Related Party Transactions Review Committee

19th May 2014

Colombo

RISK MANAGEMENT

OVERVIEW

Risk management today is in the spotlight due to the tightened regulatory supervision followed by the volatility in financial markets. Managing risk has become an essential tool to tackle the inevitable uncertainty associated with business as an integral part of corporate governance. As the largest non-bank financial institution in the country, PLC believes in integral good corporate governance practices with effective controls enabling risks to be assessed to meet the obligation towards the stakeholders.

The Company firmly believes that sound risk management practices are critical for long term growth. The Company's objective is to add maximum sustainable value to all activities of the organisation taking into account the potential upside and downside of all those factors that can adversely affect the operations as a going concern. Risk management is a continuous and developing process which plays a pivotal role in the corporate strategy and its implementation.

Risk management strategy is an integral part of corporate governance, management decisions and business processes in the Company. Integrated risk management is essential to the effective functioning of operations from top to bottom. Inculcating risk management initiatives into business planning and the decision making process would provide an effectual integration between planning, reporting, auditing and managing information systems.

“
PLC BELIEVES IN GOOD CORPORATE GOVERNANCE PRACTICES WITH EFFECTIVE CONTROLS ENABLING RISKS TO BE ASSESSED TO MEET THE OBLIGATION TOWARDS THE STAKEHOLDERS
 ”



RISK MANAGEMENT FRAMEWORK

The need for an integrated risk management framework, providing key principles and concepts and clear direction and guidance, has become more compelling in the present dynamic business environment. The Company has recognised the importance of managing all risks and their interactions, not just the familiar risks or the ones that are easy to quantify. Even seemingly insignificant risks on their own have the potential, as they interact with other events and conditions, to cause great damage.

The underlying premise of integrated risk management is that every company is operated to create value for its stakeholders. Integrated risk management enables management to effectively deal with uncertainty and associated risk and opportunity, enhancing the capacity to create value. The eventual aim of risk management is to balance the risk-reward trade-off since there might be cases where the cost of risk management process would out-weigh the benefits. The strategy in managing risk resides in establishing the context, identifying risks, analyse; quantify and integrate risks, assessing and prioritising risks and treating risks.

RISK APPETITE

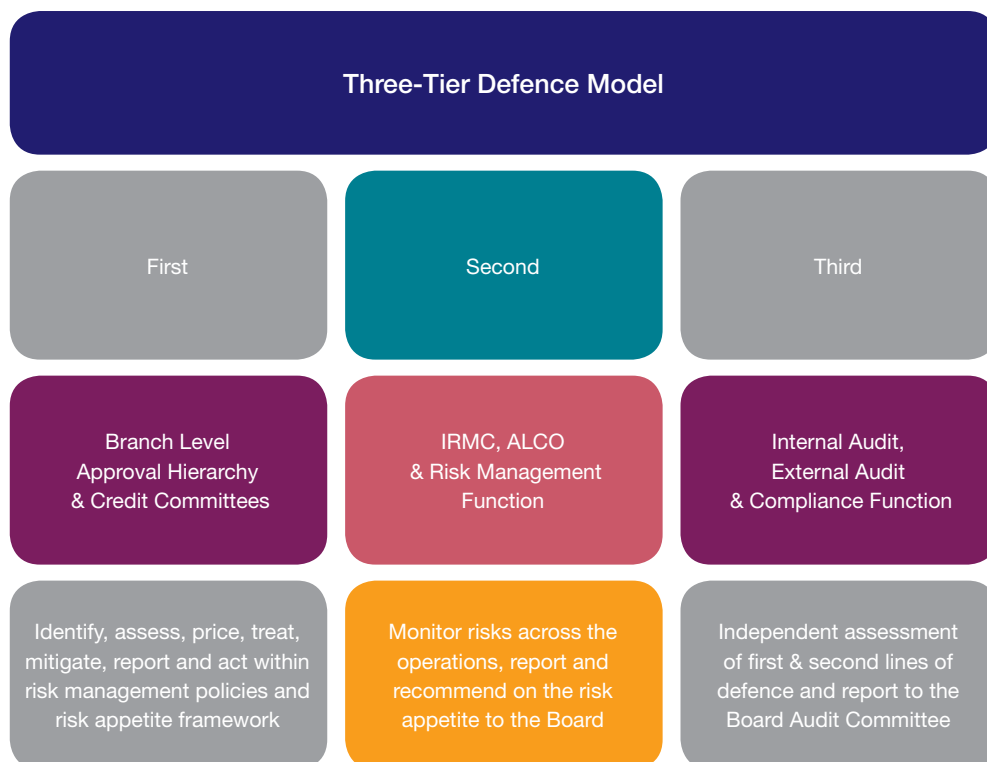
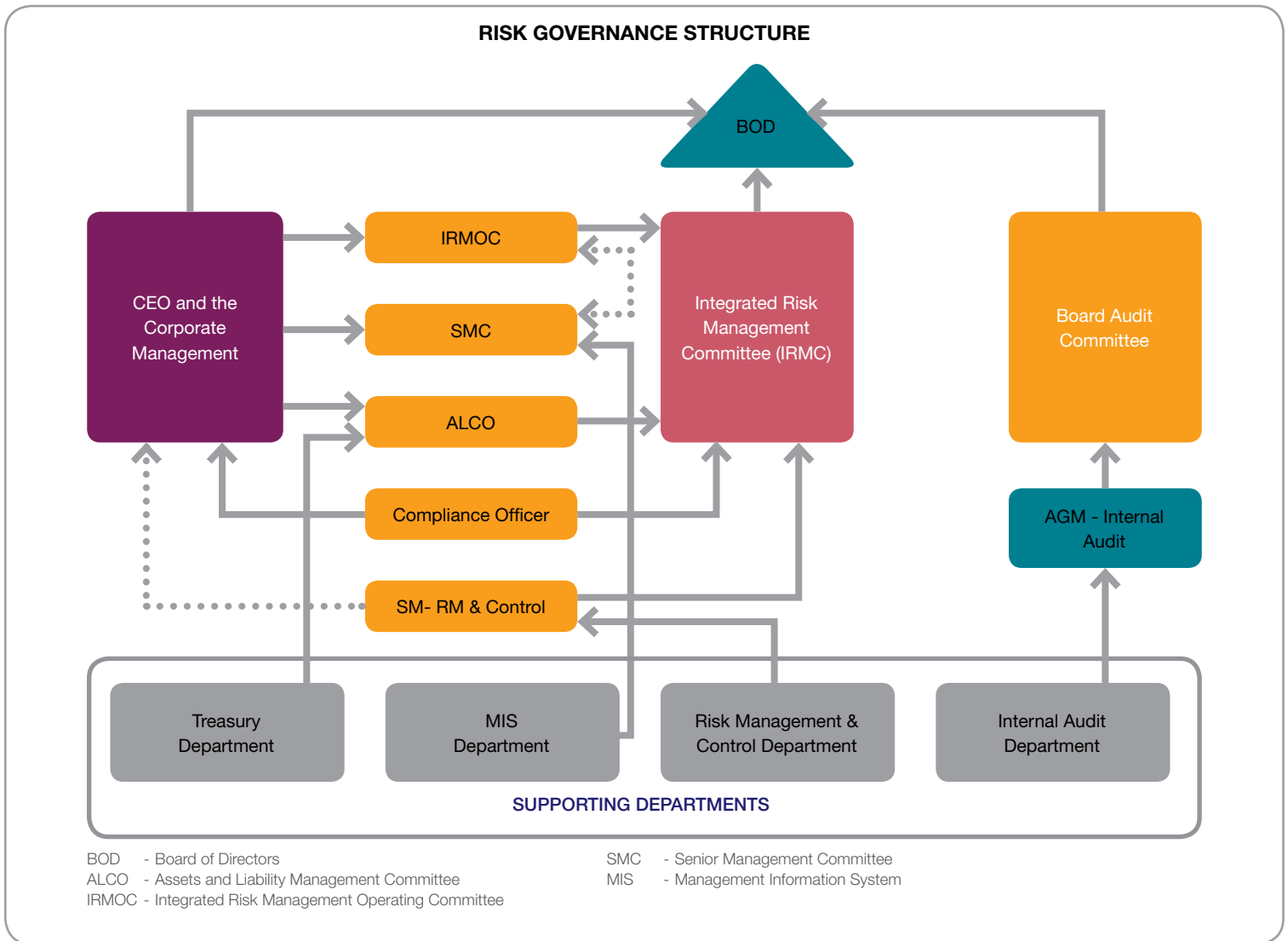
In managing risk, it is vitally important to establish the risk appetite and the risk tolerance limits of the Company. Risk appetite is the amount of risk that an organisation is willing to absorb in pursuit of value or the total impact of risk it is prepared to accept in achieving its objectives. Risk tolerance is the acceptable level of variation relative to the achievement of a specific objective and often is best measured in the same units as those used to measure the related objective.

Management monitors the organisation's activities for consistency with risk appetite through the specific identified with risk tolerances. Risk tolerances are also integrated into the monitoring process to evaluate the performance of the Company. During the year, risk tolerance levels were updated considering the business growth and industry concerns. The IRMC reviews the Company performance against the risk tolerance levels on a quarterly basis.

RISK GOVERNANCE

The responsibility for setting the risk appetite, communicating risk strategy and approving policies for effective management of risks ultimately rests with the Board. Acting within the authority delegated by the Board, the IRMC reviews the risk profile and receives regular reports on risk management which include the Company's portfolio trends, policies, standards and soundness of internal controls, infrastructure and regulatory compliance. The IRMC is authorised to investigate or seek any information relating to an activity within the terms of reference. The management team of the Company supports the entity's risk management philosophy, promote compliance with its risk appetites and manage risks within their spheres of responsibility with preventive counter-measures.

RISK MANAGEMENT



RISK MANAGEMENT

The Board of Directors is assisted by the Board sub-committee and management level committees to ensure the adequacy and effectiveness of the Company's risk management framework and capabilities to achieve the strategic objectives. The objectives of each Committee are listed below.

Committee	Key Objectives	Representation	Chaired By
Integrated Risk Management Board Sub-Committee (IRMC)	<ul style="list-style-type: none"> ◆ Responsible for monitoring the implementation of the risk management strategies ◆ Review and oversight of the risk profile of PLC and its subsidiary companies 	<ul style="list-style-type: none"> ◆ Independent, Non-Executive Director ◆ Non-Independent, Non-Executive Director ◆ Chief Executive Officer ◆ Deputy General Managers ◆ Compliance Officer ◆ Senior Manager-Risk Management & Control ◆ Key risk owners of subsidiary companies 	Independent, Non-Executive Director
Asset and Liability Management Committee (ALCO)	<ul style="list-style-type: none"> ◆ Review the treasury; asset and liability functions of the Company 	<ul style="list-style-type: none"> ◆ Chief Executive Officer/ General Manager ◆ Corporate Management ◆ Treasury ◆ Finance ◆ Senior Manager – Risk Management & Control 	Chief Executive Officer/General Manager
Integrated Risk Management Operating Committee (IRMOC)	<ul style="list-style-type: none"> ◆ Strengthen the risk governance structure of the Company at the senior management level 	<ul style="list-style-type: none"> ◆ Key Risk Owners ◆ Key Management Personnel 	Chief Executive Officer/General Manager
Senior Management Committee (SMC)	<ul style="list-style-type: none"> ◆ Review overall policy matters and decide on corrective measures ◆ Communicate the salient policy decisions to the staff by way of staff circulars, letters etc. 	<ul style="list-style-type: none"> ◆ Chief Executive Officer/ General Manger ◆ Corporate & Senior Management 	Chief Executive Officer/General Manager

Integrated Risk Management Committee (IRMC)

Chairman: Independent, Non-Executive Director

Committee Members

- ◆ Non-Independent, Non-Executive Director
- ◆ Chief Executive Officer/ General Manager
- ◆ Deputy General Manager - Finance & Administration
- ◆ Deputy General Manager - Operations

By Invitation

- ◆ Compliance Officer
- ◆ Chief Operations Officer - People's Insurance Limited
- ◆ Assistant General Manager - Branch Operations/ Coordinator - People's Microfinance Ltd
- ◆ Assistant General Manager - Branch Operations/ Coordinator - People's Leasing Fleet Management Ltd
- ◆ Secretary - Asset & Liability Committee

The Board has delegated its authority to IRMC which is responsible for developing and monitoring the Company's risk management policies. The IRMC is held responsible for the review of risks on a quarterly basis, including credit, market, liquidity, operational and strategic risks pertaining to PLC and its subsidiaries at an integrated level. IRMC reports to the Board of Directors of PLC. The compliance officer reports to the IRMC quarterly. A detailed report on the IRMC is presented on pages 184 to 185 of this Annual Report.

RISK MANAGEMENT

INTEGRATED RISK MANAGEMENT OPERATING COMMITTEE (IRMOC)

In order to manage the risk associated with the Company and to strengthen risk governance structure, the IRMOC was established and it is accountable to the IRMC. The Committee consists of risk owners of all functional areas including key management personnel.

IRMOC is authorised to identify, review and monitor all the risk exposures and risk related policies/ procedures affecting credit, market, liquidity, strategic and operational areas. IRMOC is responsible for maintaining the awareness of any changes in the Company's overall risk profile in an integrated manner and monitoring areas of risk management and compliance. The Committee is also responsible to identify and apply risk mitigation techniques based on the severity of the risk profile. The department of risk management & control will directly report to IRMOC.

ASSET AND LIABILITY MANAGEMENT COMMITTEE (ALCO)

The ALCO regularly meets to assess the liquidity position and market risk of PLC. The ALCO focuses on PLC's sources of funds and its lending strategy with an aim to meet profitability objectives. A comprehensive internal reporting system relating to PLC's liquidity position and funding lines is in place to provide detailed information to the ALCO. This allows the ALCO to apply and, if necessary, amend the asset and liability management policies, analyse the maturity profile of various components of on/off balance sheet items and review monthly lending and borrowing rates and competitor behaviour. The ALCO also monitors any relevant policies or rules issued by regulators viz. the Central Bank of Sri Lanka, Securities Exchange Commission of Sri Lanka and the Insurance Board of Sri Lanka. Based on its assessment and directions, the ALCO recommends to the Board on any action it deems necessary to limit or mitigate and to manage liquidity risks. The ALCO reports to the IRMC which assesses factors affecting the liquidity risk and in response, implement necessary policy changes.

TREASURY

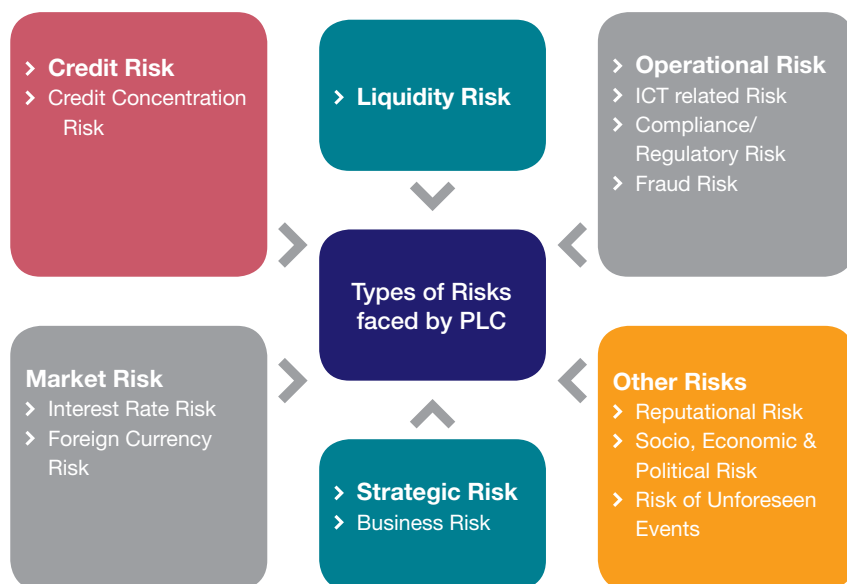
The main objective of the treasury is to raise funds strategically at optimum rates. All treasury related regulatory and management reporting functions are carried out by the department. The treasury closely monitors the cash flow position of the Company on a daily basis as well as economic and other

operating conditions to forecast potential liquidity needs. It projects cash flow needs based on scenario analysis and determines the level of liquidity required in response to the test results. Depending on its assessment of the current risks and the funding needs, it proposes necessary changes to the Company's capital structure, including the availability of alternative lines of funding. The treasury will create an appropriate capital ratio of debt and equity in order to fund the business, ensuring the optimum balance between cost and risk. Ultimately, it attempts to ensure the availability of liquidity and cash to meet obligations as and when they fall due and obtain funds to fulfill any deficiency in liquidity. Treasury reports to the ALCO which assesses factors in relation to liquidity risk and market risk and in response, implement necessary policy changes as corrective measures.

INTERNAL AUDIT

The internal audit department provides an independent risk based oversight to the Board Audit Committee on the processes and controls that help to mitigate major weaknesses. The internal audit department is responsible for independent and objective assurance on the internal control mechanism, in order to systematically evaluate and propose improvements for more effective internal control processes and governance. Internal audit carries out independent reviews of compliance with risk policies and procedures to ensure effectiveness of risk management procedures.

RISK PORTFOLIO



RISK MANAGEMENT

MAPPING THE RISK

In an attempt to mitigate the risk associated with the Company, a risk map depicting the severity and frequency of each risk element is prepared. This provides the management with a comprehensive view on the associated risk which will enable them to manage the risk better. Risk mapping provides the Company an overall understanding in managing risk, by selecting options through acceptance, transfer, avoidance and risk reduction.

Frequency	High	3	4	5
	Moderate	2	3	4
	Low	1	2	3
		Low	Moderate	High
		Severity		

MANAGEMENT OF RISK

CREDIT RISK

Risk Rating

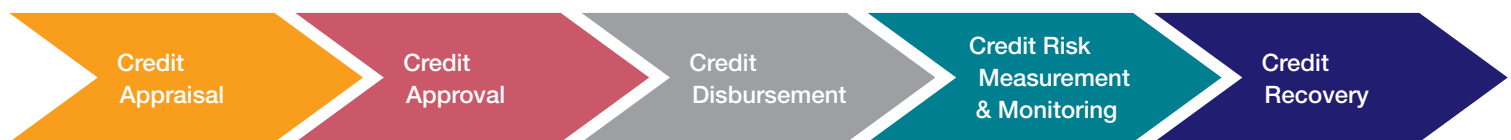
Frequency	Moderate	Risk Position: 3
Severity	Moderate	

DESCRIPTION

Credit risk is that the counter party to a financial transaction will fail to discharge an obligation, resulting in financial loss. Leases, hire purchases and loans are the single largest assets of PLC, accounting for more than 90 percent of the total assets. Hence, credit risk may result in the loss of the principal amount and interest and adverse implications on profits due to the impairment provisions or write-offs of non-performing facilities.

ASSESSMENT

PLC is exposed to credit risk mainly with respect to facilities of lease, hire purchase and loans. PLC manages its credit risk focusing on following key areas.



Credit Risk Management Process

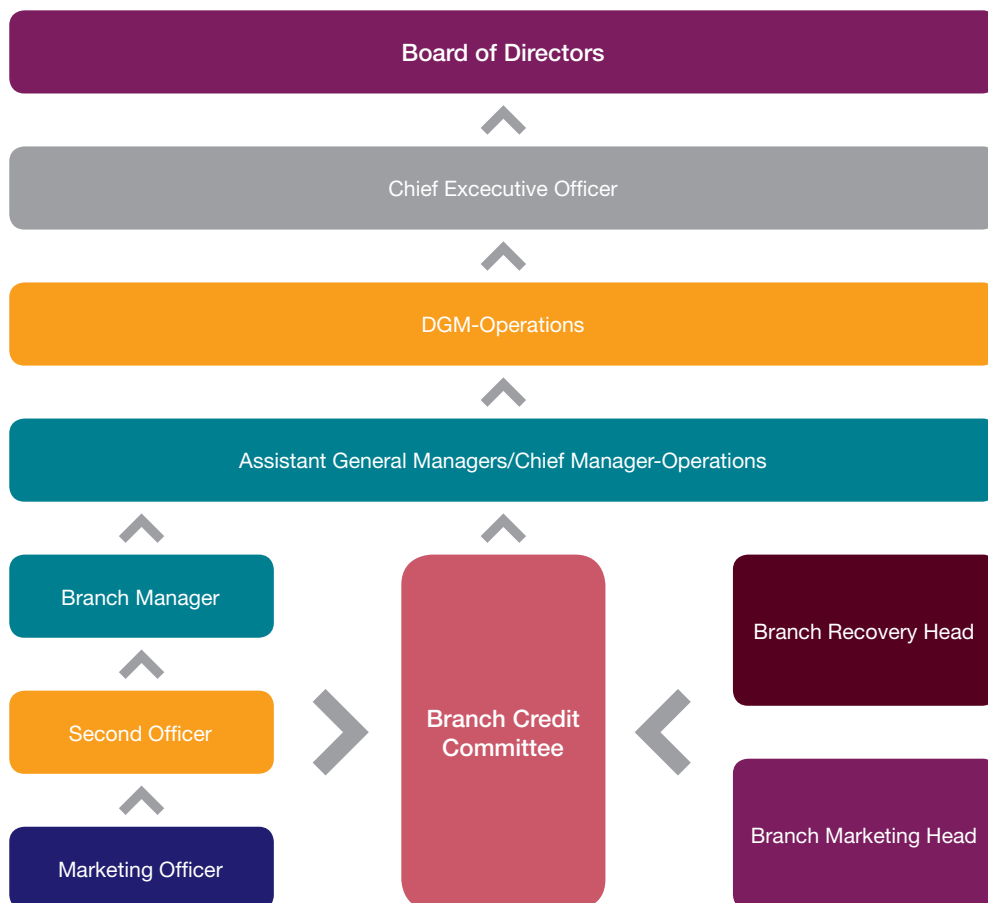
Credit Appraisal

Lease, hire purchase and loans are originated at the branch level. Credit proposals are evaluated based on the credit policy of the Company. When evaluating, the customer criteria such as the purpose of the proposed facility, vehicle/equipment category, second hand market value of the vehicle/equipment, credit history and repayment capacity are considered. Then the marketing officer/risk owner is able to identify and assess the credit risk pertaining to a credit proposal, acting within the risk management policies and risk appetite framework.

RISK MANAGEMENT

“
BRANCH CREDIT COMMITTEES WERE SET-UP WITHIN BRANCHES TO FURTHER STRENGTHEN THE CREDIT EVALUATION PROCESS OF THE COMPANY. THE COMMITTEE'S MAIN RESPONSIBILITY IS TO RECOMMEND CREDIT FACILITIES WHICH EXCEED PRESCRIBED CREDIT LIMITS TO THE NEXT APPROVAL LEVEL
”

Credit Approval



During the period under review, branch credit committees were set-up within branches to further strengthen the credit evaluation process of the Company. The committee's main responsibility is to recommend credit facilities which exceed prescribed credit limits to the next approval level. The branch credit committee consists of branch manager, second officer, branch recovery head, branch marketing head and the marketing officer who is responsible for the particular credit facility. Each member of the branch credit committee is responsible for the credit risk when the committee recommends the credit facility to the next level for approval. The branch manager is the highest authority level within the branch to approve credit facilities subject to prescribed credit limits. Depending on the requirement, credit facility files may also be submitted to the next authority levels for approval. The Board of Directors is the highest authority to approve credit facilities that are of the highest value or the exposure.

In addition to delegated authority, other mechanisms are also in place to mitigate credit risk. Manual controls require additional documentation relating to the customer and the asset underlying the lease, such as a vehicle inspection report. IT driven system controls ensure the adherence to laid down procedures at different levels, segregation of duties and escalation of transactions to required authority levels to eliminate the operational risk of the transaction.

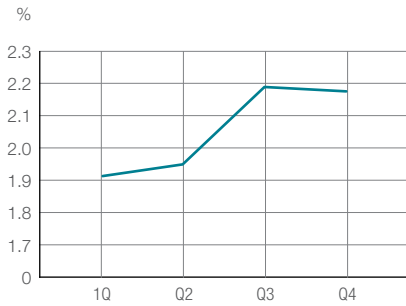
Credit Disbursement

It is the responsibility of the documentation department to complete all security documents while the finance department is entrusted to release all disbursements from the Head Office to minimise any related risks.

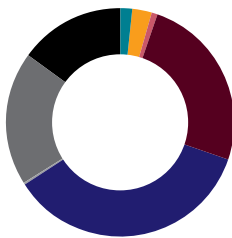
Credit Risk Measurement and Monitoring

Branch operations department measures and tracks the status of the credit portfolio, undertakes impact studies and detects early warning signals pointing to deterioration in the financial health of the borrower. Comprehensive management information reports are prepared on a monthly basis and submitted to the senior management. IRMC assesses the credit portfolio performance against internal limits (risk tolerance levels) and reviews risk dashboard papers to capture portfolio characteristics for possible correlations between portfolios and

RISK MANAGEMENT

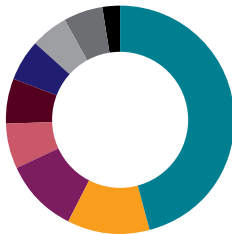


GROSS NP RATIO-2013/14



INDUSTRY CONCENTRATION-2013/14

Agriculture	1.94%
Constructions	2.71%
Fisheries	0.04%
Industry	0.79%
Others	24.82%
Services	35.72%
Tourism	0.21%
Trading	18.96%
Transport	14.81%



PROVINCE WISE CONCENTRATION-2013/14

Western	46.01%
Southern	11.58%
Central	10.65%
Northern Western	6.47%
Uva	6.31%
Sabaragamuwa	5.92%
Eastern	5.28%
Northern Central	5.54%
Northern	2.24%

environmental factors on a quarterly basis. The Company contributes to improve its capabilities on credit risk management through investing in people, processes and IT infrastructure.

Credit Recovery

The Company has a well-established post-sanction monitoring process coupled with a continuous review process at the branch level. Recovery officers at branch level are geared to monitor the collection of rentals and identify any post-disbursement problem credits. Immediate recovery action will be taken on identified problem credits at the branch level in collaboration with the special recovery unit. As the last resort, legal recovery action will be taken complying with laws and regulations, thereby making an attempt to reduce the negative impact.

MITIGATION

The Company has well established credit policies and procedures relating to credit operations as a measure to curb credit risk. The Company believes that the credit risk mitigation should start from the credit appraisal stage. At PLC, the knowledge on customer is mandatory in processing a credit facility. In addition, factors such as the type of the vehicle/asset, repayment capacity of the customer, income generating capacity of the vehicle/asset are mainly considered at the preliminary evaluation carried out by the marketing officer. All credit exposure limits are approved within a defined credit approval authority framework including single borrower limit. Suitable exposure limits for borrowers, credit approving officers and sectors are established and monitored regularly.

During the period under review, despite the increasing trend in the non-performing (NP) ratio, PLC managed to maintain the NP ratio below the risk tolerance level and also maintained well below the industry average. The Company closely monitors and analyses the credit portfolio regularly. The Company strengthened the recovery function at the branch level and redesigned the functions in the special recovery unit and the legal department for an effective recovery process thereby managed the disposal losses and write-offs during the year to minimise the negative impact. Measures were taken to limit credit granting to identified asset categories to mitigate the credit risk. Recovery officers are responsible to follow-up problem credits as a continuous process. One of the purposes of setting up branch credit committees is to identify such possible problem credits in advance and avoid any deterioration of credit quality in the credit portfolio.

In addition, marketing officers who are considered to be the front-line risk owners were adequately educated on credit granting to identify possible problem credits in advance. As a precautionary measure, the Company considers vehicle category and second hand value and maintains healthy loan to value ratio at inception to minimise the exposure at risk.

Collateral and guarantees form an important part of the credit risk mitigation process. In the case of leasing and hire purchase, the asset itself becomes the collateral.

CREDIT CONCENTRATION RISK

Risk Rating

Frequency	Low	Risk Position: 1
Severity	Low	

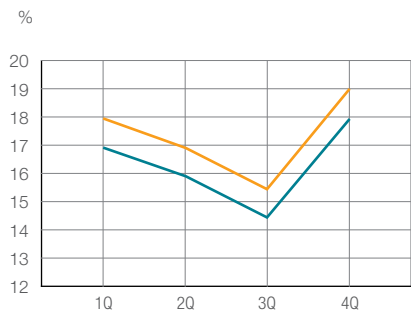
DESCRIPTION

Concentration risk arises from the uneven distribution of exposures to particular sectors in the industry. The Company provides leasing facilities to several sectors in the economy which carries peculiar risk characteristics. Therefore, the Company will be exposed to the risk of dependence by over concentrating on few sectors. By diversifying the credit concentration, the Company would be able to maintain a safety cushion as any unfavourable movement in one sector could be offset by the favourable movement of the other.

ASSESSMENT

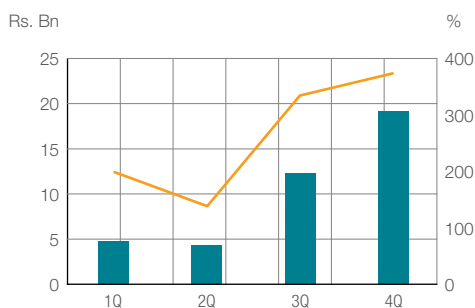
Industry exposure on disbursement is prepared on a monthly basis to identify the level of exposure to each sector in the economy. This is reported to the IRMC on a quarterly basis. Additionally, the report on sector concentration is submitted to Central Bank of Sri Lanka on a monthly basis.

RISK MANAGEMENT



CAPITAL ADEQUACY RATIO -2013/14

— Risk Weighted Capital
 — Core Capital



LIQUID ASSETS AND LIQUID ASSETS RATIO*-2013/14

■ Liquid assets
 — Liquid assets ratio

*Liquid assets ratio : Liquid assets available/ Liquid assets required as per CBSL Directions

The monitoring of credit concentration is an integral part of the credit risk monitoring process. Key ratio analysis, internally developed limits (risk tolerance levels) are used to measure and monitor credit concentration in the Company's lending portfolio.

MITIGATION

The Company generates a monthly report based on sector and geographical exposures on disbursements which is reviewed by the senior manager - risk management to identify any exposures at risk. The same is reviewed by the IRMC to strengthen the dynamic portfolio management practices and to provide an early warning on possible deterioration of the Company's credit quality. Geographical concentration is considered as an input when expanding the branch network of the Company.

LIQUIDITY RISK

Risk Rating

Frequency	Low	Risk Position: 3
Severity	High	

DESCRIPTION

Liquidity risk may arise due to insufficient financial resources to meet the Company's obligations as and when they fall due or will have to do so at an excessive cost. This risk arises from mismatches in the timing of cash flows. It indicates that the cushion provided by the Company's liquid assets is insufficient to meet its obligations. Effective management of liquidity is very important to ensure confidence and smooth functioning of the Company operations to generate working capital under any circumstance.

ASSESSMENT

A variety of key liquidity risk indicators are used by the Company to assess the adequacy of the liquidity position namely, liquid asset ratio, maturity gap analysis, capital adequacy ratios and funding concentration. Key liquidity risk indicators are regularly monitored by ALCO to ensure that assets and liability portfolios of the Company are geared to maintain a healthy liquidity position. ALCO reviews interest rate environment and analyses competitors, lending rates, maturity gap and deposit movements to manage liquidity risk and interest rate risk. The treasury department is entrusted with the task of monitoring the daily liquidity requirement and is responsible for managing and controlling the overall liquidity position of the Company.

More details on responsibilities/ functions of ALCO and role of the treasury are given on page 194 in this Annual Report.

Current/ Non-Current Analysis is given under Note 51 of Financial Statement on page 286.

MITIGATION

The company maintains adequate unutilised facilities as a safety cushion to honour all cash outflow commitments as and when they fall due at acceptable levels as a strategy to mitigate the liquidity risk. Treasury negotiates for favourable rates when raising short term funds and thereby expects to reduce the interest cost. Diversifying current funding sources, the Company obtained a long term foreign loan of USD 50 million during the year. Short term loans with high interest cost were settled with the loan proceeds to prevent the increase in gearing level of the Company. Deposits being a growing product of the Company, treasury and ALCO monitor the deposit portfolio and deposit movement periodically. During the period under review, the Company encouraged longer tenor deposits than shorter tenor deposits to reduce the liquidity risk. Treasury department monitors daily disbursements and collections to assess cash flow deficit or surplus. The Company continuously projects cash flows under various stress scenarios and determines the level of liquid assets necessary in relation thereto. The treasury department monitors the debt obligation of the Company to ensure the adequacy of liquidity. Further, it reviews the level of liquidity required to comply with the directions of the Central Bank of Sri Lanka.

RISK MANAGEMENT

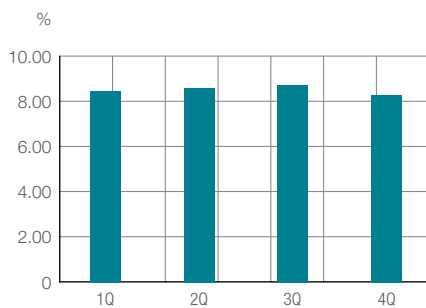
MARKET RISK - INTEREST RATE RISK

Risk Rating

Frequency	Moderate	Risk Position: 2
Severity	Low	

DESCRIPTION

Interest rate risk is the volatility in the value of interest sensitive products and the level change in future income and expense levels due to the positions in the market interest rates. The Company always prefers to obtain long term funds at favourable rates depending on the market conditions. The Company obtains funds at both fixed and floating rates; therefore the interest rate margin is subject to volatility, due to changes in market rates. Also, the Company is exposed to the basis risk where the internal rate of return (IRR) is affected due to changes in different liability interest rates.

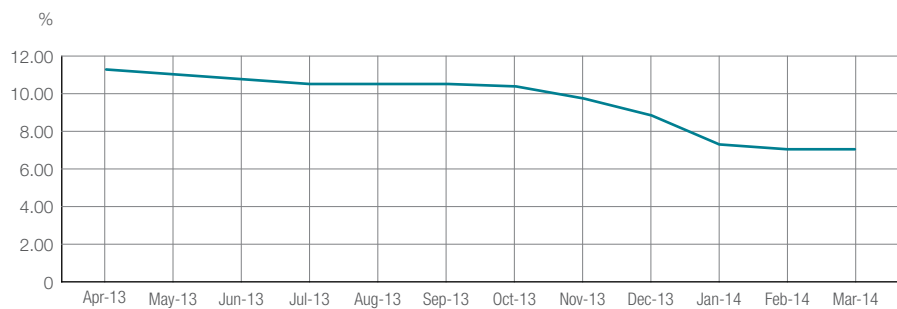


NET INTEREST MARGIN-2013/14

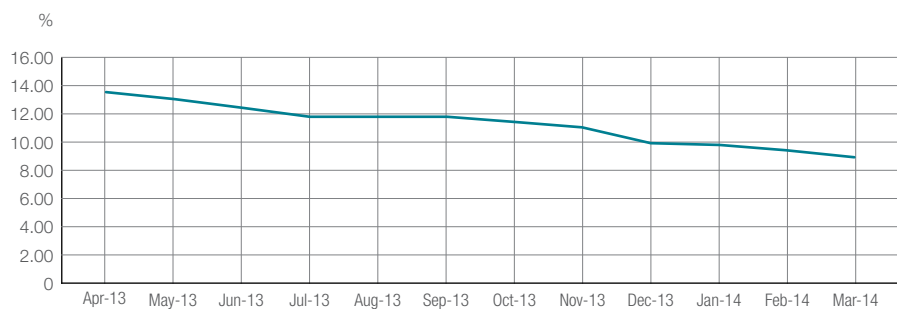
ASSESSMENT

ALCO overviews the current interest rate environment and monitors the movement of key interest rate indices. The net interest position and the maturity gap are evaluated periodically when assessing the interest rate risk. Maturity gap analysis is prepared considering interest rate sensitive assets and interest rate sensitive liabilities which enable to assess the impact on net interest income resulting from interest rate movements in the market. Sensitivity analysis is carried out on interest rate scenarios to decide on the risk exposure and to assess the impact on net interest income. Interest rate risk indicators are also reviewed by the IRMC on a quarterly basis.

Basis risk results from differences in the relative movements of rate indices which are used for pricing instruments with similar characteristics. ALCO assesses the potential contribution of basis risk towards Interest rate risk by monitoring movements in indices such as Average Weighted Prime Lending Rate (AWPLR), Sri Lanka Inter Bank Offered Rate (SLIBOR), and rates of government securities thereby, making appropriate decisions to re-price or rebalance the portfolios as necessary.



TB RATES-2013/14



AWPLR-2013/14

MITIGATION

During the period under review, the Central Bank of Sri Lanka reduced key policy rates (Repo & Reverse Repo rates) and Statutory Reserve Ratio in order to enhance the lending activities in the medium term. ALCO also reduced deposit interest rates adhering to the Central Bank direction on deposit rates. However, the ALCO ensures to maintain an average of 5 percent interest rate spread at all times to minimise the interest rate risk. In line with the Company strategy to promote deposits with longer tenor, deposit rates for short term deposits are maintained at a lower level. The treasury department constantly focuses on obtaining funds at favourable rates, especially through securitisations, as the quality of the Company's receivable portfolio is high. Lending policy rates are adjusted according to changes in market rates, in an attempt to mitigate the risk of falling interest rate margins. The current situation of the macro economy is discussed at senior management committee and ALCO meetings to re-price the products according to the market movements in an attempt to maintain profitability and other targets.

RISK MANAGEMENT

MARKET RISK – FOREIGN CURRENCY RISK

Risk Rating

Frequency	Low	Risk Position: 1
Severity	Low	

DESCRIPTION

During the year under review, Central Bank encouraged non-bank financial institutions to borrow from abroad by relaxing rules on borrowing in foreign currency. PLC being the largest non-bank financial institution in Sri Lanka, raised a USD 50 million loan utilising this favourable condition. Foreign exchange rate risk was identified as a risk with the acceptance of the foreign currency exposure. Foreign exchange rate risk is that the Company may suffer losses as a result of adverse exchange rate movements during a period in which it has an open position in a currency. However, the mitigating techniques used to hedge the foreign currency exposure are discussed in the mitigation section below.

ASSESSMENT

Treasury department is mainly responsible for managing the foreign currency exposure. In order to minimise the possibility of financial loss, it is essential to identify, measure and manage the foreign currency risk effectively. The Company's policy is to hedge the entire foreign currency exposure in mitigating the foreign currency risk. Accordingly, treasury division assessed and evaluated the adequacy and the appropriateness of the several hedging options submitted by several counter parties. These foreign currency hedging proposals were subsequently forwarded by the treasury department to the Asset and Liability Committee for the Committee's review.

MITIGATION

The use of hedging techniques is one means of managing and controlling foreign exchange risk. In this regard, many different financial instruments can be used for hedging purposes, the most commonly used are derivative instruments. The Company considered several options such as money market hedging arrangements, foreign currency swaps in hedging the foreign currency risk. Accordingly, the ALCO evaluated proposals received from different counter parties for these hedging arrangements considering the cost-effectiveness of each arrangement. During the year under review, the Company entered into the foreign currency swap arrangement with two counter parties in hedging the foreign currency risk.

STRATEGIC RISK

Risk Rating

Frequency	Low	Risk Position: 3
Severity	High	

DESCRIPTION

Strategic risk is a key element that may change the direction of the Company. This risk may arise due to lack of responsiveness to market conditions and due to the incompatibility of the Company's strategic goals with resources deployed and quality implementation with counter-measures. This has become imperative in the highly competitive environment where the strategy formulation and effective implementation ensure the sustainability of profits. The key drivers of the strategic risk are competition, customer changes, industry change, technological innovation and regulatory changes.

ASSESSMENT

This risk is assessed on a quarterly basis at the Board sub-Committee level and subsequently reported to the Board and remedial measures are taken at the top management level. The senior managers meet on a weekly basis and brainstorming sessions are carried out to share the experience, knowledge on market, industry and competitor behaviour. Risk pertaining to the market share and market leadership position is reviewed in order to take proactive counter-measures. Further, the effectiveness and the performance of subsidiaries are also assessed in order to mitigate the strategic risk of diversification. The achievement and the adequacy of budgetary targets are reviewed each month at the senior management and at the Board level. In addition, the Company ensures to align the medium term strategic planning process with the long term vision of the Company.

MITIGATION

PLC makes strategic decisions through a well-designed process before entering into different market segments, geographical locations and different business activities. It is a cardinal principle at PLC, to carry out an in depth study of a subject matter prior to decision making. Feasibility, viability and profitability are the major pre-requirements in making any strategic decision. This is practiced in all aspects of the Company's operations, such as human resources, finance, credit, marketing and recoveries. Performance is reviewed monthly against the budgets or targets and corrective action is taken where required. A computer based Decision Supports System (DSS) is in place to ensure the integrity of the information in decision making. A market and competitor analysis is carried out to implement policies and to review business strategy in an attempt to retain or increase the market share.

BUSINESS RISK

Risk Rating

Frequency	Moderate	Risk Position: 3
Severity	Moderate	

DESCRIPTION

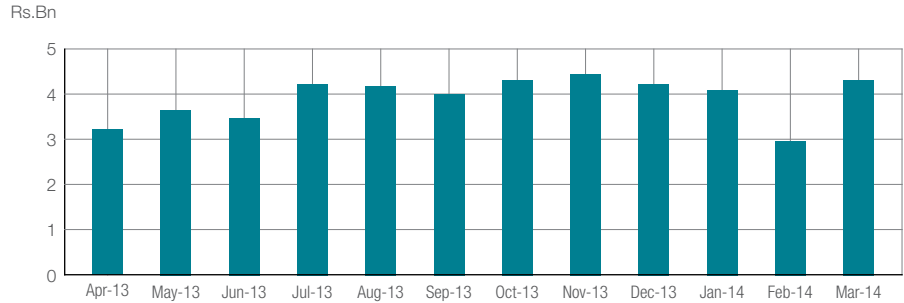
PLC has been able to enjoy the market leadership position in the leasing sector for over a decade. But the competition is intense and macroeconomic environment is highly dynamic leading towards the business risk of falling business volumes and market share. The volume of business is highly sensitive to the macroeconomic conditions such as policy interest rates and import duty levels.

ASSESSMENT

Business volume risk is assessed based on the variance between budgeted disbursements and actual disbursements. Monthly disbursements of the Company with regard to set targets are assessed periodically to identify any deviations and remedial measures are taken where necessary.

RISK MANAGEMENT

“
PLC ASSESSES AND RESPONDS TO FACTORS IMPACTING OPERATIONAL RISK BY APPLYING A BROAD-BASED APPROACH THAT SEEKS TO REGULARLY MONITOR ERRORS OR OPERATIONAL FAILURES AND RESPOND TO THEM WITH SOLUTIONS AND IMPROVEMENTS TO INTERNAL PROCEDURES
 ”



MONTHLY DISBURSEMENTS-FY 2013/14

MITIGATION

The management has taken several steps to mitigate the risk pertaining to the business. Granting of facilities, the core operations are in the hands of front line employees of the Company; the marketing force. The marketing staff is trained to provide a customer oriented service by way of a personalised service to meet vital customer needs. A comprehensive orientation programme is conducted by the HR department for every new staff member including marketing staff to familiarise with the operations of the Company. The Company promotes a target driven culture and performance based rewards linked to facility lending while achieving business volumes with the intention of protecting and enhancing market share. In addition, the Company has offered flexible hours to ensure better customer focus and customer complaints are welcome and resolved periodically. The Company always promotes loyalty of profitable customers and identifies top customers based on the Pareto (80/20) analysis and other analysis on the market to identify the best performing products in the portfolio, to infuse funds to maximise the profitability. Moreover, the management team keeps alert on competitor behaviour and takes proactive measures to improve the level of customer satisfaction and social networking relationship initiatives in response to aggressive competitor moves.

OPERATIONAL RISK

Risk Rating

Frequency	Low	Risk Position: 1
Severity	Low	

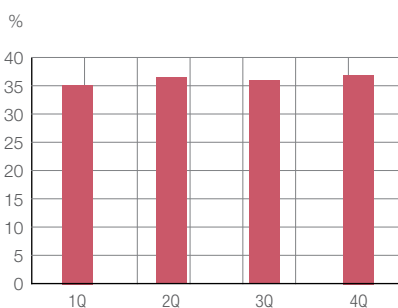
DESCRIPTION

Operational risk arises due to inadequate and inappropriate internal processes, systems and people or from external events. Operational risk is inherent in the Company's business as it is integrated in all the processes and operations. PLC recognises that operational risk is inherent in all business activities and can bring unprecedented losses or damages to its business through direct or indirect financial loss, brand or reputational damage, customer dissatisfaction, or legal or regulatory penalties if such risks are not objectively managed. The management of operational risk is therefore, an important priority of the Company.

ASSESSMENT

The Company's operational risk management mechanism enables identification, measurement, monitoring, controlling and reporting of inherent and emerging operational risks. Operational risk assessment is a process of identifying and evaluating events that could affect the achievement of objectives of the Company. Such events can be identified in the external as well as within the internal environment. Operational risk identification is the primary component of risk management and PLC adopts several techniques to identify operational risk. Once the risk events have been clearly identified, a combination of qualitative and quantitative assessment is carried out to evaluate the potential impact of such risks. Tools such as audit findings and key risk indicators are used to identify and assess risk events under operational risk.

The internal audit department at PLC is held responsible for reviewing the operational process, as it conducts audit reviews of each branch at least annually. The internal audit department reports directly to the Board Audit Committee on a quarterly basis, and prior to that, each branch level audit is reviewed by the management committee. PLC assesses and responds to factors impacting operational risk by applying a broad-based approach that seeks to regularly monitor errors or operational failures and respond to them with solutions and improvements to internal procedures.



COST TO INCOME RATIO-2013/14

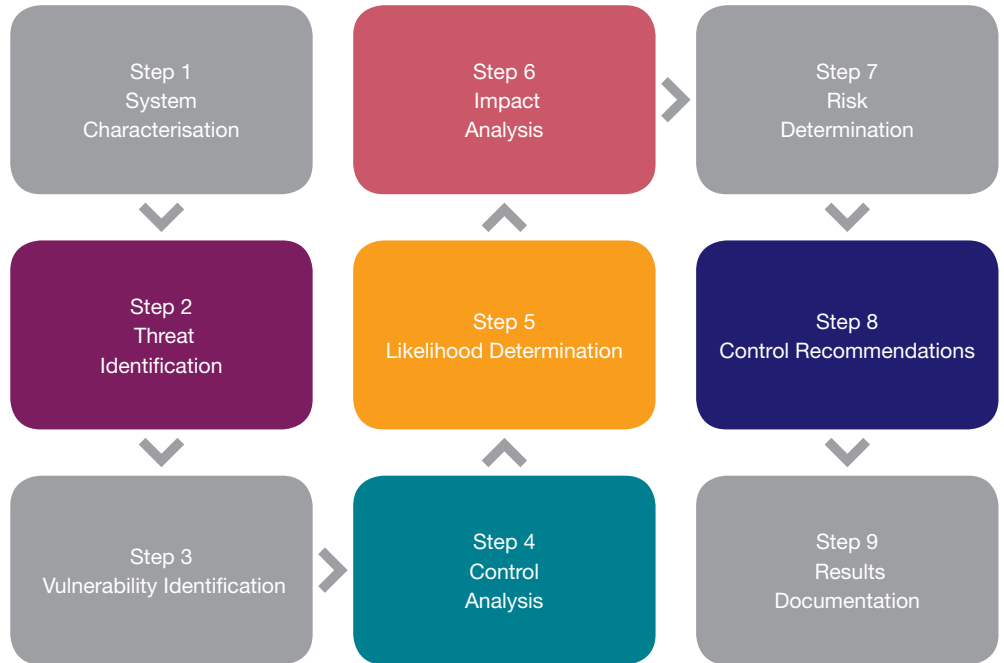
RISK MANAGEMENT

MITIGATION

A sound internal control system is a key component in managing operational risk. The Company has established a strong internal control framework to mitigate operational risk of the Company.

Systems and controls adopted as risk mitigants are discussed under the 'Board Audit Committee Report' and 'Directors Statement on Internal Control over Financial Reporting' on pages 186 to 187 and 224 respectively in the Annual Report.

IT system related risk also plays a vital role in the operational risk category. The supervision and management of ICT is significant since every sphere of operations is highly automated. The Information and Communication Technology (ICT) related risk is discussed in detail below.



INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) RELATED RISK

Risk Rating

Frequency	Low	Risk Position: 3
Severity	High	

DESCRIPTION

Breakdowns and failures in information systems and the use of obsolete systems will adversely affect the smooth operations of the Company. Use of obsolete technology will erode the efficiency of the Company and ultimately affect the reputation as well. Loss events, such as hacking and theft of information (with monetary losses), losses arising from disruption of business or system failures, losses from failed transaction processing etc. can disrupt operations of the Company.

ASSESSMENT

PLC uses the risk assessment to determine the extent of the potential threat and the risk associated with an IT system throughout its services. The output of this process helps to identify appropriate controls for reducing or eliminating risk during the risk mitigation process. Risk assessment methodology encompasses on nine primary steps.

The internal audit department carries out system audits, with the aim of identifying weaknesses in the system and evaluating possible risks that could emerge. In addition, industry research is utilised to evaluate the need for system upgrades. Disaster recovery replication is tested twice a day (8.00 am - 8.30 am) and (3.00 pm - 3.30 pm) on 13 days per month.

In order to assist with risk management process, a separate Vulnerability Assessment and Penetration Test (VAPT) is conducted annually. In compliance with ISO/IEC 27001:2005, it is necessary to perform VAPT. The primary objective of conducting VAPT is to replicate the position of an internally and externally located malicious threat with the intention of gaining access to the PLC's computer system through any unknown weaknesses in the internal system or externally exposed servers and the development of plans for corrective action.

MITIGATION

The Company maintains a well-established IT governance structure, having policies at the forefront. In an attempt to avoid risk of data loss, the Company maintains a "back-up" system where a separate back-up is maintained at an off-site location. Regular ISO audits are carried out to ensure the integrity of the system. Password and access control policies have been implemented to authenticate the user access and necessary validation and verification functions are activated at the information entry level. The Company has installed a fire protection-GSM controller and smoke detectors for heat detection at the server rooms and UPS rooms. Also, biometrics controls have been installed for the entrances of the ICT department premises at the Head Office and have provided 24 hour security to the disaster recovery site. Logical controls such as Unified Threat Management and Sophos Endpoint Security and Control, IP-VAN are also implemented. The ICT department was awarded the ISO 27001:2005 certification by Det Norske Veritas (DNV) for conforming to the prestigious global benchmark of the ISO/IEC 27001:2005 Information Security Management System Standard.

