

Annual Report 2019/20

The Potent Power of a Leader



**PEOPLE'S
LEASING**

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The potent power of a leader

As a leader in the NBFIs sector, People's Leasing & Finance PLC is well equipped with the skills and attributes that validate its positioning. From loyal and highly-skilled people, an institutionalised knowledge base and comprehensive business acumen, to advanced digitally-served business platforms and island-wide touch points – among other distinguishing factors – People's Leasing is a repository of a potent power that allows the Company to meet and manage challenge with great capacity and success.

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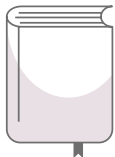
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This Report is available in different mediums



Printed Report



Online Report



<http://plc2019-20.annualreports.lk>

This is our seventh Integrated Annual Report. The Report presents a balanced, comprehensive overview of our activities and our performance in 2019/20 meeting the diverse needs of our stakeholders.

This Report contains information about our impact and value creation, and provides our stakeholders insight into the execution of our strategy in the year under review. It also elaborates our business model and includes a discussion on our strategy, performance, governance, and prospects.

Reporting period

This Annual Report covers material information relating to the Company's performance for the financial year beginning 1 April 2019 to 31 March 2020. (Our most recent report is for the year ended 31 March 2019).

Report boundary

Largely covers business operations of People's Leasing & Finance PLC ("Company")

or "People's Leasing") in Sri Lanka unless otherwise stated. Financial reports cover People's Leasing and its six subsidiaries ("Group").

Restatements and changes

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

Compliance

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

- The International Integrated Reporting Council (IIRC) <IR> Framework
- The Institute of Chartered Accountants of Sri Lanka
- Securities and Exchange Commission of Sri Lanka
- The Central Bank of Sri Lanka
- The Colombo Stock Exchange
- The United Nations Sustainable Development Goals (SDGs)
- Companies Act No. 07 of 2007

External assurance

The Financial Statements together with the related Notes are audited by the Auditor General and his assurance report is set out on pages 145 to 147. The Auditor General has issued the External Assurance for the Company's compliance with Corporate Governance Directions. Directors' statement on internal controls over financial reporting has been reviewed by the Auditor General, and his opinion on the same is given on page 142.

Queries

Any questions and queries on this Integrated Annual Report 2019/20 and the information presented therein are to be directed to:

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

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- Manufactured capital
- Intellectual capital
- Human capital
- Social and relationship capital
- Natural capital

Strategic imperatives

- Pursuing sustainable growth
- Augmenting customer experience
- Achieving execution excellence
- Promoting efficient resource use
- Embodying responsible stewardship

Stakeholders

- Investors
- Customers
- Employees
- Suppliers and business partners
- Community and environment
- Government and regulatory institutions

Forward-looking statements

This Report comprises forward-looking statements on our business operations and future strategy. These include all statements other than statements of historical fact, including those regarding the financial position, business strategy, management plans, and objectives for future operations.

Though our statements are reasonable assumptions and expectations based on current data, they are not intended to be a guarantee of future results, especially under the present situation with the outbreak of the COVID-19 Pandemic and its ensuing uncertainty over the global socio-economic environment.

The readers are advised to consider this information with due caution and not to place undue reliance on the projected data in making their decisions. We neither intend to nor assume any obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

About People's Leasing

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



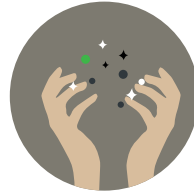
Our Vision

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



Our Mission

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



Brand strength

We are one of Sri Lanka's largest non-bank financial institutions (NBFI) with a brand value of Rs. 8.79 billion.



Owned by People's Bank

The parent lends us its:

- Credibility
- Capital
- Liquidity
- Stability

Strong credit rating

Strong credit rating of [A+] (lka) by Fitch Ratings Lanka Limited is a reflection of Company's credibility.