Business Continuity Plan (BCP)

With a view of managing operational risk due to system failure, a Business Continuity Plan (BCP) has been established in compliance with ISO quality standards (ISO /IEC 27001:2005 (E), Clause A.14 Business Continuity Management). The key objective of the BCP is to allow the executive to continue to manage business operations under adverse conditions, by the introduction of appropriate resilience strategies, recovery objectives, business continuity, operational risk management considerations and crisis management plans.

Roles and responsibilities of the Crisis Management Team (CMT), BCP coordinator, deputy BCP coordinator and IT recovery team have been clearly defined in the BCP. Following details are also included in the BCP:

RISK MANAGEMENT

Risk Assessment

- ◆ Business Impact Analysis
- ◆ Crisis Response
- ◆ Call Tree

In the event that the business continuity plan is activated, the personnel stated above shall follow the procedures of the plan to ensure business continuity for PLC's IT services. As a step of pre-crisis preparation, the Company has an off-site disaster recovery site used for business continuity.

Disaster Recovery Plan (DRP)

The DRP mainly focuses on the technical environment and it describes how the continuity of IT systems will be achieved in a disaster. A disaster recovery site has been established in a separate geographical area which has capabilities to continue operations in the event of primary site unavailability. The disaster recovery site and other facilities are compliant with ISO 27001:2005 Information Security Management System Standard and it is annually reviewed and audited by external auditors.

COMPLIANCE AND REGULATORY RISK

Risk Rating

Frequency	Low	Risk Position: 3
Severity	High	

DESCRIPTION

Compliance risk may arise due to the failure to abide by any law or regulatory requirements applicable to the Company. The Company operates in a highly regulated environment. Non-compliance could lead to sanctions by regulatory bodies, penalties and reputational damage, which could have a material adverse effect on the Company's operations and financial conditions or could even lead to the discontinuation of operations. This could adversely affect the Company's business operation, reputation, future prospects, financial performance or financial condition. Regulators may also tighten the supervision over Company's compliance on laws and regulations particularly in the areas of funding, liquidity, capital adequacy and prudential regulations.

ASSESSMENT

In evaluating compliance risk, timely reviews are carried out to assess the extent of compliance with the regulations applicable to the Company. The management and the compliance officer regularly review the changes in the regulatory environment to ensure the level of compliance required by the Company. In order to ensure the duly

submission of weekly reports, all the computations are carried out on a daily basis and reviewed by the compliance officer before submission to the Central Bank.

MITIGATION

In order to mitigate the compliance risk, a dedicated officer is designated as compliance officer to oversee the compliance of the Company with Central Bank directions, Securities and Exchange Commission regulations, Companies Act and other related regulations. The compliance officer reviews the changes in regulations and takes necessary action to ensure that the Company is in compliance with the regulatory requirements. A sound regulatory monitoring mechanism is adopted by the Company to monitor reporting and compliance with all mandatory reporting requirements with the intention of establishing a fully compliant corporate governance and risk mitigating culture. In addition, the compliance officer reports to the IRMC on a quarterly basis. The Audit Committee is also held responsible for the compliance with regulations and the risk based practices. Moreover, the Company takes expert advice on issues relating to income taxation and other related taxations.

TURNOVER OF TRAINED STAFF

Risk Rating

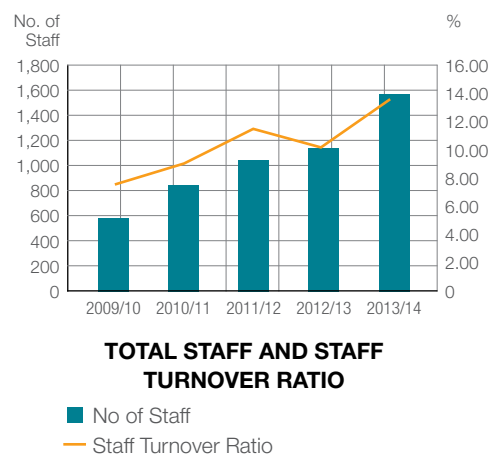
Frequency	Low	Risk Position: 1
Severity	Low	

DESCRIPTION

People are the backbone business enablers and personality of a business - a showcase of organisation's talent, education, experience and success. Every organisation is entailed with the risk of losing trained staff and risk of not being able to recruit qualified and experienced candidates. 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.

ASSESSMENT

This is assessed based on the qualifications and skills possessed by the staff and the annual staff turnover ratio. The effectiveness of the performance appraisal system and employee morale and motivation are taken into account in assessing this risk.



MITIGATION

Since skilled and well trained staff is the intellectual property or valuable asset of the Company, retaining them with the Company has become a major concern. In order to enhance the morale of the employees, the Company conducts periodic performance appraisals of staff and pay bonuses/incentives based on the performance and number of years of experience or service. As an integral part of continuous improvement, employees are provided with in-house or external training. 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.

RISK MANAGEMENT

FRAUD RISK

Risk Rating

Frequency	Low	Risk Position: 3
Severity	High	

DESCRIPTION

Fraud risk arises due to weaknesses in the internal controls, which could result in financial losses. Any bottleneck within the operation could create an opportunity for malpractices. Therefore, it is the responsibility of the Company to regularly review the operations and permanently seal them to avoid future occurrence or repetition.

ASSESSMENT

The adequacy of internal controls is evaluated in assessing the related risks and operational reviews are conducted regularly to identify any bottlenecks and loopholes in the process.

MITIGATION

The Company has established a Code of Ethics to govern the behavior of employees in order to avoid malpractices. The internal auditors conduct audits on a regular basis in the areas which are susceptible to the occurrence of fraud. Authority and approval limits are implemented for all the functions of the Company especially for payment approval, making the employees accountable for their action. The Company ensures the appropriate segregation of duties to prevent a single person being allowed to carry out a given process from the beginning to the end in order to prevent conflict of interest. Every key activity is subjected to the scrutiny of another suitably skilled and authorised employee. The HR policy encourages a genuine culture, through the recruitment of employees with high level of integrity. The management takes appropriate measures to rotate the staff in an attempt to hinder any potential malpractice. In order to prevent repetition, the management takes immediate remedial action, when a fraud is detected.

Employees are encouraged to report on any genuine concerns regarding fraud and misconduct through the whistleblower system established in the Company, while the anonymity of the whistleblower is strictly maintained.

OTHER IDENTIFIED RISKS

SOCIO-ECONOMIC AND POLITICAL RISK

Risk Rating

Frequency	Low	Risk Position: 2
Severity	Moderate	

DESCRIPTION

Socio-economic and political factors have a direct impact on the operational and investment activities of the Company. This assumes greater significance to the Company, as it is a subsidiary of People's Bank- a state owned entity.

ASSESSMENT

Socio-economic and political risk is assessed based on the possible changes in the regulatory requirements and the trends prevailing in the macro economy. Reports and policy guidelines issued by the Central Bank of Sri Lanka, combined with other economic reports are reviewed periodically to identify the opportunities in the market and to safeguard the Company in advance from possible risk elements. In the case of any changes in the economic and political parameters, the related issues and concerns are discussed at the senior management committee in order to formulate a suitable strategy in response to these changes.

MITIGATION

The severity of the socio-economic and political variables is evaluated during the corporate planning sessions on an annual basis. The management is keen on improving the awareness of macroeconomic changes in order to take timely action on emerging strategies and invest in a new venture with due diligence on potential risk from capitalising on the opportunities and external threats. An overall feasibility study is conducted, including socio-economic and political feasibility in addition to a financial feasibility study, in order to prevent any potential risk impacting the investments in a new venture.

REPUTATIONAL RISK

Risk Rating

Frequency	Low	Risk Position: 3
Severity	High	

DESCRIPTION

Reputation risk is an event or incident that could adversely impact on the corporate brand name. This becomes a crucial criterion when the brand image is tarnished which may bring the Company to its liquidation. But the negative impact of risk seems low for PLC as it has a superior record over 12 years being the market leader and the most preferred leasing destination in the leasing industry and also the flagship subsidiary of People's Bank.

ASSESSMENT

The Board of Directors and the senior management continuously review strategic moves in order to stay tall having an edge over the other players in the industry. Every employee is considered to be a brand ambassador of the Company and it is ensured that a high level of ethical standard is maintained at all times. CSR initiatives are carried out at the corporate and operational levels, as a responsible corporate citizen of the country.

MITIGATION

The Company has properly designed and implemented systems and procedures for human resource management, financial management, credit concentration and treasury management.

RISK MANAGEMENT

Also, in order to protect the Company's reputation, measures have been taken to ensure the compliance with laws and regulations. As the mirror of the Company, employees are required to maintain professionalism and good behaviour at all times. The Code of Ethics, which is in place, is expected to be followed by all without any exception.

PLC being the largest non-bank financial Institution has been able to manage its reputational risk successfully which is evident from awards, accolades and local and international ratings conferred on the Company. The Company motto emphasises on service delivery excellence to reach beyond the promise. Therefore, the Company manages its reputational risk by promoting strong corporate governance and risk management practices at all levels of the organisation to improve reputation of the Company.

RISK OF UNFORESEEN EVENTS

Risk Rating

Frequency	Low	Risk Position: 2
Severity	Moderate	

DESCRIPTION

This refers to the risk of business operations being disrupted due to unexpected events. It is difficult for anybody to predict all the possible events which may materialise in the future. Therefore, every organisation is left with the risk of unforeseen events.

ASSESSMENT

Since this risk cannot be predicted with certainty in advance, the Company regularly assesses the adequacy of insurance coverage and the validity of contingency plans.

MITIGATION

The Company lays much emphasis on the Business Continuity Plan (BCP) to ensure the smooth flow of operations including ICT disaster recovery plan. Plans are already made in advance to deal with unexpected events. Scenario Planning is also carried out at the top management level.

PLANS AHEAD

The Company is well aware of the necessity to be committed to risk management to ensure continued success in its corporate journey in the years ahead. PLC will give precedence to effective risk policies and measures to adapt and to pro-actively respond to the on-going changing status-quo within the non-bank financial arena.

Set out below are the short to medium term plans to ensure best practices are followed in risk management for the long term viability of the Company operations.

- ◆ Further strengthen the role of IRMOC to ensure risk management is effectively reflected in operational decision making and actions.
- ◆ Review and update the risk dashboard report to be more responsive to business growth and to introduce more stringent controls to mitigate the risks prevailing in the business.
- ◆ Extend comprehensive training for staff emphasising the importance of managing risks as an integral part of a sustainable growth strategy.
- ◆ Develop and maintain a risk rating system as a means of quantification of credit risk, differentiating between the various levels of risk and determining the degree of control and supervision required.

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SHARE INFORMATION



**WE TRULY
BELIEVE AND
SEEK TO BUILD
SOLID RELATIONSHIPS WITH
OUR VALUED
SHAREHOLDERS
FOR THE
*long term***

“
**PLC ACHIEVED ITS
TARGETS IN THE
FINANCIAL YEAR
2013/14 AND IS WELL
POSITIONED AND
IS MOVING AHEAD
STEADILY TOWARDS
ACHIEVING THE GOALS**
”

TO SHAREHOLDERS

“Shareholder Information” is a supplement especially dedicated for our esteemed shareholders in appreciation for the support extended and trust placed in People’s Leasing & Finance PLC (PLC).

PLC achieved its targets in the financial year 2013/14 and is well positioned and is moving ahead steadily towards achieving the goals set for the ensuing year. We were well recognised in the year under review and awarded for our business acumen combined effectively with good governance and social responsibility practices. We received ‘stable’ ratings from two international rating agencies comparable with the Sovereign whilst being recognised inter alia, amongst the top 25 listed entities of Sri Lanka for 2012/13 ranking 18th, by the Business Today magazine, based purely on published information on the Colombo Stock Exchange. We consider this a great honour since it was our first to be among the eligible corporates.

Through this supplement, we attempt to cover a broad array of topics related to shareholder concerns including pertinent information on the organisation, share market performance and future prospects which will facilitate shareholders and future investors to make pragmatic and informed decisions. But more so, with this supplement, we truly believe and seek to build solid relationships with our valued shareholders for the long term.

D. P. Kumarage
Chief Executive Officer/ General Manager

SHARE INFORMATION

COMMUNICATIONS WITH SHAREHOLDERS COMMUNICATION POLICY

The Company places considerable importance to the maintenance of constructive relationships with shareholders and its other stakeholders. Recognising the importance of two-way communication with its stakeholders, the Board of Directors has adopted a comprehensive policy that governs Company's communications with shareholders and its other stakeholders. The Communication Policy of the Company is founded on 4 guiding principles namely, efficiency, transparency, clarity and cultural awareness and feedback.

The objective of the Company's Communication Policy is to support the Company in pursuing and achieving the overall goals as described in its mandate, mission and corporate strategy. The policy provides for the framework that it has established for maintenance of an active and a constructive relationship with the shareholders so as to ensure that they are kept informed of significant Company developments enabling them to make informed decisions.

MEANS OF COMMUNICATION

In furtherance of establishing a two-way communication with the shareholders, the Board of the Company is committed to providing a balanced report of results and progress to the shareholders and responding to questions and issues raised in a timely and consistent manner. This is achieved by the following means of communications,

Shareholder Meetings

The Company considers the Annual General Meeting (AGM) and other general meetings to be the formal opportunity for dialogue and communication between the Company and the shareholders. Accordingly, all shareholders are encouraged to actively participate in the Company's AGM and other general meetings. To achieve this purpose, notice of the meeting is dispatched to shareholders, together with explanatory notes or a circular on items of special business within the prescribed time period.

It is the Company's practice to propose separate resolutions on each substantially separate issue including a resolution relating to the Annual Report and the Financial Statements. For each resolution, the proxy form provides the shareholders with the option to direct their proxy vote either for or against the resolution.

The Chairmen of the Board Sub-Committees and the External Auditor normally attend the Annual General Meeting and are available to answer questions. The Board welcomes questions from shareholders who have an opportunity to raise issues relating to the general membership at shareholder meetings.

Financial Results

The Company reports financial results on a quarterly basis and publishes interim and annual results in accordance with the applicable laws and regulations within statutory deadlines.

The annual report is the main document that equips both existing and potential shareholders with up-to-date information on the affairs of the Company and facilitates appropriate decision-making. Our efforts in providing a comprehensive annual report have been recognised with a number of awards bestowed on us, both locally and internationally.

Website

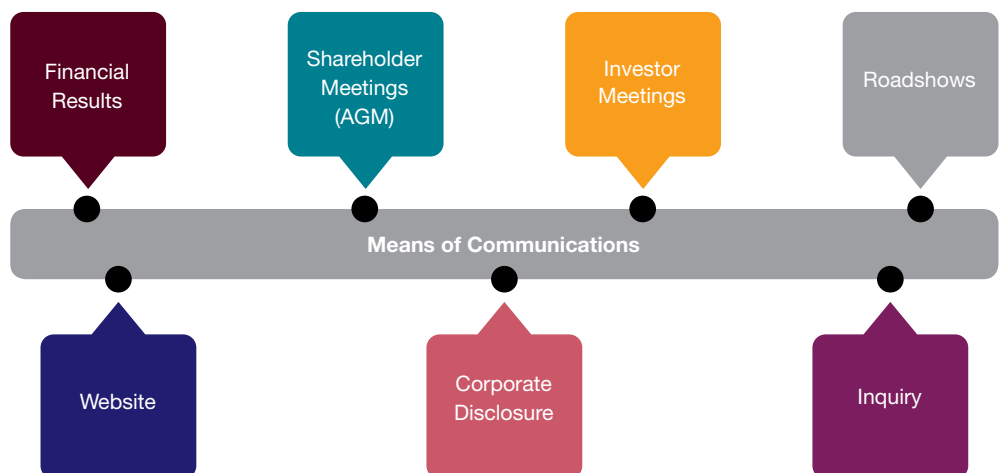
Our corporate website, www.plc.lk provides an additional channel for communication with shareholders and other stakeholders. Financial statements, details of the Company, products and services offered by the Company, news and announcements are hosted on the website.

Corporate Disclosures

Corporate disclosures and other official news releases are communicated, from time to time, to the Colombo Stock Exchange for dissemination to the public.

Communication with Institutional Shareholders

Effective two way communication with institutional investors and analysts is established through regular meetings, presentations and roadshows in Sri Lanka and overseas led by the Directors and Corporate Management. The Company has an ongoing programme of dialogue and meetings with major institutional shareholders, brokers and financial analysts where a wide range of relevant issues including strategy, performance and governance is discussed with strict compliance to regulatory and ethical standards on maintenance of confidentiality of price sensitive information.



SHARE INFORMATION

OVERALL SHARE MARKET

At year-end March 2014, the Colombo Stock Exchange (CSE) accommodated 293 registered companies with a market capitalisation of Rs. 2,498.00 billion compared to the previous year's Rs. 2,199.96 billion. Market capitalisation as a whole witnessed a positive and steady growth during the year ended 31st March 2014 reflecting an increase of over 13 percent compared to the last year.

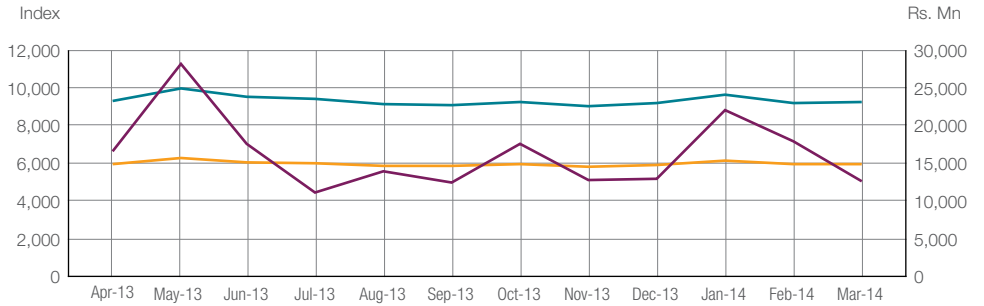
All Share Price Index (ASPI) closed at 5,968.31 with a growth of 4.05 percent from 5,735.68 from the preceding year. However, Standard & Poor's Sri Lanka 20 Index (S&P SL20) declined to 3,279.92 from the last year of 3,293.57. Total equity turnover of the CSE recorded a positive growth of 3.05 percent amounting to Rs. 195.51 billion from Rs. 189.72 billion. During the year, foreign investors displayed positive attitude towards the Sri Lankan stock market which evident slight increment in foreign investors' contribution to total equity turnover to 32.82 percent from 31.49 percent in the last year. Daily average turnover reached Rs. 804.56 million during the year ended 31st March 2014 compared to Rs. 793.80 million in the previous year.

BANK FINANCE & INSURANCE (BF&I) SECTOR ANALYSIS

At the beginning of the year, with the amalgamation of Peoples Finance PLC (PF), number of listed companies in the sector reduced to 60 from 61. 57 listed companies from the BF&I sector traded its shares during the year. Total turnover was recorded at Rs. 65.81 billion during the year compared to the recorded Rs. 62.32 billion in the previous year. Dividend yield of BF&I saw a positive growth during the year with 3.3 percent compared to 3.0 percent in last year. The P/E ratio and price to book value of the sectors declined to 9.04 times and 1.43 times respectively during the year in comparison with last year's 10.22 times and 1.77 times respectively.

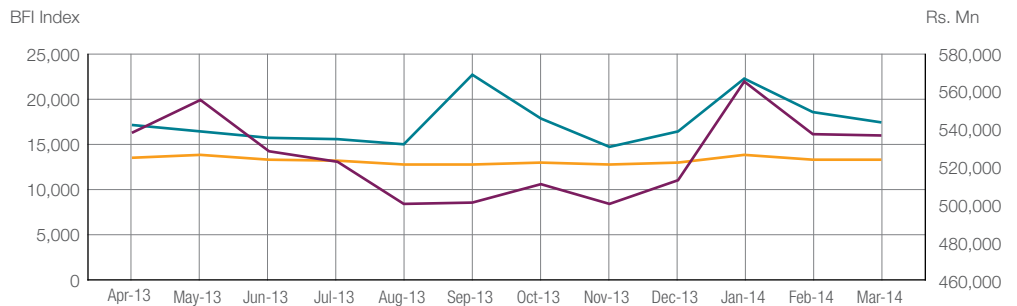
THE PLC SHARE

PLC's share closed at Rs. 14.30 as at 31st March 2014 against Rs. 13.10 of last year, recording a growth of 9.16 percent. During the year under review, PLC shares traded between a high of Rs.15.70 (27th Jan & 05th Feb of 2014) and a low of Rs. 13.00 (19th July & 18th September 2013). PLC shares were seen to be more stable and less volatile against a spread of Rs. 6.40 recorded last year. PLC shares' contributed Rs. 1,057.61 million by trading 73.45 million shares towards CSE's total equity turnover.



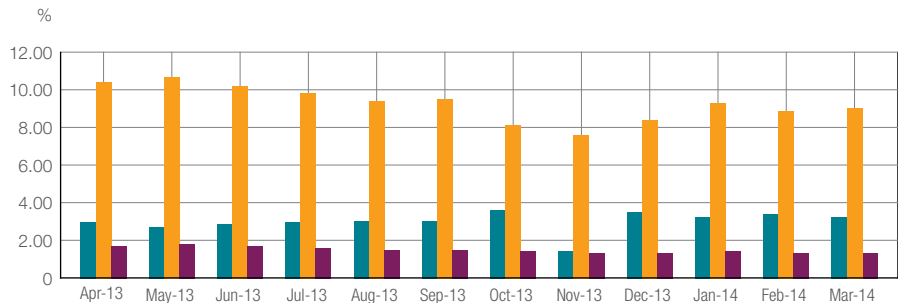
MOVEMENT OF CSE INDICES AND EQUITY TURNOVER

— S&P SL 20 Index — ASPI Index — Equity Turnover (Mn)



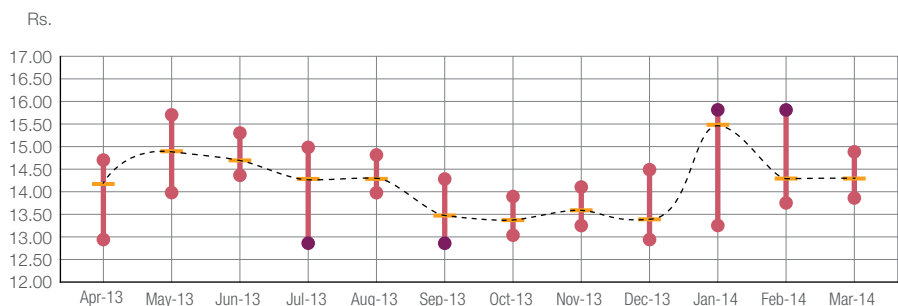
PERFORMANCE OF BFI SECTOR

— Sector Turnover (Mn) — BFI Index — Sector Mkt Capitalisation (Mn)



BEHAVIOUR OF BF&I SECTOR RATIOS

■ Dividend Yield ■ P/E Ratio ■ Price To Book Value



HIGHEST LOWEST AND CLOSING PRICE OF PLC SHARE DURING THE YEAR

■ Highest price (Rs./Lowest price (Rs.)) — Closing price (Rs.)

SHARE INFORMATION

Daily average turnover recorded Rs. 4.35 million for the year ended 31st March 2014 compared to Rs. 4.5 million for the year ended 31st March 2013.

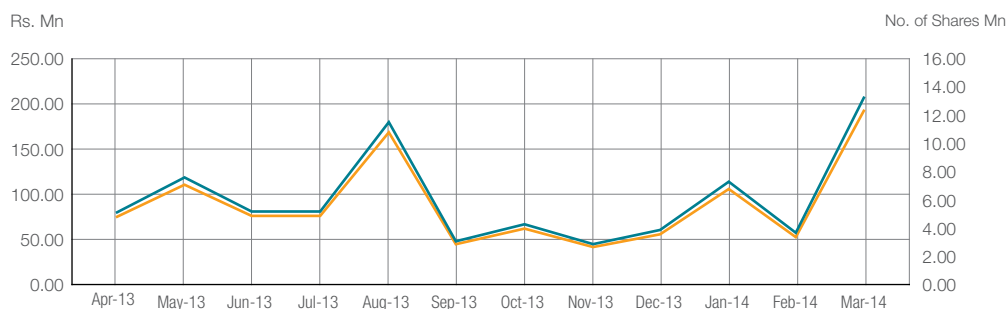
PLC's market capitalisation indicates a growth of 10.5 percent, achieving Rs. 22.59 billion during the year against Rs. 20.44 billion in the previous year. PLC's market capitalisation ranked at the 26th position as on 31st March 2014 compared to its 24th position in the last year.

Market Share Information						
	2013/14	Q4	Q3	Q2	Q1	2012/13
Share Price						
Highest (Rs.)	15.70	15.70	14.40	14.90	15.60	16.70
Lowest (Rs.)	13.00	13.40	13.10	13.00	13.10	10.30
Closing (Rs.)	14.30	14.30	13.40	13.50	14.70	13.10
Number of transactions	10,390	2,568	1,998	2,034	3,790	17,395
Number of shares traded (Mn)	73.45	24.28	11.42	20.08	17.67	81.72
Value of shares traded (Rs. Mn)	1,057.61	354.77	155.10	287.43	260.31	1,078.88
Number of days traded	243.00	58.00	62.00	62.00	61.00	239.00
Average daily turnover (Rs. Mn)	4.35	6.12	2.50	4.64	4.27	4.51
Market capitalization (MC)- CSE (Rs. Mn)	2,498,004.68	2,498,004.68	2,459,896.71	2,390,162.40	2,350,744.38	2,199,959.29
Market capitalization (MC)- PLC (Rs. Mn)	22,592.03	22,592.03	21,170.16	21,328.14	23,223.98	20,436.00
PLC MC as % of CSE MC	0.90	0.90	0.86	0.89	0.99	0.93
PLC market capitalization ranking	26.00	26.00	27.00	26.00	23.00	24

PLC DEBENTURE

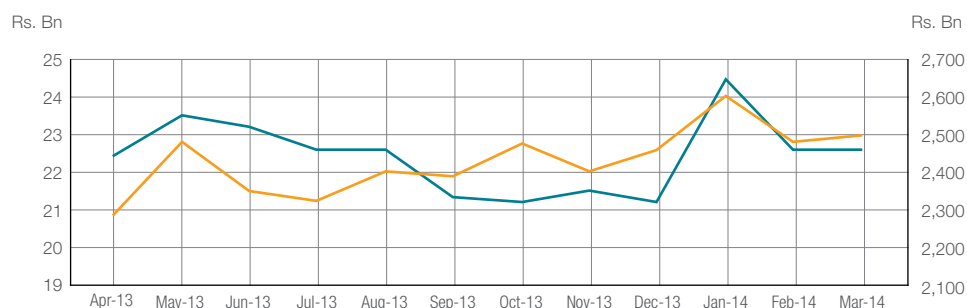
PLC issued 60 million debentures in the preceding financial year; in the bid to increase the number of funding sources and to ease the maturity mismatches between assets and liabilities. At the onset of the current financial year, PLC debentures started trading on the CSE at a par value of Rs. 100.

During the year, PLC debentures traded in types A, B and C recorded a high of Rs 115.37, Rs. 119.69 and Rs. 118.86 respectively with a low of Rs. 100, witnessed by Type A and B debentures while type C's lowest recorded was Rs. 116. It is noteworthy that PLC debentures in type B and C recorded a growth of over 18 percent each compared to its issue price, with closing prices of Rs. 118.44 and Rs. 118.86 correspondingly whilst type A closed at a price of Rs. 115.30 depicting a growth of 15.30 percent.



PLC SHARE PERFORMANCE

— Shares(No.) — Turnover(Rs.)



MARKET CAPITALISATION OF PLC AND CSE

— PLC Mkt Cap — CSE Mkt Cap

SHARE INFORMATION

Debenture - Market Information	2014			2013		
	Type 1	Type 2	Type 3	Type 1	Type 2	Type 3
Type of Issue	Public	Public	Public	Public	Public	Public
CSE Listing	Listed	Listed	Listed	Listed	Listed	Listed
Redemption	Redeemable	Redeemable	Redeemable	Redeemable	Redeemable	Redeemable
Tenure of debenture	4 Years	5 Years	5 Years	4 Years	5 Years	5 Years
Issue date	Mar-13	Mar-13	Mar-13	Mar-13	Mar-13	Mar-13
Maturity Date	Mar-17	Mar-18	Mar-18	Mar-17	Mar-18	Mar-18
Interest Rate	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed
Coupon Rate (%)	16.50	16.75	17.00	16.50	16.75	17.00
Effective Annual Yield (%)	17.80	17.45	17.00	17.80	17.45	17.00
Interest Rate comparable Government Security	10.87	8.65	8.65	10.98	11.45	11.45
Frequency of Interest Payable	Semi-Annual	Semi-Annual	Annual	Semi-Annual	Semi-Annual	Annual
Rating	AA(-) by Fitch Rating Lanka Limited			AA(-) by Fitch Rating Lanka Limited		
Amount (Rs. Mn)	1,986.50	1,583.50	2,430.00	1,986.50	1,583.50	2,430.00
Market Information				Not traded during the year		
Market Value - Highest (Rs.)	115.37	119.69	118.86			
- Lowest (Rs.)	100.00	100.00	116.00			
- Closed (Rs.)	115.30	118.44	118.86			
Current Yield (%)	14.31	14.14	14.30			
Yield to Maturity (%)	10.59	11.12	11.23			

SUBMISSION OF INFORMATION TO THE COLOMBO STOCK EXCHANGE

The Company recognises that timely disclosure of market sensitive information is essential to maintaining and increasing the confidence of investors of the Company, whilst helping investors making their own judgments. Hence, the Company places considerable importance to the timely submission of all relevant information to the Colombo Stock Exchange in accordance with the Listing Rules. The following table presents the important disclosures made by the Company to the Colombo Stock Exchange during the year 2013/14.

Date of Disclosure	Details of disclosure
05th April 2013	Amalgamation of People's Finance PLC with the Company with effect from 2nd April 2013
05th April 2013	Directors' interests in shares of the Company
11th April 2013	Confirmation of receipt of approval of the Central Bank of Sri Lanka for the appointment of Mr. Gamini Senarath as the Chairman of the Company
30th April 2013	Resignation of Mrs. M. G. Jinadasa from the office of Director
22nd May 2013	Submission of unaudited interim financial statements for the period ended 31st March 2013
11th & 14th June 2013	Announcements on the final dividend of Cents Fifty per share for the financial year ended 31st March 2013
26th June 2013	Directors' interests in shares of the Company
26th June 2013	Submission of the Annual Report for the year 2012/13
1st July 2013	Directors' interests in shares of the Company
1st July 2013	Announcement on the appointment of the Company as the Managing Agent of Central Investments & Finance PLC
10th July 2013	Directors' interests in shares of the Company
19th July 2013	Appointments of Mr. P. Kudabalage and Mr. H. H. A. Chandrasiri to the Board
19th July 2013	Directors' interests in shares of the Company
7th August 2013	Submission of unaudited interim financial statements for the 1st quarter ended 30th June 2013
27th August 2013	Directors' interests in shares of the Company
29th August 2013	Directors' interests in shares of the Company
5th September 2013	Directors' interests in shares of the Company
9th September 2013	Directors' interests in shares of the Company
20th September 2013	Directors' interests in shares of the Company
27th September 2013	Directors' interests in shares of the Company
4th October 2013	Directors' interests in shares of the Company
17th October 2013	Resignations of Dr. D. J. D. Jayakody and Mr. H. G. W. S. S. Bandara from the office of Director
5th November 2013	Submission of unaudited interim financial statements for the 2nd quarter ended 30th September 2013
11th December 2013	Announcement on the interim dividend of Cents Seventy Five per share for the financial year ending 31st March 2014
31st December 2013	Announcement on the syndicated term loan of USD 50,000,000 availed of by the Company from a consortium of Banks
31st January 2014	Submission of unaudited interim financial statements for the 3rd quarter ended 31st December 2013

SHARE INFORMATION

FINANCIAL ANALYSIS

SHARE CAPITAL

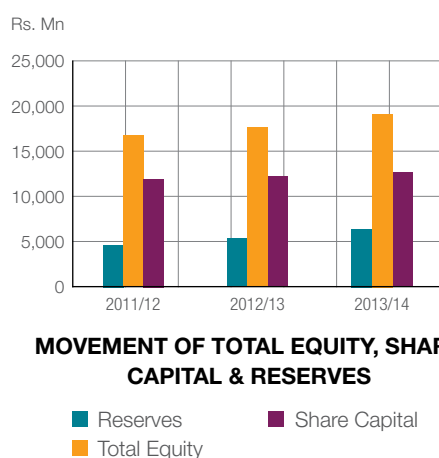
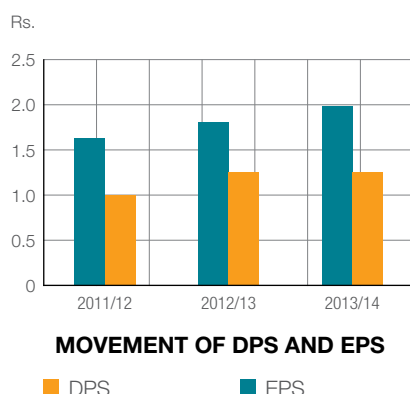
PLC holds 1,579.86 million shares for the current financial year in comparison to 1,560.00 million held as at 31st March 2013. Subsequent to the amalgamation, the Company issued 19.86 million shares to minority shareholders of PF thus, reaching a total share capital of Rs. 12,736.07 million compared to Rs. 12,536.07 million in the previous year. Net asset value per share (NAVPS) increased to Rs 12.15 from Rs 11.55 during the year. Total equity fund of the Company increased to Rs. 19,195.94 million at the end of the financial year from Rs. 18,022.69 of the last year.

Financial Information	2013/14	2012/13	2011/12
Earning Per Share (EPS) - Rs.	1.98	1.83	1.63
Dividend Per Share (DPS)- Rs.	1.25	1.25	1.00
Dividend Pay Out (DPO) (%)	63.22	68.42	60.59
Net Asset Value Per Share (NAVPS)- Rs.	12.15	11.55	10.78
Price Earning (PE) (Times)	7.23	7.26	7.12
Price to Book Value (PBV) (Times)	1.18	1.13	1.08
Dividend Yield (DY) (%)	8.74	9.54	8.62
No of Shares (Mn)	1,579.86	1,560.00	1,560.00
Share Capital (Rs. Mn)	12,736.07	12,536.07	12,058.00
Total Equity (Rs. Mn)	19,195.94	18,022.69	16,809.20
Total Financial Liability (Rs. Mn)	92,396.34	78,092.69	60,985.69
Core Capital Ratio (minimum statutory requirement 5%)	19.12	21	N/A
Total Risk Weighted Capital Ratio (minimum statutory requirement 10%)	18.05	20	N/A
Debt to Equity Ratio (Times)	2.68	3.29	3.63
Interest Cover (Times)	1.39	1.41	1.60
Current/ Quick Ratio (Times)	0.88	0.85	0.58

Information on Movement in Number of Shares represented by the Stated Capital.

Year ended	No. of Shares at the Beginning of the Financial Year		Addition/(redeem) 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	12,536,073,308
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

SHARE INFORMATION



EARNINGS

The Company successfully achieved Rs. 3,124 million during the year as profit after tax compared to Rs. 2,850 million posted in the preceding year. In line with profitability growth over the last three years, the Company's earnings per share (EPS) reflected a steady growth reaching Rs. 1.98 during the year compared to Rs. 1.80 of the last year. The price-earnings (PE) ratio stood at 7.23 times at the end of the financial year compared to 7.26 times in the last year.

DIVIDENDS

As per the Company's dividend policy, the Company attempts to create sustainable shareholder wealth by keeping the best trade-off between dividend payments and retention. The Company paid Rs. 1,185 million as interim dividend and foresees to pay of Rs. 790 million as final dividend upon receiving the approval of the shareholders thus, the total dividend for the financial year 2013/14 will be Rs. 1,975 million in comparison to Rs. 1,950 for the year ended 31st March 2013; however, the Company's dividend payout ratio displayed a slight drop to 63.22 percent during the financial year from 68.42 percent in the last year.

Average yield of the risk free statutory securities stood at 7.24 percent during the year whilst dividend yield and total yield of PLC shares' stood at 8.74 percent and 17.13 percent as at 31st March 2014 respectively.

SOLVENCY & DEBT CAPITAL

Liquidity ratio (current ratio) of the Company observed a steady growth over the last few years, reaching 0.88 times at the end of the financial year compared to 0.85 times achieved last year.

As at 31st March 2014, the Company's core capital ratio (CCR) and the total risk weighted capital ratio (TRWCR) stood at 19.09 percent and 18.02 percent respectively, well above regulatory requirements of 5.00 percent and 10.00 percent respectively. High levels of CCR implies that the Company maintains sufficient capital to overcome or act as a buffer against future loss and risks, thus making PLC a financially sound company in the sector with the ability to pay debts as they fall due and accomplish long-term expansions and growth.

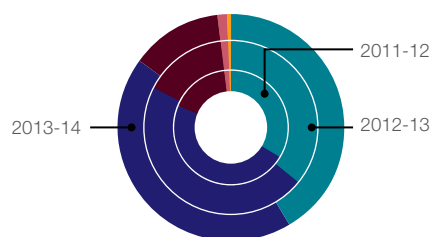
The Company saw its financial liabilities moving up to Rs. 92.40 billion, depicting an increase of 18.32 percent over the last year; mainly due to the rapid growth in public deposits coupled with the syndicated loan of USD 50 million from Emirates NBD Bank PJSC and the Commercial Bank of Qatar. With the rapid growth of the deposit base, the Company's structure of the funding mix gradually changed during the year, which resulted in lower bank borrowings. The Company witnessed a decrease in its debt to equity by 18.54 percent dropping to 2.68 times compared to 3.29 times in the previous year. High interest rates prevailing during the year, resulted the interest cover to marginally decline to 1.39 times.

ANALYSIS OF SHAREHOLDERS

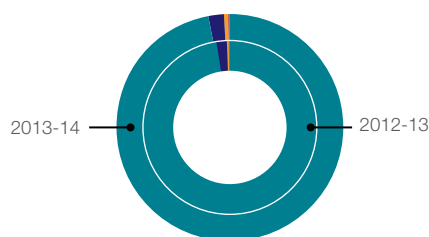
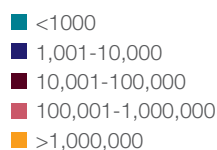
	Distribution of ordinary shareholders							
	31st March 2014				31st March 2013			
	No. of Shareholders	%	No. of Shares	%	No. of Shareholders	%	No. of Shares	%
Less than or equal to 1000	4,184	41.62	2,911,192	0.18	3,406	35.90	2,905,789	0.19
1,001 to 10,000	4,373	43.50	17,698,496	1.12	4,434	46.73	18,614,953	1.19
10,001 to 100,000	1,321	13.14	38,749,543	2.45	1,473	15.52	42,915,044	2.75
100,001 to 1,000,000	145	1.44	38,639,835	2.45	146	1.54	36,205,235	2.32
Over 1,000,000	31	0.31	1,481,863,416	93.80	29	0.31	1,459,359,139	93.55
Total	10,054	100.00	1,579,862,482	100.00	9,488	100.00	1,560,000,160	100.00

	Composition - Ordinary Shares							
	31st March 2014				31st March 2013			
	No. of Shareholders	%	No. of Shares	%	No. of Shareholders	%	No. of Shares	%
Resident - Individuals	9,771	97.19	81,714,914	5.17	9,262	97.62	91,382,920	5.86
Resident - Institutions	225	2.24	1,436,427,770	90.92	179	1.89	1,406,439,522	90.16
Non resident - Individuals	48	0.48	3,392,268	0.21	38	0.40	2,490,185	0.16
Non resident - Institutions	10	0.10	58,327,530	3.69	9	0.09	59,687,533	3.83
Total	10,054	100.00	1,579,862,482	100.00	9,488	100.00	1,560,000,160	100.00

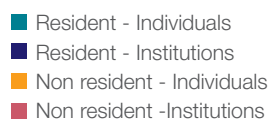
SHARE INFORMATION



TREND IN DISTRIBUTION OF SHAREHOLDER



COMPOSITION OF ORDINARY SHAREHOLDER



PUBLIC HOLDING

It is perceived that greater the public holding, less is the potential for market abuse.

Therefore, a minimum public holding of 90 percent as a continuous listing requirement was introduced by the Securities and Exchange Commission of Sri Lanka with effect from 1st January 2014 with the aim of promoting a liquid and transparent market with a better price discovery mechanism. In compliance with the above directives, at the end of the financial year, public holding of the Company touched 24.85 percent compared to 23.88 percent as of 31st March 2013.

TWENTY LARGEST SHAREHOLDERS

Name of the Shareholder	31st March 2014		31st March 2013	
	No. of Shares	%	No. of Shares	%
People's Bank	1,184,896,862	75.00	1,182,030,999	75.77
Employees Provident Fund	75,477,861	4.78	61,884,490	3.97
National Savings Bank	59,237,340	3.75	58,809,840	3.77
Distilleries Company of Sri Lanka PLC	24,517,300	1.55	24,517,300	1.57
HSBC INTL Nominees Ltd- Credit Suisse AG Zurich	18,000,000	1.14	18,000,000	1.15
HSBC INTL NOM Ltd JPMCB-J.P. Morgan Clearing Corp	13,420,466	0.85	14,176,666	0.91
Bank of Ceylon No. 1 Account	11,453,600	0.72	11,453,600	0.74
Northern Trust Global Services Luxembourg S/A Ashmore Sicav Indian Small-Ca	10,797,914	0.68	-	-
Bny-CF Ruffer Investment Funds: CF Ruffer Pacific Fund	10,000,000	0.63	10,000,000	0.64
Sanasa Development Bank Ltd	9,864,800	0.62	9,864,800	0.63
Waldock Mackenzie Limited/Capital Alliance Holdings Ltd	9,295,200	0.59	9,225,200	0.59
Aia Insurance Lanka PLC A/C No.07	7,092,734	0.45	712,408	0.05
Ceylon Investment PLC A/C # 01	6,954,891	0.44	6,954,891	0.45
Sampath Bank Limited A/C No. 1	5,000,000	0.32	5,901,600	0.38
Gampaha District Co-operative Rural Bank Union Ltd	4,921,800	0.31	4,921,800	0.32
Ceylon Guardian Investment Trust PLC A/C # 01	3,640,800	0.23	3,640,800	0.23
NDB Capital Holding PLC	3,288,800	0.21	3,288,800	0.21
The Ceylon Chamber of Commerce Account No 02	3,007,996	0.19	1,569,996	0.10
David Pieris Motor Company Ltd	2,250,000	0.14	2,250,000	0.14
The Ceylon Guardian Investment Trust PLC A/C # 02	2,202,395	0.14	-	-
Sub total	1,465,320,759	92.75	1,428,301,590	91.56
Other shareholders	114,541,723	7.25	131,698,570	8.44
Total	1,579,862,482	100.00	1,560,000,160	100.00

SHARE INFORMATION

DIRECTORS' & CEO'S SHAREHOLDING

Name	Position	No. of Shares as at 31st March 2014	No. of Shares as at 31st March 2013
Mr. Gamini S Senarath	Chairman	-	-
Mr. P. Kudabalage	Director	-	-
Mr. N. Vasantha Kumar	Director	1,000,000	1,000,000
Mr. P. A. I. S. Perera	Director	20,000	20,000
Mr. H. H. A. Chandrasiri	Director	-	-
Mr. D. P. Kumarage	CEO	233,858	5,000,000

Related party transactions exceeding 10 percent of the equity or 5 percent of the total assets of the company

There were no individual transactions exceeding 10 percent of the equity or 5 percent of the total assets of the Company during the year under review with any related party of the Company. However, all related party transactions at aggregate level have been disclosed under Note 48 on pages 276 to 279 to the Financial Statements.

Employee share option scheme

There is no 'Employee Share Option Scheme' in the Company.

Material Foreseeable Risk Factors

Information pertaining to the material foreseeable risk factors that require disclosure as per the Rule No. 7.6(vi) of the Listing Rules of the CSE are discussed in the section on "Integrated Risk Management" on pages 191 to 205 of this Annual Report.

Material Issues -Employees and Industrial Relations

There were no material issues pertaining to employees and industrial relations pertaining to the Company that occurred during the year under review which need to be discussed as per the Rule No. 7.6(vii) of the Listing Rules of the CSE.

ENQUIRIES BY SHAREHOLDERS

Shareholders may, at any time, contact the Company Secretary, whose details are given below, to direct questions/comments or request for publicly available information,

Mr. Rohan Pathirage

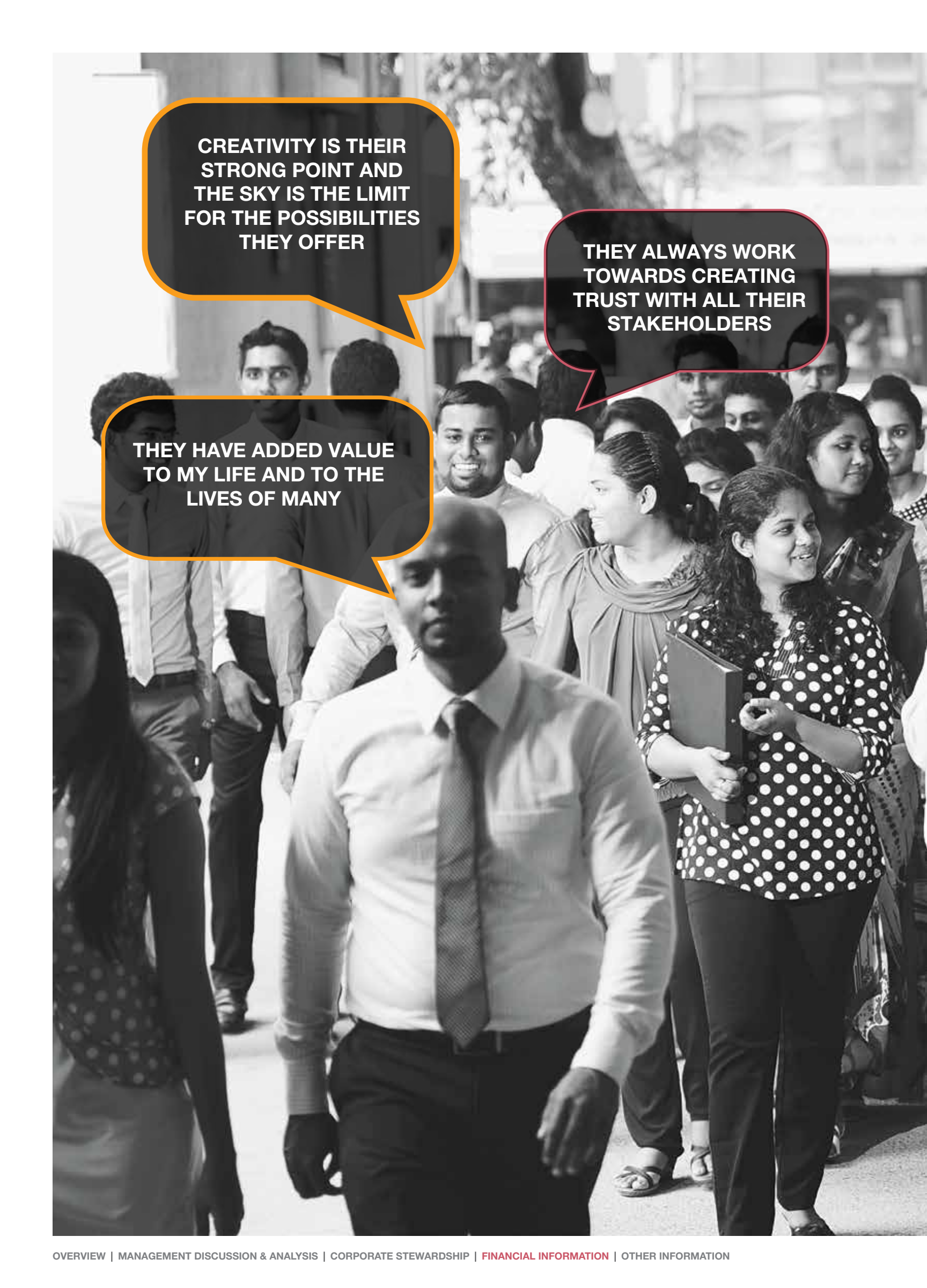
The Company Secretary
People's Leasing & Finance PLC
1161, Maradana Road
Colombo 8
Sri Lanka.

Tel: 011-2631105/103 (phone)

Fax: 0112 481500

E-mail: plclease@plc.lk

In addition, the Company has established a separate Investor Relations function at the Senior Management level to assist the shareholders seeking information and assistance. The Senior Independent Director is also available to discuss with shareholders any major issues that cannot be resolved through normal channels.



**CREATIVITY IS THEIR
STRONG POINT AND
THE SKY IS THE LIMIT
FOR THE POSSIBILITIES
THEY OFFER**

**THEY ALWAYS WORK
TOWARDS CREATING
TRUST WITH ALL THEIR
STAKEHOLDERS**

**THEY HAVE ADDED VALUE
TO MY LIFE AND TO THE
LIVES OF MANY**



**I AM PROUD TO BE
AFFILIATED WITH A
SOLID BRAND.**

**THEY ARE ACCESSIBLE
AND HAVE A NETWORK
THAT SPANS ALL OVER
SRI LANKA.**

**THEY HAVE WON OVER
THE HEARTS AND MINDS
OF THEIR CUSTOMERS
BY BEING TRUE TO THEIR
VISION.**

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FINANCIAL CALENDER

2013/14	
Amalgamation with People's Finance PLC	02nd April 2013
Listing of debentures on the debt securities main board of the Colombo Stock Exchange	04th April 2013
Issue of 19,862,322 shares, pursuant to the amalgamation of the Company with People's Finance PLC	05th April 2013
Listing of the 19,862,322 shares on the main board of the Colombo Stock Exchange	10th April 2013
Redemption of preference shares amount to Rs. 50 million	30th April 2013
Publication of interim financial statements for the quarter ended 31st March 2013	22nd May 2013
Authorisation for issue of audited financial statements for 2012/13	8th June 2013
Publication of Annual Report for the financial year ended 31st March 2013	26th June 2013
17th Annual General Meeting of the Company	18th July 2013
Payment of final dividend of Rs. 0.50 per share for the financial year ended 31st March 2013	30th July 2013
Publication of the interim financial statements for the quarter ended 30th June 2013	07th August 2013
Redemption of preference shares amount to Rs. 50 million	30th September 2013
Redemption of preference shares amount to Rs. 50 million	31st October 2013
Payment of dividend on preference share amount to Rs. 55.25 million	31st October 2013
Publication of interim financial statements for the quarter ended 30th September 2013	05th November 2013
Obtained a syndicated loan of USD 50 million from the Middle East	14th December 2013
Payment of interim dividend of Rs. 0.75 per share for the financial year ended 31st March 2014	03rd January 2014
Publication of interim financial statements for the quarter ended 31st December 2013	31st January 2014

2014/15	
Authorisation of issue of audited financial statements for 2013/14	19th May 2014
Publication of interim financial statements for the quarter ended 31st March 2014	27th May 2014
Publication of Annual Report for the financial year ended 31st March 2014	04th June 2014
18th Annual General Meeting of the Company	27th June 2014
Payment of final dividend of Rs. 0.50 per share for the financial year ended 31st March 2014 subject to the approval of the shareholders at AGM	08th July 2014

PUBLICATION OF INTERIM FINANCIAL STATEMENTS	
1st Quarter Interim Results (Unaudited) for the period ending 30th June 2014 to be released on or before	15th August 2014
2nd Quarter Interim Results (Unaudited) for the period ending 30th September 2014 to be released on or before	15th November 2014
3rd Quarter Interim Results (Unaudited) for the period ending 31st December 2014 to be released on or before	15th February 2015

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

Annual Report of the Board of Directors on the Affairs of the Company as required by section 168 of the Companies Act No. 07 of 2007.

GENERAL

The Directors of People's Leasing & Finance PLC ("the Company") have the pleasure in presenting this report to the shareholders, together with the audited Financial Statements and the audited Consolidated Financial Statements for the year ended 31st March 2014 of the Company and the Group and the Auditors' Report on those financial statements, conforming to the requirements of the Companies Act No. 07 of 2007, Finance Business Act No. 42 of 2011 and directions issued thereto.

The Company is incorporated as a private limited liability company on 22nd August 1995 under the Companies Act No. 17 of 1982 and re-registered as required under the provisions of the Companies Act. No. 07 of 2007. The ordinary shares were listed on the Main Board of the Colombo Stock Exchange (CSE) on 24th November 2011 and the Company obtained finance business license on 8th November 2012.

The Registered office of the Company and the principal place of business is situated at No.1161, Maradana Road, Colombo 08.

The Company's parent undertaking is People's Bank.

Fitch Ratings Lanka reaffirmed the Company's National Long-Term rating at 'AA-(lka)' with a stable outlook. At present, the Company enjoys two international ratings; one equal to the Sovereign from Standard & Poor's ('B+/B') and the other, one notch below the Sovereign from Fitch Rating International ('B+'). (Section 7.6 (xi) of CSE Listing Rule)

This report provides the information as required by the Companies Act No. 07 of 2007, Finance Business Act No. 42 of 2011 and Directions issued thereunder, the code of best practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka (ICASL) and the Securities and Exchange Commission of Sri Lanka (SEC) and the Listing Rules of the Colombo Stock Exchange. This report was approved by the Board of Directors on 19th May 2014.

VISION, MISSION AND CORPORATE CONDUCT

The Company's vision and mission are provided on page 1 of this Annual Report. In achieving its vision and mission, all Directors and employees conduct their activities to the highest level of ethical standards and integrity as set out in the Code of Business Conduct & Ethics.

PRINCIPAL BUSINESS ACTIVITIES

Section 168 (1) (a) of the Companies Act No. 07 of 2007/Section 7.6 (ii) of CSE Listing Rule

Company -The Company's principal business activities comprise providing finance leases, hire-purchase assets financing, term loans, Islamic finance, margin trading, share trading, issue of debt instruments and mobilisation of public deposits.

Subsidiaries -The Company has five fully owned subsidiaries and an associate company. The table given below provides details on the nature of the principal business activities.

Name of the subsidiary	Principal activities and nature of operations
People's Leasing Fleet Management Limited	Providing operating leases, vehicle service, hiring/renting of vehicles and vehicle valuation.
People's Leasing Property Development Limited	Carrying out mixed development projects and property development activities.
People's Leasing Havelock Properties Limited	Construction and management of an office complex.
People's Microfinance Limited	Financial services including funding, technical and marketing support to the underprivileged and low income communities.
People's Insurance Limited	Providing general insurance.
Name of the associate (Percentage of Holding)	Principal activities and nature of operations
City Finance Corporation Limited (28.51%)	Providing finance leases, hire purchase assets financing, term loans, mobilization of public deposits, real estate development and related services.

The Company or its subsidiaries have not engaged in any activities, which contravene any laws or regulations during the year under review.

CHANGES TO THE GROUP STRUCTURE

People's Finance PLC, 91.12 percent owned Subsidiary, was merged with People's Leasing & Finance PLC with effect from 2nd April 2013. Pursuant to the amalgamation, shares of People's Leasing & Finance PLC (the Amalgamated Company) were issued on 05th April 2013 to the minority shareholders of People's Finance PLC in the proportion of three shares for every one share held in People's Finance PLC. Aforesaid shares were listed on the Main Board of the Colombo Stock Exchange on 10th April 2013.

BRANCH NETWORK

Total branch network of the Company is 85 as at 31st March 2014. The branch expansion policy continued during the year and the Company opened 16 branches including 10 branches arising from the amalgamation.

REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS

An overall assessment of the Company's financial position and performance during the year, with comments on financial results, special events that took place and future developments, is contained in the Chairman's Message on (pages 12 to 15), the Chief Executive Officer's Review on (pages 16 to 21) and the Management Discussion and Analysis on (pages 24 to 127) of this Annual Report. These reports form an integral part of the report of the Directors, and together with the audited financial statements reflect the state of affairs of the Company and the Group.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

FINANCIAL STATEMENTS OF THE GROUP AND THE COMPANY

Section 151, 152 and 168 (1) (b) of the Companies Act No. 07 of 2007.

The Financial Statements of the Company and the Group have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs) laid down by the Institute of Chartered Accountants of Sri Lanka, and comply with the requirements of Companies Act No. 7 of 2007.

The Financial Statements of the Group and the Company, which are duly certified by the Chief Financial Officer and approved by the Board of Directors and signed by the Chairman, a Director and the Chief Executive Officer of the Company, are appearing on pages 228 to 308 of this Annual Report.

AUDITOR'S REPORT

Section 168 (1) (c) of the Companies Act No. 07 of 2007

The Company's Auditors, M/s. Ernst & Young performed the audit on the consolidated financial statements for the year ended 31st March 2014 and the Auditor's Report issued thereon is given on page 227 of this Annual Report.

ACCOUNTING POLICIES AND CHANGES DURING THE YEAR

Section 168 (1) (d) of the Companies Act No. 07 of 2007

Significant new accounting policies adopted in preparation of the financial statements of the Group and the Company are given on pages 234 to 251. These financial statements comply with the requirements of Lanka Accounting Standards 01 on "Presentation of Financial Statements" (LKAS 01) and comply with Section 168 (1) (d) of the Companies Act No. 07 of 2007.

ACCOUNTING PERIOD

The financial accounting period reflects the information from 1st April 2013 to 31st March 2014.

FINANCIAL RESULTS AND APPROPRIATIONS INTEREST INCOME

The total interest income of the Company for the year ended 31st March 2014 was Rs. 19,533.60 million (Rs. 17,244.93 million in 2013). The consolidated interest income for the year ended 31st March 2014 was Rs. 20,053.45 million (Rs. 17,485.28 million in 2013). A more descriptive analysis of the interest income is given in note 4 to the financial statement on page 252.

FINANCIAL RESULTS

The Group and the Company recorded a net profit of Rs. 3,463.22 million and Rs. 3,123.75 million for the financial year respectively. This represents net profit growth of the Group and the Company by 11.35 percent and 9.61 percent respectively compared to the last year. The Company's performance and details of appropriation of profit relating to the Company are tabulated as follows.

Company	2013/14 Rs. Mn	2012/13 Rs. Mn
Profit after taxation	3,123.75	2,842.78
Profit brought forward from previous year	3,495.58	3,360.18
Profit available for appropriation	6,619.33	6,075.96
Appropriations		
Redemption of Preference shares	(200.00)	(200.00)
Dividend paid for previous/current year	(1,974.83)	(1,950.00)
Other comprehensive income	(41.21)	-
Adjustments due to merger	-	(127.00)
Transfer to reserves	(401.36)	(430.38)
Total appropriation	(2,617.40)	(2,580.38)
Un-appropriated profit carried forward	4,001.93	3,495.58

PROVISION FOR TAXATION

The income tax rate applicable on the profits earned and rate of VAT on financial services during the year is 28 percent and 12 percent respectively. Accordingly the current year income tax expense of the Company is Rs. 1,263.22 million and a more descriptive note on income tax charged and differed tax assets/ liability of the Company and its subsidiaries are disclosed in notes 13 and 37 to the Financial Statements respectively.

DIVIDEND

An interim dividend of Rs. 0.75 per share was paid on 3rd January 2014 to the holders of the ordinary shares and the Directors recommended a final dividend of Rs. 0.50 per share for the year ended 31st March 2014.

The Board of directors fulfilled 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 immediately after the payment of interim dividend and would ensure the compliance with the Solvency Test after the payment of the aforesaid final dividend. Accordingly the Board of Directors provided the Statement of Solvency to the Auditors and obtained a certificate of solvency from the auditors in respect of each dividend payment conforming to the above statutory provision.

PROPERTY, PLANT AND EQUIPMENT

The total capital expenditure incurred on property, plant and equipment (including capital work in progress) and intangible assets of the Company in the year ended 31st March 2014 amounted to Rs. 301.57 million and Rs. 15.25 million respectively (Rs. 191.19 million and Rs. 10.66 million in 2013). The details of property, plant and equipment are presented in Note 28 (pages 266 to 267) to the Financial Statements.

The Directors confirm that there is no other significant change in the Company's or its subsidiaries' fixed assets and market value of land which substantially differs from book value.

Information on Freehold Land and Building of the Company - Section 7.6 (viii) of CSE Listing Rule

Extents, locations, valuations and the number of buildings of the Entity's land holding and investment properties are detailed on page 268 of this Annual Report.

INVESTMENTS

Details of investments held by the Company are disclosed in notes 20, 23, 24, 25 and 26 on pages 259, 263 to 264 to the Financial Statements.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

STATED CAPITAL AND SHAREHOLDERS' FUNDS

Section 7.6 (xiii) of CSE Listing Rule

In compliance with the Companies Act No. 07 of 2007, the Financial Statements reflect the stated capital of the Company. The stated capital is the total of all amounts received by the Company in respect of the issued share capital.

The stated capital and reserves stood at Rs. 12,736.07 million and Rs. 6,459.86 million respectively as at 31st March 2014 (Rs. 12,536.07 million and Rs. 5,486.62 million as at 31st March 2013). During the financial year Rs. 401.35 million was transferred from retained earnings to the reserves.

Details of movement of reserves and stated capital are provided in the Statement of Changes in Equity on pages 231 to 232 of the Financial Statements.

DEBT CAPITAL

People's Leasing & Finance PLC has issued 60 million Senior, Unsecured, Redeemable, Rated, 4 year and 5 years Debentures, which were listed on the main board of the CSE. The par value of these debentures is Rs. 100 and these debentures are redeemable in 2017 and 2018. These debentures started to trade in this financial year.

The details of the above are given in note 33.1.1 to the Financial Statements.

MINIMUM CAPITAL REQUIREMENT

The Company ensures that it maintains the statutory requirement on minimum capital, to mitigate the liquidity risk and safeguard the depositors, thus ensuring the sustainability of the Company and the industry as a whole. The information on Minimum Capital Requirement is given on page 309 of this Annual Report.

SHARE INFORMATION

Section 7.6 (ix to xi) of CSE Listing Rule

The ten year summary on pages 318 to 319 and shareholder information and information on trading are provided under the title Share Information on pages 206 to 215 of this Annual Report and is presented with the purpose of providing more price sensitive information to the shareholders which includes;

- ◆ Number of share representing the entity's stated capital
- ◆ A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holding.

- ◆ The ratio of Dividend per share, Dividend payout and Net assets per share
- ◆ Market Value per share including highest and lowest value recorded during the year and value as at end of the financial year

Substantial Shareholdings

Section 7.6 (iii) and (iv) of CSE Listing Rule

People's Bank held 75 percent of the ordinary voting shares as at 31st March 2014. The list of top 20 shareholders, number of shares held by them, percentage of their respective holding and Public holding percentage are given under the title 'Shareholder Information' on page no 214.

Information to Shareholders

The Board strives to be transparent and provide accurate information to shareholders in all published material.

BOARD OF DIRECTORS

Section 168 (1) (h) of the Companies Act No. 07 of 2007 and Section 7.6 (j) of CSE Listing Rule

As at 31st March 2014, the Directorate of People's Leasing & Finance PLC consisted of five Directors with wide financial commercial knowledge and experience. The qualifications and experience of the Directors is provided on page 133 of this Annual Report. The following Directors held office as at the end of the financial year.

Name of the Director	Executive/ Non-Executive Status	Independence / Non Independence Status
Mr. Gamini S. Senarath - Chairman (Appointed w.e.f Feb 2013)	Non-Executive	Non-Independent
Mr. Piyadasa Kudabalage (Appointed w.e.f July 2013)	Non-Executive	Non-Independent
Mr. N. Vasantha Kumar (Appointed w.e.f July 2007)	Non-Executive	Non-Independent
Mr. H.H. Anura Chandrasiri (Appointed w.e.f July 2013)	Non-Executive	Independent
Mr. P.A.I.S. Perera (Appointed w.e.f August 2011)	Non-Executive	Independent

Chairman Mr. Gamini S. Senarath is also the Chairman of People's Leasing Property Development Limited, People's Leasing Fleet Management Limited, People's Microfinance Limited and People's Leasing Havelock Properties Limited.

Resignations and Appointments

Mr. Piyadasa Kudabalage and Mr. Heyara Hewage Anura Chandrasiri were appointed to the Board of People's Leasing & Finance PLC as Non-Independent Non-Executive Director and Independent Non-Executive Director respectively with effect from 18th July 2013.

Furthermore, Ms. M. G. Jinadasa, Dr. Don Joseph Douglas Jayakody and Mr. Hennek Gedara Wajira Swarna Sri Bandara have resigned from the office of Non- Executive Director of the Company with effect from 18th April 2013, 27th September 2013 and 14th October 2013 respectively.

Interests Register

Section 192 (1) & (2)/ 119 (1) (d) and 168 (1) (e) of the Companies Act No. 07 of 2007

In compliance with the Companies Act No. 07 of 2007, the Company maintains an interest's register which is available for inspection.

Directors' Interest in Transactions

The Directors of the Company have made general declarations as provided in section 192 (2) of the Companies Act No. 07 of 2007 of their interests in transactions of the Company. Details of the transactions disclosed therein are given on pages 276 to 279 under related party transactions. Furthermore, the Chairman, the Board of Directors and the Chief Executive Officer

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

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.

Directors' Remuneration - Section 168 (1) (f) of the Companies Act No 07 of 2007

The details of Directors' fees and Directors' emoluments paid during the year are stated below.

	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Directors' Fees & Emoluments	375,000	1,505,329	455,000	2,162,080

Directors' Interest in Shares - Section 7.6 (v) of CSE Listing Rule

In compliance with section 200 of the Companies Act, the Directors have disclosed to the Board their shareholding in the Company and any acquisitions or disposals thereof.

The Directors' individual shareholdings in the Company as at 31st March 2014 and 31st March 2013 are given on page 215 of this annual report.

Chief Executive Officer's interest in Shares – Section 7.6 (v) of CSE Listing Rule

The Chief Executive Officer's individual shareholdings in the Company as at 31st March 2014 and 31st March 2013 are given on page 215 of this annual report.

Director's Meetings

The details of Directors' meetings are presented in the Corporate Governance report on page 146 of this Annual Report.

BOARD SUB COMMITTEES

Board Audit Committee

All the members of the Audit Committee are Non-Executive Directors. The CEO, Senior Management Committee members, internal and external auditors attend the meetings by invitation. The Board Audit Committee Report is given on pages 186 to 187 of this Annual Report.

Integrated Risk Management Committee

The Board of Directors has established a comprehensive risk management system in the Company to identify, evaluate and manage the risks associated with the operations of the Company. The system is reviewed on a regular basis by the Board to facilitate the changes in the business environment. A detailed overview of the process is set out in the Integrated Risk Management Committee Report on pages 184 to 185 of this Annual Report.

Remuneration & Nomination Committee

The Report of the Remuneration & Nomination Committee is given on pages 188 to 189 of this Annual Report.

Related Party Transactions Review Committee

The Report of the Related Party Transactions Review Committee is given on page 190 of this Annual Report.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of the Financial Statements of the Company and the Group, which reflect a true and fair view of the state of its affairs. The Directors are of the view that the income statement, statement of comprehensive income, statement of changes in equity, cash flow statement, significant accounting policies and notes for the year ended 31st March 2014 and statement of financial position as at that date have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, the Companies Act No. 07 of 2007, the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Regulations made under Finance Business Act. No. 42 of 2011.

The "Statement of Director's Responsibility for Financial Reporting" is provided on Page 226 forms an integral part of this report.

Donations - Section 168 (1) (g) of the Companies Act No. 07 of 2007

The Company made donations amounting Rs. 66.02 million (Rs. 65.01 million in 2013) during the year.

Related Party Transactions - Section 7.6 (xvi) of CSE Listing Rule

There are no related party transactions which exceed 10 percent of the Equity or 5 percent of the total assets whichever is lower and the Company has complied with the requirements of the Code of Best Practice on Related Party Transactions in respect of requisite disclosures. However, the Directors have disclosed the transactions that could be classified as related party transactions which are adopted in the presentation of the Financial Statements and accordingly given in note 48 on pages 276 to 279 of this Annual Report.

SYSTEM OF INTERNAL CONTROLS

The Board of Directors has taken steps to oversee the implementation of an effective and comprehensive system of internal controls covering financial operations and compliance controls required to carry its operation in an orderly manner, safeguard its assets and secure as far as possible the accuracy and reliability of the financial and other information. The Board has confirmed that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of the financial reporting, and that the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements. The Board Audit Committee Report forms an integral part of the Annual Report of the Board of Directors and is given on pages 186 to 187 of the Annual Report. The Directors have assigned the internal audit function to the Assistant General Manager -Internal Audit (Group), who reviews and reports on the effectiveness of financial, operational and compliance controls. An integrated risk management initiative has been implemented since 2006.

CORPORATE GOVERNANCE

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

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

In adopting the aforesaid Corporate Governance Charter, the Board has ensured that the Company is compliant with the recommendations and proposals of the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka, the Listing Rules of Colombo Stock Exchange (CSE) and the Finance Companies (Corporate Governance) Direction No. 3 of 2008, No. 4 of 2008 and No. 6 of 2013.

The Directors declare that

- ◆ The Company has not engaged in any activity which contravenes laws and regulations
- ◆ The company has made all endeavours to ensure the equitable treatment of shareholders
- ◆ The business is a going concern
- ◆ Effectiveness and successful adherence of internal controls and risk management is practiced by the Company.
- ◆ The measures taken in this regard are set out in the Corporate Governance Report on pages 140 to 183 of this Annual Report.

An Audit Committee, Integrated Risk Management Committee, Remuneration & Nominations Committee and Related Party Transaction 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 page 148 of this Annual Report.

HUMAN RESOURCES

The Company has continued to invest in human capital development and implement effective human resource management policies to develop an effective and efficient workforce to optimise their contribution towards the achievement of corporate goals and objectives and to ensure the future success of the Company and the workforce. Some of the measures adopted in this regard are mentioned on pages 98 to 108 of this Annual Report.

STAKEHOLDER MANAGEMENT/ CORPORATE SOCIAL RESPONSIBILITY

The Company has taken several measures to manage the stakeholders covering the aspects of economy, environment, community, employees and products. The projects that have been carried out by the Company in this context are presented on pages 29 to 31 and 109 to 117.

ENVIRONMENTAL PROTECTION

To the best of knowledge of the Board, the Company has complied with the relevant environmental laws and regulations. The Company has not engaged in any activity that is harmful or hazardous to the environment.

The Company has not engaged in any activity that caused detriment to the environment. Initiatives taken by the Company to protect the environment are outlined on pages 118 to 126.

COMPLIANCE WITH LAWS AND REGULATIONS

The Company has not engaged in any activity contravening any laws and regulations.

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 except for certain income tax assessments against which appeals have been lodged.

OUTSTANDING LITIGATION

In the opinion of the Directors formed in consultation with the Company lawyers, litigation currently pending against the Company will not have a material impact on the reported financial results or future operations of the Company. Details of litigation pending against the Company are given on note 44 to the Financial Statements on page 275.

EVENTS AFTER THE REPORTING DATE

Details of events after the reporting date are reflected in note 53 Page 289 to the Financial Statements.

GOING CONCERN

After considering the financial position, the Company's Corporate/ Business plans, operating conditions, regulatory and other factors and such matters required to be addressed in the Code of Best Practice on Corporate Governance, issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka, the Directors have a reasonable expectation that the Company possesses adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Financial Statements.

AUDITORS

The Company's auditors during the year under review were M/s. Ernst & Young Chartered Accountants.

Based on the declaration made by M/s. Ernst & Young, and as far as the Directors are aware, the auditors do not have any relationship or interest in the Company or its subsidiaries other than to the extent disclosed in this paragraph.

Remuneration - Section 168 (1) (i) and (j) of the Companies Act No 07 of 2007

M/s. Ernst & Young, Chartered Accountants were paid a sum of Rs. 4.59 million (In 2013 Rs. 4.39 million) by the Company for audit and related services during the year under review. A sum of Rs. 4.06 million (In 2013 Rs. 9.23 million) was paid on account of non-audit services including tax related services.

RE-APPOINTMENT

The retiring auditors, M/s. Ernst & Young have expressed their willingness to continue in office and a resolution to re-appoint them as auditors, and authorizing the Directors to fix their remuneration will be proposed at the forthcoming Annual General Meeting.

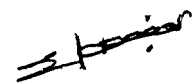
ANNUAL GENERAL MEETING

The Annual General Meeting will be held at the People's Bank Staff Training College Auditorium 38, D. R. Wijewardhana Mawatha, Colombo 10 on the 27th of June 2014 at 2.30 p.m.

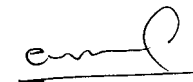
NOTICE OF MEETING

Notice of the meeting relating to the 18th Annual General Meeting is provided on page 334 of this Annual Report.

By order of the Board of Directors - Section 168 (1) (k) of the Companies Act No 07 of 2007



P. A. I. S. Perera
Director



Gamini S. Senarath
Chairman



Rohan Pathirage
Company Secretary

19th May 2014
Colombo

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 Direction No. 06 of 2013, the Board of Directors present this report on Internal Control over Financial Reporting.

The Board of Directors ("Board") is responsible for the adequacy and effectiveness of the internal control mechanism in place at People's Leasing & Finance PLC. ("Company").

The Board has established an on going 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. The process is regularly reviewed by the Board.

The Board is of the view that the system of Internal Control over Financial Reporting in place is sound and adequate to provide reasonable assurance regarding the reliability of Financial Reporting, and that the preparation of Financial Statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

The management assists the Board in the implementation of the Board's policies and procedures pertaining to Internal Control over Financial Reporting. The management is continuously in the process of enhancing the documentation of the system of Internal Control over Financial Reporting. In assessing the Internal Control System over Financial Reporting, identified officers of the Company collated all procedures and controls that are connected with significant accounts and disclosures of the Financial Statements of the Company. These in turn are being observed and checked by the Internal Audit Department of the Company for suitability of design and effectiveness on an on-going basis.

The processes and procedures initially applied to adopt Sri Lanka Accounting Standards comprising LKAS and SLFRS were further strengthened during the year based on the feedback received from the Board Audit Committee, internal audit department, external auditors and the regulators. The Company is in the process of further upgrading the relevant processes embedding all requirements in to existing processes to comply with requirements of recognition, measurement, classification and disclosures required under the new Sri Lanka Accounting Standards, based on the recommendations

made by the internal and external auditors. The Company has also recognised the need to further improve automated financial reporting process to comply with these new requirements more effectively and efficiently.

CONFIRMATION

Based on the above processes, the Board confirms that the Financial Reporting System of the Company has been designed to provide reasonable assurance regarding the reliability of Financial Reporting and the preparation of Financial Statements for external purposes and has been done in accordance with Sri Lanka Accounting Standards and regulatory requirements of the Central Bank of Sri Lanka.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The External Auditors have submitted a certification on the process adopted by the Directors on the system of internal controls over financial reporting. The matters addressed by the External Auditors in this respect, are being looked into.



Piyadasa Kudabalage
Chairman – Board Audit Committee



Gamini S. Senarath
Chairman



P. A. I. S. Perera
Director

19th May 2014
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 Statement of the Company and its subsidiaries (the Group) as at 31st March 2014 are prepared and presented in conformity with the following requirements;

- ◆ Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka
- ◆ Companies Act No. 07 of 2007
- ◆ Sri Lanka Accounting and Auditing Standards Act No 15 of 1995
- ◆ Directions issued to Finance Companies by the Central Bank of Sri Lanka (CBSL) 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 jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

The formats used in the preparation of the Financial Statements and disclosures made comply with the formats prescribed by the Central Bank of Sri Lanka. The Company on a quarterly basis presents financial results 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 External Auditors and the Audit Committee.

We confirm that to the best of our knowledge, the Financial Statements, significant accounting policies and other financial information included in this Annual Report, fairly present in all material respects the financial condition, results of the operations and the cash flows of the Group during the period under review. 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.

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. To ensure this, the Company 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 were consistently followed. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of internal controls and accounting. Further the Board assessed the effectiveness of the Company's internal controls over financial reporting during the year ended 31st March 2014, as required by the Finance Companies (Corporate Governance) Direction on No. 3 of 2008, result of which is given on page 224 of this Annual Report, the "Directors Statement on Internal Control".

The Board Audit Committee reviewed all of the internal and external audit and inspection programmes, the efficiency of the internal control system and procedures and also reviewed the quality of accounting policies and their adherence to statutory and regulatory requirements, the details of which are given in the Board Audit Committee Report on pages 186-187 of this Annual Report. The Audit Committee also reviewed the external audit plan and the management letters and followed up on any issues raised during the statutory audit. Furthermore the Audit Committee met with the external and internal auditors to review the effectiveness of the audit.

The Financial Statements of the Company and the Group were audited by M/s. Ernst & Young and their report is given on page 227 of this Annual Report.

The Board Audit Committee pre-approves the audit and non-audit services provided by Messrs Ernst & Young in order to ensure

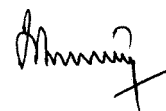
that the provision of such services does not contravene with the guidelines and requirements issued by the Central Bank of Sri Lanka on permitted non-audit services or impair Ernst & Young's independence and objectivity. Further in order to ensure complete independence, the External Auditors and the Internal Auditors have full and free access to the members of the Audit Committee to discuss any matter of substance.

We confirm that;

- ◆ The Group has complied with all applicable laws, regulations and prudential requirement, there is no material non compliance
- ◆ There are no material litigations that are pending against the Group other than those disclosed in note no 44 of the Financial Statements of this Annual Report,
- ◆ All taxes, duties, levies and all statutory payments by the Group and all contributions, levies and taxes payable on behalf of and in respect of the employees of the Group as at reporting date have been paid, or where relevant provided for.



K. S. Bandaranayake
Chief Financial Officer



D. P. Kumara
Chief Executive Officer

19th May 2014
Colombo

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The responsibility of the Directors, in relation to the Financial Statements of the Company and its subsidiaries 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 Report of the Independent Auditors given on page 227 of this Annual Report.

As per sections 150 (1), 151, 152 and 153(1) of the Companies Act No 7, the Directors of the Company and the Group have responsibility for ensuring that the Company keeps proper books of accounts of all the transactions and prepare Financial Statements that give a true and fair view of the state of affairs of the Company as at the reporting date and of the profit or loss for the year and place the same before the Annual General Meeting.

The Financial Statements comprise the Statement of Financial Position as at 31st March 2014, the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes thereto. Accordingly, Directors confirm that the Financial Statements of the Company and its Subsidiaries give a true and fair view of:

1. The state of affairs of the Company and its Subsidiaries as at 31st March 2014; and
2. The profit or loss of the Company and its Subsidiaries for the financial year then ended.

The Board of Directors accepts responsibility for the integrity and objectivity of the Financial Statement presented in this Annual Report. The Directors confirm that in preparing these Financial Statements;

1. The appropriate accounting policies have been selected and applied in a consistent manner, material departures, if any, have been disclosed and explained;
2. All applicable accounting standards as relevant have been followed; and
3. Judgments and estimates have been made which are reasonable and prudent.

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 Executive Officer, the officer responsible for their preparation as required by the section 150(1) (b) and 152(1) (b) of the Companies Act. In addition, the Financial Statements of the Group and the Company have been signed by two Directors on 19th May 2014 as required by Sections 150 (1) (c) and 152 (1) (c) of the Companies Act and other regulatory requirement. In compliance with section 148 (1) of the Companies Act, the Directors are also responsible for ensuring that proper accounting records which explain the Company's transactions and assists in determining the Company's financial position with reasonable accuracy at any time are maintained by the Company enabling the preparation of Financial Statements, in accordance with the Companies Act and further enabling the Financial Statements to be readily and properly audited.

The Financial Statements for the year 2013/14 prepared and presented in this Annual Report are consistent with the underlying books of accounts and are in conformity with the requirements of the new Sri Lanka Accounting Standards (SLFRS) which came to effect from January 01 2012, Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No.15 of 1995, Finance Business Act No. 42 of 2011 and Directions issued thereto, the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka (ICASL) and the Securities and Exchange Commission of Sri Lanka (SEC).

The Directors have also instituted effective and comprehensive systems of internal control for identifying, recording, evaluating and managing the significant risks faced by the Company throughout the year and it has been under regular review of the Board of Directors. This comprises internal reviews, internal audit and the whole system of financial and other controls required to carry on the business in an orderly manner, safeguard its assets, prevent and detect frauds and other irregularities and secure as far as practicable the accuracy and reliability of the records. The results of such reviews carried out during the year ended 31st March 2014 is given on page 224 of the Annual Report titled, "Directors Statement on Internal Control".

The Board of Directors wishes to confirm that as required under Section 56 (2) of the Companies Act. No. 7 of 2007, they have authorised the distribution of the interim dividend paid in January 2014 as well as the proposed final dividend after being satisfied that the Company would satisfy the solvency test after such distributions are made in accordance with section 57 of the Companies Act No. 7 of 2007 and have obtained in respect of dividends paid and proposed in respect of which approval is now sought , certificates of solvency from Auditors.

The Board of Directors also wishes to confirm that as required under sections 166 (1) and 167 (1) of the Companies Act, they have prepared this Annual Report in time and ensured that a copy thereof is sent to the shareholders within the stipulated period of time as required by Rule No. 7.5 (a) and (b) of the Listing Rule of the Colombo Stock Exchange. The Directors also wish to confirm that all shareholders have been treated in an equitable manner in accordance with the original terms of issue.

The Directors are required to prepare the Financial Statements and to provide the auditors with every opportunity to take whatever steps and undertake whatever inspections they may consider to be appropriate to enable them to give their audit opinion. The Directors are of the view that they have discharged their responsibilities as set out in this statement.

COMPLIANCE REPORT

The Directors confirm that to the best of their knowledge, all statutory payments relating to employees, and the Government and other statutory bodies that were due in respect of the Company and its subsidiaries as at the reporting date have been paid or, where relevant provided for.

By order of the Board



Rohan Pathirage
Company Secretary

19th May 2014
Colombo

INDEPENDENT AUDITORS' REPORT



Ernst & Young
Chartered Accountants
201 De Saram Place
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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 ("Company"), the consolidated financial statements of the Company and its subsidiaries, which comprise the statements of financial position as at 31 March 2014, and the income statements and statements 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 notes set out on pages 234 to 308 of the annual report.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

SCOPE OF AUDIT AND BASIS OF OPINION

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 plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 March 2014 and the financial statements give a true and fair view of the Company's financial position as at 31 March 2014 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

In our opinion, the consolidated financial statements give a true and fair view of the financial position as at 31 March 2014 and the financial performance and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiary dealt with thereby, so far as concerns the shareholders of the Company.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

These financial statements also comply with the requirements of Sections 151(2) and 153(2) to 153(7) of the Companies Act No. 07 of 2007.

19th May 2014
Colombo

INCOME STATEMENT

For the year ended 31 March	Note	Company			Group	
		2014 Rs.	2013 Rs. Restated*	2013 Rs. **	2014 Rs.	2013 Rs.
Gross income		20,627,791,637	18,204,805,087	15,846,397,728	24,177,224,450	20,814,085,787
Interest income		19,533,601,797	17,244,929,601	14,626,551,335	20,053,447,465	17,485,275,915
Less: Interest expenses		11,265,956,630	10,140,339,740	8,457,785,195	11,395,895,941	10,308,260,077
Net interest income	4	8,267,645,167	7,104,589,861	6,168,766,140	8,657,551,524	7,177,015,838
Net earned premiums	5	-	-	-	3,464,453,345	2,448,241,131
Fee and commission income	6	853,612,900	731,470,817	740,643,654	393,016,097	517,216,575
Net trading income	7	7,628,858	19,149,781	10,142,141	29,838,525	30,345,596
Other operating income	8	232,948,082	209,254,888	469,060,598	236,469,018	333,006,570
Total operating income		9,361,835,007	8,064,465,347	7,388,612,533	12,781,328,509	10,505,825,710
Less: Impairment charges for loans and other losses	9	1,217,745,905	697,637,182	522,746,986	1,229,855,830	698,546,892
Net operating income		8,144,089,102	7,366,828,165	6,865,865,547	11,551,472,679	9,807,278,818
Less:						
Personnel expenses	10	1,338,049,437	1,026,157,118	917,278,595	1,521,899,875	1,122,661,814
Depreciation of property plant and equipment		181,950,304	178,022,515	146,940,716	260,412,872	243,394,386
Amortisation of intangible assets		14,859,965	12,094,284	12,094,284	19,863,903	17,531,890
Benefits, claims and underwriting expenditure	11	-	-	-	2,596,617,628	1,938,827,917
Other operating expenses	12	1,930,254,867	1,730,638,522	1,526,737,936	1,919,244,404	1,657,745,227
Total operating expenses		3,465,114,573	2,946,912,439	2,603,051,531	6,318,038,682	4,980,161,234
Operating profit before value added tax (VAT)		4,678,974,529	4,419,915,726	4,262,814,016	5,233,433,997	4,827,117,584
Less : Value added tax (VAT) on financial services		292,011,122	285,075,397	256,668,458	302,373,935	287,607,953
Operating profit after value added tax (VAT)		4,386,963,407	4,134,840,329	4,006,145,558	4,931,060,062	4,539,509,631
Less : Income tax expense	13	1,263,218,232	1,284,878,728	1,163,362,629	1,467,843,545	1,429,174,884
Profit for the year		3,123,745,175	2,849,961,601	2,842,782,929	3,463,216,517	3,110,334,747
Profit attributable to						
Equity holders of the parent		3,123,745,175	2,849,961,601	2,842,782,929	3,463,216,517	3,077,070,788
Non controlling Interest		-	-	-	-	33,263,959
		3,123,745,175	2,849,961,601	2,842,782,929	3,463,216,517	3,110,334,747
Earnings per share						
Basic earnings per share (Rs.)	14	1.98	1.83	1.82	2.19	1.97
Dividend per share (Rs.)	15	1.25	1.25	1.25	1.25	1.25

* Certain amounts shown here do not correspond to the Financial Statements 2012/13 and reflect adjustments made due to the merger between the Company and People's Finance PLC. Refer Note 49 for further information.

** Comparatives as a stand alone entity as it stood as at 2013 has also been given to aid comparability.

The above Income Statement should be read in conjunction with notes, which form an integral part of the Financial Statements, disclosed on pages 234 to 308.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March	Company			Group	
	2014 Rs.	2013 Rs. Restated	2013 Rs.	2014 Rs.	2013 Rs.
Profit for the year	3,123,745,175	2,849,961,601	2,842,782,929	3,463,216,517	3,110,334,747
Other comprehensive income/(expenses)					
Actuarial gain/(losses) on defined benefit plans	(57,236,020)	-	-	(57,574,001)	-
Cash flow hedges					
Gains on derivative financial investments	652,503	-	-	652,503	-
Available-for-sale financial assets					
Gains/(losses) on re-measuring available-for-sale financial assets	39,887,973	(29,608,005)	(29,608,005)	42,188,300	(24,347,380)
Recycling to income statement for impairment	25,000,000	-	-	25,000,000	-
Less: Tax expense/(income) relating to components of other comprehensive income	(16,026,086)	-	-	(16,778,423)	1,472,975
Other comprehensive income for the year, net of tax	24,330,542	(29,608,005)	(29,608,005)	27,045,225	(25,820,355)
Total comprehensive income for the year	3,148,075,717	2,820,353,596	2,813,174,924	3,490,261,742	3,084,514,392
Attributable to:					
Equity holders of the parent	3,148,075,717	2,820,353,596	2,813,174,924	3,490,261,742	3,051,250,433
Non-controlling interests	-	-	-	-	33,263,959
	3,148,075,717	2,820,353,596	2,813,174,924	3,490,261,742	3,084,514,392

STATEMENT OF FINANCIAL POSITION

As at 31 March	Note	Company			Group	
		2014 Rs.	2013 Rs. Restated*	2013 Rs. **	2014 Rs.	2013 Rs. Restated*
Assets						
Cash and cash equivalents	17	11,452,995,692	4,006,662,592	2,763,354,161	11,695,561,139	4,303,205,444
Balances with banks & financial institutions	18	3,329,562,399	698,127,619	637,979,083	4,725,903,758	1,894,344,820
Derivative financial instruments	19	244,583	-	-	244,583	-
Financial investments - Held-for-trading	20	184,243,264	141,637,133	56,667,250	378,312,180	237,603,467
Loans and receivables	21	90,218,355,062	88,404,480,271	75,722,681,640	90,341,899,864	88,298,471,246
Insurance and reinsurance receivables	22	-	-	-	137,576,052	159,162,123
Financial investments - Available-for-sale	23	224,067,865	184,179,892	184,179,892	1,316,818,383	1,173,867,485
Financial investments - Held-to-maturity	24	4,746,558,011	539,765,951	-	4,746,558,011	539,765,951
Investments in subsidiaries	25	1,475,000,000	1,475,000,000	3,182,687,562	-	-
Investments in associates	26	-	-	-	-	-
Goodwill and intangible assets	27	347,927,317	343,847,865	35,302,616	355,732,098	358,281,781
Property, plant and equipment	28	801,134,742	690,534,695	604,232,224	3,052,089,137	2,641,132,617
Investment property	29	55,000,000	56,000,000	56,000,000	-	-
Other assets	30	941,345,830	896,394,579	643,202,381	1,666,080,612	1,538,626,333
Total assets		113,776,434,765	97,436,630,597	83,886,286,809	118,416,775,817	101,144,461,267
Liabilities						
Due to banks	31	14,131,807,918	15,801,608,906	14,954,224,385	15,776,882,810	17,214,886,234
Due to customers	32	40,921,484,906	18,846,671,750	6,830,482,112	40,839,278,114	18,709,869,091
Debt securities issued	33	34,473,380,628	40,430,615,187	40,430,615,187	34,369,214,617	40,330,615,187
Other financial liabilities	34	2,869,666,536	3,013,791,602	2,845,086,563	2,759,313,735	3,042,544,461
Insurance liabilities and reinsurance payable	35	-	-	-	2,570,540,046	2,216,941,297
Current tax liabilities	36	446,831,552	39,914,796	-	540,841,295	85,759,294
Deferred tax liabilities	37	1,573,461,388	1,200,640,841	1,105,289,879	1,598,572,518	1,209,777,280
Other liabilities	38	163,865,868	80,699,160	48,212,572	194,322,867	81,692,247
Total liabilities		94,580,498,796	79,413,942,242	66,213,910,698	98,648,966,002	82,892,085,091
Equity						
Capital	39	12,736,073,308	12,536,073,308	12,258,000,800	12,736,073,308	12,536,073,308
Statutory reserve fund	40	1,016,467,446	860,280,276	707,281,158	1,016,467,446	860,280,276
Retained earnings	41	4,001,931,382	3,495,578,245	3,622,576,283	4,569,825,235	3,723,586,400
Other reserves	42	1,441,463,833	1,130,756,526	1,084,517,870	1,445,443,826	1,132,436,192
Total shareholders' equity		19,195,935,969	18,022,688,355	17,672,376,111	19,767,809,815	18,252,376,176
Non - controlling interest	43	-	-	-	-	-
Total equity		19,195,935,969	18,022,688,355	17,672,376,111	19,767,809,815	18,252,376,176
Total liabilities and equity		113,776,434,765	97,436,630,597	83,886,286,809	118,416,775,817	101,144,461,267
Contingent liabilities and commitments	44	2,379,251,093	2,030,235,694	2,021,285,694	3,007,090,590	3,405,207,764
Net asset value per share (Rs.)		12.15	11.55	11.33	12.51	11.70

* Certain amounts shown here do not correspond to the Financial Statements 2012/13 and reflect adjustments made due to the merger between the Company and People's Finance PLC. Refer Note 49 for further information.

** Comparatives as a stand alone entity as it stood as at 2013 has also been given to aid comparability.

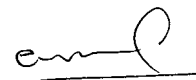
I certify that these Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.



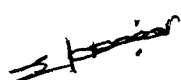
K. S. Bandaranayake
Chief Financial Officer

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

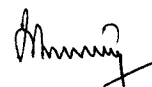
Approved and signed for and on behalf of the Board by;



Gamini S. Senarath
Chairman



P. A. I. S. Perera
Director



D. P. Kumara
Chief Executive Officer

The above Statement of Financial Position should be read in conjunction with notes, which form an integral part of the Financial Statements, disclosed on pages 234 to 308.

19th May 2014
Colombo

STATEMENT OF CHANGES IN EQUITY

Company	Reserves							Retained Earnings	Total Equity
	Capital	General Reserves	Tax Equalisation	Statutory Reserve Fund	Investment Fund	Available for Sale Reserve	Cash Flow Hedge Reserve		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01.04.2012	12,058,000,800	300,000,000	100,000,000	565,142,012	517,263,156	(91,382,167)	-	3,360,177,586	16,809,201,387
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	-	-	2,842,782,929	2,842,782,929
Other comprehensive income (net of tax)	-	-	-	-	-	(29,608,005)	-	-	(29,608,005)
Total comprehensive income for the year	-	-	-	-	-	(29,608,005)	-	2,842,782,929	2,813,174,924
Transactions with equity holders, recognised directly in equity									
Transfer from preference shares on redemption	200,000,000	-	-	-	-	-	-	(200,000,000)	-
Transfers to reserves	-	-	-	142,139,146	288,244,886	-	-	(430,384,032)	-
Dividend paid	-	-	-	-	-	-	-	(1,950,000,200)	(1,950,000,200)
Total transactions with equity holders	200,000,000	-	-	142,139,146	288,244,886	-	-	(2,580,384,232)	(1,950,000,200)
Balance as at 31.03.2013	12,258,000,800	300,000,000	100,000,000	707,281,158	805,508,042	(120,990,172)	-	3,622,576,283	17,672,376,111
Adjustment due to merger									
Adjustment due to merger	-	-	-	152,999,118	46,238,656	-	-	(126,998,038)	72,239,736
Issue of shares	278,072,508	-	-	-	-	-	-	-	278,072,508
Balance as at 1.4.2013 - Restated	12,536,073,308	300,000,000	100,000,000	860,280,276	851,746,698	(120,990,172)	-	3,495,578,245	18,022,688,355
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	-	-	3,123,745,175	3,123,745,175
Other comprehensive income (net of tax)	-	-	-	-	-	64,887,973	652,503	(41,209,934)	24,330,542
Total comprehensive income for the year	-	-	-	-	-	64,887,973	652,503	3,082,535,241	3,148,075,717
Transactions with equity holders, recognised directly in equity									
Transfer from preference shares on redemption	200,000,000	-	-	-	-	-	-	(200,000,000)	-
Transfers to reserves	-	-	-	156,187,170	245,166,831	-	-	(401,354,001)	-
Dividend paid	-	-	-	-	-	-	-	(1,974,828,103)	(1,974,828,103)
Total transactions with equity holders	200,000,000	-	-	156,187,170	245,166,831	-	-	(2,576,182,104)	(1,974,828,103)
Balance as at 31.03.2014	12,736,073,308	300,000,000	100,000,000	1,016,467,446	1,096,913,529	(56,102,199)	652,503	4,001,931,382	19,195,935,969

The above Statement of Changes in Equity should be read in conjunction with notes, which form an integral part of the Financial Statements, disclosed on pages 234 to 308.

STATEMENT OF CHANGES IN EQUITY

Group	Capital Rs.	Reserves						Cash Flow Hedge Reserve Rs.	Retained Earnings Rs.	Total Rs.	Non- controlling Interest Rs.	Total Equity Rs.
		General Reserves Rs.	Tax Equalisation Rs.	Statutory Reserve Fund Rs.	Investment Fund Rs.	Available for Sale Reserve Rs.						
Balance as at 01.04.2012	12,058,000,800	300,000,000	100,000,000	659,361,626	543,189,330	(94,963,126)	-	3,443,771,661	17,009,360,291	207,534,262	17,216,894,553	
Total comprehensive income for the year												
Profit for the year	-	-	-	-	-	-	-	3,077,070,788	3,077,070,788	33,263,959	3,110,334,747	
Other comprehensive income (net of tax)	-	-	-	-	-	(24,347,380)	-	-	(24,347,380)	-	(24,347,380)	
Total comprehensive income for the year	-	-	-	-	-	(24,347,380)	-	3,077,070,788	3,052,723,408	33,263,959	3,085,987,367	
Transactions with equity holders, recognised directly in equity												
Transfer from preference shares on redemption	200,000,000	-	-	-	-	-	-	(200,000,000)	-	-	-	
Disposal of changes in holding	-	-	-	-	-	-	-	(17,833,542)	(17,833,542)	(46,720,138)	(64,553,680)	
Transfers to reserves	-	-	-	200,918,650	308,557,368	-	-	(509,476,018)	-	-	-	
Dividend paid	-	-	-	-	-	-	-	(1,950,000,200)	(1,950,000,200)	(35,951,865)	(1,985,952,065)	
Total transactions with equity holders	200,000,000	-	-	200,918,650	308,557,368	-	-	(2,677,309,760)	(1,967,833,742)	(82,672,003)	(2,050,505,745)	
Balance as at 31.03.2013	12,258,000,800	300,000,000	100,000,000	860,280,276	851,746,698	(119,310,506)	-	3,843,532,689	18,094,249,957	158,126,218	18,252,376,176	
Adjustments due to Merger	-	-	-	-	-	-	-	(119,946,289)	(119,946,289)	(158,126,218)	(278,072,508)	
Issue of shares	278,072,508	-	-	-	-	-	-	-	278,072,508	-	278,072,508	
Balance as at 01.04.2013 - restated	12,536,073,308	300,000,000	100,000,000	860,280,276	851,746,698	(119,310,506)	-	3,723,586,400	18,252,376,176	-	18,252,376,176	
Total comprehensive income for the year	-	-	-	-	-	-	-	-	-	-	-	
Profit for the year	-	-	-	-	-	-	-	3,463,216,517	3,463,216,517	-	3,463,216,517	
Other comprehensive income (net of tax)	-	-	-	-	-	67,188,300	652,503	(40,795,578)	27,045,225	-	27,045,225	
Total comprehensive income for the year	-	-	-	-	-	67,188,300	652,503	3,422,420,939	3,490,261,742	-	3,490,261,742	
Transactions with equity holders, recognised directly in equity												
Transfer from preference shares on redemption	200,000,000	-	-	-	-	-	-	(200,000,000)	-	-	-	
Transfers to reserves	-	-	-	156,187,170	245,166,831	-	-	(401,354,001)	-	-	-	
Dividend paid	-	-	-	-	-	-	-	(1,974,828,103)	(1,974,828,103)	-	(1,974,828,103)	
Total transactions with equity holders	200,000,000	-	-	156,187,170	245,166,831	-	-	(2,576,182,104)	(1,974,828,103)	-	(1,974,828,103)	
Balance as at 31.03.2014	12,736,073,308	300,000,000	100,000,000	1,016,467,446	1,096,913,529	(52,122,206)	652,503	4,569,825,235	19,767,809,815	-	19,767,809,815	

The above Statement of Changes in Equity should be read in conjunction with notes, which form an integral part of the Financial Statements, disclosed on pages 234 to 308.

STATEMENT OF CASH FLOWS

Year ended 31 March	Note	Company		Group	
		2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Cash flows from operating activities					
Profit before tax		4,386,963,407	4,134,840,329	4,931,060,062	4,539,509,631
Adjustment for:					
Non-cash items included in profits before tax	45	1,408,512,812	895,560,167	1,478,731,194	891,833,755
Change in operating assets	46	(9,909,027,018)	(4,576,196,421)	(10,591,648,269)	(5,197,447,462)
Change in operating liabilities	47	21,830,836,018	7,258,737,902	22,082,405,719	7,824,229,406
Dividend income from investments		(134,479,218)	(78,013,688)	(3,210,515)	(27,580,129)
Gratuity paid		(7,258,560)	(4,945,275)	(7,291,685)	(5,022,514)
Tax paid		(357,726,572)	(810,781,146)	(450,776,518)	(744,354,590)
Net cash generated/(used in) from operating activities		17,217,820,869	6,819,201,868	17,439,269,988	7,281,168,097
Cash flows from investing activities					
Purchase of property, plant and equipment		(301,570,770)	(191,191,887)	(680,947,741)	(648,024,032)
Proceeds from the sale of property, plant and equipment		12,719,858	35,305,926	20,307,455	646,361,420
Net purchase of intangible assets		(15,252,425)	(10,656,173)	(15,252,425)	(25,333,795)
Dividends received from investments		134,479,218	78,013,688	3,210,515	27,580,129
Net cash (used in)/ from investing activities		(169,624,119)	(88,528,446)	(672,682,196)	583,722
Cash flows from financing activities					
Net borrowings		(6,752,128,451)	(1,856,614,435)	(6,505,230,804)	(2,092,591,036)
Dividend paid to shareholders		(1,974,828,103)	(1,950,000,200)	(1,974,828,103)	(1,985,952,065)
Redemption of preference shares		(200,000,000)	(200,000,000)	(200,000,000)	(200,000,000)
Net cash (used in)/from financing activities		(8,926,956,554)	(4,006,614,635)	(8,680,058,907)	(4,278,543,101)
Net increase/(decrease) in cash & cash equivalents		8,121,240,196	2,724,058,787	8,086,528,885	3,003,208,718
Net cash flow from merger	49.4	-	1,189,387,238	-	-
Cash and cash equivalents at the beginning of the year		3,178,053,288	(735,392,737)	3,342,418,678	339,209,960
Net cash and cash equivalents at the end of the year		11,299,293,484	3,178,053,288	11,458,947,563	3,342,418,678
Cash and cash equivalents (Note 17)		11,452,995,692	4,006,662,592	11,695,561,139	4,303,205,444
Overdraft (Note 31)		(153,702,208)	(828,609,304)	(266,613,576)	(960,786,766)
Net cash and cash equivalents at the end of the year		11,299,293,484	3,178,053,288	11,428,947,563	3,342,418,678

The above Cash Flow Statement should be read in conjunction with notes, which form an integral part of the Financial Statements, disclosed on pages 234 to 308.