Our key differentiators:



Organisation culture, ethics, and values:



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Group structure



Subsidiaries	People's Insurance PLC	People's Micro-commerce Ltd.	People's Leasing Fleet Management Limited	People's Leasing Property Development Limited	People's Leasing Havelock Properties Limited	Lankan Alliance Finance Limited
Ownership	75%	100%	100%	100%	100%	51%
Principal activities	Carrying out general insurance business	Providing non-bank financial services to individuals who lack access to conventional banking and micro enterprises	Fleet management, vehicle valuation, sale of vehicles, insurance assessment, and vehicles repairing	Carrying out mixed development projects and property development activities	Operate an office complex	Providing leasing of movable and immovable properties and to provide loans
Country of incorporation	Sri Lanka	Sri Lanka	Sri Lanka	Sri Lanka	Sri Lanka	Bangladesh

Highlights of subsidiaries

People's Insurance PLC

31 December 2019

Financial highlights	Rs. million
Net earned premium	5,262
Profit before tax	912
Profit after tax	648
Total assets	9,580
ROE (%)	18.27

People's Micro-commerce Ltd.

31 March 2020

Financial highlights	Rs. million
Interest income	842
Profit before tax	49
Profit after tax	25
Total assets	2,871
ROE (%)	11.51

People's Leasing Fleet Management Limited

31 March 2020

Financial highlights	Rs. million
Turnover	238
Profit before tax	39
Profit after tax	27
Total assets	449
ROE (%)	9.13

People's Leasing Property Development Limited

31 March 2020

Financial highlights	Rs. million
Total Revenue	445
Profit before tax	313
Profit after tax	243
Total assets	2,662
ROE (%)	15.22

People's Leasing Havelock Properties Limited

31 March 2020

Financial highlights	Rs. million
Revenue	219
Profit before tax*	50
Profit after tax	50
Total assets	2,682
ROE (%)	4.34

Lankan Alliance Finance Limited

31 March 2020

Financial highlights	Rs. million
Gross income	498
Profit before tax	155
Profit after tax	83
Total assets	4,484
ROE (%)	3.19

* Company is in BOI tax exemption period.

Our journey

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



Where we stand

People's Leasing occupies an enviable position in the NBFIs sector of the country.

Business volumes

People's Leasing accounts for 14.10% of deposits, 13.40% of loans and advances and 11.98% of total assets of the industry.

Profitability

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

Source of funds

A focused approach based on a long-term strategy saw deposit base growing by 20.75% YoY against the industry growth of 5.57%.

Asset quality

NPA ratio 7.62% is well below the industry average of 10.59%

<p>Branches</p> <p>1995 – 1 2020 – 103</p>	<p>Employees</p> <p>1995 – 3 2020 – 2,401</p>	<p>Capital</p> <p>1995 – Rs. 10 million 2020 – Rs. 30.25 billion</p>
<p>Product range</p> <p>1995</p> <ul style="list-style-type: none"> Lease Hire purchase 	<p>Deposits</p> <p>1995 – Nil 2020 – Rs. 106.70 billion</p>	<p>Subsidiaries</p> <p>1995 – None 2020 – 6</p>

2020

Lending products

- Leasing (Friendly leasing)
- Fast track
- Auto loan
- SelfeCash
- Quick cash
- Gold loan
- Business loan (Shakthi)
- Education loan (Shasthra)
- Housing loan (Senasum Piyasa)