ACCOUNTING POLICIES

1. CORPORATE INFORMATION

1.1 General

People's Leasing & Finance PLC (the 'Company'), is a Public Limited Liability Company incorporated on 22nd 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 24th 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.

1.2 Consolidated Financial Statements

The consolidated financial statements of the Group for the year ended 31st March 2014 comprise People's Leasing & Finance PLC (Parent Company), its subsidiaries (together referred to as the 'Group') and the Group's interest in its associate company.

1.3 Parent Entity & Ultimate Parent Entity

The Company's parent entity is People's Bank which is a Government owned entity.

1.4 Number of Employees

The staff strength of the Company as at 31st March 2014 is 1,575 (1,134 as at 31st March 2013).

1.5 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 and mobilisation of public deposits

Subsidiaries

People's Leasing Fleet Management Limited

The principal lines of business comprise of fleet management, vehicle valuation and operations of a service station.

People's Leasing Property Development Limited

The principal line of business is carrying out a mixed development projects and property development activities.

People's Insurance Limited

The principal line of business is carrying out general insurance business.

People's Leasing Havelock Properties Limited

The principal line of business is to construct and operate an office complex.

People's Microfinance Limited

The principal lines of business are providing non bank financial services to low income earners and micro enterprises.

Associate

City Finance Corporation Limited (Formerly known as Industrial Finance Limited)

The principal lines of business are mobilization of deposits, providing finance leases, hire-purchase assets financing, term loans, real estate developments and related services.

Shareholdings in Subsidiaries and Associate	Holding Percentage
People's Leasing Fleet Management Limited	100.00%
People's Leasing Property Development Limited	100.00%
People's Insurance Limited	100.00%
People's Leasing Havelock Properties Limited	100.00%
People's Microfinance Limited	100.00%
City Finance Corporation Ltd	28.51%

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

2.1 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 No.	Page reference
Derivative Financial Instruments	Fair Value	19	258
Financial Assets held for trading	Fair value	20	258, 259
Financial Investments Available-for-sale	Fair value	23	263
Defined Benefit Obligation	Liability is recognised as the present value of the defined benefit obligation, plus unrecognised actuarial gains, less unrecognised past service cost and unrecognised actuarial losses.	38.1	271
Investment properties	Fair value	29	268

2.2 Statement of Compliance

The consolidated Financial Statements of the Group and Separate Financial Statements of the Company, as at 31 March 2014 and for the year then ended, have been prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRS and LKAS), laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007, the Finance Business Act No. 42 of 2011 and the Listing Rules of the Colombo Stock Exchange.

These financial statements include the following components:

- ◆ an Income Statement and Statement of Comprehensive Income providing the information on the financial performance of the Company and the Group for the year under review (Refer pages 228 to 229);
- ◆ a Statement of Financial Position providing the information on the financial position of the Company and the Group as at the year-end (Refer page 230);
- ◆ a Statement of Changes in Equity depicting all changes in shareholders' equity during the year under review of the Company and the Group (Refer pages 231 to 232);

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◆ a Statement of Cash Flows providing the information to the users, on the ability of the Company and the Group to generate cash and cash equivalents and the needs of entity to utilise those cash flows (Refer page 233); and

◆ Notes to the Financial Statements comprising Accounting Policies and other explanatory information (Refer pages 234 to 308).

2.3 Responsibility for Financial Statements

The Board of Directors is responsible for preparation and presentation of these Financial Statements of the Company and the Group as per the provision of the Companies Act No. 07 of 2007 and SLFRS and LKAS.

The Board of Directors acknowledges their responsibility as set out in the "Annual Report of the Board of Directors on the Affairs of the Company", "Directors' Responsibility for Financial Reporting" and in the certification on the Statement of Financial Position on pages 226 and 230 respectively.

2.4 Approval of Financial Statements by the Board of Directors

The Financial Statements of the Company and the Group for the year ended 31st March 2014 (including comparatives) were approved and authorised for issue on 19th May 2014 in accordance with the resolution of the Board of Directors on 19th May 2014.

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 51 (Current/ non-current analysis). No adjustments have been made for inflationary factors affecting the Financial Statements.

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 income

statement unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

2.6 Functional and Presentation Currency

The consolidated financial statements are presented in Sri Lanka Rupees (Rs.), which is the Group's functional and presentation currency.

2.7 Materiality & 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.

2.8 Rounding

The amounts in the Financial Statements have been rounded-off to the nearest Rupees, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard- LKAS 01 on 'Presentation of Financial Statements'.

2.9 Comparative Information

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 on 'Presentation of Financial Statements'. Comparative information is reclassified wherever necessary to comply with the current presentation.

2.10 Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Financial Statements of the Company and the Group in conformity with SLFRS and LKAS 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 judgements, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting

estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The key significant accounting 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, 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.

Receivables on Lease, Hire Purchase and Islamic Finance

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Impairment Charges for Loans and Receivable

The Group and Company reviews its individually significant loans and advances including rental receivable at each statement of financial position date to assess whether an impairment loss should be recorded in the Income Statement. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and advances including rental receivable that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the loan portfolio (such as levels

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of arrears, characteristic of assets, etc.), and judgments on the effect of concentrations of risks and economic data (including levels of unemployment, real estate prices indices, country risk and the performance of different individual groups).

The impairment loss on loans and receivable is disclosed in more detail in Note 21.3.

Impairment of Available for Sale Investments

The Group and Company reviews its debt securities classified as available for sale investments at each reporting date to assess whether they are impaired. This requires similar judgments as applied to the individual assessment of loans and advances.

The Group and Company also records impairment charges on available for sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgments. In making these judgments, the Group and Company evaluates, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its cost.

The impairment charges for available for sale investments are disclosed in more detail in Note 23.2.

Taxation

The Group and Company is subject to income taxes and other taxes including VAT 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 recognised assets and liabilities for current deferred and other taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters are different from the amounts that were initially recorded, such differences will impact the income, deferred tax amounts in the period in which the determination is made.

Deferred Tax Assets

Deferred tax assets are recognised in respect of tax losses to the extent it is probable that future taxable profit will be

available against which the losses can be utilised. Judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies.

Defined Benefit Plans

The cost of the defined 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. Further, details are given in Note 38.1 to these Financial Statements.

Useful Lives of Property, Plant & Equipment and Intangible assets

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 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.

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.

Unexpired Risk Reserve

The calculation of premium liability requires a comparison between the Companies'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 analyzed by accident periods and significant business lines, but can also be further analyzed 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.

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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.

Provisions for Liabilities and Contingencies

The Company receives legal claims against it in the normal course of business. Management has made judgments as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depend on the due process in respective legal jurisdictions.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies other than those stated above that have significant effects on the amounts recognised in the Financial Statements are described in Notes 44 on page 275.

Owner Occupied Properties and Investment Property:

In determining if a property qualifies as Investment Property the Group 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.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of Consolidation

The consolidated financial statements comprise of financial statements of the Company, its subsidiaries and its associate company for the year ended 31st March 2014. The financial statements of the Company's subsidiaries and associate are prepared for the same reporting year using consistent accounting policies.

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 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 Income Statement.

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 Institute of Chartered Accountants of Sri Lanka.

Accordingly,

- ◆ The net assets of the combining entities are consolidated using the existing book values.
- ◆ No amount is recognised as goodwill which arise as a result of difference between the consideration and net assets acquired.
- ◆ Comparative amounts in the financial statements are restated as if the companies had been combined at the previous Balance sheet date.
- ◆ Comparatives as a stand-alone entity as if stood as at 2013 has also been given to aid comparability.

3.1.3 Subsidiaries

Subsidiaries are entities that are controlled by the Group. Subsidiaries are fully consolidated from the date on which control is transferred to the Company and continue to be consolidated until the date when such control ceases. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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 income

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statement 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. Investment details of the Subsidiaries within the Group are provided in Note 25 on pages 263 and 364 to the financial statements.

The financial statements of the Company's subsidiaries are prepared for the same reporting year, using consistent accounting policies.

All subsidiaries of the Company have been incorporated in Sri Lanka.

3.1.4 Associates

Associate is an entity in which the Company has significant influence, but no control over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20 and 50 percent of the voting power of another entity.

Investment in Associate is accounted for using the Equity method and is recognised initially at cost in terms of the Sri Lanka Accounting Standard - LKAS 28 on 'Investments in Associates'. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortized but is subjected to impairment test. The Company's investments include goodwill identified on acquisition, net of any accumulated impairment losses.

The Consolidated Financial Statements include the Company's share of the income and expenses and equity movements of the Associate, after adjustments being made to align the accounting policies with those of the Group from the date that significant influence effectively commences until the date that significant influence effectively ceases.

When the Company's share of losses exceeds its interest in the Associate, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Company has an obligation or made

payments on behalf of the Associate. If the Associate subsequently reports profits, the Company resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Profit and losses resulting from transactions between the Company and the Associate are eliminated to the extent of the interest in the Associate. The Company discontinues the use of the Equity method from the date that it ceases to have significant influence over an Associate and accounts for the investment cost in accordance with the Sri Lanka Accounting Standard- LKAS 39 on 'Financial Instruments: Recognition and measurement'. Investment details of the Associate within the Group are provided in note 26 to the financial statements.

3.1.5 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 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. Subsequently it is accounted for as an equity-accounted investee.

3.1.6 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 Financial Instruments - Initial Recognition and Subsequent Measurement

3.3.1 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 and Company 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.

3.3.2 Classification and Initial Measurement of Financial Instruments

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction costs that are directly attributable to acquisition or issue of such financial instrument, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss as per the Sri Lanka Accounting Standard- LKAS 39 on 'Financial Instruments: Recognition and Measurement'.

3.3.3 Classification and Subsequent Measurement of Financial Assets

At inception a financial asset is classified under one of the following categories:

- i) Financial Investments at Fair value through profit or loss (FVTPL);
 - ◆ Financial Investments - Held for trading or

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- ◆ Financial Investments - Designated at fair value through profit or loss
- ii) Loans and receivables (L&R);
- iii) Financial Investments - Held to maturity (HTM); or
- iv) Available-for-sale (AFS) financial assets.

The company & group determine the classification of its financial assets at initial recognition. The classification depends on the purpose for which the investments were acquired or originated (i.e. intention) and based on the group's ability to hold.

The subsequent measurement of Financial Assets depends on their classification.

3.3.3.1 Financial Investments at Fair Value through Profit or Loss (FVTPL)

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss.

Financial Investments - Held for Trading

Financial assets are classified as held for trading if they are acquired principally for the purpose of selling or repurchasing in the near term or holds as a part of a portfolio that is managed together for short-term profit or position taking. Financial investments held for trading are recorded in the Statement of Financial Position at fair value. Changes in fair value are recognised in 'Net trading income'. Interest and 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.

Financial investments held for trading include debt securities and equities that have been acquired principally for the purpose of selling or repurchasing in the near term.

Financial Investments - Designated at Fair Value through Profit or Loss

The Group and Company designates financial assets at fair value through profit or loss in the following circumstances;

- ◆ The assets are managed, evaluated and reported internally at fair value;
- ◆ The designation eliminates or significantly reduces an accounting mismatch, which would otherwise have arisen; or
- ◆ The asset contains an embedded derivative that significantly modifies the cash flows that would otherwise have been required under the contract.

Financial assets designated at fair value through profit or loss is recorded in the Statement of Financial Position at fair value. Changes in fair value are recorded in 'net gain or loss on financial assets and liabilities designated at fair value through profit or loss'. Interest earned is accrued in 'interest income' using EIR while dividend income is recorded in 'other operating income' when the right to receive the payment has been established.

3.3.3.2 Available for Sale Financial Investments

Available for sale financial investments include equity and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in response to changes in the market conditions.

The Group and Company has not designated any loans or receivables as available for sale.

After initial measurement, available for sale financial investments are subsequently measured at fair value.

Unrealised gains and losses are recognised directly in equity (Other Comprehensive Income) in the 'Available for sale reserve'. When the investment is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the Income Statement in 'Other operating income'. Where the Group holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. Interest earned whilst holding available for sale financial investments is reported as interest income using the effective interest rate (EIR).

Dividends earned whilst holding available for sale financial investments are recognised in the Income Statement as 'Other operating income' when the right of the payment has been established. The losses arising from impairment of such investments are recognised in the Income Statement in 'Impairment charges for loans and other losses' and removed from the 'Available for sale reserve'.

3.3.3.3 Held to Maturity Financial Investments

Held to maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Group and Company has the intention and ability to hold to maturity. After initial measurement, held to maturity financial investments are subsequently measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortisation is included in 'Interest and similar income' in the Income Statement. The losses arising from impairment of such investments are recognised in the Income Statement in 'impairment charges for loans and other losses'.

If the Group were to sell or reclassify more than an insignificant amount of held to maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would be reclassified as available for sale. Furthermore, the Group would be prohibited from classifying any financial asset as held to maturity during the following two years.

3.3.3.4 Financial Assets Classified as Loans and Receivables

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 available for sale
- ◆ Those for which the Group and Company may not recover substantially all of its initial investment, other than because of credit deterioration

After initial measurement, 'Loans and receivables' are subsequently 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 and similar

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income' in the Income Statement. The losses arising from impairment are recognised in the Income Statement in 'impairment charges for loans and receivables'.

'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.

3.3.4 Classification and Subsequent Measurement of Financial Liabilities

At the inception the Group and Company determines the classification of its financial liabilities. Accordingly financial liabilities are classified as:

- i) Financial liabilities at fair value through profit or loss (FVTPL)
 - ◆ Financial liabilities held for trading
 - ◆ Financial liabilities designated at fair value through profit or loss
- ii) Financial liabilities at amortised cost.

The subsequent measurement of financial liabilities depends on their classification.

3.3.4.1 Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, and changes there in recognised in profit or loss.

Financial liabilities are classified as held for trading if they are acquired principally for the purpose of selling or repurchasing in the near term or holds as a part of a portfolio that is managed together for short-term profit or position taking. This category includes derivative financial instruments entered into by the Group and Company that are not designated as hedging instruments in hedge relationships as defined by the Sri Lanka Accounting Standard - LKAS 39 on Financial Instruments: Recognition and Measurement. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the Income Statement.

3.3.4.2 Financial Liabilities at Amortised Cost
Financial Instruments issued by the Group that are not designated at fair value through profit or loss, are classified as liabilities under 'due to banks', 'due to customers', "debt Securities issued" and 'Other Financial Liabilities" as appropriate, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares at amortised cost using the EIR method.

After initial recognition, such financial liabilities are substantially measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. The EIR amortisation is included in 'interest expenses' in the Income Statement. Gains and losses are recognised in the Income Statement when the liabilities are derecognise as well as through the EIR amortisation process.

The details of the Group's financial liabilities at amortised cost are shown in Note 16 and Note 255 to the Financial Statements.

3.3.5 Reclassification of Financial Instruments

The Group does not reclassify any financial instrument into the 'fair value through profit or loss' category after initial recognition. Also the Group does not reclassify any financial instrument out of the 'fair value through profit or loss' category if upon initial recognition it was designated as at fair value through profit or loss.

The Group reclassifies non derivative financial assets out of the 'held for trading' category and into the 'available for sale', 'loans and receivables', or 'held to maturity' categories as permitted by the Sri Lanka Accounting Standard - LKAS 39 on Financial Instruments: Recognition and Measurement. In certain circumstances the Group is also permitted to reclassify financial assets out of the 'available for sale' category and into the 'loans and receivables', 'held for trading' or 'held- to-maturity' category.

Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost.

For a financial asset reclassified out of the 'available for sale' category, any previous gain or loss on that asset that has been recognised in Equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate (EIR). Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in Equity is recycled to the Income Statement.

The Group may reclassify a non-derivative trading asset out of the 'held for trading' category and into the 'loans and receivables' category if it meets the definition of loans and receivables and the Group has the intention and ability to hold the financial asset for the foreseeable future or until maturity. If a financial asset is reclassified, and if the Group subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Reclassification is at the election of management, and is determined on an instrument by instrument basis.

3.3.6 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

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any cumulative gain or loss that has been recognised is recognised in profit or loss.

When the Group and Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the group's continuing involvement in the asset. In that case, the group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the group could be required to repay.

Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

3.3.7 Securities Purchased under Reverse Repurchase Agreements

Securities purchased under agreements to re-sell at a specified future date are not recognised in the Statement of Financial Position. The consideration paid, including accrued interest, is recorded in the Statement of Financial Position, within 'Cash and cash equivalents', reflecting the transaction's economic substance as a loan by the Group. The difference between the purchase and resale prices is recorded in 'Net interest income' and is accrued over the life of the agreement using the EIR.

3.3.8 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 50.

3.3.9 Impairment of Financial Assets

The Group assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets are impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an 'incurred loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

3.3.9.1 Loans and Receivables

Losses for impaired loans are recognised promptly when there is objective evidence that impairment of a loan or portfolio of loans has occurred. Impairment allowances are calculated on individual and collective basis. Impairment losses are recorded as charges to the Income Statement. The carrying amount of impaired loans on the Statement of Financial Position is reduced through the use of impairment allowance accounts. Losses expected from future events are not recognised.

Individually Assessed Loans and Receivables

For all loans that are considered individually significant, the Company & Group assesses on a case-by-case basis at each reporting date whether there is any objective evidence that a loan is impaired. The criteria used to determine that there is such objective evidence include;

- ◆ known cash flow difficulties experienced by the borrower;
- ◆ past due contractual payments of either principal or interest;
- ◆ breach of covenants or conditions;
- ◆ the probability that the borrower will enter bankruptcy or other financial realization; and
- ◆ a significant downgrading in credit rating by an external credit rating agency.

For those loans where objective evidence of impairment exists, impairment losses are determined considering the following factors:

- ◆ Company's aggregate exposure to the customer;
- ◆ the viability of the customer's business model and their capacity to trade successfully out of financial difficulties and generate sufficient cash flow to service debt obligations;
- ◆ the amount and timing of expected receipts and recoveries;
- ◆ the extent of other creditors' commitments ranking ahead of, or pari-passu with, the Company and the likelihood of other creditors continuing to support the Company;
- ◆ the complexity of determining the aggregate amount and ranking of all creditor claims and the extent to which legal and insurance uncertainties are evident;
- ◆ the realisable value of security (or other credit mitigates) and likelihood of successful repossession;
- ◆ the likely deduction of any costs involved in recovery of amounts outstanding;
- ◆ the ability of the borrower to obtain, and make payments in, the currency of the loan if not denominated in local currency; and
- ◆ the likely dividend available on liquidation or bankruptcy;

Impairment losses are calculated by discounting the expected future cash flows of a loan at its original effective interest rate and comparing the resultant present value with the loan's current carrying amount.

The impairment allowances on individually significant accounts are reviewed more regularly when circumstances require. This normally encompasses re-assessment of the enforceability of any collateral held and the timing and amount of actual and anticipated receipts. Individually assessed impairment allowances are only released when there is reasonable and objective evidence of a reduction in the established loss estimate.

Collectively Assessed Loans and Advances

Impairment is assessed on a collective basis to cover losses which have been incurred but have not yet been identified on loans subject to individual assessment.

Incurred but not yet Identified Impairment

Individually assessed loans for which no evidence of loss has been specifically identified on an individual basis are grouped together according to their credit risk characteristics for the purpose of calculating an estimated

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collective loss. This reflects impairment losses that the group has incurred as a result of events occurring before the reporting date, which the Group and Company are not able to identify on an individual loan basis, and that can be reliably estimated. These losses will only be individually identified in the future. As soon as information becomes available which identifies losses on individual loans within the group, those loans are removed from the group and assessed on an individual basis for impairment.

The collective impairment allowance is determined after taking into account;

- ◆ historical loss experience in portfolios of similar credit risk; and
- ◆ management's experienced judgment as to whether current economic and credit conditions are such that the actual level of inherent losses at the reporting date is likely to be greater or less than that suggested by historical experience.

Loans are grouped into ranges according to the number of days in arrears and statistical analysis is used to estimate the likelihood that loans in each range will progress through the various stages of delinquency, and ultimately prove irrecoverable.

Current economic conditions and portfolio risk factors are also evaluated when calculating the appropriate level of allowance required to cover the inherent loss.

These additional macro and portfolio risk factors may include:

- ◆ recent lending portfolio growth and product mix,
- ◆ unemployment rates, Gross Domestic Production (GDP) growth, inflation
- ◆ exchange rates, interest rates
- ◆ changes in laws and regulations

Write-off of Loans and Advances

Loans (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 are secured, this is generally after receipt of any proceeds from the realization of security.

Renegotiated Loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once

the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to any criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR.

Reversals of Impairment

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the excess is written back by reducing the loan impairment allowance account accordingly. The write-back is recognised in the Income Statement.

3.3.9.2 Available for Sale Financial Investments

For available for sale financial investments, the Company & group assesses at each reporting date whether there is objective evidence that an investment is impaired. In the case of debt instruments classified as available for sale, the Company assesses individually whether there is objective evidence of impairment.

However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the Income Statement. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of 'Interest and similar income'. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognised in the Income Statement, the impairment loss is reversed through the Income Statement.

In the case of equity investments classified as available for sale, objective evidence would also include a 'significant' or 'prolonged' decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any

impairment loss on that investment previously recognised in the Income Statement is removed from equity and recognised in the Income Statement. Impairment losses on equity investments are not reversed through the Income Statement; increases in the fair value after impairment are recognised in other comprehensive income.

3.3.9.3 Held to Maturity Financial Assets

An impairment loss in respect of held-to-maturity financial assets measured at amortised cost is calculated as the difference between its carrying amount and the present value of estimated future cash flows discounted at the asset's original EIR and is recognised in profit or loss. Interest on impaired assets continues to be recognised through the unwinding of discount. When a subsequent event caused the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

3.3.10 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 realize 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 LKAS / SLFRS, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

3.3.11 Derivative Financial Instruments and hedge accounting

Derivatives are financial instruments that derive their value in response to changes in interest rates, financial instrument prices, commodity prices, foreign exchange rates, credit risk and indices. Derivatives are categorized as trading unless they are designated as hedging instruments.

All derivatives are initially recognised and subsequently measured at fair value, with all revaluation gains recognised in the Income Statement (except where cash flow or net investment hedging has been achieved, in which case the effective portion of changes in fair value is recognised within Other Comprehensive Income).

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Fair values may be obtained from quoted market prices in active markets, recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. Where the initially recognised fair value of a derivative contract is based on a valuation model that uses inputs that are not observable in the market, it follows the same initial recognition accounting policy as for other financial assets and liabilities. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Certain derivatives embedded in other financial instruments, such as the conversion option in a convertible bond held, are valued as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value, with changes in fair value recognised in the Income Statement. Embedded derivatives continue to be presented with the host contract and are not separately disclosed or included within derivatives.

The method of recognizing the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- (1) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge);
- (2) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecast transaction (cash flow hedge); or
- (3) hedges of the net investment of a foreign operation (net investment hedges)

Hedge accounting is used for derivatives designated in this way provided certain criteria are met. The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in

offsetting changes in fair values or cash flows of hedged items.

Details of the derivative financial instruments held by the Group, including those held for hedge accounting are provided in Note 19 to the Financial Statements.

Cash Flow Hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedging instruments is recognised in Equity. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement.

Amounts accumulated in Equity are reclassified to the Income Statement in the periods in which the hedged item affects profit or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in Equity at that time remains in Equity and is recognised when the forecast transaction is ultimately recognised in the Income Statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in Equity is immediately transferred to the Income Statement.

Derivatives that do not qualify for Hedge Accounting

Changes in the fair value of any derivative instruments not qualifying for hedge accounting are recognised immediately in the Income Statement.

3.4 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 to use the asset.

Group as a Lessee

Leases that do not transfer to the group 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 Income Statement 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 as a Lessor

Leases where the group 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.

3.5 Insurance

3.5.1 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.

3.5.2 Reinsurance

The Group cedes insurance risk in the normal course of business of People's Insurance Ltd. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in the statement of income.

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Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Premiums and claims are presented on a gross basis for ceded reinsurance.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

3.5.3 Reinsurance Receivables

Reinsurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of income.

3.5.4 Insurance Receivables

Premium receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of premium receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of income.

3.5.5 Deferred Expenses

Deferred Acquisition Costs

The costs of acquiring new businesses including commission, underwriting, marketing and policy issue expenses, which vary with and directly related to production of new businesses, are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred. Subsequent to initial recognition, deferred acquisition costs (DAC) for non-life insurance is amortised over the period on the basis unearned premium reserve (UPR) is amortised.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period and are treated as a change in an accounting estimate.

DAC are derecognised when the related contracts are either expired or cancelled.

Reinsurance Commissions

Commissions receivable on outwards reinsurance contracts are deferred and amortised on a straight line basis over the term of the expected premiums payable.

3.5.6 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 derecognised when the contract expires, is discharged or is cancelled.

The provision for unearned premiums represents premiums received for risks that have not yet expired. Generally, the reserve is released over the term of the contract and is recognised as premium income. At each reporting date, the Group reviews its unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non-life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums is inadequate, the deficiency is recognised in the statement of income by setting up a provision for liability adequacy.

De-recognition of Insurance Payable

Insurance payables are derecognised when the obligation under the liability is discharged, cancelled or expired.

3.6 Property, Plant and Equipment

3.6.1 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.

3.6.2 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 capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as a part of computer equipment.

When parts of an item of property, plant & equipment have different useful lives, they are accounted for as separate items (major components) of property, plant & equipment.

The Company & 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.

3.6.3 Subsequent Costs

The cost of replacing a part of an item of Property, Plant and Equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The cost of day to day servicing of Property, Plant and Equipment are charged to the profit or loss as incurred.

3.6.4 Repairs & Maintenance

Repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred. The cost of major renovations is included in the carrying

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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 & group and the renovation replaces an identifiable part of the asset. Major renovations are depreciated during the remaining useful life of the related asset.

3.6.5 Capital Work-in-Progress

These are expenses of a capital nature directly incurred in the construction of buildings, major plant and machinery and system development, awaiting capitalization. These are stated in the Statement of Financial Position at cost.

3.6.6 Derecognition

Property 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 Income Statement in the year the asset is derecognised.

3.6.7 Depreciation

Depreciation is recognised in 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	8 years
Computer hardware	20	5 years
Office equipment	10%- 20	5 -10 years
Plant & machinery	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.

3.7 Intangible Assets

The group's other intangible assets include the value of computer software and customer core deposits acquired in business combinations.

3.7.1 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 in accordance with the Sri Lanka Accounting Standard- LKAS 38 on 'Intangible Assets'.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. 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.

3.7.2 Subsequent Expenditure

Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

3.7.3 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 reporting date. 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. The amortisation expense on intangible assets with finite lives is recognised in the Income Statement in the expense category consistent with the function of the intangible asset.

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful economic lives at the rates as specified below;

Class of Asset	% per Annum	Period
Computer software	20	5 years
Customer List	20	5 years

The unamortised balances of intangible assets with finite lives are reviewed for impairment whenever there is an indication for impairment and recognised in profit or loss to the extent that they are no longer probable of being recovered from the expected future benefits.

3.7.4 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 profit or loss in the year the asset is derecognised.

3.8 Cash and Cash Equivalents

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.

3.9 Investment Properties

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

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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 Balance Sheet date. Gains or losses arising from changes in fair value are included in the Income Statement 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 LKAS 16- Property, Plant and Equipment.

De-recognition

Investment properties are de-recognised 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 Income Statement 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 Income Statement. 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 Income Statement.

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 3 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 exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

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 and changes are disclosed in Note 29 to the Financial Statements.

3.10 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 recognised for the asset in prior years. Such reversal is recognised in profit or loss.

3.11 Investments in Subsidiaries

Investments in subsidiaries are stated at cost, net of any impairment losses which are charged to the Income Statement 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'.

3.12 Investments in Associate

Investment in associate is accounted for at cost in the Company's Financial Statements and under the equity method in the Consolidated Financial Statements.

Under the equity method, the investment in associate is initially accounted for at cost and the carrying amount is adjusted for post acquisition changes in the Company's share of net assets of the associate, less any impairment in the Company's net investment in associate.

3.13 Inventories

Unsold vehicles at the reporting date are valued at the lower of cost and net realisable value, after making due allowances for obsolete and slow moving items. Net realisable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost necessary to make the sale.

Other inventory materials at reporting date are valued at the lower of cost and net

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realisable value, after making due allowance for obsolete and slow moving items.

3.14 Deposits, Borrowings and Debt Securities Issued

3.14.1 Deposits

These include interest-bearing savings deposits and term deposits. Subsequent to the initial recognition deposits are measured at their amortised cost using the effective interest rate method. Interest paid/ payable on these deposits is recognised to profit or loss.

3.14.2 Borrowings and Debt Securities Issued

These represents the funds borrowed in the form of term loans, short term loans, debentures, commercial papers, securitization, re-finance loans and preference shares. Subsequent to the initial recognition deposits are measured at their amortised cost using the effective interest rate method. Interest paid/ payable on these deposits is recognised to profit and loss.

3.15 Dividends Payable

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are recommended by and declared by the Board of Directors and approved by the shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Group.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date in accordance with the Sri Lanka Accounting Standard- LKAS 10 on 'Events after the Reporting period'.

3.16 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 recognised is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation at that date. The expense relating to any provision is presented in the Income Statement net of any reimbursement.

3.17 Employee Benefits

3.17.1 Defined Benefit Plan - Gratuity

The Group measures the present value of the promised retirement benefits for gratuity, which is a defined benefit plan with the advice of an independent professional actuary using the 'Projected Unit Credit method' (PUC) as required by the Lanka Accounting Standard- LKAS 19 on 'Employee Benefits'.

The item is stated under Other Liabilities in the Statement of Financial Position.

Recognition of Actuarial Gains and Losses

The company recognises the total actuarial gains and losses that arise in calculating the company's obligation in respect of the plan in Other Comprehensive Income during the period in which it occurs.

Funding Arrangements

The gratuity liability is not externally funded.

3.17.2 Defined contribution plans - Employees' Provident Fund

The Group 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.

3.17.3 Defined Contribution Plans - Employees' Trust Fund

The Group contributes to the Employees' Trust Fund at 3% on the gross salary of each employee.

3.18 Investment Fund Account

According to the guidelines issued by the Central Bank of Sri Lanka on the operations of the Investment Fund Account (IFA), any entity engaged in the business of banking or financial services, is required to establish and operate an IFA with effect from 1st January 2011. As and when taxes are paid after 1st January 2011 the Company should transfer the following funds to IFA and build a permanent fund in the Company.

- ◆ 8% of the profits calculated for the payment of Value Added Tax (VAT) on financial services on dates as specified in the VAT Act for payment of VAT.
- ◆ 5% of the profits before tax calculated for payment of income tax purposes on dates specified in Section 113 of the Inland Revenue Act for the self assessment payment of tax.

The funds that are being transferred to the IFA are treated as appropriations of profit after tax and maintained as a separate item under general reserves of the Company.

The utilization of funds is made in terms of the instructions given in the aforesaid guidelines.

3.19 Equity Reserves

The reserves recorded in equity (Other comprehensive income) on the Group's Statement of Financial Position include;

- ◆ 'Available for Sale' reserve, which comprises changes in fair value of available for sale investments.
- ◆ 'General Reserve' represents the amounts set aside by the Directors for general application.
- ◆ 'Tax equalization fund' comprises an amount set aside by the Directors to meet any tax liabilities that may arise in the future.
- ◆ 'Statutory Reserve Fund' has been created during the year 2007 in accordance with the Finance Companies (Capital Funds) Direction No.1 of 2003 issued by Central Bank of Sri Lanka. Accordingly 5% of the net profit for the period is transferred to the Statutory Reserve Fund during the financial year.

3.20 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 on '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.

Details of the commitments and contingencies are given in Note 44 to the Financial Statements on page 275.

3.21 Legal Claims

Litigation is a common occurrence in the finance industry due to the nature of the business undertaken. The Company & Group has formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Company & group makes adjustments to account for any

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adverse effects which the claims may have on its financial standing. At the reporting date the Company & group had several unresolved legal claims. The significant unresolved legal claims against the Company & group for which legal advisor of the Company advised as the loss is possible, but not probable, that the action will succeed. Accordingly, no provision for any claims has been made in these Financial Statements.

3.22 Contingent Liabilities, Commitments of Other Group Entities

The Company's share of any contingencies and capital commitments of a Subsidiary or an Associate for which the Company is also liable severally or otherwise is included with appropriate disclosures.

Details of the Commitments and Contingencies are given in Note 44 on page 275.

3.23 Recognition of Income and Expenses

Revenue 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. The following specific recognition criteria must also be met before revenue is recognised.

3.23.1 Interest and Similar Income and Expense

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 and similar income' for financial assets and 'Interest and similar 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.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

3.23.2 Fee and Commission Income

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories;

3.23.3 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.

3.23.4 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.

3.23.5 Dividend Income

Dividend income is recognised when the Group's right to receive the payment is established, which is generally when the shareholders approve the dividend.

3.23.6 Net Trading Income

Results arising from trading activities include all gains and losses from changes in fair value and related interest income or expense and dividends for financial assets 'held for trading'.

3.23.7 Income from Government Securities and Securities Purchased under Resale Agreements

Discounts/ premium on treasury bills & treasury bonds are amortised over the period to reflect a constant periodic rate of return. The coupon interest on treasury bonds is recognised on an accrual basis. The interest income on securities purchased under resale

agreements is recognised in the Income Statement on an accrual basis over the period of the agreement.

3.23.8 Sale of Imported 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.

3.23.9 Rental Income

Rental 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 Income Statement in other operating income.

3.23.10 Interest on Overdue Rentals

Interests from overdue rentals have been accounted for on a cash received basis.

3.23.11 Recovery of Bad and Doubtful Debts Written off

Recovery of amounts written off as bad and doubtful debts is recognised on a cash basis.

3.23.12 Gain or Losses on Disposal of Property, Plant & Equipment, Investments in Government Securities, Dealing Securities and Investment Securities

Gains or losses resulting from the disposal of property, plant and equipment, investments in Government securities, dealing securities and investment securities are accounted for on cash basis in the Income Statement, in the period in which the sale occurs.

3.23.13 Other Income

Other income is recognised on an accrual basis.

3.23.14 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 premiums payable for the whole cover provided by contracts entered into the period and are recognised on the date on which the policy incept. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

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Unearned reinsurance premiums are those proportions of premiums 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 risks-attaching contracts and over the term of the reinsurance contract for losses-occurring contracts.

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.

3.23.15 Insurance - Benefits, Claims and Expenses Recognition

Gross Benefits and Claims

Gross benefits and claims for non-life insurance include all claims occurring during the year, whether reported or not, related internal and 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 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. Claims outstanding are assessed by review of individual claim files and estimating changes in the ultimate cost of settling claim. The provision in respect of IBNR is actuarially valued on an annual basis to ensure a more realistic estimation of the future liability based on past experience and trends.

Reinsurance Claims

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

3.23.16 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 profit or loss in the period in which they occur.

3.23.17 Tax Expenses

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 at the rates specified below.

People's Leasing Company PLC

Income tax on profit from operations is calculated at the rate of 28%.

Subsidiary - People's Leasing Fleet Management Limited

Income tax on profit from operations is calculated at the rate of 28%.

Subsidiary - People's Insurance Limited

Income tax on profit from operations is calculated at the rate of 28%.

Subsidiary - People's Microfinance Limited

Income tax on profit from operations is calculated at the rate of 28%.

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% concessionary tax rate for a period of 2 years immediately succeeding the last date of tax exemption period and a 20% concessionary tax rate after the expiration of the 10% concessionary tax period.

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% concessionary tax rate for a period of 2 years immediately succeeding the last date of tax exemption period and a 20% concessionary tax rate after the expiration of the 10% concessionary tax period.

Deferred Tax

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:

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- ◆ 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 realized 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 Income Statement.

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.

Value Added Tax (VAT) on Financial Services
The base for Value Added Tax computation is arrived by aggregating the accounting profit before income tax and emoluments of employees, which is adjusted for the depreciation computed on prescribed rates.

During the year, the Group's total value addition was subject to a 12% Value Added Tax as per Section 25(a) of the Value Added Tax Act No. 14 of 2002 and amendments thereto.

Withholding Tax on Dividends, Distributed by the Company and Subsidiaries

Withholding tax on dividends distributed by the Company Withholding tax that arises from the distribution of dividends by the Company is recognised at the time the liability to pay the related dividend is recognised. Withholding tax on dividends distributed by the Subsidiaries and Associates Dividends received by the Company from its Subsidiaries and Associates, have attracted a 10% deduction at source.

Economic Service Charge (ESC)

As per the provisions of the Finance Act No. 11 of 2004, and amendments thereto, the ESC was introduced with effect from April 01, 2004. Currently, the ESC is payable at 0.25% 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 five subsequent years.

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.

3.24 Earnings per Share (EPS)

Basic EPS 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.

3.25 Fiduciary Assets

The Company provides trust and other fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in a fiduciary capacity are not reported in these Financial Statements as they do not belong to the Company.

3.26 Segment Reporting

The group's segmental reporting is based on the following operating segments: Business Segments and geographical segments.

A segment is a distinguishable component of the Group that is engaged in providing products and services. (Business segment, which is subject to risks and rewards that are different from those of other 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.

3.27 Statement of Cash Flows

The Statement of Cash Flows has been prepared by using the 'Indirect Method' of preparing cash flows in accordance with the Sri Lanka Accounting Standard - LKAS 7 on 'Statement of Cash Flows', whereby operating activities, investing activities and financing activities are separately recognised. Cash and Cash Equivalents comprise of short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Cash and Cash Equivalents as referred to in the Statement of Cash Flows are comprised of those items as explained in Note 45 to 47 on pages 275 to 276.

The Statement of Cash Flows is given on page 233.

3.28 Standards Issued but not yet Effective

The following Sri Lanka Accounting Standards were issued by the Institute of Chartered Accountants of Sri Lanka and is effective for the periods commencing on or after of 1st January 2014.

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SLFRS 9 - Financial Instruments:

Classification and Measurement

SLFRS 9, as issued, reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets and liabilities as defined in LKAS 39. SLFRS 9 was issued in 2012 and effective date of this standard has been deferred until further notice.

SLFRS 10 - Consolidated Financial Statements

SLFRS 10 replaces the portion of LKAS 27 (Consolidated and Separate Financial Statements) that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC 12 (Consolidation Special Purpose Entities). SLFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by SLFRS 10 will require the management to exercise significant judgment to determine which entities are controlled and therefore are required to be consolidated by a parent. The impact on the implementation of the above Standard was assessed as at the reporting date and concluded that there is no impact on the Company's Financial Statements.

SLFRS 11 - Joint Arrangements

SLFRS 11 replaces LKAS 31 (Interests in Joint Ventures) and SIC 13 (Jointly Controlled Entities).

SLFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation method. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The impact on the implementation of the above Standard was assessed as at the reporting date and concluded that there is no impact on the Company's Financial Statements.

SLFRS 12 - Disclosure of Interests in Other Entities

SLFRS 12 includes all of the disclosures that were previously in LKAS 27 (Consolidated and Separate Financial Statements) related to consolidated financial statements, as well as all of the disclosures that were previously included in LKAS 31 (Interests in Joint Ventures) and LKAS 28 (Investments in Associates).

These disclosures relate to an entity's interest in subsidiaries, joint arrangements, associates and structured entities. The impact on the implementation of the above Standard was assessed as at the reporting date and concluded that there is no impact on the Company's Financial Statements.

SLFRS 13 - Fair Value Measurement

SLFRS 13 establishes a single source of guidance under SLFRS for all fair value measurements. SLFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under SLFRS when fair value is required or permitted. Use of principles of measurement in this standard is currently encouraged.

Pending the completion of full study of this standard, the financial impact is not yet known and reasonably estimable.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31st March	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
4. NET INTEREST INCOME				
Interest income				
Finance lease & hire-purchase	14,187,896,069	13,512,883,633	14,215,354,097	13,533,096,641
Loans and other advances	2,349,125,131	1,194,370,231	2,421,402,765	1,161,952,464
Interest on overdue rentals	1,833,866,544	1,515,016,696	1,837,157,503	1,515,681,394
Interest income from other financial assets	391,436,100	212,053,278	808,255,147	463,939,653
Profit from Islamic finance	771,277,953	810,605,763	771,277,953	810,605,763
Total interest income	19,533,601,797	17,244,929,601	20,053,447,465	17,485,275,915
Interest expenses				
Interest on overdraft	48,704,357	147,199,376	51,284,946	148,293,284
Interest on short term borrowings	2,099,144,954	4,199,732,526	2,099,144,954	4,440,241,234
Interest on long term borrowings	1,565,056,271	1,979,254,082	1,710,839,796	1,911,739,348
Interest on assets backed securities	2,135,986,769	1,692,896,214	2,135,986,769	1,692,966,801
Interest on redeemable preference shares	103,416,666	137,416,667	103,416,666	137,416,667
Interest on debentures	1,234,394,365	260,968,313	1,217,442,507	260,968,313
Interest on deposits	3,824,053,683	1,482,396,659	3,822,580,738	1,476,158,527
Profit distribution on mudarabah	255,199,565	240,475,903	255,199,565	240,475,903
Total interest expenses	11,265,956,630	10,140,339,740	11,395,895,941	10,308,260,077
Net interest income	8,267,645,167	7,104,589,861	8,657,551,524	7,177,015,838
5. NET EARNED PREMIUMS				
Gross written premiums	-	-	3,945,664,009	2,944,487,069
Less : Premium ceded to reinsurance	-	-	356,293,053	306,657,434
Less : Change in reserve unearned premiums	-	-	124,917,611	189,588,504
Total	-	-	3,464,453,345	2,448,241,131
6. FEE AND COMMISSION INCOME				
Service charges	471,375,888	439,032,137	89,247,561	166,840,364
Other fees recovered	382,237,012	292,438,680	303,768,536	350,376,211
Fee and commission income	853,612,900	731,470,817	393,016,097	517,216,575
7. NET TRADING INCOME				
Foreign exchange from other customers	48,421	459,375	48,421	459,375
Gain on equity securities	7,580,437	18,690,406	29,790,104	29,886,221
Total	7,628,858	19,149,781	29,838,525	30,345,596
8. OTHER OPERATING INCOME				
Gain/(Loss) on disposal of property, plant and equipment	7,386,426	(12,526,803)	14,416,093	53,780,897
Hiring income	1,048,700	37,950	71,184,719	48,792,114
Rent received from investment property	612,245	612,245	-	-
Operating leases	24,278,514	34,157,269	28,464,330	38,914,412
Bad debts recovered	50,753,432	48,079,707	50,753,432	48,079,707
Net trading income from sale of vehicles	14,389,547	3,201,195	14,389,547	3,201,195
Other income	134,479,218	135,693,325	57,260,897	140,238,245
Total	232,948,082	209,254,888	236,469,018	333,006,570

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31st March	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
9. IMPAIRMENT CHARGES FOR LOANS AND OTHER LOSSES				
Impairment of loans and receivables (Note 21.2)	506,133,510	282,634,722	521,266,582	282,634,723
Loss on fair value adjustment of investment property	1,000,000	-	-	-
Impairment of financial investments available-for-sale (Note 23.2)	25,000,000	-	25,000,000	-
Loss on disposal of collaterals	685,612,395	415,002,460	683,589,248	415,912,169
Total	1,217,745,905	697,637,182	1,229,855,830	698,546,892
10. PERSONNEL EXPENSES				
Remuneration	1,220,005,184	934,839,423	1,386,649,701	1,020,429,122
Employee benefit - Defined contribution plans (EPF/ETF)	94,731,205	74,146,711	108,055,841	83,003,792
Employee benefit - Defined benefit plan - Gratuity (Note 38.1)	23,313,048	17,170,984	27,194,333	19,228,900
Total	1,338,049,437	1,026,157,118	1,521,899,875	1,122,661,814
11. BENEFITS, CLAIMS AND UNDERWRITING EXPENDITURE				
Net Benefits and claims	-	-	2,229,545,191	1,694,947,052
Underwritings and net acquisition costs	-	-	367,072,437	243,880,865
Total	-	-	2,596,617,628	1,938,827,917
12. OTHER OPERATING EXPENSES				
Directors' emoluments	567,500	1,505,329	1,242,500	2,620,329
Auditors' remunerations	4,578,000	4,392,000	7,111,022	5,500,604
Non-audit fees to auditors	4,062,628	9,237,600	7,146,575	12,876,862
Professional fees	11,887,068	6,887,780	13,558,648	7,844,839
Advertising	39,933,277	49,287,187	40,230,238	49,287,187
Legal fees	7,051,838	594,407	7,083,357	594,407
Office administration and establishment expenses	1,862,174,556	1,658,734,219	1,842,872,064	1,579,020,999
Total	1,930,254,867	1,730,638,522	1,919,244,404	1,657,745,227
13. TAX EXPENSES				
13.1 Income tax expense				
Income Statement				
Current income tax charge	874,371,600	687,562,702	1,058,383,817	829,676,250
Deferred tax for the year (Note 37)	388,846,632	597,316,026	409,459,728	599,498,634
Income tax expense recognised in income statement	1,263,218,232	1,284,878,728	1,467,843,545	1,429,174,884
Statement of Comprehensive Income				
Current income tax charge	-	-	-	-
Deferred tax charge/(reversal) for the year (Note 37)	(16,026,086)	-	(16,778,423)	1,472,975
Income tax charge/(reversal) recognised in Other Comprehensive Income	(16,026,086)	-	(16,778,423)	1,472,975
Effective tax rate (excluding deferred tax)	19.93%	16.63%	21.46%	18.28%
Effective tax rate	28.79%	31.07%	29.77%	31.48%

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31st March	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
13.2 Reconciliation of accounting profit and taxable income				
Profit as per income statement	4,386,963,407	4,134,840,329	4,931,060,062	4,539,509,631
Add: Disallowable expenses	1,167,662,030	892,973,095	1,286,255,360	941,250,093
Add: Lease capital recoverable	14,050,954,012	13,211,515,605	14,050,954,012	12,968,054,142
Less: Allowable expenses	16,510,745,652	14,968,198,667	16,281,038,397	14,958,742,685
Less: Exempted /allowable income	129,982,573	392,485,502	329,248,911	392,503,405
Statutory income	2,964,851,224	2,878,644,860	3,657,982,126	3,097,567,776
Less: Tax loss set off	-	84,624,291	3,911,752	1,806,260
Assessable income	2,964,851,224	2,794,020,569	3,654,070,374	3,095,761,516
Taxable income	2,964,851,224	2,794,020,569	3,654,070,374	3,095,761,516
At the effective income tax	845,205,617	726,268,617	1,029,139,705	866,813,225
(Over)/ under provision- previous years	29,165,983	(38,705,915)	29,244,112	(37,136,975)
Current tax on profits for the year	874,371,600	687,562,702	1,058,383,817	829,676,250
Deferred tax charged for the year	388,846,632	597,316,026	409,459,728	599,498,634
Tax expense for the period	1,263,218,232	1,284,878,728	1,467,843,545	1,429,174,884

The applicable income tax rate of People's Leasing & Finance PLC and its subsidiaries were given in the note 3.23.17.

13.3 Deferred tax expense - Charge/(Reversal)**Income Statement****Deferred tax assets**

Defined benefit plans	(4,418,478)	(3,611,946)	(6,562,824)	(3,749,700)
Impairment charges	-	-	(1,401,206)	-
Brought forward tax losses	-	23,694,802	(240,000)	27,739,162
	(4,418,478)	20,082,856	(8,204,030)	23,989,462

Deferred tax liabilities

Capital allowances for tax purpose on lease receivables	393,674,611	555,465,324	402,154,097	556,206,113
Capital allowances for tax purpose on PPE	(409,501)	21,767,846	15,509,661	19,303,059
	393,265,110	577,233,170	417,663,758	575,509,172
Net expense	388,846,632	597,316,026	409,459,728	599,498,634

Statement of Comprehensive income**Deferred tax assets**

Fair value losses recognised in other comprehensive income	(16,026,086)	-	(16,026,086)	1,002,669
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Deferred tax liabilities

Fair value gains recognised in other comprehensive income	-	-	(752,337)	470,306
	(16,026,086)	-	(16,778,423)	1,472,975

14. EARNINGS PER SHARE**Earnings per share-Basic (Rs.)**

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 LKAS 33 - Earnings per share.

For the Year ended 31st March	Company		Group	
	2014	2013	2014	2013
Net profit attributable to ordinary equity holders (Rs.)	3,123,745,175	2,849,961,601	3,463,216,517	3,077,070,788
Weighted average number of ordinary shares	1,579,862,482	1,560,000,160	1,579,862,482	1,560,000,160
Basic/Diluted earnings per ordinary share (Rs.)	1.98	1.83	2.19	1.97

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31st March	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
15. DIVIDEND PAID AND PROPOSED				
Ordinary shares				
Out of dividend received	129,425,188	174,961,027	129,425,188	174,961,027
Out of normal profits	1,677,022,617	1,598,298,319	1,677,022,617	1,598,298,319
Withholding tax deducted at source	168,380,298	176,740,854	168,380,298	176,740,854
Cash dividend paid	1,974,828,103	1,950,000,200	1,974,828,103	1,950,000,200
Weighted average number of ordinary shares	1,579,862,482	1,560,000,160	1,579,862,482	1,560,000,160
Dividend per ordinary share	1.25	1.25	1.25	1.25

A final dividend of Rs. 0.50 per share was paid for the year 2012/13 in July 2013. An interim dividend of Rs. 0.75 per share was paid in January 2014 to the ordinary shareholders of the Company for the year 2013/14 (interim dividend 2012/13 - Rs. 0.75) A final dividend of Rs. 0.50 per share has been proposed by the board of directors for the year 2013/14 to be approved at the Annual General Meeting. However, no provision is made for this proposed dividend in these Financial Statements in accordance with LKAS 10- "Events after the reporting period".

16. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS**16.1 Company**

As at 31st March 2014	FVTPL Rs.	HTM Rs.	L & R Rs.	AFS Rs.	Total Rs.
ASSETS					
Cash and cash equivalents	-	-	11,452,995,692	-	11,452,995,692
Balances with banks & financial institutions	-	-	3,329,562,399	-	3,329,562,399
Derivative financial instruments	244,583	-	-	-	244,583
Financial investments - Held-for-trading	184,243,264	-	-	-	184,243,264
Loans and receivables	-	-	90,218,355,062	-	90,218,355,062
Financial investments - Available-for-sale	-	-	-	224,067,865	224,067,865
Financial investments - Held-to-maturity	-	4,746,558,011	-	-	4,746,558,011
Other financial assets	-	-	115,450,706	-	115,450,706
Total financial assets	184,487,847	4,746,558,011	105,116,363,859	224,067,865	110,271,477,582

	FVTPL Rs.	Other Financial Liabilities at amortized cost Rs.	Total Rs.
LIABILITIES			
Due to banks	-	14,131,807,918	14,131,807,918
Due to customers	-	40,921,484,906	40,921,484,906
Debt securities issued	-	34,473,380,628	34,473,380,628
Other financial liabilities	-	2,869,666,536	2,869,666,536
Total financial liabilities	-	92,396,339,988	92,396,339,988

NOTES TO THE FINANCIAL STATEMENTS

16.2 Company

As at 31st March 2013	FVTPL Rs.	HTM Rs.	L & R Rs.	AFS Rs.	Total Rs.
ASSETS					
Cash and cash equivalents	-	-	4,006,662,592	-	4,006,662,592
Balances with banks & financial institutions	-	-	698,127,619	-	698,127,619
Financial investments - Held-for-trading	141,637,133	-	-	-	141,637,133
Loans and receivables	-	-	88,404,480,271	-	88,404,480,271
Financial investments - Available-for-sale	-	-	-	184,179,892	184,179,892
Financial investments - Held-to-maturity	-	539,765,951	-	-	539,765,951
Other financial assets	-	-	73,348,591	-	73,348,591
Total financial assets	141,637,133	539,765,951	93,182,619,073	184,179,892	94,048,202,049

	FVTPL Rs.	Other Financial Liabilities at amortized cost Rs.	Total Rs.
LIABILITIES			
Due to banks	-	15,801,608,906	15,801,608,906
Due to customers	-	18,846,671,750	18,846,671,750
Debt securities issued	-	40,430,615,187	40,430,615,187
Other financial liabilities	-	3,013,791,602	3,013,791,602
Total financial liabilities	-	78,092,687,445	78,092,687,445

16.3 Group

As at 31st March 2014	FVTPL Rs.	HTM Rs.	L & R Rs.	AFS Rs.	Total Rs.
ASSETS					
Cash and cash equivalents	-	-	11,695,561,139	-	11,695,561,139
Balances with banks & financial institutions	-	-	4,725,903,758	-	4,725,903,758
Derivative financial instruments	244,583	-	-	-	244,583
Financial investments - Held-for-trading	378,312,180	-	-	-	378,312,180
Loans and receivables	-	-	90,341,899,864	-	90,341,899,864
Insurance and reinsurance receivables	-	-	137,576,052	-	137,576,052
Financial investments - Available-for-sale	-	-	-	1,316,818,383	1,316,818,383
Financial investments - Held-to-maturity	-	4,746,558,011	-	-	4,746,558,011
Total financial assets	378,556,763	4,746,558,011	106,900,940,813	1,316,818,383	113,342,873,970

	FVTPL Rs.	Other Financial Liabilities at amortized cost Rs.	Total Rs.
LIABILITIES			
Due to banks	-	15,776,882,810	15,776,882,810
Due to customers	-	40,839,278,114	40,839,278,114
Debt securities issued	-	34,369,214,617	34,369,214,617
Other financial liabilities	-	2,759,313,735	2,759,313,735
Insurance liabilities and reinsurance payable	-	2,570,540,046	2,570,540,046
Total financial liabilities	-	96,315,229,322	96,315,229,322

NOTES TO THE FINANCIAL STATEMENTS

16.4 Group

As at 31st March 2013	FVTPL Rs.	HTM Rs.	L & R Rs.	AFS Rs.	Total Rs.
ASSETS					
Cash and cash equivalents	-	-	4,303,205,444	-	4,303,205,444
Balances with banks & financial institutions	-	-	1,894,344,820	-	1,894,344,820
Financial investments - Held-for-trading	237,603,467	-	-	-	237,603,467
Loans and receivables	-	-	88,298,471,246	-	88,298,471,246
Insurance and reinsurance receivables	-	-	159,162,123	-	159,162,123
Financial investments - Available-for-sale	-	-	-	1,173,867,485	1,173,867,485
Financial investments - Held-to-maturity	-	539,765,951	-	-	539,765,951
Total financial assets	237,603,467	539,765,951	94,655,183,633	1,173,867,485	96,606,420,536

	FVTPL Rs.	Other Financial Liabilities at amortized cost Rs.	Total Rs.
LIABILITIES			
Due to banks	-	17,214,886,234	17,214,886,234
Due to customers	-	18,709,869,091	18,709,869,091
Debt securities issued	-	40,330,615,187	40,330,615,187
Other financial liabilities	-	3,042,544,461	3,042,544,461
Insurance liabilities and reinsurance payable	-	2,216,941,297	2,216,941,297
Total financial liabilities	-	81,514,856,270	81,514,856,270

As at 31st March	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.

17. CASH AND CASH EQUIVALENTS

Cash in hand	253,071,563	505,405,152	267,922,109	507,704,789
Securities purchase under resale agreement	9,562,049,091	1,658,943,060	9,751,747,016	1,934,309,720
Current accounts	1,587,595,665	1,789,785,024	1,625,284,868	1,804,093,808
Savings accounts	42,772,510	40,485,486	43,100,283	44,784,127
Saving deposits in foreign currency	7,506,863	12,043,870	7,506,863	12,313,000
Total	11,452,995,692	4,006,662,592	11,695,561,139	4,303,205,444

18. BALANCES WITH BANKS & FINANCIAL INSTITUTIONS

Fixed deposits	68,849,299	559,396,239	1,465,190,658	1,755,613,440
Deposits in foreign currency	3,260,713,100	138,731,380	3,260,713,100	138,731,380
Total	3,329,562,399	698,127,619	4,725,903,758	1,894,344,820

NOTES TO THE FINANCIAL STATEMENTS

19. DERIVATIVE FINANCIAL INSTRUMENTS

Company and Group

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amounts indicate the volume of transactions outstanding at the year end and are indicative of neither the market risk nor the credit risk.

As at 31st March	2014		2013	
	Asset Rs.	Notional Amount Rs.	Asset Rs.	Notional Amount Rs.
Forward foreign exchange contracts	244,583	1,895,585,000	-	-
Total	244,583	1,895,585,000	-	-

Hedge Accounting

The Company has raised USD 50 Mn on 31st December 2013 through foreign borrowings for a period of two and half years, against which a forward foreign exchange contracts arrangement has been entered into with the People's Bank for USD 14.5 Mn which will be matured from 23rd June 2014 to 23rd February 2015.

As per Sri Lanka Accounting Standards - LKAS 39 (Financial Instruments: Recognition & Measurement) the Company has identified this particular transaction as a 'Cash Flow Hedge' after documenting the hedge relationship.

The objective of the hedge is to reduce the variability of the cash flows of a foreign currency denominated above mentioned borrowing (only the capital portion) attributable to changes in LKR / USD exchange rate.

Details	Description of the Hedge
Hedge instruments	Forward foreign exchange contract Counterparty - People's Bank
Hedge item	Notional amount - USD 14.5 Mn USD denominated borrowing - USD 14.5 Mn Capital is repayable in full on 20th February 2015.
The periods when the cash flows are expected to occur	23th June 2014 to 20th February 2015
The amount recognised in Other Comprehensive Income during the year	Rs. 652,503

The expected impact to the Income Statement on the Hedge is as follows:

	Less than one year Rs.
Forecast receivable cash flow	244,583
Forecast payable cash flow	244,583
	-

As at 31st March	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.

20. FINANCIAL INVESTMENTS - HELD FOR TRADING

Quoted equity securities (Note 20.1)	184,243,264	141,637,133	378,312,180	237,603,467
Total	184,243,264	141,637,133	378,312,180	237,603,467

NOTES TO THE FINANCIAL STATEMENTS

As at 31st March

Company	2014			2013		
	No. of Shares	Cost of Investment Rs.	Market Value Rs.	No. of Shares	Cost of Investment Rs.	Market Value Rs.
20.1 Equity securities						
Bank, Finance & Insurance						
Nations Trust Bank PLC	612,971	40,374,934	39,781,817	612,971	40,374,934	37,391,231
Commercial Bank PLC - voting	240,431	23,659,122	29,573,013	236,472	23,233,495	26,721,336
Commercial Bank PLC - non voting	336,815	28,386,730	32,671,055	183,152	13,673,329	17,747,429
Sampath Bank PLC - voting	93,555	17,055,936	17,036,366	-	-	-
Hatton National Bank PLC - non voting	10,183	1,199,646	1,221,960	10,183	1,199,646	1,342,118
Seylan Bank PLC - voting	43,994	2,926,026	2,802,418	43,333	2,879,558	2,825,312
Seylan Bank PLC - non voting	249,265	7,994,448	9,222,805	218,643	6,807,532	7,761,827
Diversified Holdings						
Aitken Spence PLC	82,800	16,286,605	8,106,120	82,800	16,286,605	9,902,880
John Keells Holdings PLC	69,230	15,220,737	15,715,210	60,000	13,605,487	14,820,000
Hemas Holdings PLC	25,000	1,108,695	942,500	25,000	1,108,695	675,000
Manufacturing						
Tokyo Cement Company (Lanka) PLC - non voting	110,000	4,649,785	3,190,000	100,000	4,649,785	1,750,000
Distilleries Company of Sri Lanka PLC	100,000	12,133,315	20,300,000	100,000	12,133,315	16,650,000
Other						
Vallibel One PLC	100,000	2,196,351	1,700,000	100,000	2,196,351	1,600,000
John Keells Hotels PLC	100,000	2,000,873	1,250,000	100,000	2,000,873	1,320,000
Mackwoods Energy PLC	100,000	1,400,000	730,000	100,000	1,400,000	1,130,000
		176,593,203	184,243,264		141,549,605	141,637,133

Group	2014			2013		
	No. of Shares	Cost of Investment Rs.	Market Value Rs.	No. of Shares	Cost of Investment Rs.	Market Value Rs.
Bank, Finance & Insurance						
Nations Trust Bank PLC	912,971	55,704,934	59,251,818	912,971	55,704,934	54,191,231
Commercial Bank PLC - voting	572,677	57,171,122	70,439,271	413,247	41,020,596	44,929,161
Commercial Bank PLC - non voting	457,953	38,101,689	44,421,441	301,915	23,388,142	28,566,739
Sampath Bank PLC - voting	258,555	45,187,222	47,082,866	-	-	-
Hatton National Bank PLC - non voting	224,271	24,366,108	26,912,520	224,271	24,366,108	25,427,019
National Development Bank	60,855	8,651,089	10,868,703	-	-	-
Seylan Bank PLC - voting	92,421	6,102,936	5,887,218	91,033	6,056,378	5,496,511
Seylan Bank PLC - non voting	403,122	12,484,737	14,915,514	368,643	11,298,532	13,026,826
People's Finance PLC	-	-	-	29,800	1,130,016	1,028,100
Diversified Holdings						
Aitken Spence PLC	82,800	16,286,605	8,106,120	82,800	16,286,605	9,902,880
John Keells Holdings PLC	183,067	39,196,159	41,556,209	60,000	13,605,487	14,820,000
Hemas Holdings PLC	25,000	1,108,695	942,500	25,000	1,108,695	675,000
Manufacturing						
Tokyo Cement Company (Lanka) PLC - non voting	110,000	4,649,785	3,190,000	100,000	4,649,785	1,750,000
Distilleries Company Of Sri Lanka PLC	200,000	24,133,315	40,600,000	200,000	24,133,315	33,250,000
Other						
Horana Plantation PLC	20,000	768,000	458,000	20,000	768,000	490,000
Vallibel One PLC	100,000	2,196,351	1,700,000	100,000	2,196,350	1,600,000
John Keells Hotels PLC	100,000	2,000,873	1,250,000	100,000	2,000,873	1,320,000
Mackwoods Energy PLC	100,000	1,400,000	730,000	100,000	1,400,000	1,130,000
		339,509,620	378,312,180		229,113,816	237,603,467

NOTES TO THE FINANCIAL STATEMENTS

As at 31st March	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
21. LOANS AND RECEIVABLES				
Loans and receivables (Note 21.1)	91,566,211,366	89,246,203,065	91,704,889,240	89,140,194,040
Less:				
Individual impairment charges (Note 21.3)	322,089,636	67,956,340	322,089,636	67,956,340
Collective impairment charges (Note 21.3)	1,025,766,668	773,766,454	1,040,899,740	773,766,454
Net loans and receivables	90,218,355,062	88,404,480,271	90,341,899,864	88,298,471,246

21.1 Analysis**21.1.1 Analysis by product**

Lease/Ijhara receivables	47,851,052,789	46,938,147,536	47,851,052,789	46,900,785,466
Hire-Purchase/ BBA receivables	28,503,703,054	31,875,194,716	28,595,518,906	31,963,197,872
Term loans	14,230,161,257	9,816,442,750	14,601,108,500	9,936,484,380
Staff loans	328,154,817	268,071,846	352,564,616	282,344,987
Related party receivables (Note 21.1.1.1)	595,833,411	341,446,871	10,711,229	50,481,989
Debentures	-	-	236,627,162	-
Margin trading receivables	57,306,038	6,899,346	57,306,038	6,899,346
Gross total	91,566,211,366	89,246,203,065	91,704,889,240	89,140,194,040

21.1.1.1 Related party receivables

People's Bank	-	-	10,711,229	50,481,989
People's Leasing Property Development Ltd.	569,267,625	340,517,795	-	-
People's Leasing Fleet Management Ltd.	1,936,828	297,663	-	-
People's Leasing Havelock Properties Ltd.	2,973,631	-	-	-
People's Microfinance Ltd.	2,958,991	1,400	-	-
People's Insurance Ltd.	18,696,336	630,013	-	-
Total	595,833,411	341,446,871	10,711,229	50,481,989

21.1.2 Analysis by currency

Sri Lankan Rupee	91,566,211,366	89,246,203,065	91,704,889,240	89,140,194,040
Gross total	91,566,211,366	89,246,203,065	91,704,889,240	89,140,194,040

21.1.3 Analysis by industry

Agriculture and fishing	2,622,105,798	2,490,873,037	2,756,324,335	2,555,809,481
Manufacturing	12,895,776	148,013,172	20,785,002	148,013,172
Tourism	363,026,206	401,878,745	364,610,759	402,751,992
Transport	16,493,991,610	16,826,715,727	16,496,342,191	16,828,852,637
Construction	4,359,060,788	4,245,362,196	3,788,757,052	3,907,800,119
Traders	22,668,018,057	23,298,596,903	22,881,511,395	23,392,803,804
Services	40,171,148,610	35,631,960,379	40,157,333,481	35,563,629,581
Industry	1,223,461,623	1,111,580,449	1,312,876,666	1,159,096,376
Financial services	686,108,069	97,782,973	424,892,902	-
Others	2,966,394,829	4,993,439,484	3,501,455,457	5,181,436,878
Gross total	91,566,211,366	89,246,203,065	91,704,889,240	89,140,194,040

NOTES TO THE FINANCIAL STATEMENTS

21.2 Analysis of rental receivables on Lease, Hire-Purchase and Islamic finance

	2014				2013			
	Within one year Rs.	1-5 years Rs.	Over 5 years Rs.	Total Rs.	Within one year Rs.	1-5 years Rs.	Over 5 years Rs.	Total Rs.
Lease								
Gross Rentals Receivables	25,404,589,926	34,039,315,864	12,100,051	59,456,005,841	25,052,737,148	33,567,872,401	11,932,466	58,632,542,015
Less: Unearned Income	6,849,411,448	6,224,599,894	597,234	13,074,608,576	7,081,857,744	6,435,842,158	617,503	13,518,317,404
Net Rentals Receivables	18,555,178,478	27,814,715,970	11,502,817	46,381,397,265	17,970,879,404	27,132,030,243	11,314,963	45,114,224,611
Less : Rentals Received in Advance	-	-	-	233,971,297	-	-	-	385,209,912
Less : Allowance for Impairment Losses	-	-	-	568,538,282	-	-	-	334,093,732
Total Net Rentals Receivable	18,555,178,478	27,814,715,970	11,502,817	45,578,887,686	17,970,879,404	27,132,030,243	11,314,963	44,394,920,966
Hire -Purchase								
Gross Rentals Receivables	15,976,765,527	18,221,222,410	693,904	34,198,681,841	18,121,806,207	20,667,603,892	787,070	38,790,197,169
Less: Unearned Income	4,017,475,703	3,515,031,161	51,044	7,532,557,908	4,650,941,143	4,069,272,412	59,095	8,720,272,650
Net Rentals Receivables	11,959,289,824	14,706,191,249	642,860	26,666,123,933	13,470,865,064	16,598,331,480	727,975	30,069,924,519
Less : Rentals Received in Advance	-	-	-	11,660,568	-	-	-	32,971,836
Less : Allowance for Impairment Losses	-	-	-	485,321,977	-	-	-	310,490,663
Total Net Rentals Receivable	11,959,289,824	14,706,191,249	642,860	26,169,141,388	13,470,865,064	16,598,331,480	727,975	29,726,462,020
Ijhra /BBA								
Gross Rentals Receivables	2,117,704,659	2,370,721,965	-	4,488,426,624	2,412,545,999	2,700,790,107	-	5,113,336,106
Less: Unearned Income	517,648,184	417,304,407	-	934,952,591	574,476,814	463,117,061	-	1,037,593,875
Net Rentals Receivables	1,600,056,475	1,953,417,558	-	3,553,474,033	1,838,069,185	2,237,673,046	-	4,075,742,231
Less : Rentals Received in Advance	-	-	-	607,523	-	-	-	28,367,361
Less : Allowance for Impairment Losses	-	-	-	31,562,742	-	-	-	21,472,222
Total Net Rentals Receivable	1,600,056,475	1,953,417,558	-	3,521,303,768	1,838,069,185	2,237,673,046	-	4,025,902,648

NOTES TO THE FINANCIAL STATEMENTS

21.3 Movement in Individual and collective impairment charges during the year

Impairment allowance for loans and advances to customers

A reconciliation of the allowance for impairment losses for loans and advances, by class, is as follows:

Company	Lease Rs.	Hire Purchase Rs.	Ijara Rs.	Term Loans Rs.	Re-finance loans Rs.	BBA Rs.	Trading Muraba Rs.	Total Rs.
At 1st April 2012	203,131,791	196,987,396	3,154,066	134,455,728	779,336	5,498,747	15,081,007	559,088,071
Charge for the year	155,174,380	152,656,611	2,033,291	56,502,226	153,268	10,786,118	1,887,938	379,193,832
Amounts written off	(24,212,439)	(39,153,344)	-	(33,193,326)	-	-	-	(96,559,109)
At 31st March 2013	334,093,732	310,490,663	5,187,357	157,764,628	932,604	16,284,865	16,968,945	841,722,794
Individual impairment	-	-	-	47,349,693	-	7,163,493	13,443,154	67,956,340
Collective impairment	334,093,732	310,490,663	5,187,357	110,414,935	932,604	9,121,372	3,525,791	773,766,454
Total	334,093,732	310,490,663	5,187,357	157,764,628	932,604	16,284,865	16,968,945	841,722,794
At 1st April 2013	334,093,732	310,490,663	5,187,357	157,764,628	932,604	16,284,865	16,968,945	841,722,794
Charge for the year	234,444,550	174,831,314	2,484,067	66,940,342	24,156,134	7,606,453	(4,329,350)	506,133,510
Amounts written off	-	-	-	-	-	-	-	-
At 31st March 2014	568,538,282	485,321,977	7,671,424	224,704,970	25,088,738	23,891,318	12,639,595	1,347,856,304
Individual impairment	60,576,574	96,232,938	324,158	130,836,768	24,176,044	-	9,943,154	322,089,636
Collective impairment	507,961,708	389,089,039	7,347,266	93,868,202	912,694	23,891,318	2,696,441	1,025,766,668
Total	568,538,282	485,321,977	7,671,424	224,704,970	25,088,738	23,891,318	12,639,595	1,347,856,304

Group	Lease Rs.	Hire Purchase Rs.	Ijara Rs.	Term Loans Rs.	Re-finance loans Rs.	BBA Rs.	Trading Muraba Rs.	Total Rs.
At 1st April 2012	203,131,791	196,987,396	3,154,066	134,455,728	779,336	5,498,747	15,081,007	559,088,071
Charge/(Reversal) for the year	155,174,380	152,656,611	2,033,291	56,502,226	153,268	10,786,118	1,887,938	379,193,832
Amounts written off	(24,212,439)	(39,153,344)	-	(33,193,326)	-	-	-	(96,559,109)
At 31st March 2013	334,093,732	310,490,663	5,187,357	157,764,628	932,604	16,284,865	16,968,945	841,722,794
Individual impairment	-	-	-	47,349,693	-	7,163,493	13,443,154	67,956,340
Collective impairment	334,093,732	310,490,663	5,187,357	110,414,935	932,604	9,121,372	3,525,791	773,766,454
Total	334,093,732	310,490,663	5,187,357	157,764,628	932,604	16,284,865	16,968,945	841,722,794
At 1st April 2013	334,093,732	310,490,663	5,187,357	157,764,628	932,604	16,284,865	16,968,945	841,722,794
Charge/(Reversal) for the year	234,444,550	176,239,722	2,484,067	80,665,006	24,156,134	7,606,453	(4,329,350)	521,266,582
Amounts written off	-	-	-	-	-	-	-	-
At 31st March 2014	568,538,282	486,730,385	7,671,424	238,429,634	25,088,738	23,891,318	12,639,595	1,362,989,376
Individual impairment	60,576,574	96,232,938	324,158	130,836,768	24,176,044	-	9,943,154	322,089,636
Collective impairment	507,961,708	390,497,447	7,347,266	107,592,866	912,694	23,891,318	2,696,441	1,040,899,740
Total	568,538,282	486,730,385	7,671,424	238,429,634	25,088,738	23,891,318	12,639,595	1,362,989,376

NOTES TO THE FINANCIAL STATEMENTS

As at 31st March	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
22. INSURANCE AND REINSURANCE RECEIVABLES				
Reinsurance receivables	-	-	111,560,380	148,407,599
Insurance receivables	-	-	26,015,672	10,754,524
Total	-	-	137,576,052	159,162,123

23. FINANCIAL INVESTMENTS-AVAILABLE-FOR-SALE

Equity securities (Note 23.1)	224,067,865	184,179,892	224,067,865	184,179,892
Treasury bills	-	-	1,041,235,939	989,687,593
Unit trust	-	-	51,514,579	-
Net available-for-sale investments	224,067,865	184,179,892	1,316,818,383	1,173,867,485

23.1 Equity securities - Company and Group

	2014			2013		
	No. of Shares	Cost of Investment Rs.	Market Value Rs.	No. of Shares	Cost of Investment Rs.	Market Value Rs.
Quoted Investments						
Sanasa Development Bank PLC	1,000,000	100,000,000	75,000,000	1,000,000	100,000,000	65,100,000
People's Merchant Finance PLC	8,819,992	205,160,064	149,057,865	8,819,992	205,160,064	119,069,892
		305,160,064	224,057,865		305,160,064	184,169,892
Unquoted Investments						
Credit Information Bureau of Sri Lanka	100	10,000	10,000	100	10,000	10,000
		305,170,064	224,067,865		305,170,064	184,179,892

23.2 Movements in impairment charges during the year

	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Opening balance as at 1st April	120,990,172	91,382,167	119,310,506	94,963,126
Recycling to income statement	(25,000,000)	-	(25,000,000)	-
Reversal for the year	(39,887,973)	29,608,005	(42,188,300)	24,347,380
Closing balance as at 31st March	56,102,199	120,990,172	52,122,206	119,310,506

24. FINANCIAL INVESTMENTS - HELD-TO-MATURITY

As at 31st March	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Treasury bills	4,358,415,252	516,301,936	4,358,415,252	516,301,936
Treasury bonds	388,142,759	23,464,015	388,142,759	23,464,015
Total	4,746,558,011	539,765,951	4,746,558,011	539,765,951

25. INVESTMENTS IN SUBSIDIARIES

Unquoted equity share (Note 25.1)	1,475,000,000	1,475,000,000	-	-
Less: Impairment charges	-	-	-	-
Total	1,475,000,000	1,475,000,000	-	-

NOTES TO THE FINANCIAL STATEMENTS

As at 31st March	Holding %	Company		Group	
		2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
25.1 Details of subsidiaries					
Unquoted equity share					
People's Leasing Fleet Management Limited	100.00	75,000,000	75,000,000	-	-
People's Leasing Property Development Limited	100.00	550,000,000	550,000,000	-	-
People's Leasing Havelock Properties Limited	100.00	200,000,000	200,000,000	-	-
People's Microfinance Limited	100.00	50,000,000	50,000,000	-	-
People's Insurance Limited	100.00	600,000,000	600,000,000	-	-
Total		1,475,000,000	1,475,000,000	-	-

	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
26. INVESTMENTS IN ASSOCIATES				
Unquoted equity share (Note 26.1)	50,000,000	50,000,000	50,000,000	50,000,000
Less: Impairment charges	50,000,000	50,000,000	50,000,000	50,000,000
Total	-	-	-	-

	Holding %	Company		Group	
		2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
26.1 Details of Associates					
Unquoted equity share					
City Finance Corporation Limited (50,000,000 ordinary shares)	28.51	50,000,000	50,000,000	50,000,000	50,000,000
Total		50,000,000	50,000,000	50,000,000	50,000,000

NOTES TO THE FINANCIAL STATEMENTS

27. GOODWILL AND INTANGIBLE ASSETS

Intangible Assets	Company			Group			
	Computer software Rs.	Goodwill Rs.	Total Rs.	Computer Software Rs.	Customer List Rs.	Goodwill Rs.	Total Rs.
2013/14 (Current year)							
Cost/fair value							
Opening balance at 01.04.2013	96,839,662	308,545,249	405,384,911	114,453,274	6,033,738	308,545,249	429,032,261
Additions	15,252,425	-	15,252,425	15,252,425	-	-	15,252,425
Disposals	-	-	-	(2,342,295)	-	-	(2,342,295)
Transfers/adjustments	16,361,290	-	16,361,290	16,361,290	-	-	16,361,290
Closing balance at 31.03.2014	128,453,377	308,545,249	436,998,626	143,724,694	6,033,738	308,545,249	458,303,681
Less: Accumulated amortisation							
Opening balance at 01.04.2013	61,537,046	-	61,537,046	66,124,587	4,625,893	-	70,750,480
Amortisation	14,859,965	-	14,859,965	18,456,058	1,407,845	-	19,863,903
Disposals	-	-	-	(717,098)	-	-	(717,098)
Transfers/adjustments	12,674,298	-	12,674,298	12,674,298	-	-	12,674,298
Closing balance at 31.03.2014	89,071,309	-	89,071,309	96,537,845	6,033,738	-	102,571,583
Net book value at 31.03.2014	39,382,068	308,545,249	347,927,317	47,186,849	-	308,545,249	355,732,098
2012/13 (Previous year)							
Cost/fair value							
Opening balance at 01.04.2012	86,183,489	-	86,183,489	89,119,479	6,033,738	-	95,153,217
Additions	10,656,173	-	10,656,173	25,333,795	-	-	25,333,795
Due to merge	-	308,545,249	308,545,249	-	-	308,545,249	308,545,249
Disposals	-	-	-	-	-	-	-
Closing balance at 31.03.2013	96,839,662	308,545,249	405,384,911	114,453,274	6,033,738	308,545,249	429,032,261
Less: Accumulated amortisation							
Opening balance at 01.04.2012	49,442,762	-	49,442,762	49,799,453	3,419,137	-	53,218,590
Amortisation	12,094,284	-	12,094,284	16,325,134	1,206,756	-	17,531,890
Disposals	-	-	-	-	-	-	-
Closing balance at 31.03.2013	61,537,046	-	61,537,046	66,124,587	4,625,893	-	70,750,480
Net book value at 31.03.2013	35,302,616	308,545,249	343,847,865	48,328,687	1,407,845	308,545,249	358,281,781

Impairment tests for goodwill

Goodwill acquired through business combinations has been allocated to Lease and Hire-Purchase unit. The Group undertakes an annual test for impairment based on following key assumptions.

Key assumptions used in value in use calculations

The recoverable amount of the Loan and Hire-Purchase unit has been determined based on value-in-use calculations, using cash flow projections based on financial budgets approved by senior management covering a three-year period. The following rates are used by the Company:

	%
Discount rate	13.93
Projected growth rate	5

Discount rates

The discount rate was estimated based on the average percentage of a weighted average cost of capital for the Company.

Projected growth rates

Assumptions are based on industry research.

Sensitivity to changes in assumptions

Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the units to exceed their recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

28. PROPERTY, PLANT AND EQUIPMENT**28.1 Property, Plant and Equipment - Company**

	Land and Buildings Rs.	Improvement of Leasehold properties Rs.	Motor Vehicles Rs.	Computer Hardware Rs.	Office Equipment Rs.	Furniture and Fittings Rs.	Total Rs.
2013/14 (Current year)							
Cost/fair value							
Opening balance at 01.04.2013	145,583,357	58,821,917	188,384,212	383,103,187	234,655,344	280,708,939	1,291,256,956
Additions	93,897,008	300,795	19,759,651	48,216,108	85,017,784	54,379,424	301,570,770
Disposals	-	(1,703,548)	(30,127,176)	-	(1,542,736)	(1,050,821)	(34,424,281)
Transfers/adjustments	-	-	-	(27,828,011)	29,584,668	(18,117,941)	(16,361,284)
Closing balance at 31.03.2014	239,480,365	57,419,164	178,016,687	403,491,284	347,715,060	315,919,601	1,542,042,161
Less: Accumulated depreciation							
Opening balance at 01.04.2013	378,606	42,453,429	115,698,423	218,838,114	105,405,736	117,947,953	600,722,261
Additions	334,967	6,854,721	18,940,468	54,731,854	46,938,258	54,150,036	181,950,304
Disposals	-	(1,703,548)	(25,213,963)	-	(1,380,367)	(792,971)	(29,090,849)
Transfers/adjustments	-	-	-	(17,164,840)	12,095,984	(7,605,441)	(12,674,297)
Closing balance at 31.03.2014	713,573	47,604,602	109,424,928	256,405,128	163,059,611	163,699,577	740,907,419
Net book value at 31.03.2014	238,766,792	9,814,562	68,591,759	147,086,156	184,655,449	152,220,024	801,134,742
2012/13 (Previous year)							
Cost/fair value							
Opening balance at 01.04.2012	151,529,427	62,433,785	215,462,571	278,780,375	196,126,071	189,500,924	1,093,833,153
Due to merge	-	-	16,130,674	71,042,992	12,642,990	52,682,235	152,498,891
Additions	364,030	991,078	632,294	54,506,736	71,107,813	63,589,936	191,191,887
Disposals	(6,310,100)	(4,602,946)	(43,841,327)	(21,226,916)	(45,221,530)	(25,064,156)	(146,266,975)
Closing balance at 31.03.2013	145,583,357	58,821,917	188,384,212	383,103,187	234,655,344	280,708,939	1,291,256,956
Less: Accumulated depreciation							
Opening balance at 01.04.2012	75,721	39,731,367	120,205,562	141,791,016	91,694,298	61,439,608	454,937,572
Due to merge	-	-	7,085,578	33,979,691	5,021,324	20,109,827	66,196,420
Charge for the year	302,885	7,325,008	29,159,681	59,066,506	30,186,837	51,981,598	178,022,515
Disposals	-	(4,602,946)	(40,752,398)	(15,999,099)	(21,496,723)	(15,583,080)	(98,434,246)
Closing balance at 31.03.2013	378,606	42,453,429	115,698,423	218,838,114	105,405,736	117,947,953	600,722,261
Net book value at 31.03.2013	145,204,751	16,368,488	72,685,789	164,265,073	129,249,608	162,760,986	690,534,695

NOTES TO THE FINANCIAL STATEMENTS

28.2 Property, Plant and Equipment - Group

	Land and Buildings Rs.	Improvement of Leasehold properties Rs.	Motor Vehicles Rs.	Computer Hardware Rs.	Office Equipment Rs.	Furniture and fittings Rs.	Working in Progress Rs.	Total Rs.
2013/14 (Current year)								
Cost/fair value								
Opening balance at 01.04.2013	1,700,711,646	58,821,915	413,038,713	410,732,414	472,496,476	287,765,220	28,111,853	3,371,678,237
Additions	269,904,850	300,795	43,860,333	61,347,804	94,421,438	58,925,486	152,187,035	680,947,741
Disposals	-	(1,703,548)	(51,752,061)	-	(1,542,736)	(1,050,821)	-	(56,049,166)
Transfers/Adjustments	-	-	-	(27,828,011)	25,987,770	(14,521,043)	-	(16,361,284)
Closing balance at 31.03.2014	1,970,616,496	57,419,162	405,146,985	444,252,207	591,362,948	331,118,842	180,298,888	3,980,215,528
Less: Accumulated depreciation								
Opening balance at 01.04.2013	36,873,101	42,453,429	155,490,568	226,566,404	149,002,379	120,159,739	-	730,545,620
Charge for the year	24,109,870	6,854,721	36,553,862	62,734,341	73,208,112	56,951,966	-	260,412,872
Disposals	-	(1,703,548)	(46,872,960)	-	(788,325)	(792,971)	-	50,157,804
Transfers/Adjustments	-	-	-	(17,605,170)	10,986,700	(6,055,827)	-	(12,674,297)
Closing balance at 31.03.2014	60,982,971	47,604,602	145,171,470	271,695,575	232,408,866	170,262,907	-	928,126,391
Net book value at 31.03.2014	1,909,633,525	9,814,560	259,975,515	172,556,632	358,954,082	160,855,935	180,298,888	3,052,089,137
2012/13 (Previous year)								
Cost/fair value								
Opening balance at 01.04.2012	1,612,281,131	62,433,783	413,533,965	378,836,738	415,643,398	249,863,294	304,720,106	3,437,312,415
Additions	263,058,890	991,078	81,398,231	53,122,592	102,114,609	62,966,082	84,372,550	648,024,032
Disposals	(174,628,375)	(4,602,946)	(81,893,483)	(21,226,916)	(45,261,531)	(25,064,156)	(360,980,803)	(713,658,210)
Closing balance at 31.03.2013	1,700,711,646	58,821,915	413,038,713	410,732,414	472,496,476	287,765,220	28,111,853	3,371,678,237
Less: Accumulated depreciation								
Opening balance at 01.04.2012	14,997,840	39,731,367	169,015,608	185,115,237	113,225,937	86,142,932	-	608,228,921
Charge for the year	21,875,261	7,325,008	45,045,080	62,235,983	57,313,165	49,599,889	-	243,394,386
Disposals	-	(4,602,946)	(58,570,120)	(20,784,816)	(21,536,723)	(15,583,082)	-	(121,077,687)
Closing balance at 31.03.2013	36,873,101	42,453,429	155,490,568	226,566,404	149,002,379	120,159,739	-	730,545,620
Net book value at 31.03.2013	1,663,838,545	16,368,486	257,548,145	184,166,010	323,494,097	167,605,481	28,111,853	2,641,132,617

28.3 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	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Improvement of Leasehold properties	27,989,120	28,677,553	27,989,120	28,677,553
Motor Vehicles	32,172,287	47,646,662	38,070,172	52,105,550
Computer Hardware	131,629,629	76,476,753	131,629,629	76,476,753
Office Equipment	63,510,135	52,831,275	63,510,135	52,831,275
Furniture and fittings	39,017,924	24,521,184	39,017,924	24,521,184
	294,319,095	230,153,427	300,216,980	234,612,315

NOTES TO THE FINANCIAL STATEMENTS

28.4 Group Free hold land & buildings

As at 31st March 2014

Location	Address	Land Extent	Building Area (Sq.Ft)	Cost Rs.	Revalued Amount Rs.
People's Leasing & Finance PLC					
Makola - Yard	No. 496, Makola North, Makola	89 perches	-	7,632,052	39,900,000
Mabima - Yard	No. 225/D, Nayagala Road, Heiyantuduwa, Mabima	2 acres & 10.75 perches	-	21,624,125	50,000,000
Bandarawela	No. 35/2D, Welimada Road, Bandarawela	8.3 perches	4,760	31,257,350	37,000,000
Jaffna	No. 34, Mahathma Gandhi Road, Jaffna	44.72 perches	-	45,763,500	148,860,000
Monaragala	No. 08, Pothuwil Road, Monaragala	125.48 perches	-	39,306,330	45,441,000
Boralesgamuwa	No. 81, Old Kesbawa Road, Diulpitiya, Boralesgamuwa	42 perches	12,670	43,651,580	55,000,000
Hokandara	No. 414, Hokandara Road, Athurugiriya	2 acres & 95.7 perches	-	64,589,008	64,589,008
Meegahamulla	Kandepalla, Beligamuwa, Galewala	1 acres	-	27,558,000	27,558,000
				281,381,945	468,348,008
People's Leasing Property Development Limited					
Borella	No. 1161, Maradana Road, Colombo 08	82.95 perches	127,533	1,533,095,631	2,000,000,000
				1,533,095,631	2,000,000,000
People's Leasing Havelock Property Development Limited					
Colombo 05	No. 07, Havelock Road, Colombo 05	39.2 perches	-	156,138,920	178,500,000
				156,138,920	178,500,000

	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
29. INVESTMENT PROPERTY				
At the beginning of the year	56,000,000	56,000,000	-	-
Net gain from fair value adjustments	(1,000,000)	-	-	-
At the end of the year	55,000,000	56,000,000	-	-

Land and Building situated at No. 81, Old Kasbawa Road, Raththanapitiya, Boralesgamuwa is rented out to People's Leasing Fleet Management Limited by the Company and the Company receives rent income. Accordingly, these land and building have been classified as investment property in the Statement of Financial Position of the Company. However, according to Sri Lanka Accounting Standard (LKAS 40) "Investment Property", the said land and building are treated as property, plant and equipment in the Consolidated Statement of Financial Position, since these are rented to a Group entity.

The Company carries investment properties at market value. Market valuations of the above investment properties were carried out as at 31st March 2014 by Mr. H.R. De Silva, FRICS (Eng), who is independent valuers.

Rent income is included in the Income Statement as;

For the year ended 31st March	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Rent income	612,245	612,245	-	-
Direct operating expenses arising from Investment Property that generated rental income during the period	-	-	-	-

As at 31st March	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
30. OTHER ASSETS				
Other financial assets	115,450,706	73,348,591	-	-
Non financial assets (Note 30.1)	825,895,124	823,045,988	1,666,080,612	1,538,626,333
Total	941,345,830	896,394,579	1,666,080,612	1,538,626,333

NOTES TO THE FINANCIAL STATEMENTS

As at 31st March	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
30.1 Non Financial Assets				
Cost				
Advance payments	164,369,416	149,781,121	254,717,437	608,491,147
VAT Recoverable	57,976,151	246,302,822	58,057,503	242,182,052
Income tax recoverable	-	74,403,384	-	74,403,384
Inventories	47,077,770	77,613,146	51,200,302	79,659,978
Other receivables	556,471,787	274,945,515	1,302,105,370	533,889,772
Total	825,895,124	823,045,988	1,666,080,612	1,538,626,333

31. DUE TO BANKS

Overdraft	153,702,208	828,609,304	266,613,576	960,786,766
Long term loans	13,260,359,021	10,930,517,346	14,792,522,545	12,211,617,212
Short term loans	200,038,356	3,317,690,589	200,038,356	3,317,690,589
Redeemable preference shares (Note 31.1)	517,708,333	724,791,667	517,708,333	724,791,667
Total	14,131,807,918	15,801,608,906	15,776,882,810	17,214,886,234

31.1 Redeemable Preference Shares

Redeemable preference shares	500,000,000	700,000,000	500,000,000	700,000,000
Interest payable	17,708,333	24,791,667	17,708,333	24,791,667
Total	517,708,333	724,791,667	517,708,333	724,791,667

32. DUE TO CUSTOMERS

Fixed deposits	38,855,822,287	18,099,641,331	38,775,451,951	17,967,623,399
Savings deposits	2,065,662,619	747,030,419	2,063,826,163	742,245,692
Total	40,921,484,906	18,846,671,750	40,839,278,114	18,709,869,091

33. DEBT SECURITIES ISSUED

Promissory notes	921,047,327	9,168,355,736	921,047,327	9,168,355,736
Debentures (Note 33.1)	7,734,205,217	7,882,843,130	7,630,039,206	7,782,843,130
Commercial papers	4,755,278,083	11,176,494,339	4,755,278,083	11,176,494,339
Asset backed securities	21,062,850,001	12,202,921,982	21,062,850,001	12,202,921,982
Total	34,473,380,628	40,430,615,187	34,369,214,617	40,330,615,187

33.1 Debentures

Not quoted debentures	1,571,504,572	1,945,105,113	1,571,504,572	1,945,105,113
Quoted debentures (Note 33.1.1)	6,162,700,645	5,937,738,017	6,058,534,634	5,837,738,017
Total	7,734,205,217	7,882,843,130	7,630,039,206	7,782,843,130

33.1.1 Quoted debentures

In 2013 the Company issued Rs. 6,000 million worth of Senior, unsecured, redeemable, 'AA(-)' rated Four year (2013/2017) and Five year (2013/2018) debentures of Rs. 100/- each.

	Face value Rs.	Interest rate	Repayment term	Issued date	Maturity date	Company		Group	
						2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Senior, unsecured, redeemable, 'AA(-)' rated									
Option 01	1,986,500,000	16.50%	Semi Annually	27-Mar-2013	26-Mar-2017	2,040,367,472	1,965,886,095	2,005,879,842	1,915,886,095
Option 02	1,583,500,000	16.75%	Semi Annually	27-Mar-2013	26-Mar-2018	1,626,439,412	1,567,068,025	1,598,948,265	1,567,068,025
Option 03	2,430,000,000	17.00%	Annually	27-Mar-2013	26-Mar-2018	2,495,893,761	2,404,783,897	2,453,706,527	2,354,783,897
Total	6,000,000,000					6,162,700,645	5,937,738,017	6,058,534,634	5,837,738,017

NOTES TO THE FINANCIAL STATEMENTS

As at 31st March	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
34. OTHER FINANCIAL LIABILITIES				
Trade payable	1,247,483,425	1,780,394,942	1,311,244,605	1,566,318,899
Insurance payable	458,826,245	419,012,158	113,797,342	372,134,393
Dividends payable	7,372,422	-	7,372,422	4,854,427
Other payable	1,155,984,444	814,384,502	1,326,899,366	1,099,236,742
Total	2,869,666,536	3,013,791,602	2,759,313,735	3,042,544,461

35. INSURANCE LIABILITIES AND REINSURANCE PAYABLE

Insurance liabilities (Note 35.1)	-	-	2,531,743,263	2,171,701,475
Reinsurance payable	-	-	38,796,783	45,239,822
Total	-	-	2,570,540,046	2,216,941,297

35.1 Insurance Liabilities

Outstanding claims provision	-	-	1,014,259,022	753,323,659
Provision for unearned premiums (net)	-	-	1,517,484,241	1,413,026,454
Provision for liability adequacy	-	-	-	5,351,362
	-	-	2,531,743,263	2,171,701,475

36. CURRENT TAX LIABILITIES

Tax payable	446,831,552	39,914,796	540,841,295	85,759,294
Total	446,831,552	39,914,796	540,841,295	85,759,294

37. DEFERRED TAX ASSETS/LIABILITIES

Deferred tax assets (Note 37.2)	(36,083,520)	(15,638,956)	(50,815,995)	(19,921,872)
Deferred tax liabilities (Note 37.2)	1,609,544,908	1,216,279,797	1,649,388,513	1,229,699,152
	1,573,461,388	1,200,640,841	1,598,572,518	1,209,777,280

37.1 Reconciliation of Deferred Tax

At the beginning of the year	1,200,640,841	603,324,816	1,209,777,280	610,278,646
Charge for the year	388,846,633	597,316,025	405,573,661	599,498,634
Deferred Tax charge relating to components of other comprehensive income	(16,026,086)	-	(16,778,423)	-
At the end of the year	1,573,461,388	1,200,640,841	1,598,572,518	1,209,777,280

37.2 Reconciliation of Deferred Tax

Deferred tax assets and liabilities are attributable to the following:

Deferred tax assets

Carry forward tax losses	-	-	13,440,971	3,800,202
Defined benefit plan liability	20,057,434	15,638,956	21,348,938	16,121,670
Actuarial losses recognised in other comprehensive income	16,026,086	-	16,026,086	-
	36,083,520	15,638,956	50,815,995	19,921,872

Deferred Tax Liability

Accelerated depreciation allowance for tax purpose (Rentals receivable)	1,555,506,235	1,161,831,622	1,555,506,234	1,161,831,623
Accelerated depreciation allowance for tax purpose (Property, plant & equipment)	54,038,673	54,448,175	93,183,955	67,397,223
Fair value losses recognised in other comprehensive income	-	-	698,324	470,306
	1,609,544,908	1,216,279,797	1,649,388,513	1,229,699,152
Net deferred tax liabilities	1,573,461,388	1,200,640,841	1,598,572,518	1,209,777,280

Deferred tax assets/liabilities have been calculated at the rate of 28%.

NOTES TO THE FINANCIAL STATEMENTS

As at 31st March	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
38. OTHER LIABILITIES				
VAT on financial services payable	34,996,154	25,119,954	37,432,317	25,119,954
Value Added Tax (VAT)	-	-	22,841,608	-
Retirement benefit obligations (Note 38.1)	128,869,714	55,579,206	134,048,942	56,572,293
Total	163,865,868	80,699,160	194,322,867	81,692,247

38.1 Retirement Benefit Obligations

Balance at the beginning of the year	55,579,206	43,353,497	56,572,293	42,365,907
Amount recognise in Income Statement (Note 38.1.1)	23,313,048	17,170,984	27,194,333	19,228,900
Actuarial loss	57,236,020	1,016,498	57,574,001	1,258,980
Benefits paid	(7,258,560)	(4,945,275)	(7,291,685)	(5,022,514)
Balance at the end of the year	128,869,714	55,579,206	134,048,942	56,572,293

38.1.1 Amount recognise in Income Statement

Current service cost	13,119,252	8,154,116	16,668,472	9,204,042
Interest cost	10,193,796	8,000,370	10,525,861	8,765,878
Total	23,313,048	17,170,984	27,194,333	19,228,900

An actuarial valuation of the gratuity fund was carried out as at 31st March 2014 by M/s. Piyal S. Goonatileke & Associates, a firm of professional actuaries. The valuation method used by the actuary to value the fund is the "Projected Unit Credit Actuarial Cost Method, recommended by Sri Lanka Accounting Standard - LKAS 19 (Employee Benefits).

Actuarial assumptions	2014	2013
Discount rate as at 31st March	10.5% - 10.6%	12%
Future salary increment rate	9.00%	10.00%
Mortality	Mortality - GA - 1983	Mortality - GA - 1983
Disability loading	Long term Disability 1987 Soc. Sec. Table	
Retirement age	55 Years	55 Years

Staff Turnover

20 Years	8.00%	8.00%
25 Years	7.50%	7.50%
30 Years	7.00%	7.00%
35 Years	5.00%	5.00%
40 Years	1.50%	1.50%
45 Years	0.90%	0.90%
50 Years	0.01%	0.01%

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 Comprehensive Income Statement and the Statement of Financial Position is the effect of the assumed changes in discount rate & salary increment rate on the profit or loss & employment benefit obligation for the year.

	2014	
	Effect on Comprehensive Income Statement Increase/ (Reduction) in results for the year Rs.	Effect on employee benefit Obligation increase/ (Reduction) in the Liability Rs.
Increase/ (decrease) in discount rate		
	1%	15,861,482
	-1%	(13,810,894)
Increase/ (decrease) in salary Increment		
	1%	13,843,373
	-1%	(16,201,852)

NOTES TO THE FINANCIAL STATEMENTS

As at 31st March	2014		2013	
	Number	Rs.	Number	Rs.
39. CAPITAL				
Capital	1,579,862,482	12,736,073,308	1,579,862,482	12,536,073,308
Total	1,579,862,482	12,736,073,308	1,579,862,482	12,536,073,308

39.1 Stated Capital

Fully paid ordinary shares	1,560,000,160	11,608,000,800	1,560,000,160	11,608,000,800
Issue of new shares	19,862,322	278,072,508	19,862,322	278,072,508
Transfer from preference shares on redemption	-	850,000,000	-	650,000,000
Issued capital	1,579,862,482	12,736,073,308	1,579,862,482	12,536,073,308
Fully paid cumulative redeemable preference shares	135,000,000	1,350,000,000	135,000,000	1,350,000,000
Transfer to ordinary shares on redemption	(85,000,000)	(850,000,000)	(65,000,000)	(650,000,000)
Preference share capital	50,000,000	500,000,000	70,000,000	700,000,000
Total		13,236,073,308		13,236,073,308

	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
40. STATUTORY RESERVE FUND				
Opening balance at 1st April	860,280,276	565,142,012	860,280,276	659,361,626
Additions due to merger	-	152,999,118	-	-
Transfer during the period	156,187,170	142,139,146	156,187,170	200,918,650
Closing balance at 31st March	1,016,467,446	860,280,276	1,016,467,446	860,280,276

In accordance with the Finance Companies (Capital Funds) Direction No. 1 of 2003 issued by the Central Bank of Sri Lanka, 5% of the net profit for the year has been transferred to the Statutory Reserve Fund.

	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
41. RETAINED EARNINGS				
Opening balance at 1st April	3,495,578,245	3,360,177,586	3,723,586,400	3,443,771,661
Profit for the year	3,123,745,175	2,842,782,929	3,463,216,517	3,077,070,788
Other comprehensive income	(41,209,934)	-	(40,795,578)	-
Transfers to reserves	(401,354,001)	(430,384,032)	(401,354,001)	(509,476,018)
Dividend paid	(1,974,828,103)	(1,950,000,200)	(1,974,828,103)	(1,950,000,200)
Effect of changes in holding	-	-	-	(17,833,542)
Redemption of preference shares	(200,000,000)	(200,000,000)	(200,000,000)	(200,000,000)
Adjustments due to merger	-	(126,998,038)	-	(119,946,289)
Closing balance at 31st March	4,001,931,382	3,495,578,245	4,569,825,235	3,723,586,400

NOTES TO THE FINANCIAL STATEMENTS

42. OTHER RESERVES**42.1 Company - Current year (2013/14)**

	Opening balance at 01-04-2013 Rs.	Movement/ transfers Rs.	Closing balance at 31-03-2014 Rs.
General reserve	300,000,000	-	300,000,000
Tax equalization reserve fund	100,000,000	-	100,000,000
Investment fund reserves (Note 42.3)	851,746,698	245,166,831	1,096,913,529
Available for sale reserves	(120,990,172)	64,887,973	(56,102,199)
Cash flow hedge reserves	-	652,503	652,503
Total	1,130,756,526	310,707,307	1,441,463,833

42.1.1 Company - Previous year (2012/13)

	Opening balance at 01-04-2012 Rs.	Movement/ transfers Rs.	Closing balance at 31-03-2013 Rs.
General reserve	300,000,000	-	300,000,000
Tax equalization reserve fund	100,000,000	-	100,000,000
Investment fund reserves (Note 42.3)	517,263,156	334,483,542	851,746,698
Available for sale reserves	(91,382,167)	(29,608,005)	(120,990,172)
Total	825,880,989	304,875,537	1,130,756,526

42.2 Group - Current year (2013/14)

	Opening balance at 01-04-2013 Rs.	Movement / transfers Rs.	Closing balance at 31-03-2014 Rs.
General reserve	300,000,000	-	300,000,000
Tax equalization reserve fund	100,000,000	-	100,000,000
Investment fund reserves (Note 42.3)	851,746,698	245,166,831	1,096,913,529
Available-for-sale reserve	(119,310,506)	67,188,300	(52,122,206)
Cash flow hedge reserves	-	652,503	652,503
Total	1,132,436,192	313,007,634	1,445,443,826

42.2.1 Group - Previous year (2012/13)

	Opening balance at 01-04-2012 Rs.	Movement/ transfers Rs.	Closing balance at 31-03-2013 Rs.
General reserve	300,000,000	-	300,000,000
Tax equalization reserve fund	100,000,000	-	100,000,000
Investment fund reserves (Note 42.3)	543,189,330	308,557,368	851,746,698
Available-for-sale reserve	(94,963,126)	(24,347,380)	(119,310,506)
Total	848,226,204	284,209,988	1,132,436,192

General Reserve

General Reserve represents the amounts set aside by the Directors for general application.