Fixed deposits and savings

- Fixed deposit
- Fixed deposit senior citizen
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- Mudharabah Savings Account
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	2019/20	2018/19
	Financial capital	
Net interest income (Rs. billion)	15.67	15.19
Profit after tax (Rs. billion)	2.94	4.42
Impairment charges for loans and other losses (Rs. billion)	4.75	1.95
Total assets (Rs. billion)	171.66	172.54
Shareholders' funds (Rs. billion)	30.25	28.60
Deposits (Rs. billion)	106.70	88.37
Loans and receivables portfolio (Rs. billion)	147.75	151.71
Market capitalisation (Rs. billion)	19.86	21.17
Net assets per share (Rs.)	18.58	18.10
Last traded share price (Rs.)	12.20	13.40
Dividend payout ratio (%)	65.57	44.72
	Manufactured capital	
Branches (Number)	103	103
Service centres (Number)	101	101
	Intellectual capital	
Brand value (Rs. billion)	8.79	8.72
Intangible assets (Rs. million)	257.58	324.91
Cumulative service of employees (years)	Over 15,000	Over 13,000
	Human capital	
Total number of employees (Nos.)	2,401	2,329
Retention ratio (%)	90.82	88.90
New recruits (Nos.)	334	492
	Social and relationship capital	
Lending customers (Nos.)	126,715	121,129
Deposit customers (Nos.)	282,944	248,587
Repeat clients (%)	44.22	43.47
Number of vehicle suppliers (Nos.)	32,406	28,661
Total value of vehicle supplies procured (Rs. billion)	60.62	66.80
Investment in local communities (Rs. million)	55.53	120.29
Outreach of CSR initiatives (Nos.)	79	155
	Natural capital	
New staff trained	334	492
Carbon footprint (tCO ₂ eq)	7,955.83	6,113.66
Volume of green lending (Rs. billion)	1.87	5.48
Environmental initiatives (Nos.)	12	31
Investment on natural environment (Rs. million)	3.32	1.94

Institutionalised knowledge-base

Institutionalised knowledge provides us with a unique competitive advantage in the industry.



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Chairman's message

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Our resilience and our positive attitude coupled with our agility to adapt to the “next normal” helped us to consolidate our operations amidst a challenging environment.

World is experiencing a global pandemic. Stock markets are down and unemployment is rising. Leading economies are suffering. Proactive, decisive responses to such crises mark true leadership. People's Leasing has long enjoyed a leadership position in the NBFIs sector, therefore it was our responsibility to lead by example. I am proud to report that even though we collectively experienced unprecedented challenges during the financial year, we harnessed all our resources and our key strengths to confront these obstacles prudently.

Operating in turbulent times marked by challenges from the local and external contexts, we experienced a difficult financial year. The first half of the year was marred by the Easter attacks and its recovery leading up to the Presidential Election in November. The economic impact of the Easter attacks led to a slowdown of the economy that caused a reduction in disposable income of customers and business volumes. Consequently, there was a rise in non-performing loans in the sector. However, in the aftermath of the Presidential Elections, the political uncertainty that prevailed before waned and business and operations showed favourable signs. Yet, with the outbreak of the COVID-19 pandemic in 2020 had far-reaching socio-economic impacts. The pandemic and the ensuing lockdown of Sri Lanka impacted our operations and our overall financial performance for the year. Our day-to-day operations were affected since the beginning of the lockdown in mid-March. Due to the difficulties in recovery arising from events related to COVID-19, we experienced a pressure on our credit quality resulting high impairment charges in the month of March. Nevertheless, our resilience and our positive attitude coupled

with our agility to adapt to the “next normal” helped us to consolidate our operations amidst these challenges. Our first priority was to ensure the health and safety of our committed workforce and our loyal customer-base that come from all segments of society. We implemented health and safety guidelines recommended by the relevant authorities and formulated a COVID-19 response guide outlining directives to follow when resuming operations in the lockdown period. Our branches and customer support services operated following all the regulations to ensure that our customers were not abandoned in their time of need. We also took timely measures to assist those who were severely affected by the pandemic and supported them to restore their livelihoods, especially our SME clients. Following the CBSL regulations, we have completed the evaluation of applications we received and are currently in the process of granting moratorium for those who are eligible.

We were able to be resilient during this crisis particularly owing to the strong foundations that were in place. Our business model and strategy are structured in such a way that enables absorbing external shocks. Our agility to adapt to the external environment was exemplified during and in the aftermath of the Easter attacks. Past investments in IT and state-of-the-art technology helped us to manage the situation which followed the attacks. The same systems and processes are utilised during the COVID-19 pandemic to continue our operations while complying with all the necessary safety regulations. Our call centre operated during the lockdown period to provide the necessary service to our customers.

True to our strategy, the customer-centric approach of People's Leasing adapted an empathetic approach

towards recovery which will continue where we will support our customers to rebuild with necessary financial assistance while providing them all concessions prescribed by regulators based on their eligibility. We also invested Rs. 58.85 million on empowering local community and conserving environment. Further, the consolidation of our operations focused on controlling costs during the crisis where operational expenses were maintained below the budgeted levels. However, in the wake of the pandemic and the uncertainty that exists even at the time of this Report, we have revisited business targets and strategies set for 2020/21. Operational changes, envisaged results, and specific measures that were taken during the year are discussed further in the Chief Executive Officer's review.

People's Leasing recorded a profit after tax of Rs. 2,942.51 million for the year, a decrease of 33.37% compared to Rs. 4,416.12 million reported the year before. At the Group level, the drop in profit after tax was 28.33% only when the profit after tax was Rs. 3,591.72 million compared to Rs. 5,011.27 million in 2018/19. This is a trend that is prevalent across the industry due to aforementioned factors in the operating environment. An increase in total operating income contributed to by higher net interest income and fee and commission income was more than off-set by the impairment provision which increased by 192.89% due to the challenging operating context. Deposits crossed the Rs. 100 billion mark to close the year at Rs. 106.70 billion, a remarkable 20.75% growth. We own the largest deposit base and the largest loans and receivables portfolio in the sector. This significant growth in the deposit base, operating in a difficult context is a testimony to the trust and confidence Sri Lankans have placed in the Company. Total assets of the

Company recorded a marginal drop from Rs. 172.54 billion as at 31 March 2019 to Rs. 171.66 billion as at 31 March 2020 while the total assets of the Group remained unchanged. Following the trend in profit after taxation, profitability in terms of ROA and ROE too decreased to 2.64% and 10.00% respectively compared to 3.95% and 15.88% previous year.

I am happy to report that during the year People's Leasing was bestowed with numerous awards and recognitions which is a testament to our good governance. We were named one of the Ten Best Corporate Citizens of the country and recognised as the Winner in the Community relations category at the Best Corporate Citizen Sustainability Awards 2019 raced by the Ceylon Chamber of Commerce. We were also recognised as a Winner of the Best ten CSR/Sustainability Projects presented by Japan Sri Lanka Technical and Cultural Association (JASTECA). People's Leasing Annual Report 2018/19 secured several local and international awards at the CA Sri Lanka Annual Report Awards, ARC International Annual Report Awards and SAFA Best Presented Annual Report Awards. Further, we were placed 13th in Business Today Top 30 Annual Listing. Further, People's Leasing was judged as first among NBFIs and the joint third of the top 50 Corporates by Transparency International for Transparency in Corporate Reporting. This is Sri Lanka's first ever assessment of transparency in corporate reporting.

The immediate future of the Company will be impacted by the disruptions caused by the COVID-19 pandemic and the socio-economic impact it will have on Sri Lanka and the world. Especially, since the pandemic is ongoing, there is lot of uncertainty clouding the socio-economic environment. Come what may, we are ready to embrace the next

normal and we have already implemented measures for business continuation in the coming years. Our short-term goals are to focus on preserving liquidity, minimising credit losses, reducing operating costs, and ensuring the safety of our staff and customers. Our continued investments on digitalisation will also be a vital asset to confront the next normal.

In conclusion, I would like to thank the Board of Directors for their commitment and steering the Company through this difficult time. My thanks also go to the Director and officials of the Department of Supervision of Non-Bank Financial Institutions for their cooperation, guidance, and support. I also extend my appreciation to the CEO Mr A S Ibrahim, along with the Management team, for effectively managing the impact of the crises. Recognition is also due to our committed and highly-skilled employees, who rallied around the Company and the Management during this difficult time and maintaining service standards. Lastly, I would like to extend my gratitude to our customers for their trust in our Company, shareholders for their confidence, partners and all other stakeholders for their continued support.



Sujeewa Rajapakse
Chairman

8 July 2020

Our short-term goals are to focus on preserving liquidity, minimising credit losses, reducing operating costs, and ensuring the safety of our staff and customers.

Chief Executive Officer's review



We swiftly responded to the COVID-19 crisis in a decisive manner by willingly adapting the health regulations prescribed by authorities, paving the way for the resumption of our operations while making health and safety of our employees and customers the highest priority.