NOTES TO THE FINANCIAL STATEMENTS

Tax Equalization Reserve Fund

Tax equalization fund comprises an amount set aside by the Directors to meet any tax liabilities that may arise in the future.

42.3 Investment Fund Account (IFA)

As at 31st March	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Opening balance	851,746,698	517,263,156	851,746,698	543,189,330
Additions due to merger	-	46,238,656	-	-
Transfers during the year	245,166,831	288,244,886	245,166,831	308,557,368
Closing balance	1,096,913,529	851,746,698	1,096,913,529	851,746,698

The reserve is created in accordance with the Central Bank guidelines issued to create an Investment Fund Reserve. 8% of the profits liable for VAT on Financial Services and 5% of the profits before tax calculated for payment of income taxes are transferred to this reserve when the payment of VAT on Financial Services and the self assessment payment of Income Tax for the period become due.

The company commence utilization of funds in the IFA investing in long-term government securities with maturities not less than seven years & specified lending on maturities not less than five years at interest rates not exceeding five years treasury bond rates plus two percent.

The details of loans granted under IFA are as follows;

Sector	Rate of Interest %	Tenure of Loan	Granted Amount Rs.
Agriculture	10.65 - 13.50	4 - 5 Years	107,730,000
Factory / Mills modernization	10.65 - 13.17	4 - 5 Years	516,365,372
Hotel construction	10.65	5 Years	3,000,000
Information technology and BPO	12.74	5 Years	31,500,000
Infrastructure development	10.65 - 13.17	5 Years	246,000,000
Restructuring a loan granted for a specified project	12.74	5 Years	22,500,000
Small and medium enterprises	10.65 - 13.17	4 - 7 Years	214,206,000
Women entrepreneurship venture capital projects up to Rs. 10 mn	13.17	3 - 5 Years	2,000,000
Total			1,143,301,372

The details of investment made under IFA

Description	Rate of Interest %	Tenure of Loan	Amount Rs.
Investment in long-term government securities	8.50	7 Years	25,000,000
Interest accrued thereon			5,703,824
Total			30,703,824

As at 31st March	Group	
	2014 Rs.	2013 Rs.

43. NON - CONTROLLING INTEREST

Opening balance as at 1st April	-	207,534,262
Profit applicable for the year	-	33,263,959
Effect of changes in holding	-	(46,720,138)
Less: Dividend paid	-	35,951,865
Acquisition of minority interest	-	(158,126,218)
Closing balance at 31st March	-	-

NOTES TO THE FINANCIAL STATEMENTS

As at 31st March	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
44. CONTINGENT LIABILITIES AND COMMITMENTS				
Contingent liabilities (Note 44.1)	2,301,638,553	1,803,104,540	2,301,638,553	1,803,104,540
Commitments (Note 44.2)	77,612,540	227,131,154	705,452,037	1,602,103,224
Total	2,379,251,093	2,030,235,694	3,007,090,590	3,405,207,764

44.1 Contingent liabilities

In the normal course of business, the Group and Company makes various irrecoverable commitments and incurs 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.

	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Accidents of leased out vehicles	84,957,310	61,028,683	84,957,310	61,028,683
Guarantees - Related parties	225,000,000	1,700,000,000	225,000,000	1,700,000,000
Guarantees - Others	9,250,000	8,950,000	9,250,000	8,950,000
Pending bill retirements	30,878,743	33,125,857	30,878,743	33,125,857
Derivative financial instruments	1,951,552,500	-	1,951,552,500	-
Total	2,301,638,553	1,803,104,540	2,301,638,553	1,803,104,540

44.2 Commitments

The Group has commitments for acquisition of property, plant and equipment and intangible assets incidental to the ordinary course of business as at 31st March as follows:

Capital Commitments

Approved and contracted for	-	-	611,139,497	481,768,413
Approved but not contracted for	37,949,696	220,000,000	54,649,696	1,113,203,657
Total	37,949,696	220,000,000	665,789,193	1,594,972,070

Un-utilised facilities

Margin trading	39,662,844	7,131,154	39,662,844	7,131,154
Total	39,662,844	7,131,154	39,662,844	7,131,154

45. NON-CASH ITEMS INCLUDED IN PROFIT BEFORE TAX

Depreciation of property, plant and equipment	181,950,304	178,022,515	260,412,872	243,394,386
Amortisation of intangible assets	14,859,965	12,094,284	19,863,903	17,531,890
Impairment losses on loans and advances	1,217,745,905	697,637,182	1,229,855,830	698,546,892
Charge for defined benefit plans	23,313,048	17,170,984	27,194,333	19,228,900
Gain/(Loss) on sale of property, plant and equipment	(7,386,426)	12,526,803	(14,416,093)	(53,780,897)
Net trading income from sale of vehicles	(14,389,547)	(3,201,195)	(14,389,547)	(3,201,195)
Gain/(Loss) on equities	(7,580,437)	(18,690,406)	(29,790,104)	(29,886,221)
Total	1,408,512,812	895,560,167	1,478,731,194	891,833,755

NOTES TO THE FINANCIAL STATEMENTS

As at 31st March	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
46. CHANGE IN OPERATING ASSETS				
Net (increase)/decrease in other balances with banks & financial institutions	(2,631,434,780)	(245,214,147)	(2,831,558,938)	(952,963,650)
Net (increase)/decrease in financial assets held for trading	(35,025,694)	(8,779,154)	(110,918,609)	(95,964,299)
Net (increase)/decrease in loans and receivables	(2,991,231,149)	(5,128,375,177)	(3,233,894,901)	(5,058,631,591)
Net (increase)/decrease in derivative financial instruments	407,920	-	407,920	-
Net (increase)/decrease in insurance and reinsurance receivables	-	-	21,586,071	11,876,683
Net (increase)/decrease in financial investment available for sale	-	-	(100,762,598)	(71,350,735)
Net (increase)/decrease in financial investment held to maturity	(4,206,792,060)	-	(4,206,792,060)	110,216,498
Net (increase)/decrease in other assets	(44,951,255)	806,172,057	(129,715,154)	859,369,632
Total	(9,909,027,018)	(4,576,196,421)	(10,591,648,269)	(5,197,447,462)

47. CHANGE IN OPERATING LIABILITIES

Net increase/(decrease) in due to customers	22,074,813,156	6,830,482,111	22,129,409,023	7,401,981,942
Net increase/(decrease) in other financial liabilities	(253,853,338)	457,890,272	(435,756,024)	52,369,288
Net increase/(decrease) in insurance and reinsurance payable	-	-	353,598,749	420,387,535
Net increase/(decrease) in other liabilities	9,876,200	(29,634,481)	35,153,971	(50,509,359)
Total	21,830,836,018	7,258,737,902	22,082,405,719	7,824,229,406

48. RELATED PARTY DISCLOSURE**48.1 Parent and ultimate controlling party**

The immediate Parent of the Company is People's Bank which is a Government owned entity.

48.2 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.

48.2.1 Transactions with Key Management personnel and their Close Family Members**48.2.1.1 Remuneration to Key Management Personnel**

	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
(a) Remuneration to Board of Directors				
Short-term employment benefits	375,000	1,505,329	455,000	2,162,080
Total	375,000	1,505,329	455,000	2,162,080

As at 31st March	Company/Group	
	2014 Rs.	2013 Rs.
(b) Remuneration to Corporate Management		
Short-term employment benefits	57,270,257	45,193,647
Post employment benefits	5,581,761	4,161,227
Total	61,249,121	49,354,874

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.

NOTES TO THE FINANCIAL STATEMENTS

48.2.1.2 Share transactions with Key management Personnel

As at 31st March	Company/Group	
	2014	2013
No. of ordinary shares held	2,205,558	6,962,800
Dividend paid (Rs.)	4,975,233	8,296,534

48.2.2 Transactions, arrangements and agreements involving Key Management Personnel (KMPs), their Close Family Members (CFMs) and other related entities

	KMPs & CFMs	
	2014 Rs.	2013 Rs.
(a) Items in Income Statement		
Interest expense	5,383,167	1,270,977
(b) Items in Statement of Financial Position		
Liabilities		
Promissory notes	290,135	3,502,529
Fixed deposits	47,857,952	2,326,780
Savings deposits	4,270,786	-
Total	52,418,873	5,829,309

48.3 Transactions with Related Entities

48.3.1 Transactions with Government of Sri Lanka and Government Related Entities

The immediate parent of the Company is People's bank which is Government owned entity. The Company enters into transactions, arrangements and agreements with Government of Sri Lanka and its related entities. The significant financial dealings during the year and as at the Statement of financial position date are as follows:

	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
(a) Items in Income Statement				
Interest income on lease facilities granted	12,449,084	2,906,307	12,449,084	11,939,506
Interest income on loans granted	5,850,258	637,454	5,850,258	637,454
Interest expense on loans obtained	54,366,808	7,682,870	54,366,808	20,157,668
Interest expense on commercial paper issued	78,280,625	129,984,926	78,280,625	129,984,926
Total	150,946,775	141,211,557	150,946,775	162,719,554
(b) Items in Statement of Financial Position				
Assets				
Leases	75,072,450	14,615,459	75,072,450	42,566,563
Loan and receivables	58,689,235	12,001,130	58,689,235	12,001,130
Total	133,761,685	26,616,589	133,761,685	54,567,693
Liabilities				
Loans	281,249,708	98,454,859	281,249,708	150,830,813
Commercial papers	147,458,661	1,292,102,169	147,458,661	1,292,102,169
Total	428,708,369	1,390,557,028	428,708,369	1,442,932,982

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

NOTES TO THE FINANCIAL STATEMENTS

48.3.2 Transactions with other Related entities

48.3.2.1 Company

The Company had the under mentioned financial dealings during the financial year with the following related entities.

	Immediate Parent		Subsidiaries		Associate	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
(a) Items in Income Statement						
Interest on term loans & bank overdraft	340,427,611	808,073,405	180,479,376	74,314,972	-	-
Building rent income	-	-	239,081,633	228,229,932	-	-
Building rent expenses	20,850,000	18,600,000	-	-	-	-
Shared fee income	-	-	54,228,747	83,765,369	-	-
Interest income on deposits	101,836,063	11,435,114	14,011,512	3,229,245	-	-
Interest on repo investments	36,251,741	38,767,268	-	-	-	-
Dividend income	-	-	137,000,000	12,000,000	-	-
Expense on vehicle services & hiring	-	-	40,018,572	37,930,294	-	-
Insurance premium paid in respect of own policies	-	-	59,043,289	37,064,367	-	-
Insurance premium paid in respect of customers introduced by People's Leasing & Finance PLC	-	-	3,386,636,843	2,242,328,174	-	-
Service charges received	-	-	382,128,327	246,851,436	-	-
Interest on commercial papers	37,038,232	-	-	4,133,013	-	-
Agency commission income	-	168,045	-	-	-	-
Income on lease	19,226,817	32,896,777	-	-	-	-
(b) Items in Statement of Financial Position						
Assets						
Current account balance	1,328,167,306	1,397,335,897	-	-	-	-
Fixed deposits, savings & RFC	3,337,069,262	137,211,960	82,206,793	53,353,536	-	-
Repo investments	2,111,997,894	797,192,056	-	-	-	-
Shared fee receivable	-	-	-	1,474,944	-	-
Vehicle hiring & service sales	-	-	9,611,841	2,928,490	-	-
Insurance service charges receivable	-	-	115,310,685	108,493,218	-	-
Amount due from	-	-	595,833,411	341,446,871	-	-
Investment in shares	-	-	1,475,000,000	1,475,000,000	205,160,064	205,160,064
Lease rental receivables	116,463,689	193,170,564	-	-	-	-
Term loans	-	-	565,335,496	99,624,175	-	-
Liabilities						
Term loans & bank overdraft	1,592,371,754	4,724,028,459	-	-	-	-
Insurance premium payable in respect of customers introduced by the Company	-	-	343,055,121	350,528,407	-	-
Debentures	-	-	116,951,858	100,000,000	-	-
Commercial papers	172,345,334	-	-	-	-	-
Building rent	-	3,100,000	-	81,038,842	-	-
Amount due to	-	-	9,611,841	2,928,490	-	-
(c) Off- Balance Sheet Items						
Undrawn facilities	2,500,000	2,500,000	-	-	-	-
Guarantees	50,000,000	50,000,000	225,000,000	1,700,000,000	-	-

NOTES TO THE FINANCIAL STATEMENTS

48.3.2.2 Group

The group had the under mentioned financial dealings during the financial year with the following related entities.

	Immediate Parent		Associate	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
(a) Items in Income Statement				
Interest expenses on term loans & bank overdraft	340,462,516	808,073,405	-	-
Building rent income	27,551,020	30,685,710	-	-
Building rent expenses	21,975,000	18,000,000	-	-
Interest income on deposits	101,836,063	11,435,114	-	-
Interest on repo investments	58,294,314	72,370,420	-	-
Agency commission income	9,068,363	168,045	-	-
Expense on vehicle services & hiring	63,232,715	48,754,165	-	-
Building project income	35,327,883	26,929,342	-	-
Service charges paid	9,683,416	84,244,436	-	-
Income on lease	19,226,817	32,896,777	-	-
(b) Items in Statement of Financial Position				
Assets				
Current account balance	1,362,863,888	1,752,796,501	-	-
Fixed deposits, savings & RFC	3,409,197,596	137,211,960	-	-
Repo investments	2,301,695,819	1,208,913,343	-	-
Vehicle hiring & service sales receivable	10,711,229	50,481,989	-	-
Building project	568,948,068	492,035,728	-	-
Lease rental	116,463,689	193,170,564	-	-
Investment in shares	-	-	205,160,064	205,160,064
Amount due from	-	-	-	-
Liabilities				
Term loans & bank overdraft	1,693,806,339	4,724,028,459	-	-
Amount due to	150,000	-	-	-
Commercial papers	172,345,334	-	-	-
Building rent payable	-	3,100,000	-	-

48.3.3 Net Accommodation as a % of Capital Funds

	2014	2013
People's Bank	0.61	1.15
People's Leasing Fleet Management Ltd.	0.70	0.61
People's Leasing Property Development Ltd.	2.97	2.02
People's Insurance Ltd.	0.39	0.65
People's Microfinance Ltd.	0.02	0.59
People's Leasing Havelock Properties Ltd.	0.02	0.00

48.3.4 Terms and conditions

Outstanding balances with related parties are unsecured other than where there are leasing and similar arrangements and bear interest as applicable to relevant products.

NOTES TO THE FINANCIAL STATEMENTS

49. RESTATEMENT OF COMPARATIVES

Pursuant to the approval of shareholders at extraordinary general meeting held on 20th March 2013, the company was merged with effect from 2 April 2013 with the People's Finance PLC which is a fully owned subsidiary at the time of merger.

Comparative figures were restated as if the companies had been combined at the previous Balance sheet date as per the guidelines issued under Statement of Recommended Practice (SoRP) – Merger accounting for common control business combination issued by Institute of Chartered Accountants of Sri Lanka.

The restatement had and impact on the following components of financial statements for the year ended 31st March 2013.

49.1. Income Statement	Current presentation 2013 Rs.	Company As Reported Previously 2013 Rs.	Impact Rs.
Gross income	18,204,805,087	15,846,397,728	2,358,407,359
Interest income	17,244,929,601	14,626,551,335	2,618,378,266
Less - Interest expenses	10,140,339,740	8,457,785,195	1,682,554,545
Net interest income	7,104,589,861	6,168,766,140	935,823,721
Net earned premiums	-	-	-
Fee and commission income	731,470,817	740,643,654	(9,172,837)
Net trading income	19,149,781	10,142,141	9,007,640
Other operating income	209,254,888	469,060,598	(259,805,710)
Total operating income	8,064,465,347	7,388,612,533	675,852,814
Less: Impairment charges for loans and other losses	697,637,182	522,746,986	174,890,196
Net operating income	7,366,828,165	6,865,865,547	500,962,618
Less:			
Personnel expenses	1,026,157,118	917,278,595	108,878,523
Depreciation of property plant and equipment	178,022,515	146,940,716	31,081,799
Amortisation and impairment of intangible assets	12,094,284	12,094,284	-
Other operating expenses	1,730,638,522	1,526,737,936	203,900,586
Total operating expenses	2,946,912,439	2,603,051,531	343,860,908
Operating profit before value added tax (VAT)	4,419,915,726	4,262,814,016	157,101,710
Less: Value added tax (VAT) on financial services	285,075,397	256,668,458	28,406,939
Operating profit after value added tax (VAT)	4,134,840,329	4,006,145,558	128,694,771
Less: Income tax expense	1,284,878,728	1,163,362,629	121,516,099
Profit for the year	2,849,961,601	2,842,782,929	7,178,672

NOTES TO THE FINANCIAL STATEMENTS

49. RESTATEMENT OF COMPARATIVES CONTD.

49.2. Statement of Financial Position	Current presentation 2013 Rs.	Company As reported previously 2013 Rs.	Impact Rs.
Assets			
Cash and cash equivalents	4,006,662,592	2,763,354,161	1,243,308,431
Balances with banks & financial institutions	698,127,619	637,979,083	60,148,536
Financial investments - Held-for-trading	141,637,133	56,667,250	84,969,883
Loans and receivables	88,404,480,271	75,722,681,640	12,681,798,631
Financial investments - Available-for-sale	184,179,892	184,179,892	-
Financial investments - Held-to-maturity	539,765,951	-	539,765,951
Investments in subsidiaries	1,475,000,000	3,182,687,562	(1,707,687,562)
Goodwill and intangible assets	343,847,865	35,302,616	308,545,249
Property, plant and equipment	690,534,695	604,232,224	86,302,471
Investment property	56,000,000	56,000,000	-
Other assets	896,394,579	643,202,381	253,192,198
Total assets	97,436,630,597	83,886,286,809	13,550,343,788
Liabilities			
Due to banks	15,801,608,906	14,954,224,385	847,384,521
Due to customers	18,846,671,750	6,830,482,112	12,016,189,638
Debt securities issued	40,430,615,187	40,430,615,187	-
Other financial liabilities	3,013,791,602	2,845,086,563	168,705,039
Current tax liabilities	39,914,796	-	39,914,796
Deferred tax liabilities	1,200,640,841	1,105,289,879	95,350,962
Other liabilities	80,699,160	48,212,572	32,486,588
Total liabilities	79,413,942,242	66,213,910,698	13,200,031,544
Equity			
Capital	12,536,073,308	12,258,000,800	278,072,508
Statutory reserve fund	860,280,276	707,281,158	152,999,118
Retained earnings	3,495,578,245	3,622,576,283	(126,998,038)
Other reserves	1,130,756,526	1,084,517,870	46,238,656
Total shareholders' equity	18,022,688,355	17,672,376,111	350,312,244
Non - controlling interest	-	-	-
Total equity	18,022,688,355	17,672,376,111	350,312,244
Total liabilities and equity	97,436,630,597	83,886,286,809	13,550,343,788

NOTES TO THE FINANCIAL STATEMENTS

49.3. Statement of Financial Position	Current	Group	Impact
	presentation	As reported	
	2013	2013	Rs.
	Rs.	Rs.	Rs.
	Restated		
Equity			
Capital	12,536,073,308	12,258,000,800	278,072,508
Statutory reserve fund	860,280,276	860,280,276	-
Retained earnings	3,723,586,400	3,843,532,690	(119,946,290)
Other reserves	1,132,436,192	1,132,436,192	-
Total shareholders' equity	18,252,376,176	18,094,249,958	158,126,218
Non - controlling interest	-	158,126,218	(158,126,218)
Total equity	18,252,376,176	18,252,376,176	-

49.4. Cash Flow Statement

	Rs.
Cash and Cash Equivalents at the date of acquisition	1,243,308,430
Overdraft	(53,921,192)
Net Cash inflow on merger with Subsidiary	1,189,387,238

NOTES TO THE FINANCIAL STATEMENTS

50. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments recorded at fair value

The following is a description of how fair values are determined for financial instruments that are recorded at fair value using valuation techniques.

Derivatives

Derivative products are forward foreign contracts and hedges valued valuation techniques with market - observable inputs. The most frequently applied valuation techniques include forward, foreign exchange spot and forward premiums.

Financial investments - Available for sale

Available for sale financial assets are valued using valuation techniques. These primarily consist of quoted investment securities. These quoted investment securities are valued using quoted market price in an active market of each securities

Financial assets at fair value through profit or loss - Held for trading

Held For Trading financial assets are 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.

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 valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: valuation techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

50.1. Determination of fair value and fair value hierarchy

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

As at 31st March 2014 Company	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Financial Assets				
Financial investments - Available for sale				-
Quoted investment	224,067,865	-	-	224,067,865
	224,067,865	-	-	224,067,865
Financial assets at fair value through profit or loss - Held for trading				
Quoted investment	184,243,264	-	-	184,243,264
Derivative financial instruments				
Forward foreign exchange contract	-	244,583	-	244,583
	184,243,264	244,583	-	184,487,847
Total	408,311,129	244,583	-	408,555,712

As at 31st March 2013 Company	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Financial Assets				
Financial investments - Available for sale				-
Quoted investment	184,179,892			184,179,892
	184,179,892	-	-	184,179,892
Financial assets at fair value through profit or loss - Held for trading				
Quoted investment	141,637,133			141,637,133
	141,637,133	-	-	141,637,133
Total	325,817,025			325,817,025

NOTES TO THE FINANCIAL STATEMENTS

50. FAIR VALUE OF FINANCIAL INSTRUMENTS CONTD.

50.1. Determination of fair value and fair value hierarchy contd.

The following table show total gain and losses recognised in profit or loss during the period relating to assets and liabilities held at the respective period ended.

	For the Year Ended 31st March 2014		For the Year Ended 31st March 2013	
	Net Trading Income Rs.	Other operating income Rs.	Net Trading Income Rs.	Other operating income Rs.
Financial Assets				
Financial investments - Held for trading				
Equity securities	7,580,437	-	18,690,406	-
Total	7,580,437	-	18,690,406	-

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

As at 31st March 2014 Group	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Financial Assets				
Financial investments - Available for sale				
Equity securities	224,067,865	-	-	224,067,865
Treasury bills	1,041,235,939	-	-	1,041,235,939
Unit trust	51,514,579	-	-	51,514,579
	1,316,818,383	-	-	1,316,818,383
Financial assets at fair value through profit or loss - Held for trading				
Equity securities	237,603,467	-	-	237,603,467
Derivative financial instruments				
Forward foreign exchange contract		244,583	-	244,583
	237,603,467	244,583	-	237,848,050
Total	1,554,421,850	244,583	-	1,554,666,433

As at 31st March 2013 Group	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Financial Assets				
Financial investments - Available for sale				
Equity securities	184,179,892	-	-	184,179,892
Treasury bills	989,687,593	-	-	989,687,593
	1,173,867,485	-	-	1,173,867,485
Financial assets at fair value through profit or loss - Held for trading				
Equity securities	237,603,467	-	-	237,603,467
	237,603,467	-	-	237,603,467
Total	1,447,470,952	-	-	1,447,470,952

NOTES TO THE FINANCIAL STATEMENTS

50. FAIR VALUE OF FINANCIAL INSTRUMENTS CONTD.

50.1 Determination of fair value and fair value hierarchy contd.

The following table show total gain and losses recognised in profit or loss during the period relating to assets and liabilities held at the respective period ended.

	For the Year Ended 31st March 2014		For the Year Ended 31st March 2013	
	Net trading income Rs.	Other operating income Rs.	Net trading income Rs.	Other operating income Rs.
Financial Assets				
Financial investments - Held for trading				
Equity securities	29,790,104	-	29,886,221	-
Total	29,790,104	-	29,886,221	-

Set out below is a comparison, by class, of the carrying amount and fair values of the 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	31st March 2014		31st March 2013	
	Carrying amount Rs.	Fair value Rs.	Carrying amount Rs.	Fair value Rs.
Financial Assets				
Cash and cash equivalents	11,452,995,692	11,452,995,692	4,006,662,592	4,006,662,592
Balances with banks & financial institutions	3,329,562,399	3,329,562,399	698,127,619	698,127,619
Loans and receivables	90,218,355,062	89,425,040,806	88,404,480,271	81,855,948,609
Financial investments - Held-to-maturity	4,746,558,011	4,745,969,024	539,765,951	542,234,503
Other financial assets	115,450,706	115,450,706	73,348,591	73,348,591
Total	109,862,921,870	109,069,018,627	93,722,385,024	87,176,321,914
Financial Liabilities				
Due to banks	14,131,807,918	14,352,146,842	15,801,608,906	15,605,275,142
Due to customers	40,921,484,906	40,044,928,008	18,846,671,750	18,149,796,878
Debt Securities issued	34,473,380,628	36,036,290,983	40,430,615,187	37,433,631,331
Other Financial liabilities	2,869,666,536	2,869,666,536	3,013,791,602	3,013,791,602
Total	92,396,339,988	93,303,032,369	78,092,687,445	74,202,494,953
Group				
Financial Assets				
Cash and cash equivalents	11,695,561,139	11,695,561,139	4,303,205,444	4,303,205,444
Balances with banks & financial institutions	4,725,903,758	4,725,903,758	1,894,344,820	1,894,344,820
Loans and receivables	90,341,899,864	89,540,863,361	88,298,471,246	81,909,911,282
Financial investments - Held-to-maturity	4,746,558,011	4,745,969,024	539,765,951	542,234,503
Total	111,509,922,772	110,708,297,292	95,035,787,461	88,649,696,049
Financial Liabilities				
Due to banks	15,776,882,810	14,840,065,525	17,214,886,234	14,918,060,197
Due to customers	40,839,278,114	39,962,997,793	18,709,869,091	18,315,486,858
Debt securities issued	34,369,214,617	35,930,155,426	40,330,615,187	38,058,580,899
Other financial liabilities	2,759,313,735	2,759,313,735	3,042,544,461	3,042,544,461
Total	93,744,689,276	93,492,532,479	79,297,914,973	74,334,672,415

NOTES TO THE FINANCIAL STATEMENTS

Fair value of financial assets and liabilities not carried at fair value

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:

Assets & liabilities for which fair value approximates carrying value

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.

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments. The estimated fair value of fixed interest bearing loans and advances to customers is based on discounted cash flows using prevailing market interest rates for loan and advances with similar credit risk and maturity. For other variable rate instruments, an adjustment is also made to reflect the change in required credit spread since the instruments was first recognised.

51. CURRENT/NON CURRENT ANALYSIS

Company

As at 31st March

	2014			2013		
	Within 12 months Rs.	After 12 months Rs.	Total Rs.	Within 12 months Rs.	After 12 months Rs.	Total Rs.
Assets						
Cash and cash equivalents	11,452,995,692	-	11,452,995,692	4,006,662,592	-	4,006,662,592
Balances with banks & financial institutions	3,329,562,399	-	3,329,562,399	698,127,619	-	698,127,619
Derivative financial instruments	244,583	-	244,583	-	-	-
Financial investments - Held-for-trading	184,243,264	-	184,243,264	141,637,133	-	141,637,133
Loans and receivables	37,909,471,623	52,308,883,439	90,218,355,062	34,724,730,128	53,679,750,144	88,404,480,271
Financial investments - Available-for-sale	224,067,865	-	224,067,865	184,179,892	-	184,179,892
Financial investments - Held-to-maturity	4,721,558,011	25,000,000	4,746,558,011	539,765,951	-	539,765,951
Investments in subsidiaries	-	1,475,000,000	1,475,000,000	-	1,475,000,000	1,475,000,000
Goodwill and intangible assets	-	347,927,317	347,927,317	-	343,847,865	343,847,865
Property, plant and equipment	-	801,134,742	801,134,742	-	690,534,695	690,534,695
Investment property	-	55,000,000	55,000,000	-	56,000,000	56,000,000
Other assets	941,345,830	-	941,345,830	896,394,579	-	896,394,579
Total assets	58,763,489,267	55,012,945,498	113,776,434,765	41,191,497,894	56,245,132,704	97,436,630,597
Liabilities						
Due to banks	8,851,542,341	5,280,265,577	14,131,807,918	11,097,563,772	4,704,045,134	15,801,608,906
Due to customers	35,005,400,846	5,916,084,060	40,921,484,906	15,989,475,834	2,857,195,916	18,846,671,750
Debt Securities issued	17,151,230,991	17,322,149,637	34,473,380,628	23,028,204,637	17,302,410,551	40,430,615,187
Other Financial liabilities	2,869,666,536	-	2,869,666,536	3,006,424,968	7,366,634	3,013,791,602
Current tax liabilities	446,831,552	-	446,831,552	39,914,796	-	39,914,796
Deferred tax liabilities	-	1,573,461,388	1,573,461,388	-	1,200,640,841	1,200,640,841
Other liabilities	163,865,868	-	163,865,868	80,699,160	-	80,699,160
Total liabilities	64,488,538,134	30,091,960,662	94,580,498,796	53,242,283,167	26,071,659,076	79,413,942,242

NOTES TO THE FINANCIAL STATEMENTS

51. CURRENT/NON CURRENT ANALYSIS CONTD.

Group

As at 31st March

	2014			2013		
	Within 12 months Rs.	After 12 months Rs.	Total Rs.	Within 12 months Rs.	After 12 months Rs.	Total Rs.
Assets						
Cash and cash equivalents	11,695,561,139	-	11,695,561,139	4,303,205,444	-	4,303,205,444
Balances with banks & financial institutions	4,725,903,758	-	4,725,903,758	1,894,344,820	-	1,894,344,820
Derivative financial instruments	244,583	-	244,583	-	-	-
Financial investments - Held-for-trading	378,312,180	-	378,312,180	237,603,467	-	237,603,467
Loans and receivables	37,961,384,764	52,380,515,100	90,341,899,864	34,776,504,732	53,521,966,513	88,298,471,245
Insurance and reinsurance receivables	-	137,576,052	137,576,052	-	159,162,123	159,162,123
Financial investments - Available-for-sale	1,316,818,383	-	1,316,818,383	1,173,867,485	-	1,173,867,485
Financial investments - Held-to-maturity	4,358,415,252	388,142,759	4,746,558,011	539,765,951	-	539,765,951
Investments in subsidiaries	-	-	-	-	-	-
Investments in associates	-	-	-	-	-	-
Goodwill and intangible assets	-	355,732,098	355,732,098	-	358,281,781	358,281,781
Property, plant and equipment	-	3,052,089,137	3,052,089,137	-	2,641,132,617	2,641,132,617
Investment property	-	-	-	-	-	-
Other assets	1,666,080,613	-	1,666,080,613	1,538,626,333	-	1,538,626,333
Total assets	62,102,720,671	56,314,055,146	118,416,775,817	44,463,918,232	56,680,543,034	101,144,461,266
Liabilities						
Due to banks	9,687,825,956	6,089,056,854	15,776,882,810	12,510,841,100	4,704,045,134	17,214,886,234
Due to customers	35,595,385,372	5,243,892,742	40,839,278,114	15,852,673,175	2,857,195,916	18,709,869,091
Debt securities issued	15,892,310,236	18,476,904,381	34,369,214,617	23,028,204,636	17,302,410,551	40,330,615,187
Other financial liabilities	2,759,313,735	-	2,759,313,735	3,035,177,827	7,366,634	3,042,544,461
Insurance liabilities and reinsurance payable	-	2,570,540,046	2,570,540,046	-	2,216,941,297	2,216,941,297
Current tax liabilities	540,841,295	-	540,841,295	85,759,294	-	85,759,294
Deferred tax liabilities	-	1,598,572,518	1,598,572,518	-	1,209,777,280	1,209,777,280
Other liabilities	194,322,867	-	194,322,867	81,692,247	-	81,692,247
Total liabilities	64,669,999,461	33,971,616,541	98,648,966,002	54,594,348,279	28,297,736,812	82,892,085,091

NOTES TO THE FINANCIAL STATEMENTS

52. FINANCIAL REPORTING BY SEGMENT

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, Murabha and Trading Murabha 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.

	Lease & HP		Loans		Islamic		Insurance		Other		Eliminations		Group	
	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000
Interest income	15,715,572	13,905,064	2,676,946	1,193,890	852,675	832,886	433,502	254,202	573,981	1,411,369	(199,229)	(112,135)	20,053,447	17,485,276
Net earned premiums	-	-	-	-	-	-	3,464,453	2,448,241	-	-	-	-	3,464,453	2,448,241
Net fee and commission income	700,428	622,258	119,309	53,427	38,003	34,868	-	-	293,031	350,796	(757,755)	(544,132)	393,016	517,217
Net trading income	-	-	-	-	-	-	22,210	1,419	7,629	28,927	-	-	29,839	30,346
Other operating income	217,032	173,377	36,969	14,886	2,714	10,385	36,542	3,170	174,069	172,716	(230,857)	(41,527)	236,469	333,007
Gross Income	16,633,032	14,700,699	2,833,223	1,262,203	893,392	878,139	3,956,707	2,707,032	1,048,710	1,963,806	(1,187,840)	(697,794)	24,177,224	20,814,086
Interest expense	8,997,415	8,044,405	1,532,594	690,693	467,429	600,946	-	-	567,285	1,074,619	168,827	102,403	11,395,896	10,308,260
Total Operating income	7,647,395	7,586,444	1,302,635	651,372	411,211	453,173	4,023,399	1,396,991	482,392	1,013,442	(1,085,703)	(595,596)	12,781,329	10,505,826
Credit loss expenses	1,105,180	622,977	104,821	23,462	19,855	52,108	-	-	-	-	-	-	1,229,856	698,547
Net operating income	6,542,215	6,963,467	1,197,814	627,910	391,356	401,065	4,023,399	1,396,991	482,392	1,013,442	(1,085,703)	(595,596)	11,551,473	9,807,279
Depreciation	164,965	137,963	28,100	11,286	5,429	4,297	10,698	6,019	10,406	18,430	40,815	64,841	260,413	243,394
Segment result	3,600,486	3,352,016	613,296	287,804	193,603	200,231	862,254	617,251	227,116	447,782	(263,321)	(77,966)	5,233,434	4,827,118
Value added Tax	-	-	-	-	-	-	-	-	-	-	-	-	302,374	287,608
Income tax expenses	-	-	-	-	-	-	-	-	-	-	-	-	1,467,844	1,429,175
Non controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	33,264
Net profit for the year, attributable to equity holders of the parent	-	-	-	-	-	-	-	-	-	-	-	-	3,463,217	3,077,071
Segment Assets	91,308,017	82,776,375	15,553,147	7,107,184	5,313,931	4,798	4,107,577	3,318,942	5,759,637	11,057,758	(3,625,533)	(3,120,596)	118,416,776	101,144,461
Total Assets	91,308,017	82,776,375	15,553,147	7,107,184	5,313,931	4,798	4,107,577	3,318,942	5,759,637	11,057,758	(3,625,533)	(3,120,596)	118,416,776	101,144,461
Segment Liabilities	75,194,398	63,547,443	12,808,399	5,456,187	4,782,206	4,413,781	2,952,585	2,455,940	4,743,203	8,489,044	(1,831,825)	(1,470,310)	98,648,966	82,892,085
Total Liability	75,194,398	63,547,443	12,808,399	5,456,187	4,782,206	4,413,781	2,952,585	2,455,940	4,743,203	8,489,044	(1,831,825)	(1,470,310)	98,648,966	82,892,085

NOTES TO THE FINANCIAL STATEMENTS

53. EVENTS AFTER THE REPORTING DATE

No circumstances have arisen since the reporting date which would require adjustments to, or disclosure in the Financial Statements, other than those disclosed below.

The Board of Directors of the Company has proposed a final dividend of Rs. 0.50 per share for the Ordinary Shareholders of the Company for the year ended 31st March 2014. This will be declared at the Annual General Meeting to be held on 27th June 2014, upon approval of the shareholders.

In accordance with Sri Lanka Accounting Standard - LKAS 10 (Events After the Reporting Period), this proposed final dividend has not been recognised as a liability as at 31st March 2014. As required by section 56(2) of the Companies Act No 7 of 2007, the Board of Directors has confirmed that the Company has satisfied the 'Solvency Test' in accordance with section 57 of the Companies Act No 7 of 2007, having obtained a certificate from the auditors, prior to recommending the final dividend for the year.

The Company entered into forward rate agreement for US\$ 15.75 million on the date 11th April 2014.

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 2014 Rs.	31 March 2013 Rs.	31 March 2014 Rs.	31 March 2013 Rs.	
Rentals receivable on lease	Securitisation	28,921,386,533	20,551,140,253	28,921,386,533	20,551,140,253	Loans and receivable
	Term loan / Debentures	14,291,717,451	7,398,943,481	14,291,717,451	7,398,943,481	Loans and receivable
	Overdrafts	26,907,325	79,173,113	26,907,325	79,173,113	Financial Liabilities
Rentals receivable on hire-purchase	Securitisation	15,073,972,372	14,732,378,074	15,073,972,372	14,732,378,074	Loans and receivable
	Term loan / Debentures	8,322,528,222	5,453,114,467	8,322,528,222	5,453,114,467	Loans and receivable
	Overdrafts	82,467,952	179,420,357	82,467,952	179,420,357	Financial Liabilities
Fixed deposit	Overdrafts	-	-	-	50,000,000	Financial Liabilities
Freehold land and building	Term loan	-	-	1,056,138,920	900,000,000	Property, Plant & Equipments
Fixed deposit	Obtain Money changing License from CBSL	-	-	-	2,700,000	Balance with banks and Financial institutions

55. RISK MANAGEMENT

55.1 Introduction

Risk is inherent in the Company'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 and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities. The Company is primarily exposed to credit risk, liquidity risk and market risk. It is also subject to various operating risks.

Risk management structure

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles.

The Board has appointed a subcommittee, Integrated Risk Management (IRM) Committee, which has the responsibility to monitor the overall risk process within the Company.

The IRM Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. The IRM Committee is responsible for managing risk decisions and monitoring risk levels and reports on a periodical basis to the Board.

The Risk Management & Control Unit is responsible for monitoring compliance with risk principles, policies and limits across the Company.

NOTES TO THE FINANCIAL STATEMENTS

55. RISK MANAGEMENT CONTD.

Assets and Liability Committee (ALCO)

ALCO is chaired by the Chief Executive Officer and has representatives from Deputy General Manager Finance, Deputy General Manager Operations, Head of Finance, Head of Risk Management, Head of Treasury. The Committee meetings should be held at least once a month to monitor and manage the assets and liabilities of the Company and also overall liquidity position to keep the Company's liquidity at healthy levels, whilst satisfying regulatory requirements. The Chairman of ALCO upon a request of any permanent member, may convene a special meeting of the Committee, when an issue arises that cannot wait until the next regularly scheduled meeting.

55.2 Credit risk

Credit risk is the risk that the Company will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and group and by monitoring exposures in relation to such limits.

Impairment assessment

For accounting purposes, the Company uses a collective and individual model for the recognition of losses on impaired financial assets.

Individually assessed allowances

The Company determines the allowances appropriate for each individually significant leases, hire purchase and loan on an individual basis, including any overdue payments of interests or credit rating downgrades. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance if it is in a financial difficulty projected receipts and the availability of other financial support, the realisable value of collateral and the timing of the expected cash flows. Impairment allowances are evaluated at each reporting date.

Derivative Financial Instruments

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the Statement of Financial Position. With gross settled derivatives, the Company is also exposed to a settlement risk, being the risk that the Company honors its obligation, but the counterparty fails to deliver the counter value.

Collectively assessed allowances

Allowances are assessed collectively for losses on leases, hire purchase and loan 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.

The Company generally bases its analyses on historical experience. However, when there are significant market developments, regional and/or global, the Company would include macroeconomic factors within its assessments. These factors include, depending on the characteristics of the individual or collective assessment: unemployment rates, current levels of bad debts, changes in laws, changes in regulations, bankruptcy trends, and other consumer data. The Company may use the aforementioned factors as appropriate to adjust the impairment allowances.

Allowances are evaluated separately at each reporting date with each portfolio.

The collective assessment is made for groups of assets with similar risk characteristics, in order to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident in the individual loans assessments. The collective assessment takes account of data from the loan portfolio (such as historical losses on the portfolio, levels of arrears, loan to collateral ratios) or economic data (such as current economic conditions, unemployment levels and local or industry-specific problems). The approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance is also taken into consideration. Management is responsible for deciding the length of this period, which can extend for as long as one year. The impairment allowance is then reviewed by Management to ensure alignment with the Company's overall policy.

NOTES TO THE FINANCIAL STATEMENTS

55.2.1 Maximum exposure to credit risk

Credit quality by class of financial assets

The Company manages the credit quality of financial assets using number of rental/installment arrears. The table below shows the credit quality by number of rentals/installments arrears for all financial assets exposed to credit risk. The amounts presented are gross receivable amounts.

Company

As at 31st March 2014	Neither past due or impaired Rs.	Past due but not impaired				Individually impaired Rs.	Total Rs.
		0-3 Rs.	3.1-6 Rs.	6.1-12 Rs.	> 12 Rs.		
Cash and cash equivalents (excluding cash in hand)	11,199,924,129	-	-	-	-	-	11,199,924,129
Balances with banks & financial institutions	3,329,562,399	-	-	-	-	-	3,329,562,399
Derivative financial instruments	244,583	-	-	-	-	-	244,583
Loans and receivables	86,228,229,211	3,866,254,998	590,564,797	297,445,700	261,627,024	322,089,636	91,566,211,366
- Impairment charges	-	-	-	-	-	-	1,347,856,304
Net loans and receivables	-	-	-	-	-	-	90,218,355,062
Financial investments - Held to maturity	4,746,558,011	-	-	-	-	-	4,746,558,011
Other Financial assets	115,450,706	-	-	-	-	-	115,450,706

As at 31st March 2013	Neither past due or impaired Rs.	Past due but not impaired				Individually impaired Rs.	Total Rs.
		0-3 Rs.	3.1-6 Rs.	6.1-12 Rs.	> 12 Rs.		
Cash and cash equivalents (excluding cash in hand)	3,501,257,440	-	-	-	-	-	3,501,257,440
Balances with banks & financial institutions	698,127,619	-	-	-	-	-	698,127,619
Loans and receivables	84,920,050,009	3,355,288,115	445,218,882	193,132,412	257,393,815	75,119,832	89,246,203,065
- Impairment charges	-	-	-	-	-	-	841,722,794
Net loans and receivables	-	-	-	-	-	-	88,404,480,271
Financial investments - Held to maturity	539,765,951	-	-	-	-	-	539,765,951
Other financial assets	73,348,591	-	-	-	-	-	73,348,591

NOTES TO THE FINANCIAL STATEMENTS

55. RISK MANAGEMENT CONTD.

55.2 Credit risk contd.

55.2.1 Maximum exposure to credit risk contd.

Group

As at 31st March 2014	Neither past due or impaired Rs.	Past due but not impaired				Individually impaired Rs.	Total Rs.
		0-3 Rs.	3.1-6 Rs.	6.1-12 Rs.	> 12 Rs.		
Cash and cash equivalents (excluding cash in hand)	11,695,561,139	-	-	-	-	-	11,695,561,139
Balances with banks & financial institutions	4,725,903,758	-	-	-	-	-	4,725,903,758
Derivative financial instruments	244,583	-	-	-	-	-	244,583
Loans and receivables	85,962,746,657	4,152,507,906	683,808,099	316,264,497	267,472,445	322,089,636	91,704,889,239
- Impairment charges	-	-	-	-	-	-	(1,362,989,376)
Net loans and receivables	-	-	-	-	-	-	90,341,899,863
Insurance and reinsurance receivables	137,576,052	-	-	-	-	-	137,576,052
Financial investments - Held to maturity	4,746,558,011	-	-	-	-	-	4,746,558,011

As at 31st March 2013	Neither past due or impaired Rs.	Past due but not impaired				Individually impaired Rs.	Total Rs.
		0-3 Rs.	3.1-6 Rs.	6.1-12 Rs.	> 12 Rs.		
Cash and cash equivalents (excluding cash in hand)	3,795,500,655	-	-	-	-	-	3,795,500,655
Balances with banks & financial institutions	1,894,344,820	-	-	-	-	-	1,894,344,820
Loans and receivables	84,814,040,980	3,032,025,597	663,464,574	249,795,231	305,747,826	75,119,833	89,140,194,040
- Impairment charges	-	-	-	-	-	-	(841,722,794)
Net loans and receivables	-	-	-	-	-	-	88,298,471,246
Insurance and reinsurance receivables	159,162,123	-	-	-	-	-	159,162,123
Financial investments - Held to maturity	539,765,951	-	-	-	-	-	539,765,951

NOTES TO THE FINANCIAL STATEMENTS

55.2.2 Industry analysis

The following table shows the risk concentration by industry for the components of the statement of financial position.

Company

As at 31st March 2014	Financial Services										Total
	Rs.	Agriculture	Manufacturing	Tourism	Transport	Construction	Traders	Services	Industry	Others	
Cash and cash equivalents	11,452,995,692	-	-	-	-	-	-	-	-	-	11,452,995,692
Balances with banks & financial institutions	3,329,562,399	-	-	-	-	-	-	-	-	-	3,329,562,399
Derivative financial instruments	244,583	-	-	-	-	-	-	-	-	-	244,583
Financial investments - Held for trading	132,309,434	-	23,490,000	-	-	-	-	-	28,443,830	-	184,243,264
Loans and receivable - Impairment charges	686,108,069	2,622,105,798	12,895,776	363,026,206	16,493,991,610	4,359,060,788	22,668,018,057	40,171,148,610	2,966,394,829	1,223,461,623	91,566,211,366
Net loans and receivables	-	-	-	-	-	-	-	-	-	-	(1,347,856,304)
Financial investments - Available for sale	224,057,865	-	-	-	-	-	-	10,000	-	-	90,218,355,062
Financial investments - Held to maturity	4,746,558,011	-	-	-	-	-	-	-	-	-	224,067,865
Other financial assets	115,450,706	-	-	-	-	-	-	-	-	-	4,746,558,011
											115,450,706

As at 31st March 2013	Financial Services										Total
	Rs.	Agriculture	Manufacturing	Tourism	Transport	Construction	Traders	Services	Industry	Others	
Cash and cash equivalents	4,006,662,592	-	-	-	-	-	-	-	-	-	4,006,662,592
Balances with banks & financial institutions	698,127,619	-	-	-	-	-	-	-	-	-	698,127,619
Financial investments - Held for trading	93,789,253	-	18,400,000	-	-	-	-	-	29,447,880	-	141,637,133
Loans and receivable - Impairment charges	97,782,973	2,490,873,035	148,013,171	401,878,745	16,826,715,727	4,245,362,196	23,298,596,903	35,631,960,379	4,993,439,487	1,111,580,449	89,246,203,065
Net loans and receivables	-	-	-	-	-	-	-	-	-	-	(841,722,794)
Financial investments - Available for sale	184,179,892	-	-	-	-	-	-	-	-	-	88,404,480,271
Financial investments - Held to maturity	539,765,951	-	-	-	-	-	-	-	-	-	184,179,892
Other financial assets	73,348,591	-	-	-	-	-	-	-	-	-	539,765,951
											73,348,591

NOTES TO THE FINANCIAL STATEMENTS

55. RISK MANAGEMENT CONTD.
55.2 Credit risk contd.
 55.2.2 Industry analysis contd.

Group

As at 31st March 2014	Financial Services	Agriculture	Manufacturing	Tourism	Transport	Construction	Traders	Services	Industry	Others	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cash and cash equivalents	11,695,561,139	-	-	-	-	-	-	-	-	-	11,695,561,139
Balances with Banks & financial institutions	4,725,903,758	-	-	-	-	-	-	-	-	-	4,725,903,758
Derivative financial instruments	244,583	-	-	-	-	-	-	-	-	-	244,583
Financial investments - Held for trading	279,779,351	-	43,790,000	-	-	-	-	-	54,742,829	-	378,312,180
Loans and receivable - Impairment charges	424,892,902	2,756,324,335	20,785,001	364,610,759	16,496,342,191	3,788,757,052	22,881,511,395	40,157,333,481	1,312,876,666	3,501,455,457	91,704,889,240
Net loans and receivables	-	-	-	-	-	-	-	-	-	-	(1,362,989,376)
Insurance and reinsurance receivables	-	-	-	-	-	-	-	-	-	-	90,341,899,864
Financial investments - Available for sale	1,316,808,383	-	-	-	-	-	-	10,000	-	137,576,052	137,576,052
Financial investments - Held to maturity	4,746,558,011	-	-	-	-	-	-	-	-	-	1,316,818,383
Other Financial assets	115,450,706	-	-	-	-	-	-	-	-	-	4,746,558,011
											115,450,706

As at 31st March 2013	Financial Services	Agriculture	Manufacturing	Tourism	Transport	Construction	Traders	Services	Industry	Others	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cash and cash equivalents	4,303,205,444	-	-	-	-	-	-	-	-	-	4,303,205,444
Balances with Banks & financial institutions	1,894,344,820	-	-	-	-	-	-	-	-	-	1,894,344,820
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-	-
Financial investments - Held for trading	172,665,587	-	35,000,000	-	-	-	-	-	-	29,937,880	237,603,467
Loans and receivable - Impairment charges	-	2,555,809,481	148,013,172	402,751,992	16,828,852,637	3,907,800,119	23,392,803,804	35,563,629,581	1,159,096,376	5,181,436,878	89,140,194,040
Net loans and receivables	-	-	-	-	-	-	-	-	-	-	(841,722,794)
Insurance and reinsurance receivables	-	-	-	-	-	-	-	-	-	-	88,298,471,246
Financial investments - Available for sale	1,173,867,485	-	-	-	-	-	-	10,000	-	159,162,123	159,162,123
Financial investments - Held to maturity	539,765,951	-	-	-	-	-	-	-	-	-	1,173,877,485
											539,765,951

NOTES TO THE FINANCIAL STATEMENTS

55.2.3 Commitments and contingent liabilities

To meet the financial needs of customers, the Company enters into various commitments and contingent liabilities. Even though these obligations may not be recognised on the Statement of Financial Position, they do contain credit risk and are, therefore, part of the overall risk of the Company.

The table below shows the Company's maximum credit risk exposure for commitments and contingencies. The maximum exposure to credit risk relating to a financial guarantee is the maximum amount the Company should have to pay if the guarantee is called upon. The maximum exposure to credit risk relating to a loan commitment is the full amount of the commitment. In both cases, the maximum risk exposure is significantly greater than the amount recognised as a liability in the Statement of Financial Position.

	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Commitments				
Forward exchange contracts	1,951,552,500	-	1,951,552,500	-
	1,951,552,500	-	1,951,552,500	-
Contingent Liabilities				
Accidents of leased out vehicles	84,957,310	61,028,683	84,957,310	61,028,683
Guarantees - Related parties	225,000,000	1,700,000,000	225,000,000	1,700,000,000
Guarantees - Others	9,250,000	8,950,000	9,250,000	8,950,000
Pending bill retirements	30,878,743	33,125,857	30,878,743	33,125,857
	350,086,053	1,803,104,540	350,086,053	1,803,104,540
Total Commitments & Contingencies	2,301,638,553	1,803,104,540	2,301,638,553	1,803,104,540

55.2.4 Fair value of collateral and credit enhancements held

As a general principle, the Company endeavours to obtain adequate collateral to secure its credit portfolios. The Company focuses on quality and responsibility of such collateral to mitigate potential credit losses. Management monitors the market value of collateral, and requests additional collateral in accordance with the underlying agreement. A reasonable margin of safety is maintained in collateral values which are reviewed at frequent intervals.

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

55. RISK MANAGEMENT CONTD.

55.2 Credit risk contd.

55.2.4 Fair value of collateral and credit enhancements held contd.

The following table shows the fair value of collateral and credit enhancements held by the Company.

Company

	Maximum exposure to credit risk Rs.	Net exposure Rs.
As at 31st March 2014		
Cash and cash equivalents (excluding cash in hand)	11,199,924,129	11,199,924,129
Balances with banks & financial institutions	3,329,562,399	3,329,562,399
Derivative financial instruments	244,583	244,583
Financial Investments - Held for trading	184,243,264	184,243,264
Loans and receivables (Gross)	91,566,211,366	11,715,038,859
Financial Investments-Held to maturity	4,746,558,011	4,746,558,011
Other Financial assets	115,450,706	115,450,706
Total	111,142,194,458	31,291,021,951

The following table shows the fair value of collateral and credit enhancements held by the group.

Group

	Maximum exposure to credit risk Rs.	Net exposure Rs.
As at 31st March 2014		
Cash and cash equivalents (excluding cash in hand)	11,427,639,030	11,427,639,030
Other balances with banks & financial institutions	4,725,903,758	4,725,903,758
Derivative financial instruments	244,583	244,583
Financial Investments - Held for trading	378,312,180	378,312,180
Loans and receivables (Gross)	91,704,889,240	12,162,491,082
Financial Investments-Available for Sale	1,092,750,518	1,092,750,518
Financial Investments-Held to maturity	4,746,558,011	4,746,558,011
Total	114,076,297,320	34,533,899,162

55.3 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, management has arranged diversified funding sources in addition to its deposit base, and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis.

The Company maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. The Company also has committed lines of credit that it can access to meet liquidity needs.

A minimum holiday of liquid assets in compliance with Finance companies (Liquid Assets) direction No: 4 of 2013 which shall not as the close of the business on any day, be less than the total of;

- 10% of the outstanding value of the time deposits and accrued interest payable at the close of the business on such day and
- 15% of outstanding value of the saving deposit and accrued interest payable at the close of the business on such day and
- 5% of the total outstanding borrowing and any payable.

Further the company maintaining 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 unsecured borrowings of the 12 months preceding financial year.

The most important of these is to maintain limits on the ratio of net liquid assets to customer liabilities, to reflect market conditions. Net liquid assets consist of cash, balances with banks and financial institutions and investment in government securities.

The Company stresses the importance of savings accounts as sources of funds to finance lending to customers. They are monitored using the advances to deposit ratio, which compares loans and advances to customers as a percentage of customer savings accounts and fixed deposits.

NOTES TO THE FINANCIAL STATEMENTS

The ratios at the end of the year was as follows:

Liquidity ratios	Company		Group	
	2014	2013	2014	2013
Advances to deposit ratios (times)	2.20	10.97	2.21	4.69
Liquidity assets to deposit (%)	36	50	40	36

55.3.1 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 31st March 2014.

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.

Company

As at 31 March 2014	On demand Rs.	Less than 3 months Rs.	3 to 12 months Rs.	1 to 5 years Rs.	Over 5 years Rs.	Total Rs.
Financial asset						
Cash and cash equivalents	11,452,995,692	-	-	-	-	11,452,995,692
Less: restricted balance	-	-	-	-	-	-
Balances with banks & financial institutions	-	3,260,713,100	68,849,299	-	-	3,329,562,399
Derivative financial instruments	-	-	244,583	-	-	244,583
Financial investment-Held for trading	184,243,264	-	-	-	-	184,243,264
Loans and receivables	5,348,068,860	11,250,274,083	35,408,812,748	65,611,007,843	56,391,174	117,674,554,708
Insurance and reinsurance receivables	-	-	-	-	-	-
Financial investments - Available for sale	224,067,865	-	-	-	-	224,067,865
Financial investments - Held to maturity	-	648,283,813	4,519,445,788	-	35,961,458	5,203,691,059
Other financial assets	-	115,450,706	-	-	-	115,450,706
Total undiscounted financial assets	17,209,375,681	15,274,721,702	39,997,352,418	65,611,007,843	92,352,632	138,184,810,276
Financial liabilities						
Due to banks	292,313,940	5,027,534,447	3,873,286,568	5,661,222,787	10,664,692	14,865,022,434
Due to customers	2,053,003,662	8,645,593,668	24,526,429,717	5,706,187,517	37,906,608	40,969,121,172
Debt securities issued	2,170,646,478	4,993,764,114	13,114,371,265	24,624,025,676	-	44,902,807,533
Other financial liabilities	-	2,869,668,320	-	-	-	2,869,668,320
Insurance liabilities and reinsurance payable	-	-	-	-	-	-
Total undiscounted financial liabilities	4,515,964,080	21,536,560,549	41,514,087,550	35,991,435,980	48,571,300	103,606,619,459
Net undiscounted financial assets/(liabilities)	12,693,411,601	(6,261,838,847)	(1,516,735,132)	29,619,571,863	43,781,332	34,578,190,817

NOTES TO THE FINANCIAL STATEMENTS

55. RISK MANAGEMENT CONTD.

55.3 Liquidity risk and funding management contd.

55.3.1 Analysis of financial assets and liabilities by remaining contractual maturities contd.

Company

As at 31 March 2013	On demand Rs.	Less than 3 months Rs.	3 to 12 months Rs.	1 to 5 years Rs.	Over 5 years Rs.	Total Rs.
Financial asset						
Cash and cash equivalents	4,006,662,592	-	-	-	-	4,006,662,592
Less: restricted balance	-	-	-	-	-	-
Balances with banks & financial institutions	-	698,127,619	-	-	-	698,127,619
Financial investments - Held for trading	141,637,133	-	-	-	-	141,637,133
Loans and receivables	5,042,545,425	11,615,535,081	31,988,337,268	67,521,047,977	75,653,394	116,243,119,145
Insurance and reinsurance receivable	-	-	-	-	-	-
Financial investments - Available for sale	184,179,892	-	-	-	-	184,179,892
Financial investments - Held to maturity	-	211,525,000	355,000,000	-	-	566,525,000
Other financial assets	-	73,348,591	-	-	-	73,348,591
Total undiscounted financial assets	9,375,025,042	12,598,536,291	32,343,337,268	67,521,047,977	75,653,394	121,913,599,972
Financial liabilities						
Due to banks	25,423,977	7,460,422,618	2,598,636,323	15,067,519,593	28,101,957	25,180,104,468
Due to customers	1,383,625,870	2,984,927,265	6,707,746,948	2,089,638,320	83,362,363	13,249,300,766
Debt securities issued	2,175,208,131	5,159,305,479	14,662,014,519	24,678,680,360	-	46,675,208,489
Other financial liabilities	-	3,013,791,602	-	-	-	3,013,791,602
Insurance liabilities and reinsurance payable	-	-	-	-	-	-
Total undiscounted financial liabilities	3,584,257,978	18,618,446,964	23,968,397,790	41,835,838,273	111,464,320	88,118,405,325
Net undiscounted financial assets/(liabilities)	5,790,767,064	(6,019,910,673)	8,374,939,478	25,685,209,704	(35,810,926)	33,795,194,647

NOTES TO THE FINANCIAL STATEMENTS

Group

As at 31 March 2014	On demand Rs.	Less than 3 months Rs.	3 to 12 months Rs.	1 to 5 years Rs.	Over 5 years Rs.	Total Rs.
Financial asset						
Cash and cash equivalents	11,695,561,139	-	-	-	-	11,695,561,139
Less: restricted balance	-	-	-	-	-	-
Balances with banks & financial institutions	32,025,603	3,612,849,472	999,597,945	158,889,651	-	4,803,362,671
Derivative financial instruments	-	-	244,583	-	-	244,583
Financial investments - Held for trading	378,312,179	-	-	-	-	378,312,179
Loans and receivables	5,348,068,860	11,519,631,324	36,535,819,002	68,092,838,232	56,391,174	121,552,748,592
Insurance and reinsurance receivable	-	368,073,422	112,557,750	-	-	480,631,172
Financial investments - Available for sale	275,582,444	189,524,400	890,891,100	-	-	1,355,997,944
Financial investments - Held to maturity	-	648,283,813	4,519,445,788	-	35,961,458	5,203,691,059
Total undiscounted financial assets	17,729,550,225	16,338,362,431	43,058,556,168	68,251,727,883	92,352,632	145,470,549,339
Financial liabilities						
Due to banks	381,248,159	5,027,534,447	3,885,036,568	5,521,972,787	10,664,692	14,826,456,653
Due to customers	2,053,003,662	8,645,593,668	24,526,429,717	5,706,187,517	37,906,608	40,969,121,173
Debt securities issued	2,170,646,478	4,993,764,114	13,114,371,265	24,624,025,676	-	44,902,807,533
Other financial liabilities	310,483,681	2,936,556,058	159,205,773	426,144,528	-	3,832,390,040
Insurance liabilities and reinsurance payable	2,598,241,286	-	-	-	-	2,598,241,286
Total undiscounted financial liabilities	7,513,623,266	21,603,448,287	41,685,043,323	36,278,330,508	48,571,300	107,129,016,685
Net undiscounted financial assets/(liabilities)	10,215,926,958	(5,265,085,856)	1,373,512,845	31,973,397,376	43,781,332	38,341,532,654

NOTES TO THE FINANCIAL STATEMENTS

55. RISK MANAGEMENT CONTD.**55.3 Liquidity risk and funding management contd.****55.3.1 Analysis of financial assets and liabilities by remaining contractual maturities contd.**

Group	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
As at 31 March 2013	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Financial asset						
Cash and cash equivalents	4,303,205,444	-	-	-	-	4,303,205,444
Less: restricted balance	-	-	-	-	-	-
Balances with banks & financial institutions	1,894,344,820	-	-	-	-	1,894,344,820
Financial assets held for trading	237,603,467	-	-	-	-	237,603,467
Loans and receivables	5,606,641,928	11,745,056,513	32,341,201,563	67,685,745,670	76,178,906	117,454,824,581
Insurance and reinsurance receivable	-	-	-	-	-	-
Financial investments - Available for sale	1,173,867,485	-	-	-	-	1,173,867,485
Financial investments - Held to maturity	-	211,525,000	355,000,000	-	-	566,525,000
Total undiscounted financial assets	13,215,663,144	11,956,581,513	32,696,201,563	67,685,745,670	76,178,906	125,630,370,796
Financial liabilities						
Due to banks	1,061,861,135	5,930,104,795	4,539,310,308	2,856,304,953	56,736,533	14,444,317,724
Due to customers	2,329,172,352	7,532,785,987	11,683,291,535	2,304,183,774	97,937,787	23,947,371,435
Debt securities issued	2,175,208,131	5,159,305,479	14,662,014,519	24,678,680,360	-	46,675,208,489
Other financial liabilities	-	3,042,544,461	-	-	-	3,042,544,461
Insurance liabilities and reinsurance payable	2,216,941,297	-	-	-	-	2,216,941,297
Total undiscounted financial liabilities	7,783,182,915	21,664,740,722	30,884,616,362	29,839,169,087	154,674,320	90,326,383,406
Net undiscounted financial assets/(liabilities)	5,432,480,229	(9,708,159,209)	1,811,585,201	37,846,576,583	(78,495,414)	35,303,987,390

NOTES TO THE FINANCIAL STATEMENTS

55.3.2 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

As at 31st March 2014	On Demand Rs.	Less than 3 months Rs.	3 to 12 months Rs.	1 to 5 years Rs.	Over 5 years Rs.	Total Rs.
Guarantees	-	1,400,000	7,850,000	225,000,000	-	234,250,000
Pending bill retirements	-	3,775,868	27,102,875	-	-	30,878,743
Accidents of leased out vehicles	-	-	-	84,957,310	-	84,957,310
Capital commitment	-	39,662,844	-	37,949,696	-	77,612,540
Forward exchange contracts	-	66,225,000	1,885,327,500	-	-	1,951,552,500
Total commitments and guarantees	-	111,063,712	1,920,280,375	347,907,006	-	2,379,251,093

As at 31st March 2013	On Demand Rs.	Less than 3 months Rs.	3 to 12 months Rs.	1 to 5 years Rs.	Over 5 years Rs.	Total Rs.
Guarantees	-	1,475,000,000	8,950,000	225,000,000	-	1,708,950,000
Pending bill retirements	5,655,432	15,908,125	11,562,300	-	-	33,125,857
Accidents of leased out vehicles	-	-	-	61,028,683	-	61,028,683
Capital commitment	-	-	227,131,154	-	-	227,131,154
Total commitments and guarantees	5,655,432	1,490,908,125	247,643,454	286,028,683	-	2,030,235,694

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

55. RISK MANAGEMENT CONTD.

55.3 Liquidity risk and funding management contd.

55.3.2 Commitments and guarantees contd.

The table below shows the contractual expiry by maturity of the Group 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.

Group	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
As at 31st March 2014	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Guarantees	-	1,400,000	7,850,000	225,000,000	-	234,250,000
Pending bill retirements	-	3,775,868	27,102,875	-	-	30,878,743
Accidents of leased out vehicles	-	-	-	84,957,310	-	84,957,310
Capital commitments	-	149,385,544	276,831,025	279,235,468	-	705,452,037
Forward exchange contracts	-	66,225,000	1,885,327,500	-	-	1,951,552,500
Total commitments and guarantees	-	220,786,412	2,197,111,400	589,192,778	-	3,007,090,590

Group	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
As at 31st March 2013	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Guarantees	1,650,000	1,475,100,000	7,200,000	225,000,000	-	1,708,950,000
Pending bill retirements	5,655,432	15,908,125	11,562,300	-	-	33,125,857
Accidents of leased out vehicles	-	-	-	61,028,683	-	61,028,683
Capital commitments	-	-	574,103,224	135,000,000	893,000,000	1,602,103,224
Total commitments and guarantees	7,305,432	1,491,008,125	592,865,524	421,028,683	893,000,000	3,405,207,764

The Company expects that not all of the contingent liabilities or commitments will be drawn before expiry of the commitments.

55.4 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.

NOTES TO THE FINANCIAL STATEMENTS

55.4.1 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

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

As at 31st March 2014	Carrying amount Rs.	On demand Rs.	Less than 3 months Rs.	3 to 12 months Rs.	1 to 5 years Rs.	Over 5 years Rs.	Non-interest bearing Rs.
Assets							
Cash and cash equivalents	11,452,995,692	9,612,328,464	-	-	-	-	1,840,667,228
Balances with banks & financial institutions	3,329,562,399	-	3,260,713,100	68,849,299	-	-	-
Derivative financial instruments	244,583	-	-	-	-	-	244,583
Loans and receivable	91,566,211,367	5,348,745,545	7,260,055,652	25,867,035,444	53,042,643,261	47,731,465	-
- Impairment charges	(1,347,856,304)	-	-	-	-	-	-
Net loans and receivables	90,218,355,063	-	-	-	-	-	-
Financial investments - Held to maturity	4,746,558,011	-	633,084,484	4,088,473,527	-	25,000,000	-
Other financial assets	115,450,706	-	-	-	-	-	115,450,706
Total	109,863,166,454	14,961,074,009	11,153,853,236	30,024,358,270	53,042,643,261	72,731,465	1,956,362,517
Liabilities							
Due to banks	14,131,807,918	463,724,481	4,905,771,539	3,635,748,529	5,116,169,239	10,394,130	-
Due to customers	40,921,484,906	2,223,794,501	8,518,380,235	24,263,226,280	5,878,177,451	37,906,438	-
Debt securities issued	34,473,380,628	2,379,541,695	4,168,316,282	10,603,373,014	17,322,149,637	-	-
Other financial liabilities	2,869,666,536	-	-	-	-	-	2,869,668,320
Total	92,396,339,988	5,067,060,677	17,592,468,056	38,502,347,823	28,316,496,327	48,300,568	2,869,668,320
Total interest sensitivity gap	17,466,826,466	9,894,013,331	(6,438,614,820)	(8,477,989,553)	24,726,146,934	24,430,897	(913,305,803)
As at 31st March 2013							
Assets							
Cash and cash equivalents	4,006,662,592	1,711,472,416	-	-	-	-	2,295,190,176
Balances with banks & financial institutions	698,127,619	-	698,127,619	-	-	-	-
Loans and receivable	89,246,203,065	5,254,717,934	7,265,395,720	24,566,624,918	52,118,441,349	41,023,145	-
- Impairment charges	(841,722,794)	-	-	-	-	-	-
Net loans and receivables	88,404,480,271	-	-	-	-	-	-
Financial investments - Held to maturity	539,765,951	-	516,301,936	-	23,464,015	-	-
Total	93,649,036,433	6,966,190,350	8,479,825,275	24,566,624,918	52,141,905,364	41,023,145	2,295,190,176
Liabilities							
Due to banks	15,801,608,906	333,372,479	4,671,331,811	4,720,397,507	5,920,006,028	156,501,082	-
Due to customers	18,846,671,750	1,016,749,537	3,894,721,304	11,230,285,422	2,687,584,061	17,331,425	-
Debt Securities issued	40,430,615,187	2,883,840,130	4,876,538,271	12,404,949,817	20,265,286,969	-	-
Other Financial liabilities	3,013,791,602	-	-	-	-	-	3,013,791,602
Total	78,092,687,445	4,233,962,146	13,442,591,386	28,355,632,746	28,872,877,058	173,832,507	3,013,791,602
Total interest sensitivity gap	15,556,348,988	2,732,228,204	(4,962,766,111)	(3,789,007,828)	23,269,028,306	(132,809,362)	(718,601,424)

NOTES TO THE FINANCIAL STATEMENTS

55. RISK MANAGEMENT CONTD.

55.4 Market risk contd.

55.4.1 Interest rate risk contd.

Group	Carrying amount	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing
As at 31st March 2014	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Assets							
Cash and cash equivalents	11,695,561,139	9,802,354,162	-	-	-	-	1,893,206,977
Balances with banks & financial institutions	4,725,903,758	4,595,285	3,612,729,291	964,268,848	144,310,334	-	-
Derivative financial instruments	244,583	-	-	-	-	-	244,583
Loans and receivable	91,704,889,240	5,348,745,545	7,546,610,879	26,455,562,602	52,306,238,749	47,731,465	-
- Impairment charges	(1,362,989,376)	-	-	-	-	-	-
Net loans and receivables	90,341,899,864	-	-	-	-	-	-
Financial investments available for sale	1,092,750,518	51,514,579	532,010,523	509,225,416	-	-	-
Reinsurance and insurance receivable	137,576,052	-	25,018,302	112,557,750	-	-	-
Financial investments - Held to maturity	4,746,558,011	-	633,084,484	4,088,473,527	-	25,000,000	-
Total	112,740,493,925	15,207,209,571	12,349,453,479	32,130,088,143	52,450,549,083	72,731,465	1,893,451,560
Liabilities							
Due to banks	15,776,882,810	310,022,273	4,905,771,539	5,271,410,450	5,279,284,419	10,394,129	-
Due to customers	40,839,278,114	2,223,794,331	8,518,380,235	24,263,226,280	5,795,970,659	37,906,609	-
Debt Securities issued	34,369,214,617	2,372,351,586	4,155,721,147	10,571,333,479	17,269,808,405	-	-
Other Financial liabilities	2,759,313,735	-	-	-	-	-	2,759,313,735
Insurance liabilities and reinsurance payable	2,570,540,046	-	-	-	-	-	2,570,540,046
Total	96,315,229,322	4,906,168,190	17,579,872,921	40,105,970,209	28,345,063,483	48,300,738	5,329,853,781
Total interest sensitivity gap	16,425,264,603	10,301,041,381	(5,230,419,442)	(7,975,882,066)	24,105,485,600	24,430,727	(3,436,402,221)

Group	Carrying amount	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing
As at 31st March 2013	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Assets							
Cash and cash equivalents	4,303,205,444	1,991,406,847	-	-	-	-	2,311,798,597
Balances with banks & financial institutions	1,894,344,820	1,197,736,621	637,979,083	58,629,116	-	-	-
Loans and receivables	89,140,194,040	4,978,838,201	7,852,786,114	22,579,579,462	53,661,948,876	67,041,387	-
- Impairment charges	(841,722,794)	-	-	-	-	-	-
Net loans and receivables	88,298,471,246	-	-	-	-	-	-
Reinsurance and insurance receivable	159,162,123	-	-	-	-	-	159,162,123
Financial investments available for sale	989,687,593	-	269,684,237	720,003,356	-	-	-
Financial investments - Held to maturity	539,765,951	-	201,672,625	338,093,326	-	25,000,000	-
Total	96,184,637,177	8,167,981,669	8,962,122,059	23,696,305,260	53,661,948,876	92,041,387	2,470,960,720
Liabilities							
Due to banks	17,214,886,234	867,965,284	5,331,952,849	4,780,226,831	5,895,030,189	339,711,082	-
Due to customers	18,709,869,091	1,016,749,537	3,894,721,304	11,093,482,763	2,687,584,061	17,331,425	-
Debt securities issued	40,330,615,187	2,783,840,130	4,876,538,271	12,404,949,817	20,265,286,969	-	-
Other financial liabilities	3,042,544,461	-	-	-	-	-	3,042,544,461
Insurance liabilities and reinsurance payable	2,216,941,297	-	-	-	-	-	2,216,941,297
Total	81,514,856,270	4,668,554,951	14,103,212,424	28,278,659,411	28,847,901,219	357,042,507	5,259,485,758
Total interest sensitivity gap	14,669,780,907	3,499,426,718	(5,141,090,365)	(4,582,354,151)	24,814,047,657	(265,001,120)	(2,788,525,038)

NOTES TO THE FINANCIAL STATEMENTS

55.4.2 Currency risk

Currency risk is the risk that the value of a financial instruments will fluctuate due to changes in foreign exchange rates.

The only currency risk faced by the Company is from the funds borrowed in USD. This exposure has been effectively managed by investing the USD borrowings in a fixed deposit. Hedging strategies are used for repayment of such borrowings. Therefore, currency risk to the Company is minimal.

The tables below indicate the currencies to which the Company had significant exposures as at 31st March 2014 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 Income Statement (due to the fair value of currency sensitive non trading monetary assets and liabilities).

Impact on Income Statement due to Exchange Rate Shocks

	Change in currency rate in %	Effect on profit before tax Rs.
USD	1	25,894,544
USD	-1	(25,894,544)

55.4.3 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	2014			2013		
	Net asset value Rs.	Profit before tax Rs.	Other comprehensive Income Rs.	Net asset value Rs.	Profit before tax Rs.	Other comprehensive Income Rs.
Financial investment - Held for trading	1,842,433	1,842,433	-	566,673	566,673	-
Financial investments - Available for sale	2,240,579	-	2,240,579	2,702,601	-	2,702,601

55.5 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.

55.6 Insurance risk

People's Insurance Limited (PIL) is a fully owned 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 PIL for its statutory year ended 31 March.

55.6.1 Regulatory framework

Regulators are primarily interested in protecting the rights of policyholders and monitor them closely to ensure that the PIL is satisfactorily managing affairs for policyholders' benefit. At the same time, regulators are also interested in ensuring that the PIL maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

As an insurer, the operations of the PIL are subject to regulatory supervision of the Insurance Board of Sri Lanka (IBSL). PIL has taken necessary action to comply with and complied with applicable regulations throughout the year.

NOTES TO THE FINANCIAL STATEMENTS

55. RISK MANAGEMENT CONTD.

55.6. Insurance risks contd.

55.6.2 Nature and extent of risks arising from insurance contracts

Objectives, policies and processes for managing risks arising from insurance contracts

PIL 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. PIL's risk management framework focuses on strategic risk, assumed risks and the potential risks. PIL identifies and categorises risks in terms of their source, their impact on PIL and preferred strategies for dealing with them.

Method used to manage risks

Risk appetite and risk tolerance

PIL 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. PIL 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 PIL identified at present as having the greatest potential for shock losses. They are catastrophe, reserving and equity investment risk. PIL manages the risk of shock losses by setting limits on the tolerance for specific risks and on the amount of capital that PIL is willing to expose.

The table below sets out the concentration of non-life insurance contract liabilities by type of contract.

	31 March 2014			31 March 2013		
	Gross liabilities Rs.	Reinsurance receivable Rs.	Net liabilities Rs.	Gross liabilities Rs.	Reinsurance receivable Rs.	Net liabilities Rs.
Motor	667,150,325	16,980,378	650,169,947	434,572,224	6,097,170	428,475,054
Marine	17,279,056	1,656,226	15,622,830	14,123,678	1,625,396	12,498,282
Fire	107,103,798	52,340,660	54,763,138	119,481,360	71,755,384	47,725,976
Miscellaneous	222,725,843	40,583,116	182,142,727	185,146,397	57,844,363	127,302,034
Total	1,014,259,022	111,560,380	902,698,642	753,323,659	137,322,313	616,001,346

NOTES TO THE FINANCIAL STATEMENTS

Claims development table

The following tables show the estimates of cumulative incurred claims for each quarter, together with cumulative payments to date.

Gross non- life insurance contract outstanding claims provision for 2014 of PIL

Rs. (000)	Development period																	Total
	Accident Period	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2013 Q1	2013 Q2	2013 Q3	2013 Q4	
2014 Q1	-	4	250	55	977	(229)	574	2,444	3,800	(5,833)	1,865	9,695	6,761	12,800	(63,027)	60,828	471,163	
2013 Q4	-	4	-	(100)	(2,280)	392	(6,664)	4,942	2,839	2,727	5,726	995	4,260	(62,136)	62,041	467,873		
2013 Q3	-	(735)	518	(212)	(201)	525	9,604	(591)	1,372	(3,771)	4,072	10,576	(54,728)	98,546	493,283	-	-	
2013 Q2	-	184	(50)	256	126	3,043	7,217	3,797	4,927	16,834	3,885	(32,213)	24,817	444,461	-	-	-	
2013 Q1	-	(34)	2,550	767	5,921	3,532	6,739	14,195	9,242	17,305	(57,356)	(154,997)	563,678	-	-	-	-	
2012 Q4	(60)	67	1,023	940	(344)	61,976	(190)	5,720	(55,206)	(36,313)	(87,480)	664,924						
2012 Q3	50	(1,538)	(334)	(3,390)	(886)	(62,462)	(2,465)	(38,633)	11,266	(23,199)	673,686							
2012 Q2	-	1,659	(86)	5,476	1,480	2,945	361	(62,895)	74,405	428,668								
2012 Q1	(11)	177	(169)	420	2,851	(42,538)	79,027	392,184										
2011 Q4	30	(273)	619	1,278	2,360	(45,833)	67,234	439,598										
2011 Q3	141	273	(712)	6,604	(24,514)	(174,650)	335,263											
2011 Q2	(63)	(297)	(2,479)	(14,654)	33,484	585,381												
2011 Q1	50	445	(5,856)	17,655	178,613													
2010 Q4	92	(282)	(1,664)	111,155														
2010 Q3	94	(4,264)	72,186															
2010 Q2	(814)	33,388																
2010 Q1	3,762																	
Current estimate of cumulative claims incurred	3,271	28,778	65,796	126,251	197,587	371,970	375,137	447,604	444,829	396,417	544,399	498,980	544,788	493,671	492,298	528,701	471,163	6,031,639

Rs. (000)	Development period																	Total
	Accident Period	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2013 Q1	2013 Q2	2013 Q3	2013 Q4	
2014 Q1	-	(4)	(34)	(334)	(1,029)	(1,001)	(384)	(796)	(1,078)	(3,145)	(2,687)	(3,946)	(4,964)	(15,425)	(26,841)	(205,614)	(206,374)	
2013 Q4	-	(7)	(19)	(26)	(6,616)	(4,091)	(1,400)	(3,352)	(3,016)	(2,655)	(29,960)	(4,961)	(14,245)	(30,991)	(200,371)	(213,652)		
2013 Q3	-	(800)	-	(214)	(125)	(375)	(965)	(1,858)	(5,233)	(2,545)	(7,942)	(9,841)	(39,703)	(225,008)	(233,264)	-	-	
2013 Q2	-	(18)	(3)	(1,862)	(133)	(25,614)	(1,058)	(2,001)	(5,595)	(2,496)	(7,712)	(38,536)	(164,773)	(204,098)	-	-	-	
2013 Q1	-	(3)	(73)	(470)	(2,106)	(593)	(1,895)	(5,392)	(4,878)	(3,996)	(21,190)	(101,828)	(295,206)	-	-	-	-	
2012 Q4	-	(46)	(3)	(484)	(316)	(783)	(1,502)	(9,357)	(12,203)	(5,023)	(88,665)	(313,342)						
2012 Q3	-	(26)	(38)	(638)	(1,825)	(1,595)	(4,657)	(22,541)	(15,170)	(93,896)	(324,685)							
2012 Q2	-	(5)	(19)	(3,058)	(1,864)	(27,756)	616	(13,938)	(146,926)	(246,174)								
2012 Q1	(19)	(2)	(321)	(495)	(6,763)	(32,163)	(28,859)	(158,460)	(219,499)									
2011 Q4	-	(668)	(331)	2,694	(5,097)	(10,704)	(127,396)	(195,737)										
2011 Q3	(141)	(297)	(502)	(10,432)	(11,150)	(95,481)	(181,098)											
2011 Q2	-	(232)	(468)	(7,710)	(59,982)	(125,395)												
2011 Q1	(215)	(1,538)	(3,469)	(48,920)	(81,575)													
2010 Q4	(319)	(2,245)	(28,676)	(52,889)														
2010 Q3	(29)	(11,230)	(25,985)															
2010 Q2	(1,736)	(10,981)																
2010 Q1	(812)																	
Cumulative payments to date	(3,271)	(28,101)	(59,941)	(124,838)	(178,581)	(325,551)	(348,598)	(413,433)	(413,598)	(359,929)	(482,842)	(472,453)	(518,890)	(475,523)	(460,477)	(419,266)	(206,374)	(5,291,665)
Total gross claims	-	677	5,855	1,413	19,006	46,419	26,538	34,172	31,231	36,488	61,558	26,526	25,898	18,148	31,821	109,436	264,788	739,974

NOTES TO THE FINANCIAL STATEMENTS

55. RISK MANAGEMENT CONTD.

55.6 Insurance risks contd.

Claims development table

Net non-life insurance contract outstanding claims provision for 2014 of PIL

Rs. (000)	Development period																	
	Accident Period	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2013 Q1	2013 Q2	2013 Q3	2013 Q4	2014 Q1
2014 Q1	-	4	250	84	962	(51)	819	1,240	3,765	1,602	2,920	9,572	7,398	10,653	(61,157)	62,434	420,355	
2013 Q4	-	4	-	(100)	(2,280)	396	(6,662)	4,969	2,889	2,491	6,211	1,419	4,067	(61,964)	64,719	467,171		
2013 Q3	-	(735)	518	(207)	(2,760)	540	9,669	(493)	3,717	3,077	4,099	10,591	(46,314)	99,543	488,446			
2013 Q2	-	184	(50)	257	143	3,087	7,217	3,800	4,927	9,848	10,051	(32,508)	24,534	439,971				
2013 Q1	-	(34)	2,550	770	9,358	3,538	6,717	14,105	9,240	17,305	(60,184)	(151,658)	553,950					
2012 Q4	(60)	189	905	932	(412)	2,930	(139)	4,408	1,514	(34,491)	(86,842)	656,765						
2012 Q3	50	(1,662)	(217)	(3,361)	(810)	(1,900)	(4,028)	3,925	(46,215)	(23,560)	624,161							
2012 Q2	-	1,659	(82)	5,471	1,498	1,423	2,634	(63,125)	74,288	425,308								
2012 Q1	(11)	177	(176)	425	5,180	4,725	(42,396)	70,572	385,496									
2011 Q4	30	1,033	(685)	1,298	3,321	(52,215)	65,544	392,485										
2011 Q3	141	411	(624)	6,821	(24,839)	27,765	333,024											
2011 Q2	(63)	(388)	(844)	(14,715)	31,561	275,046												
2011 Q1	51	(1,044)	(5,014)	18,213	172,394													
2010 Q4	(68)	(634)	(3,256)	109,385														
2010 Q3	94	(4,113)	71,742															
2010 Q2	(814)	33,034																
2010 Q1	3,762																	
Current estimate of cumulative claims incurred	3,112	28,085	65,017	125,273	193,315	265,284	372,398	431,886	439,620	401,581	500,416	494,182	543,635	488,203	492,008	529,605	420,355	5,793,974

Rs. (000)	Development period																	
	Accident Period	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2013 Q1	2013 Q2	2013 Q3	2013 Q4	2014 Q1
2014 Q1	-	(4)	(34)	(334)	(1,014)	(1,001)	(384)	(793)	(1,044)	(2,923)	(2,685)	(3,946)	(4,919)	(15,095)	(27,795)	(205,402)	(206,128)	
2013 Q4	-	(7)	(19)	(26)	(6,616)	(4,091)	(1,400)	(3,352)	(3,016)	(2,644)	(8,637)	(4,961)	(13,997)	(30,727)	(199,444)	(213,482)		
2013 Q3	-	(800)	-	(214)	(125)	(375)	(965)	(1,858)	(4,836)	(2,542)	(7,940)	(9,788)	(39,233)	(223,250)	(233,138)	-	-	
2013 Q2	-	(18)	(3)	(1,862)	(133)	(614)	(1,058)	(2,001)	(5,594)	(2,496)	(7,548)	(37,737)	(164,618)	(203,701)	-	-	-	
2013 Q1	-	(3)	(73)	(470)	(1,942)	(582)	(1,895)	(5,273)	(4,859)	(3,996)	(21,117)	(99,258)	(295,014)	-	-	-		
2012 Q4	-	(46)	(3)	(484)	(313)	(783)	(1,502)	(8,018)	(12,033)	(5,023)	(88,308)	(312,489)						
2012 Q3	-	(22)	(38)	(618)	(1,825)	(1,593)	(4,643)	(10,031)	(14,962)	(93,878)	(322,749)							
2012 Q2	-	(5)	(19)	(3,058)	(1,864)	(2,740)	712	(13,656)	(146,659)	(244,350)								
2012 Q1	(19)	(2)	(314)	(495)	(6,782)	(10,429)	(26,833)	(158,460)	(217,021)									
2011 Q4	-	(668)	(331)	2,695	(5,077)	(10,468)	(126,800)	(195,489)										
2011 Q3	(141)	(297)	(502)	(10,431)	(11,149)	(95,174)	(180,867)											
2011 Q2	-	(232)	(468)	(7,710)	(59,843)	(124,942)												
2011 Q1	(215)	(1,217)	(3,469)	(48,920)	(80,276)													
2010 Q4	(159)	(2,081)	(28,348)	(51,904)														
2010 Q3	(30)	(11,216)	(25,541)															
2010 Q2	(1,736)	(10,791)																
2010 Q1	(812)																	
Cumulative payments to date	(3,112)	(27,408)	(59,162)	(123,831)	(176,959)	(252,791)	(345,635)	(398,931)	(410,024)	(357,851)	(458,984)	(468,178)	(517,780)	(472,773)	(460,377)	(418,884)	(206,128)	(5,158,808)
Total net claims outstanding	-	677	5,855	1,442	16,356	12,493	26,763	32,955	29,596	43,729	41,432	26,004	25,854	15,430	31,631	110,721	214,227	635,166

CAPITAL ADEQUACY RATIO

As at 31st March 2014
Amount (Rs.'000)

Total tier I core capital	17,987,021
Total capital base (note 1)	16,980,654
Total risk weighted assets (note 2)	94,060,575
Core capital ratio (minimum 5%) (%)	19.12
Total risk weighted capital ratio (minimum 10%) (%)	18.05

Note 1 - Capital base

Constituents of Capital

Amount (Rs.'000)

Tier I : Core Capital	17,987,021
Issued and paid-up ordinary shares/common stock (cash)	11,608,001
Non-cumulative, non-redeemable preference shares	-
Share premium	-
Statutory reserve fund	1,016,467
Published retained profits	4,268,655
General and other reserves	1,093,898
Surplus/(loss) after tax arising from the sale of fixed and long-term investments	-
Unpublished current year's profits/(losses)	-
Minority Interest (consistent with the above capital constituents)	-
Goodwill (-)	-
Tier 2 : Supplementary Capital	-
Eligible revaluation reserves	-
Eligible general provisions	-
Approved hybrid (debt/equity) capital instruments	-
Minority interests arising from preference shares issued by subsidiaries	-
Eligible approved unsecured subordinated term debt	-
Eligible Tier 2 Capital	-
Total Capital	17,987,021
Deductions	1,006,367
Equity investments in unconsolidated banking and financial subsidiaries	650,000
Investments in capital of other banks/financial associates	356,367
Capital base	16,980,654

CAPITAL ADEQUACY RATIO

Note 2 - Risk Weighted Assets

Assets	Principal amount of on balance Sheet Items Amount (Rs. 000)	Credit Equivalent of Off-Balance Sheet Items (Rs. 000)	Total Amount (Rs. 000)	Risk Weight %	Risk Weighted Asset Amount (Rs. 000)
On-Balance Sheet - Total Assets	113,804,995	9,750	113,814,745		94,060,574
Cash & current accounts with banks	1,840,667		1,840,667	0%	-
Deposits with banks	3,379,842		3,379,842	20%	675,968
Deposit with finance companies	-		-	20%	-
Due from central bank of Sri Lanka	-		-	0%	-
Sri Lanka Govt treasury bills	30,704		30,704	0%	-
Sri Lanka Govt/Central Bank securities	14,277,903		14,277,903	0%	-
Other securities guaranteed by Sri Lanka Government	-		-	0%	-
Loans and Advances:	89,226,140	9,750	89,235,890		
Against deposits with the Company	824,127	9,750	833,877	0%	-
Against Sri Lanka Govt guarantee/ securities	-		-	0%	-
Against dues/ securities/ guarantees of Central Bank of Sri Lanka	-		-	0%	-
Against deposits with banks	-		-	20%	-
Against deposits with finance companies	-		-	20%	-
Staff loans secured by provident fund balances	-		-	0%	-
Loans against gold and gold jewellery	-		-	0%	-
Less than 10% in total advances	-		-	0%	-
Between 10-50% in total advances	-		-	10%	-
Greater than 50% in total advances	-		-	25%	-
Loans against real estates (performing)	134,292		134,292	50%	67,146
Other loans and advances	88,267,721		88,267,721	100%	88,267,721
Other investments (excluding items deducted from the total capital)	876,944		876,944	100%	876,944
Fixed assets	1,204,062		1,204,062	100%	1,204,062
Other assets	2,968,733		2,968,733	100%	2,968,733

CAPITAL ADEQUACY RATIO

Note 3 - Off Balance Sheet Items

Instruments	Principal amount of Off-Balance Sheet Items (Rs. 000)	Credit Conversion Factor	Credit equivalent of Off-Balance Sheet Items (Rs. 000)
Off balance sheet Items - total	9,750		4,875
Direct credit substitutes	-	100%	-
General guarantees of indebtedness	-	100%	-
Standby LCs serving as financial guarantees	-	100%	-
Others	-	100%	-
Transaction-related contingencies	9,750	50%	4,875
Performance bonds, bid bonds & warranties	-	50%	-
Standby LCs related to particular transactions	-	50%	-
Others	9,750	50%	4,875
Short-term self-liquidating trade-related contingencies	-	20%	-
Shipping guarantees	-	20%	-
Documentary letters of credit	-	20%	-
Trade related acceptances	-	20%	-
Others	-	20%	-
Sale and repurchase agreements and assets sale with recourse where the credit risk remains with the bank	-	100%	-
Sale and repurchase agreements	-	100%	-
Housing loans sold with recourse	-	100%	-
Other assets sold with recourse	-	100%	-
Forward assets purchases	-	100%	-
Partly paid shares/securities	-	100%	-
Others	-	100%	-
Obligations under an on-going underwriting agreement	-	50%	-
Underwriting of shares/securities issue	-	50%	-
Note issuance facilities and revolving underwriting facilities	-	50%	-
Others	-	50%	-
Other commitments with an original maturity of up to one year or which can be unconditionally cancelled at any time	-	0%	-
Formal standby facilities and credit lines	-	0%	-
Undrawn term loans	-	0%	-
Undrawn credit lines	-	0%	-
Others	-	0%	-
Other commitments with an original maturity of over one year	-	50%	-
Formal standby facilities and credit lines	-	50%	-
Undrawn term loans	-	50%	-
Others	-	50%	-

QUARTERLY ANALYSIS 2013/14

INCOME STATEMENT

Company	1st Quarter Apr-Jun 13 Rs. Mn.	2nd Quarter July-Sep 13 Rs. Mn.	3rd Quarter Oct-Dec 13 Rs. Mn.	4th Quarter Jan-Mar 14 Rs. Mn.	Total Apr 13-Mar 14 Rs. Mn.
Gross Income	4,894	5,059	5,279	5,396	20,628
Interest income	4,725	4,756	4,965	5,088	19,534
Less: Interest expense	2,786	2,758	2,720	3,002	11,266
Net interest income	1,939	1,998	2,245	2,086	8,268
Fee and commission income	143	204	281	226	854
Fee and commission income	143	204	281	226	854
Net trading income	-	-	4	3	7
Other operating income	26	99	29	79	233
Total operating income	2,108	2,301	2,559	2,394	9,362
Less: Impairment charges for loans and receivables	377	310	428	103	1,218
Net operating income	1,731	1,991	2,131	2,291	8,144
Less: Expenses					
Personnel expenses	276	343	365	354	1,338
Depreciation of property plant and equipment	47	48	44	43	182
Amortisation and impairment of intangible assets	3	4	4	4	15
Other operating expenses	419	466	507	538	1,930
Total operating expenses	745	861	920	939	3,465
Operating profit before value added tax (VAT)	986	1,130	1,211	1,352	4,679
Less: Value added tax (VAT) on financial services	60	74	81	77	292
Operating profit after value added tax (VAT)	926	1,056	1,130	1,275	4,387
Less: Income tax expenses	270	308	333	352	1,263
Profit for the Period	656	748	797	923	3,124

QUARTERLY ANALYSIS 2013/14

STATEMENT OF FINANCIAL POSITION

Company	1st Quarter As at 30th June 2013 Rs. Mn.	2nd Quarter As at 30th September 2013 Rs. Mn.	3rd Quarter As at 31st December 2013 Rs. Mn.	4th Quarter As at 31st March 2014 Rs. Mn.
Assets				
Cash and cash equivalents	3,562	2,392	5,119	11,453
Other Balances with banks & financial institutions	581	598	5,199	3,330
Derivative financial instruments	-	-	-	-
Financial investments - held-for-trading	167	162	177	184
Loans and receivables	90,055	91,507	92,583	90,218
Financial investments-available-for-sale	196	190	176	224
Financial investments-held -to-maturity	652	1,657	2,539	4,747
Investment in subsidiaries	1,475	1,475	1,475	1,475
Investment in associates	-	-	-	-
Goodwill and intangible assets	352	352	349	348
Property,Plant and equipment	732	811	801	801
Investment property	56	56	56	55
Other assets	644	810	896	941
Total assets	98,472	100,010	109,370	113,776
Liabilities				
Due to banks	14,505	16,870	20,547	14,132
Due to customers	24,240	29,770	35,393	40,921
Due to securities issued	36,288	28,982	27,997	34,473
Other financial liabilities	3,271	3,987	5,226	2,870
Current tax liabilities	232	510	711	447
Deferred tax liabilities	1,201	1,201	1,201	1,573
Other liabilities	57	60	67	164
Total liabilities	79,794	81,380	91,142	94,580
Equity				
Issued Capital	12,586	12,636	12,686	12,736
Statutory reserve fund	894	930	970	1,016
Retained earnings	3,967	3,734	3,252	4,002
Other reserves	1,231	1,330	1,320	1,442
Total shareholders' equity	18,678	18,630	18,228	19,196
Total liabilities and equities	98,472	100,010	109,370	113,776

QUARTERLY ANALYSIS 2012/13

INCOME STATEMENT

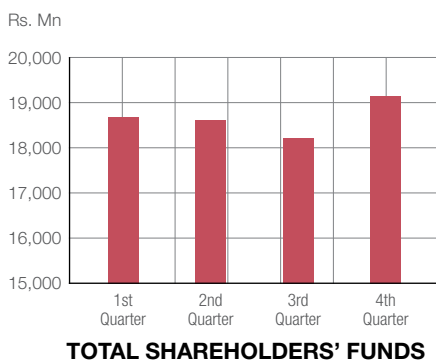
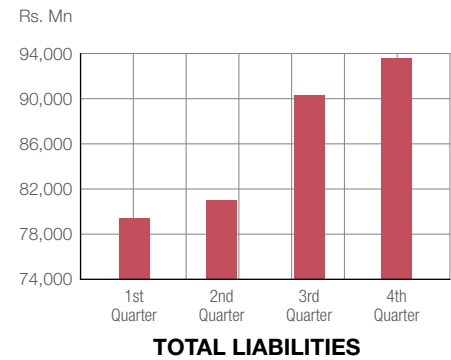
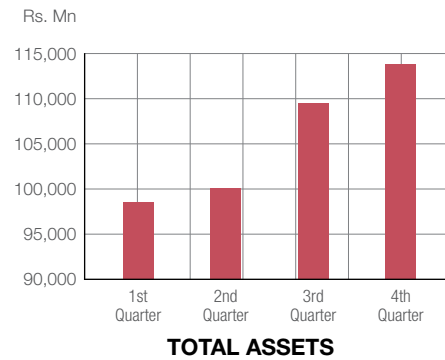
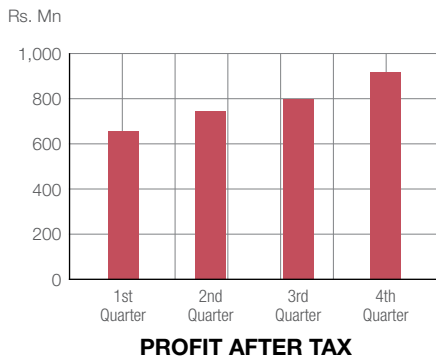
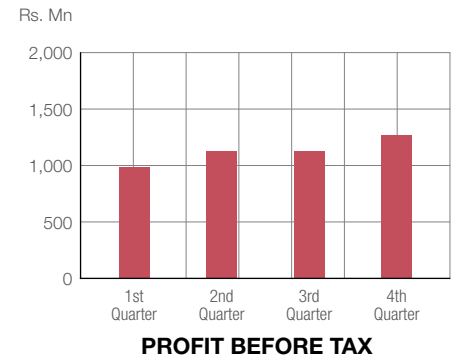
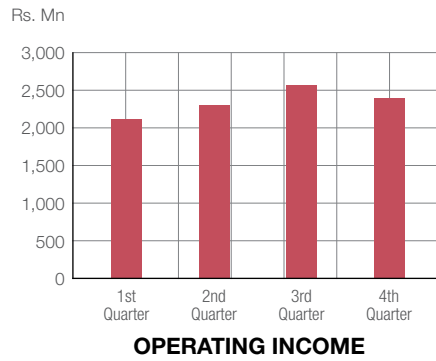
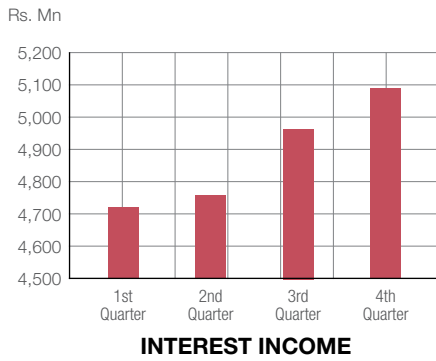
Company	1st Quarter Apr-Jun 12 Rs. Mn.	2nd Quarter July-Sep 12 Rs. Mn.	3rd Quarter Oct-Dec 12 Rs. Mn.	4th Quarter Jan-Mar 13 Rs. Mn.	Total Apr12-Mar 13 Rs. Mn.
Gross Income	4,153	4,521	4,726	4,805	18,205
Interest income	3,960	4,251	4,492	4,542	17,245
Less: Interest expense	2,295	2,534	2,594	2,717	10,140
Net interest income	1,665	1,717	1,898	1,825	7,105
Fee and commission income	136	189	232	175	732
Net trading income	2	2	-	15	19
Other operating income	57	81	2	69	209
Total operating income	1,860	1,989	2,132	2,084	8,065
Less: Impairment charges for loans and receivables	237	109	258	94	698
Net operating income	1,623	1,880	1,874	1,990	7,367
Less: Expenses					
Personnel expenses	275	234	233	284	1,026
Depreciation of property plant and equipment	45	44	44	45	178
Amortisation and impairment of intangible assets	3	3	3	3	12
Other operating expenses	347	437	503	444	1,731
Total operating expenses	670	718	783	776	2,947
Operating profit before value added tax (VAT)	953	1,162	1,091	1,214	4,420
Less: Value added tax (VAT) on financial services	79	67	49	90	285
Operating profit after value added tax (VAT)	874	1,095	1,042	1,124	4,135
Less: Income tax expenses	262	319	309	395	1,285
Profit for the Period	612	776	733	729	2,850

QUARTERLY ANALYSIS 2012/13

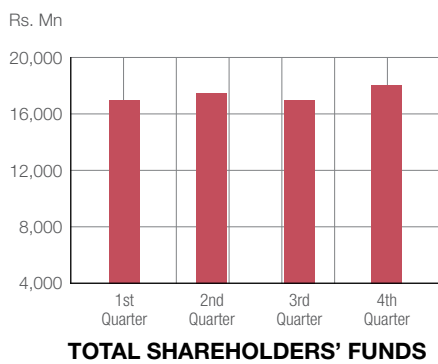
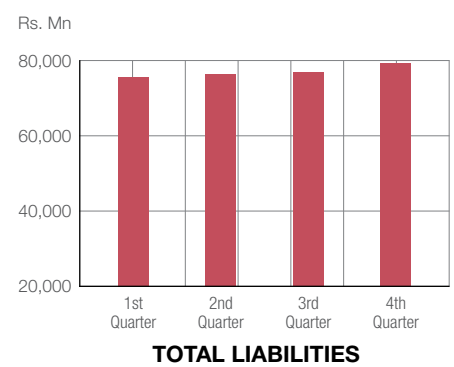
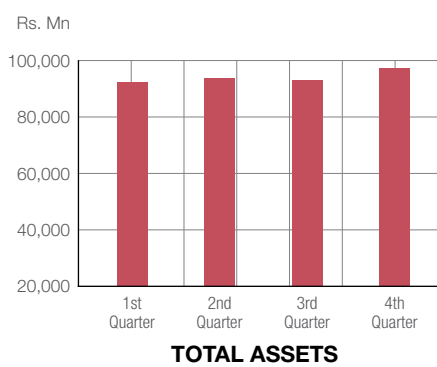
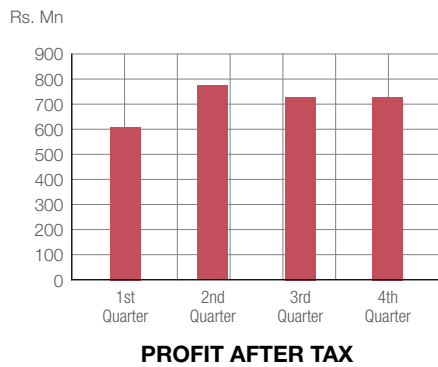
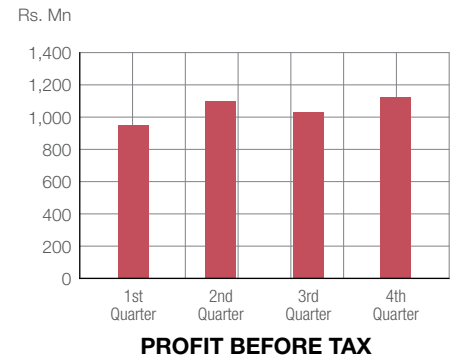
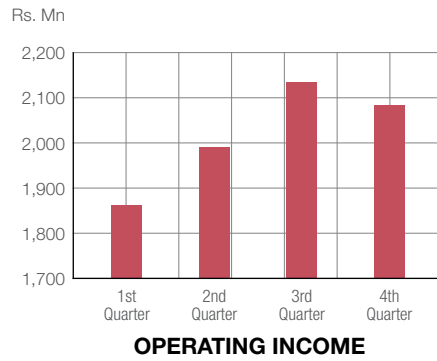
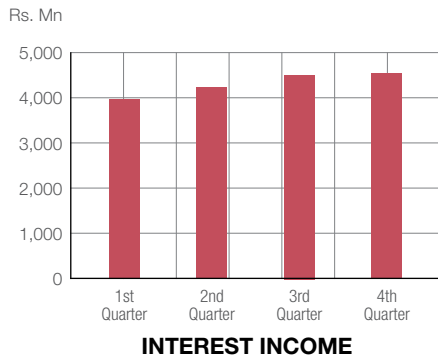
STATEMENT OF FINANCIAL POSITION

Company	1st Quarter As at 30th June 2012 Rs. Mn.	2nd Quarter As at 30th September 2012 Rs. Mn.	3rd Quarter As at 31st December 2012 Rs. Mn.	4th Quarter As at 31st March 2013 Rs. Mn.
Assets				
Cash and cash equivalents	2,772	2,909	2,030	4,007
Other balances with banks & financial institutions	20	589	198	698
Derivative financial instruments	-	-	-	-
Financial investments-held -for-trading	99	143	133	142
Loans and receivables	84,326	85,280	86,482	88,404
Financial investments-available-for-sale	205	231	210	184
Financial investments-held -to-maturity	759	737	640	540
Investment in subsidiaries	1,475	1,475	1,475	1,475
Investment in associates	-	-	-	-
Goodwill and intangible assets	347	350	348	344
Property,Plant and equipment	695	685	678	691
Investment property	56	56	56	56
Other assets	1,780	1,501	1,076	896
Total assets	92,534	93,956	93,326	97,437
Liabilities				
Due to banks	19,151	21,343	20,292	15,802
Due to customers	11,673	12,122	14,736	18,847
Due to securities issued	39,913	38,554	36,997	40,431
Other financial liabilities	3,505	2,696	3,073	3,014
Current tax liabilities	328	440	239	40
Deferred tax liabilities	849	849	902	1,201
Other liabilities	103	138	89	81
Total liabilities	75,522	76,142	76,328	79,414
Equity				
Capital	12,108	12,158	12,208	12,536
Statutory reserve fund	711	760	797	860
Retained earnings	3,256	3,832	2,879	3,496
Other reserves	937	1,064	1,114	1,131
Total equity	17,012	17,814	16,998	18,023
Total liabilities and equities	92,534	93,956	93,326	97,437

QUARTERLY GRAPHICAL REVIEW 2013/14



QUARTERLY GRAPHICAL REVIEW 2012/13



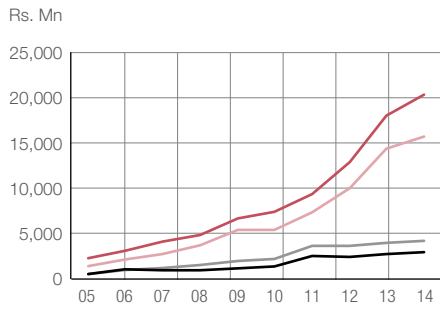
TEN YEAR STATISTICAL SUMMARY

For the year ended 31st March	Restated									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
OPERATING RESULTS (Rs. Mn)										
Gross income	20,628	18,205	12,912	9,256	7,247	6,527	4,590	3,861	2,904	1,984
Operating profit before interest	15,945	14,560	10,082	7,264	5,233	5,230	3,514	2,564	1,945	1,194
Interest cost	11,266	10,140	6,301	3,542	3,133	3,340	2,161	1,548	1,178	880
Profit before tax	4,387	4,135	3,781	3,721	2,100	1,890	1,353	1,016	767	314
Taxation	1,263	1,285	1,206	1,142	900	843	550	268	(151)	4
Profit after tax	3,124	2,850	2,575	2,580	1,200	1,047	803	748	918	310
ASSETS (Rs. Mn)										
Cash, balances with banks & repo	14,783	4,705	1,730	1,529	2,085	1,652	484	212	231	179
Loans and receivables	90,218	88,404	71,289	50,879	26,717	22,533	19,222	15,913	14,454	10,808
Property, plant & equipment	1,204	1,090	732	390	503	398	299	345	238	206
Stocks & other receivables	7,571	3,238	4,907	4,205	1,543	975	667	575	319	797
Total assets	113,776	97,437	78,658	57,003	30,848	25,558	20,672	17,045	15,242	11,990
LIABILITIES AND SHAREHOLDERS' FUNDS (Rs. Mn)										
Financial liabilities	92,396	78,093	60,986	47,434	21,246	18,400	15,250	12,224	12,013	10,108
Other liabilities	2,184	1,321	863	1,211	4,523	2,961	2,155	2,241	1,158	980
Total shareholders' equity	19,196	18,023	16,809	8,358	5,079	4,197	3,267	2,580	2,071	902
Total liabilities and shareholders' funds	113,776	97,437	78,658	57,003	30,848	25,558	20,672	17,045	15,242	11,990
NET CASH FLOWS INFLOW/(OUTFLOW) - (Rs. Mn)										
From operating activities	17,218	6,819	(4,956)	(19,535)	(1,257)	(1,458)	(2,501)	85	(1,632)	(1,105)
From investing activities	(170)	(88)	(1,507)	(88)	(998)	(1,405)	(57)	(245)	(73)	(66)
From financing activities	(8,927)	(4,007)	6,031	18,977	2,481	3,555	2,208	(246)	1,707	1,221
Total net cash inflow/(outflow)	8,121	2,724	(432)	(646)	226	691	(351)	(406)	2	50
KEY FINANCIAL INDICATORS										
Earnings per share (Rs.)	1.98	1.83	1.98	2.05	0.82	0.82	0.65	0.58	0.73	0.21
Net assets per share (Rs.)	12.15	11.55	10.78	7.14	4.34	3.59	2.79	2.21	1.77	0.77
Interest cover (times)	1.39	1.41	1.60	2.04	1.65	1.57	1.63	1.66	1.65	1.36
Dividend per ordinary share (Rs.)**	1.25	1.25	1.00	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Dividend cover (times)	1.58	1.46	1.65	31.95	12.86	12.84	10.16	9.13	11.37	8.17
Market price per share (Rs.)	14.30	13.10	11.60	-	-	-	-	-	-	-
Return on equity (%)	16.79	16.36	20.46	38.44	20.81	25.80	26.06	29.43	57.39	30.94
Debt equity ratio/ gearing (times)	2.68	3.29	3.49	5.11	4.18	4.38	4.67	4.74	5.79	11.21
Shareholders fund: assets ratio (times)	5.94	5.41	4.68	6.82	6.07	6.09	6.33	6.61	7.36	13.30
Current/ Quick ratio (times)	0.88	0.85	0.58	0.71	0.82	0.92	0.86	0.97	0.86	1.12
NON FINANCIAL INFORMATION										
Employees (No.)	1,575	1,388	1,050	855	586	498	442	407	362	296
Profit before tax per employee (Rs. Mn)	2.96	3.39	3.97	5.17	3.87	3.80	3.06	2.50	2.10	1.10
Branches (No.)	85	33	34	30	23	19	19	18	18	15

* Prior to 2012, all figures are as per Sri Lanka Accounting Standards (SLASs) prevailed at that time.

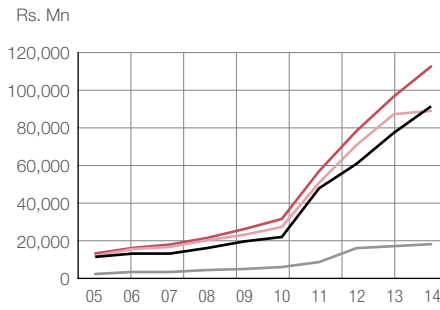
**Dividend per share includes the proposed final dividend of Rs. 0.50.

TEN YEAR GRAPHICAL REVIEW



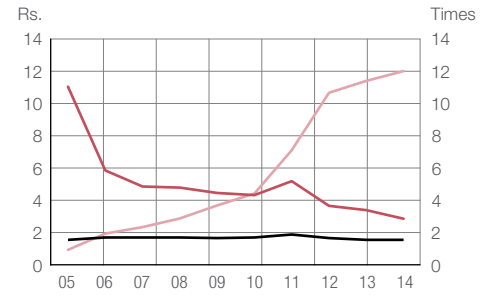
GROWTH IN OPERATING RESULTS

- Gross income
- Operating profit before interest
- Profit after tax
- Profit before tax



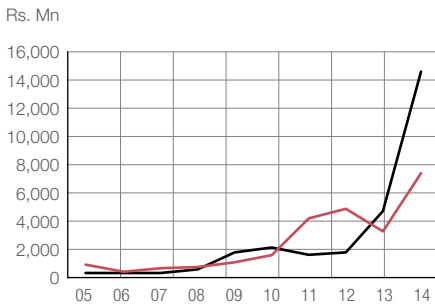
PROGRESS IN FINANCIAL POSITION

- Total assets
- Loans and receivables
- Financial liabilities
- Total shareholders' equity



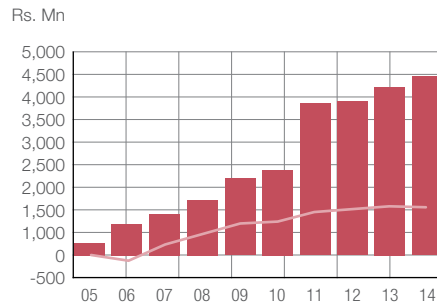
COMFORT ON FUND PROVIDERS

- Debt equity ratio/ gearing (times)
- Net assets per share (Rs.) ***
- Interest cover (times)



GROWTH IN LIQUID ASSETS

- Stocks & other receivables
- Cash, balances with banks & repo



PROFIT BEFORE TAX AND INCOME TAX

- Profit before tax
- Taxation



NO. OF EMPLOYEES AND PBT PER EMPLOYEE

- Employees (No.)
- Profit before tax per employee (Rs. Mn)

INDEPENDENT ASSURANCE REPORT



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INDEPENDENT ASSURANCE REPORT TO THE BOARD OF DIRECTORS OF PEOPLE'S LEASING & FINANCE PLC ON THE INTEGRATED REPORT- 2013/14

INTRODUCTION AND SCOPE OF THE ENGAGEMENT

The management of People's Leasing & Finance PLC ("the Company") engaged us to provide an independent assurance on the following elements of the Integrated Report-2013/14 ("the Report").

- ◆ Reasonable assurance on the information on financial performance as specified on page 53 of the Report.
- ◆ Limited assurance on other information presented in the Report, prepared in accordance with the requirements of the Global Reporting Initiative G4 'In accordance' - Core guidelines.

BASIS OF OUR WORK AND LEVEL OF ASSURANCE

We performed our procedures to provide limited assurance in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE 3000): 'Assurance Engagements Other than Audits or Reviews of Historical Financial Information', issued by the Institute of Chartered Accountants of Sri Lanka ("CASL").

The evaluation criteria used for this limited assurance engagement are based on the Sustainability Reporting Guidelines ("GRI Guidelines") and related information in particular, the requirements to achieve GRI G4 'In accordance' - Comprehensive guideline publication, publicly available at GRI's global website at "www.globalreporting.org".

Our engagement provides limited assurance as well as reasonable assurance. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement conducted in accordance with SLSAE-3000 and consequently does not enable to obtain assurance that we would

become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an opinion providing reasonable assurance.

MANAGEMENT OF THE COMPANY'S RESPONSIBILITY FOR THE REPORT

The management of the company is responsible for the preparation of the self-declaration, the information and statements contained within the Report, and for maintaining adequate records and internal controls that are designed to support the sustaining reporting process in line with the GRI Sustainability Reporting Guidelines.

ERNST & YOUNG'S RESPONSIBILITY

Our responsibility is to express a conclusion as to whether we have become aware of any matter that causes us to believe that the Report is not prepared in accordance with the requirements of the Global Reporting Initiative G4 'In accordance' - Core guidelines. This report is made solely to the Company in accordance with our engagement letter dated 08 May 2014. We disclaim any assumption of responsibility for any reliance on this report to any person other than the company or for any purpose other than that for which it was prepared. In conducting our engagement, we have complied with the independence requirements of the Code for Ethics for Professional Accountants issued by the CASL.

KEY ASSURANCE PROCEDURES

We planned and performed our procedures to obtain the information and explanations considered necessary to provide sufficient evidence to support our limited assurance conclusions. Key assurance procedures included:

- ◆ Interviewing relevant the company's personnel to understand the process for collection, analysis, aggregation and presentation.
- ◆ Reviewing and validation of the information contained in the Report

- ◆ Checking the calculations performed by the company on a sample basis through recalculation.
- ◆ Reconciling and agreeing the data on financial performance are properly derived from the company's audited financial statements for the year ended 31 March 2014.
- ◆ Comparison of the content of the Report against the criteria for a Global Reporting Initiative G4 'In accordance' - Core guidelines.

Our procedures did not include testing electronic systems used to collect and aggregate the information.

LIMITATIONS AND CONSIDERATIONS

Environmental and social performance data are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data.

CONCLUSION

Based on the procedures performed, as described above, we conclude that

- ◆ The information on financial performance as specified on page 53 of the Report are properly derived from the audited financial statements of the Company for the years ending 31 March 2012, 31 March 2013 and 31 March 2014.
- ◆ 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 GRI-G4-'In accordance' Core Sustainability Reporting Guidelines.

Chartered Accountants

19th May 2014
Colombo

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N/T - Not Tracked

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ABBREVIATIONS

AAT	Association of Accounting Technicians
ACCA	Association of Chartered Certified Accountants
AFSA	Asian Financial Services Association
AGM	Annual General Meeting
AIF	Al-Safa Islamic Finance Service
ALCO	Assets & Liabilities Committee
ASPI	All Share Price Index
ATM	Automated Teller Machines
AWPLR	Average Weighted Prime Lending Rate
BAC	Board Audit Committee
BCP	Business Continuity Plan
BID	Business Initiative Direction
BMI	Body Mass Index
BMS	Building Management System
BOD	Board of Directors
BOD	Board of Directors
CCPI	Colombo Consumers' Price Index
CCR	Company's core capital ratio
CCTV	Closed Circuit Televisions
CEO	Chief Executive Officer
CKD	Chronic Kidney Disease
CMT	Crisis Management Team
CRIB	Credit Information Bureau of Sri Lanka
CSE	Colombo Stock Exchange
CSR	Corporate Social Responsibility
DMS	Document Management System
DNV	Det Norske Veritas, Sri Lanka
DRP	Disaster Recovery Plan
DSS	Decision Supports System
Emirates NBD	Emirates National Bank of Dubai
EPF	Employees' Provident Fund
EPS	Earnings per Share
ETF	Employees' Trust Fund
EVA	Economic Value Added
GPS	Global Positioning System
GRI	Global Reporting Initiatives
HR	Human Resources
ibrands 360	Iconic Brands 360
ICASL	Institute of Chartered Accountants of Sri Lanka
ICT	Information and communication technology
ICTA	Information and Communication Technology Agency
IDR	Issuer Default Ratings
IMF	International Monetary Fund
IPPF	International Professional Practic
IRMC	Integrated Risk Management Committee
IRMOC	Integrated Risk Management Operating Committee

IRR	Internal Rate of Return
KMP	Key Management Personnel
LACP	League of American Communications Professionals
LED	Light Emitting Diode
LFC	Licensed finance companies
LMD	Lanka Monthly Digest
MBA	Masters Degree of Business Administration
MIS	Management Information System
MVA	Market Value Added
NBFI	Non-Banking Financial Institution
NIM	Net Interest Margin
NP	Non-Performing
NPA	Non-Performing Accommodation
PE	Price-Earnings
PF	People's Finance PLC
PIL	People's Insurance Limited
PLC	People's Leasing & Finance PLC
PLFML	People's Leasing Fleet Management Ltd
PLHPL	People's Leasing Havelock Properties Ltd
PLPDL	People's Leasing Property Development Ltd
RNC	Remuneration & Nomination Committee
ROA	Return on Assets
RPTRC	Related Party Transactions Review Committee
S&PSL20	Standard & Poor's Sri Lanka 20 Index
SEC	Securities and Exchange Commission of Sri Lanka
SLC	Specialised Leasing Companies
SLFRS/LKAS	Sri Lanka Accounting Standards
SLIBOR	Sri Lanka Inter Bank Offer Rate
SLICM	Sri Lanka Institute of Credit Management
SLIPS	Sri Lanka Interbank Payment System
SMC	Senior Management Committee
SWOT	Strengths, Weaknesses, Opportunities and Threats
TRWCR	Total Risk Weighted Capital Ratio
UDA	Urban Development Authority
VAPT	Vulnerability Assessment and Penetration Test
VRF	Variable Refrigerant Flow

BRANCH NETWORK

Branch	Address	TP Number	Fax Number	Contact Person
Central Province				
Dambulla	No. 513/1, Kadapaha, Anuradhapura Road, Dambulla	066-2284252	066-2284158	Mr. Nalaka Suresh
Gampola	131, Nuwara Eliya Rd, Gampola	081-2353030	081-2354154	Mr. Menaka Seneviratne
Hatton	199/B/1, Dimbulla Rd, Hatton	051-2225683	051-2225681	Mr. D. M. R. S. Dissanayake
Kandy	No. 177, D. S. Senanayaka Veediya, Kandy	081-2203912	081-4471654	Mr. Asela Bandara
Kandy (Alsafa)	26, Hill Street, Kandy	081-2205043	081-2205043	Mr. M. R. M. Ameen
Mahaiyawa	No. 288, Katugasthota Road, Kandy	081-2205947	081-2205937	Mr. Senaka Munasinghe
Matale	No. 96/1/1/, King's Street, Matale	066-2226401	066-2226402	Mr. Asela Weerakoon
Nawalapitiya	No. 75, Ambagamuwa Road, Nawalapitiya	054-2224482	054-2224485	Mr. G. A. K. U. Shantha
Nuwara Eliya	No. 36, Ramanathan Complex, Park Road, Nuwara Eliya	052-2235866	052-2224122	Mr. Neel Thushantha
Pilimathalawa	174, Colombo Rd. Pilimathalawa	081-2205651	081-2056339	Mr. Mahendra Amunugama
Eastern Province				
Ampara	No. 149, Kumarasiri Building, Nidahas Mawatha, Ampara	063-2224106	063-2224850	Mr. Keshike Karunarathne
Batticaloa	No. 26, New Kalmunai Road, Batticaloa	065-2226512	065-2226754	Mr. A. B. Sutharsan
Kalawanchikudy	Ward no 09, Main Street, Kalawanchikudy	065-2251661	065-2251531	Mr. Pathipan
Kalmunai (Alsafa)	82, Main street, Kalmunai	067-2225485	067-2225486	Mr. Shihan Gaffoor
Kanthale	No. 58D, Main Street, Kanthale	026-2234484	026-2234936	Mr. Nalaka Bandara
Kattankudy (Alsafa)	187, Main Street, Kattankudy	065-2248340	065-2248340	Mr. T. R. N. Ismail
Muttur (Kinniya)	Main Street, Muthur	026-2238276	026-2238277	Mr. Jowfer
Trincomalee	No. 445/1, Dockyard Road, Trincomalee	026-2226097	026-2225286	Mr. M. Kirupakaran
North Central Province				
Anuradhapura	No. 387, Harischandra Mawatha, Anuradhapura	025-2224903	025-2234966	Mr. Susil Priyantha
Kekirawa	12/A, Thalawa Rd, kekirawa	025-2264821	025-2264566	Mr. Dulip Dushantha
Polonnaruwa	No. 407, Main Street, Kaduruwela, Polonnaruwa	027-2226719	027-2222961	Mr. Roshan Madawala
Thambuttegama	326, Queen Junction, Kurunegala Road, Thambuttegama	025-2276180	025-2275511	Mr. Chanaka Samarasinghe
Northern Province				
Chunnakam	No. 15, K. K. S. Road, Chunnakam	021-2241105	021-2242072	Mr. K. Kamalakaran
Jaffna	No. 12, Stanley Rd, Jaffna	021-2228031	021-2229627	Mr. Anantheraja
Kilinochchi	First Floor, People's Bank Building, A9 Road, Kilinochchi	021-2283868	021-2285308	Mr. S. Rajivan
Mannar	109, Hospital Road, Sinnakadai, Mannar	023-2251342	023-2251370	Mr. F. R. Manokanth
Vavuniya	No. 91/1, Station Road, Vavuniya	024-2225860	024-2225861	Mr. Rasika Senevirathne
North Western Province				
Chilaw	No. 10, Colombo Road, Chilaw	032-2224100	032-2224103	Mr. Nalin De Silva
Kuliyapitiya	No. 88, Kurunegala Road, Kuliyapitiya	037-2281343	037-2281525	Mr. D. M. P. Kumarasinghe
Kurunegala	No. 183B, Colombo Road, Kurunegala	037-2222830	037-2231505	Mr. P. D. C. S. Mahanama
Puttalam (Alsafa)	97B, Kurunegala Road, Puttalam	032-2266893	032-2266895	Mr. M. J. M. Najath
Wariyapola	41, Kurunegala Road, Wariyapola	037-2268484	037-2233425	Mr. Sumith Jayasinghe
Wennappuwa	No. 327 1/1, Colombo Road, Wennappuwa, Wennappuwa	031-2245672	031-2245662	Mr. Sarath Agalla
Sabaragamuwa Province				
Balangoda	No. 118/A, Barns Rathwatha Mawatha, Balangoda	045-2289501	045-2289502	Mr. Chamil Prabath
Embilipitiya	No. 122, New Town Road, Embilipitiya	047-2261971	047-2261972	Mr. Samantha Abeywickrama
Kegalle	No. 345, Main Street, Kegalle	035-2230194	035-2230195	Mr. Saminda Ratnayake
Ratnapura	No. 102, Colombo Road, Ratnapura	045-2222980	045-2230678	Mr. Y. Premarathne
Southern Province				
Akuressa	No. 75, Matara Road, Akuressa	041-2284711	041-2283199	Mr. V. P. Saman
Ambalangoda	No. 15A, Wickramasooriya Road, Ambalangoda	091-2255647	091-2255649	Mr. S. P. R. Pradeep
Ambalanthota	No. 32 1/1, Tissa Road, Ambalanthota	047-2225265	047-2225266	Mr. Ishan Senadheera
Deniyaya	No. 144, Main Street, Deniyaya	041-2273714	041-2273713	Mr. Amila Wanniarachchi
Elpitiya	40, Ambalangoda Rd, Elpitiya	091-2290837	091-2258891	Mr. Sampath Hewawasam

BRANCH NETWORK

Branch	Address	TP Number	Fax Number	Contact Person
Galle	No. 118, Matara Road, Galle	091-2226102	091-2227388	Mr. Hasantha De Silva
Hambanthota	102/ K, Baddewela Rd, Hambanthota	047-2221276	047-2251680	Mr. T. M. Madhuka Nalin
Matara	No. 45/A, Anagarika Dharmapala Mawatha, Matara	041-2222850	041-2225985	Mr. Nishantha Weerasinghe
Neluwa	Dellawa Road, Neluwa	091-3094691	091-4943766	Mr. Aruna Santha
Tangalle	138/A, Matara Road, Tangalle	047-2242501	047-2242503	Mr. Isuru Dias
Thissamaharamaya	70A, Main Street, Tissamaharama	047-2239671	047-2239703	Mr. Shanaka Chaminda
Uva Province				
Badulla	No. 33/9, Modern Complex, Cocowatta Road, Badulla	055-2223904	055-2223777	Mr. Y. M. W. P. C. Yapa
Bandarawela	No. 35/2D, Welimada Road, Bandarawela	057-2221146	057-2221149	Mr. Chandike Jayaweera
Mahiyanganaya	No. 03, Siri Jayasanka Building, Kandy Road, Mahiyanganaya	055-2257739	055-2257737	Mr. Chandana Samantha
Monaragala	No. 32, Pothuvil Road, Monaragala	055-2277485	055-2277486	Mr. Chamil Kumarapperuma
Welimada	No. 11A, Boralanda Road, Welimada	057-2244996	057-2244995	Mr. Sasanka Niroshana
Wellawaya	No. 128, Monaragala Road, Wellawaya	055-2274045	055-2274025	Mr. Darshana Kumara
Western Province				
Awissawella	No. 15, Kudagama Road, Awissawella	036-2233792	036-2233793	Mr. Nilanga Fernando
Battaramulla	No. 261, Main Street, Battaramulla	011-2886820	011-2886824	Mr. Shiron Ranasinghe
Colpity	385, Galle Rd, Colombo 03	011-2376476	011-2376477	Mr. Chaminda Dharmarathne
Dehiwala	No. 119, Galle Road, Dehiwala	011-2720720	011-2725904	Mr. Vajira Ramanayake
Dehiwala (Alsafa)	No. 119, Galle Road Dehiwala	011-2725574	011-2725583	Mr. Asif Ajwath
Gampaha	No. 65, Yakkala Road, Gampaha	033-2234656	033-2232733	Mr. Samantha Senavirathne
Grandpass	No. 361, Grandpass Road, Colombo 14	011-2340014	011-2340025	Mr. Kanchana Wariyapola
Havelock	No. 62, Havelock Road, Colombo 5	011-2592424	011-2592445	Mr. Sumudu Fernando
Homagama	121/3, Highlevel Rd, Homagama	011-2098141	011-2098144	Mr. Bandula Samarajeewa
Horana	No. 101, Ratnapura Road, Horana	034-2267706	034-2267701	Mr. G. H. G. Buddika
Ja-Ela	No. 112/A, Negambo Road, Ja Ela	011-2228078	011-2228076	Mr. Duleepa Gomes
Kadawatha	No. 657A, Kandy Road, Bandarawatta, Kadawatha	011-2926910	011-2926911	Mr. Tharaka Bellana
Kaduwela	No. 501/1, Awissawella Road, Kaduwela	011-2548578	011-2548590	Mr. Anuradha Jayasinghe
Kalutara	No. 314, 1/1, Main Street, Kalutara South	034-2235337	034-2235800	Mr. Niranjan Fernando
Kelaniya	No. 965, Kandy Road, Wedamulla, Kelaniya	011-2914113	011-2908484	Mr. Chamil Herath
Kirindiwela	No. 153, Sujaya Building, Gampaha Road, Kirindiwela	033-2247583	033-2247580	Mr. W. A. D. J. Ashley
Maharagama	134/C/2, High Level Rd, Maharagama	011-2851628	011-2851646	Mr. P. S. Jayasuriya
Mathugama	4/29, Agalawaththa Road, Mathugama	034-2249230	034-2249231	Mr. Tissa Danedra
Metropolitant	No. 67, Sir Chiththampalam A Gardiner Mawatha, Colombo 02	011-2481000	011-2481123	Mr. Nandana Weerakkody
Minuwangoda	26/H, Colombo Rd, Minuwangoda	011-2298641	011-2298641	Mr. Sanjeewa Buthpitiya
Mirigama	No. 69/A, Giriulla Road, Mirigama	033-2275528	033-2275521	Mr. Ravindra Dayarathna
Moratuwa	207 1/1, New Galle Road, Moratuwella, Moratuwa	011-2648471	011-2648472	Mr. C. B. Dissanayake
Negombo	No. 29/1, Colombo Road, Negombo	031-2223230	031-2224882	Mr. M. G. R. Priyankara
Nittambuwa	83, Kandy Rd, Nittambuwa	033-2298110	033-2298122	Mr. Dushantha Samarajeewa
Nugegoda	No. 290, Highlevel Road, Nugegoda	011-2813990	011-2813991	Mrs. Priyanka Wimalasena
Panadura	482, Arthur V Dias Mawatha, Panadura	038-2237331	038-2237332	Mr. Amila Walpitagama
Pettah	No. 319, Main Street, Colombo 11	011-2437709	011-2473549	Mr. Ganesan Thushyanthan
Piliyandala	71, Moratuwa Road, Piliyandala	011-2609835	011-2609838	Mr. Aruna Priyadarshna
Three Wheel Unit	No. 67, Sir Chiththampalam A Gardiner Mawatha, Colombo 02	011-2481101	011-2481128	Mr. Sisira Gamage
Union Place (Alsafa)	167, Union Place, Colombo 2	011-2377877	011-2304463	Mr. M. B. M. Aslam
Ward Place	No. 24 A, Ward Place, Colombo 07	011-2678695	011-2678696	Mr. Duleepa Weerakoon
Wattala	540, Negombo Rd, Wattala	011-2948441	011-2947411	Mr. Chandana Kumara
Wellawatta	507, Galle Road, Wellawatta	011-2361562	011-2361564	Mrs. Shamala Segarajasinghe

GLOSSARY

A

Accounting Policies

The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting financial statements.

Accrual Basis

Recognising the effects of transactions and other events when they occur without waiting for receipt or payment of cash or its equivalent.

Amortisation

The systematic allocation of the depreciable amount of an asset over its useful asset.

Associate

An associate is an entity in which the investor has significant influence and which is neither a subsidiary nor an interest in a joint venture.

Available for Sale Financial Assets

Non derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held to maturity investments or (c) financial assets at fair value through profit or loss.

C

Capital Adequacy Ratio

The relationship between capital and risk-weighted assets as defined in the framework developed by the Bank for International Settlements and as modified by the Central Bank of Sri Lanka to suit local requirements.

Cash Equivalents

Short-term highly liquid investments those are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Collectively Assessed Impairment

Impairment assessment on a collective basis for homogeneous groups of loans that are not considered individually significant and to cover losses which have been incurred but have not yet been identified on loans subject to individual assessment.

Commercial Paper (CP)

An unsecured, short-term debt instrument issued by a corporation, typically for the financing of accounts receivable, inventories and meeting short-term liabilities. The debt is usually issued at a discount, reflecting prevailing interest rates.

Commitments

Credit facilities approved but not yet utilized by the customers as at the date of the statement of financial position.

Consolidated Financial Statements

Financial statements of a holding company and its subsidiaries based on their combined assets, liabilities and operating results.

Contingencies

A condition or situation existing on the reporting date where the outcome will be confirmed only by occurrence or non-occurrence of one or more future events.

Corporate Governance

The process by which corporate entities are governed. It is concerned with the way in which power is exercised over the way in which power is exercised over the management and direction of entity, the supervision of executive actions and accountability to owners and others.

Cost/ Income Ratio

Operating expenses excluding loan/ lease loss provision as a percentage of net interest income.

Credit Ratings

An evaluation of a corporate's ability to repay its obligations or the likelihood of not defaulting, carried out by an independent rating agency.

Credit Risk

Credit risk is the potential that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms and conditions.

Currency Swaps

The simultaneous purchase of an amount of a currency for spot settlement and the sale of the same amount of the same currency for forward settlement.

Customer Deposits

Money deposited by account holders. Such funds are recorded as liabilities.

D

Deferred Taxation

Sum set aside for tax in the Financial Statements that may become payable/ receivable in a financial year other than the current financial year.

Depreciation

The systematic allocation of the depreciable amount of an asset over its useful asset.

Derecognition

Is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

Dividend Cover

Profit attributable to shareholders divided by gross dividends. This ratio measures the number of times dividend is covered by current year's attributable profits.

Dividend Yield

Dividend earned per share as a percentage of its market value.

E

Earnings per Ordinary Share (EPS)

Profit attributable to ordinary shareholders divided by the number of ordinary shares in use.

Economic Value Added (EVA)

A measure of productivity that takes into consideration cost of total invested equity.

Effective Interest Rate (EIR)

The rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Effective Tax Rate

Provision for taxation excluding deferred tax divided by the profit before taxation.

Exposure

A claim, contingent claim or position which carries a risk of financial loss.

F

Fair Value

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transactions.

Financial Asset

Is any asset that is cash, an equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity.

Financial Liability

Is a contractual obligation to deliver cash or another financial asset to another entity.

Finance Lease

A contract whereby a lessor conveys to the lessee the right to use an asset for rent over an agreed period of time which is sufficient to amortise the capital outlay of the lessor. The lessor retains ownership of the asset but transfers substantially all the risks and rewards of ownership to the lessee.

GLOSSARY

Foreign Exchange Contract

Agreement between two parties to exchange one currency for another at a future date at a rate agreed upon today.

G

Gearing

Long term borrowings divided by the total funds available for shareholders.

Group

A group is a parent and all its subsidiaries.

Gross Dividend

The portion of profits distributed to the shareholders including the tax withheld.

Guarantees

A promise made by a third party (Guarantor), who is not a party to a contract between two others, that the guarantor will be liable if the guarantee fails to fulfill the contractual obligations.

H

Hedging

A strategy under which transactions are effected with the aim of providing cover against the risk of unfavorable price movements.

HTM (Held to Maturity) Investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and a fixed maturity that an entity has the positive intention and ability to hold till maturity.

I

Impairment

This occurs when recoverable amount of an asset is less than its carrying amount.

Impaired Loans

Loans where the Group does not expect to collect all the contractual cash flows or expects to collect them later than they are contractually due.

Individually Assessed Impairment

Exposure to loss is assessed on all individually significant accounts that do not qualify for collective assessment.

Intangible Asset

An intangible asset is an identifiable non-monetary asset without physical substance.

Interest Cover

A ratio showing the number of times interest charges is covered by earnings before interest and tax.

Interest Margin

Net interest income expressed as a percentage of average interest earning assets.

Interest Rate Risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates.

Interest Spread

This represents the difference between the average interest rate earned and the average interest rate paid on funds.

Investment Properties

Investment property is property (land or a building – or part of a building – or both) held (by the owner or by lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for use or sale.

Impairment Allowance for Loans and Receivables

Amount set aside against possible losses on loans, lease rentals and advances as a result of such facilities becoming partly or wholly uncollectible.

K

Key Management Personnel

Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

L

Liquid Assets

Assets that are held in cash or in a form that can be converted to cash readily, such as deposits with banks and treasury bills.

Liquidity Risk

The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Loans Payable

Loans payable are financial liabilities, other than short term trade payables on normal credit terms.

Loss Given Default (LGD)

The estimated ratio (percentage) of the loss of an exposure to the amount outstanding at default upon default of counterparty.

M

Market Capitalisation

Number of ordinary shares in issue multiplied by the market value of a share as at the year end.

Materiality

The relative significance of a transaction or an event the omission or misstatement of which could influence the economic decisions of users of Financial Statements.

N

Net Assets Value per Ordinary Share

Shareholders' fund excluding preference shares if any, divided by the number of ordinary shares in issue.

Net Interest Income

The difference between income earned from interest bearing assets and cost incurred on financial instrument/ facilities used for funding the interest bearing assets.

Non-performing Advances

Rentals receivables in arrears for more than six rentals have been categorised as non-performing.

NPA Ratio

Total non-performing leases, hire purchase loans and other advances divided by total advances portfolio.

P

Parent

A parent is an entity which has one or more subsidiaries.

Price Earning Ratio (P/ E Ratio)

Market price of a share divided by earnings per share.

Provision Cover

Total provision for losses on loans, leases and advances expressed as a percentage of net non-performing loans before discounting for provision on non-performing loans, leases and advances.

R

Related Parties

Parties where one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, directly or indirectly.

Return on Average Assets (ROA)

Profit before tax divided by the average assets.

Return on Equity (ROE)

Net profit after tax, expressed as percentage of average shareholders' funds.

GLOSSARY

Reverse Repurchase Agreements

Transactions involving the purchase of securities by the company and resale back to the seller at a future date and specified price.

Risk Weighted Assets

On statement of financial position assets and the credit equivalent of off-balance sheet assets multiplied by the relevant risk weighting factors.

S

Segmental Analysis

Analysis of financial information by segments of an entity specifically, the different businesses and the different geographical areas in which it operates.

Shareholders' Funds

Shareholders' funds consist of issued and fully paid up ordinary shares, redeemable preference shares and other reserves.

Statutory Reserve Fund

A capital reserve created as per the provisions of Finance Companies (Capital Funds) Direction No. 1 of 2003.

Subsidiary

A subsidiary is an enterprise that is controlled by another enterprise which is known as the parent.

T

Tier I Capital

Core capital representing permanent shareholders' equity and reserves created or increased by appropriations of retained earnings or other surpluses.

Tier II Capital

Supplementary capital representing general provisions and other capital instruments which combine certain characteristics of equity and debt such as hybrid capital instruments and subordinated term debts.

V

Value Added

Value of wealth created by providing financial and other related services less the cost of providing such services.

Y

Yield

Rate of return on an investment in percentage terms, taking in to account annual income and any change in capital value.

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the Eighteenth (18th) Annual General Meeting of People's Leasing & Finance PLC will be held on 27th June 2014 at 2.30 pm at People's Bank Staff Training College Auditorium, 38, D. R. Wijewardhana Mawatha, Colombo 10 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 2014 together with the Report of the Auditors thereon.
2. To declare a Final Dividend of cents 50 (Rs. 0.50) per Ordinary Share, as recommended by the Board of Directors.
3. To re-elect as a director Mr. Piyadasa Kudabalage, who having been appointed to the Board in terms of Article 27(2) of the Articles of Association of the Company, retires at this Annual General Meeting.
4. To re-elect as a director Mr. Heyara Hewage Anura Chandrasiri, who having been appointed to the Board in terms of Article 27(2) of the Articles of Association of the Company, retires at this Annual General Meeting.
5. To reappoint Messrs Ernst & Young, Chartered Accountants, as the External Auditors of the Company until the next Annual General Meeting at a remuneration to be agreed upon with them by the Board of Directors and to audit the Financial Statements of the Company for the ensuing financial year.
6. To authorise the Board of Directors to determine contributions to charities and other donations for the ensuing financial year.

By Order of the Board



Rohan Pathirage

Company Secretary

People's Leasing & Finance PLC

Colombo, on this 2nd day of June 2014

NOTES

Any member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote in his/her stead. A form of proxy is sent herewith for this purpose. A proxy need not be a member of the Company.

The completed form of proxy must be deposited at the office of the Registrars to the Company, SSP Corporate Services (Private) Limited at No. 101, Inner Flower Road, Colombo 3 not less than forty eight (48) hours before the time appointed for the holding of the meeting.

FORM OF PROXY

I/ we of being a member/s of People's Leasing & Finance PLC hereby appoint Mr/Mrs/Miss..... (holder of N.I.C. No.) of..... failing him/ her

1. G.S.Senarath failing him
2. P. Kudabalage failing him
3. N.V.Kumar failing him
4. P.A.I.S.Perera failing him
5. H.H.A. Chandrasiri failing him

as my/ our Proxy to represent me/ us and vote on my/ our behalf as indicated above at the Eighteenth (18th) Annual General Meeting of the Company to be held on 27th June 2014 at 2.30 p.m. at People's Bank Staff Training Auditorium, 38, D. R. Wijewardhana Mawatha, Colombo 10 and at any adjournment thereof and at every poll which may be taken in consequence thereof to vote.

Please indicate your preference by placing a 'X' against the Resolution No.

		FOR	AGAINST
1.	To receive and consider the Annual Report of the Board of Directors together with the Financial Statements of the Company for the year ended 31st March 2014 together with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2.	To declare a final dividend of cents 50 (Rs. 0.50) per Ordinary Share as recommended by the Board of Directors.	<input type="checkbox"/>	<input type="checkbox"/>
3.	To re-elect as a director Mr. Piyadasa Kudabalage, who having been appointed to the Board in terms of Article 27(2) of the Articles of Association of the Company, retires at this Annual General Meeting.	<input type="checkbox"/>	<input type="checkbox"/>
4.	To re-elect as a director Mr. Heyara Hewage Anura Chandrasiri, who having been appointed to the Board in terms of Article 27(2) of the Articles of Association of the Company, retires at this Annual General Meeting.	<input type="checkbox"/>	<input type="checkbox"/>
5.	To reappoint Messrs Ernst & Young, Chartered Accountants, as the External Auditors of the Company until the next Annual General Meeting at a remuneration to be agreed upon with them by the Board of Directors and to audit the Financial Statements of the Company for the ensuing financial year.	<input type="checkbox"/>	<input type="checkbox"/>
6.	To authorise the Board of Directors to determine contributions to charities and other donations for the ensuing financial year.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this day of 2014

.....
Signature

.....
Shareholder's N.I.C./ P. P./ Co. Reg. No.

FORM OF PROXY

INSTRUCTIONS AS TO COMPLETION

1. The instrument appointing a proxy may be in writing under the hands of the appointor or of his/her attorney duly authorised in writing or if such appointor is a corporation under its common seal or the hand of its attorney or duly authorised person.
2. The instrument appointing a proxy and the Power of Attorney or other authority, if any, under which it is signed or a notarially certified copy of that Power of Attorney or other authority will have to be deposited at the office of the Registrars to the Company, SSP Corporate Services (Private) Limited at No. 101, Inner Flower Road, Colombo 3 not less than forty eight (48) hours before the time appointed for the holding of the meeting.

Dear Reader,

We welcome your valuable feedback on this report.

.....
.....
.....
.....
.....
.....
.....

Optional:

Name:

Designation (if any)

Contact Address:

.....

Contact No:

Please send in your feedback to reach:

Ms. Inoka Jayawardhana,
Senior Manager, Group Corporate Affairs & Investor Relations
People's Leasing & Finance PLC
No.1161, Maradana Road, Colombo 08, Sri Lanka.
Tel: +94 112 631631
Direct: +94 112 631105
Fax: +94 112 481105
Email: inokaj@plc.lk

THANK YOU.

CORPORATE INFORMATION

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)

DATE OF INCORPORATION

22nd August 1995

COMPANY REGISTRATION NUMBER

PB 647 PQ

ACCOUNTING YEAR-END

March 31

STOCK EXCHANGE LISTING

The Ordinary shares of the Company were quoted on the Main Board of the Colombo Stock Exchange (CSE) on 24th November 2011.

Senior, Unsecured, Redeemable, Four year (2013/17) and five year (2013/18) Debentures were listed on the Debt Securities Main Board of Colombo Stock Exchange on 4th April 2013.

REGISTERED OFFICE & PRINCIPLE PLACE OF BUSINESS

1161, Maradana Road, Borella
Colombo 08, Sri Lanka.
Postal Code: 00200
Telephone +94 11 2631631
Fax +94 11 2631980/81
Email: plclease@plc.lk
Web Address: www.plc.lk

COMPANY SECRETARY

Mr. Rohan Pathirage

REGISTRARS

SSP Corporate Services (Pvt) Ltd
No. 101, Inner Flower Road,
Colombo 03, Sri Lanka.
Telephone: +94 11 2573894, +94 11 2576871
Fax: +94 11 2573609
E-mail: sspsec@sltnet.lk

AUDITORS

M/s. Ernst & Young
Chartered Accountants,
201, De Saram Place,
P.O. Box 101,
Colombo 10,
Sri Lanka.

BANKERS

People's Bank
Sampath Bank PLC
Bank of Ceylon
Commercial Bank of Ceylon PLC
DFCC Bank PLC
Hatton National Bank PLC
HSBC
National Development Bank PLC
Nations Trust Bank PLC
Seylan Bank PLC
Standard Chartered Bank

Deutsche Bank
Habib Bank
Union Bank of Colombo PLC
Public Bank Berhad
Citibank N.A.
Indian Bank
Indian Overseas Bank
Pan Asia Banking Corporation PLC
Axis Bank

BRANCH OFFICES

Akuressa, Ambalangoda, Ambalanthota, Ampara, Anuradhapura, Awissawella, Badulla, Balangoda, Bandarawela, Battaramulla, Batticaloa, Chilaw, Chunnakam, Colpetty, Dambulla, Dehiwala, Deniyaya, Rajawella, Elpitiya, Embilipitiya, Galle, Gampaha, Gampola, Giriulla, Grandpass, Hambantota, Hatton, Havelock, Homagama, Horana, Ja-Ela, Jaffna, Kadawatha, Kaduwela, Kaluwanchikudi, Kalmunai, Kalutara, Kandy, Kandy – Alsafa, Kanthale, Kattankudy, Kegalle, Kekirawa, Kelaniya, Kilinochchi, Kirindiwela, Kuliyaipitiya, Kurunegala, Mahaiyawa, Maharagama, Mahiyanganaya, Mannar, Matale, Matara, Mathugama, Melsiripura, Merigama, Metropolitan, Minuwangoda, Monaragala, Moratuwa, Mutur, Nawalapitiya, Negombo, Neluwa, Nittambuwa, Nugegoda, Nuwara Eliya, Panadura, Pettah, Pilimathalawa, Piliyandala, Polonnaruwa, Puttalam, Ratnapura, Tangalle, Thambuttegama, Thissamaharamaya, Trincomalee, Union Place, Vavuniya, Ward Place, Wariyapola, Wattala, Welimada, Wellawaya, Wellawatta, Wennappuwa

BOARD OF DIRECTORS AND BOARD SUB-COMMITTEES

Board of Directors

Mr. Gamini Senarath- Chairman
Mr. P. Kudabalage
Mr. N. Vasantha Kumar
Mr. P.A.I.S.Perera
Mr. H.H. Anura Chandrasiri

BOARD SUB-COMMITTEES

Integrated Risk Management Committee

Mr. H.H. Anura Chandrasiri – Chairman
Mr. N. Vasantha Kumar
Mr. D. P. Kumarage
Mr. K. S. Bandaranayake
Mr. L. Fernando

Board Audit Committee

Mr. P. Kudabalage - Chairman
Mr. P. A. I. S. Perera
Mr. H.H. Anura Chandrasiri

Remuneration & Nomination Committee

Mr. P. A. I. S. Perera - Chairman
Mr. H.H. Anura Chandrasiri

Related Party Transactions Review Committee

Mr. P. A. I. S. Perera - Chairman
Mr. P. Kudabalage
Mr. H.H. Anura Chandrasiri

SUBSIDIARY AND ASSOCIATE COMPANIES

Subsidiary Companies

People's Finance PLC (amalgamated with the Company w.e.f. 2nd April 2013)
People's Leasing Fleet Management Limited
People's Leasing Property Development Limited
People's Leasing Havelock Properties Limited
People's Insurance Limited
People's Microfinance Limited

Associate Companies

City Finance Corporation Limited

CORPORATE MEMBERSHIPS

Asian Leasing and Finance Association
Credit Information Bureau of Sri Lanka
Financial Ombudsman-Sri Lanka
Leasing Association of Sri Lanka

VEHICLE YARDS

No. 429, 2nd Division, Daryl Road, Colombo 10, Sri Lanka.
No. 496, Makola North, Makola, Sri Lanka.
No. 225/D, Nayagala Road, Heiyanthuduwa, Mabima, Sri Lanka.
No.8, Pothuvil Road, Monaragala, Sri Lanka.
Ketalagolla, Beligamuwa, Galewela, Sri Lanka.

TAX PAYER IDENTITY NUMBER (TIN)

114 156396 0000

VAT REGISTRATION NUMBER

114 156396 7000

CENTRAL BANK REGISTRATION NUMBER

046 (Under the Finance Business Act No.42 of 2011)

CREDIT AGENCY STATUS

An approved Credit Agency under the Mortgage Act No.6 of 1949 and the Trust Receipt Ordinance No.12 of 1947 by the Department of Commerce.

CREDIT RATING

'AA-' (Ika) stable by Fitch Ratings Lanka Limited
'B+/B' stable by Standard & Poor's Rating Services
'B+' stable by Fitch Ratings International

FOR ANY CLARIFICATION ON THIS REPORT PLEASE WRITE TO;

The Chief Financial Officer
People's Leasing & Finance PLC
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Colombo 08, Sri Lanka.
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optima

Design & Concept by: Optima Designs (Pvt) Ltd.
Printed by: Aitken Spence Printing & Packaging (Pvt) Ltd.



PEOPLE'S LEASING & FINANCE PLC