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The year 2019/20, one of the most turbulent years in the history of People's Leasing, tested the limits of our resources, the strength and agility of our business model and strategy, and the resilience of our institution. Yet, as the Chairman aptly outlined in his message, amidst these challenges, the potent power that stems from our leadership position in the sector shone through.

The unprecedented challenges such as the Easter attacks, political uncertainty which prevailed until the Presidential Elections in 2019 and the COVID-19 pandemic, severely impacted our operations and the bottom line. Therefore, we focused on matters that were in our control, not just to adapt and persevere but to respond proactively to this crisis. While our operations were consolidated within the year, our deposit base passed Rs. 100 billion, the largest in the sector, which reflects not only the confidence of the public towards People's Leasing, but our leadership position within the NBFI sector. We swiftly responded to the COVID-19 crisis in a decisive manner by willingly adopting the health regulations prescribed by authorities and paving the way for the resumption of our operations while making health and safety of our employees and customers the highest priority. We also supported the Government directives on COVID-19 relief and safeguarded our customers who were severely affected by the pandemic. Despite the challenges arising from the operating context, our key focus areas for the year was to protect our market share, curtail growth in NPA levels, enhance operational efficiency, and expand our gold loan product.

Responding to stakeholder needs in trying times

The Easter attacks and the COVID-19 pandemic taught us the importance of connecting with ourselves, with family and those who are close to us, and even our natural surroundings while empathising with others. Our first priority was to ensure the safety of our employees, customers, and all the stakeholders. We then took measures to restore a reasonable degree of normalcy in our operations to continue to serve our customers who come from all segments of the Sri Lankan society.

A majority of our customers who are in the SME sector were severely affected from the present crisis. We continued to support them by providing financial assistance as well as relevant financial expertise whenever needed. After the Easter attacks, the Company looked at customers at individual level to understand their real situations and tailor-made solutions were introduced according to customer need. To avoid putting any additional burden on our customers, we waived off their penal interest. The recovery process was also amended to help our customers in need and our employees were advised to consider the personal and financial status of the customers before arriving at a decision.

Our branches operated following the strict guidelines of the health authorities even during the lockdown period to facilitate our customers. We did not curtail credit facilities and new leases, and continued to provide working capital funding requirements to customers. Over 50% of customers were eligible for the concessions introduced by the Government. We have completed the evaluation of applications received for moratorium and are currently

in the process of granting relief for those who are eligible. We will continue to strengthen the relationship we have with our customers with our understanding, innovation, and service that is secure and safe.

Following the Easter attacks, we leveraged our digital capacity to amend our operations to face the aftermath of the crisis. Therefore, with the outbreak of the pandemic, we were already prepared to migrate our operations to the digital sphere with ease. Our state-of-the-art IT infrastructure in place allowed us to conduct our operations digitally and our employees and customers were encouraged to use digital channels as much as possible. We enabled the work from home facility to our employees and whenever necessary, provided safety measures and transport for our employees to come to office for work. A Business Continuity Preparedness Plan under possible scenarios of COVID-19 outbreak was circulated among staff. Employee training programmes continued during the year; Rs. 3.38 million was invested on training and development during the year with 8.72 average training hours per employee.

As a responsible corporate citizen, we drive sustainable inclusive growth through our financial solutions that uphold the empowerment of our customers. We also continue to empower our local communities investing in focused strategic sustainability/ CSR initiatives in alignment with the UNs Global SDGs. We invested in 91 empowerment initiatives in 2019/20 investing Rs. 58.85 million coupled with staff volunteerism from the island-wide branch network.

During the outbreak, we contributed to the Government-initiated "Itukama" COVID-19 Healthcare and Social Security Fund to strengthen activities aimed at mitigating

the spread of COVID-19 and support related social welfare programs. We were among the first corporates in Sri Lanka to contribute to this Fund.

A steady performance

People's Leasing recorded a profit after tax of Rs. 2,942.51 million which was achieved against a difficult operating context. At the financial year's end, People's Leasing and the Group had an industry leading asset base of Rs. 171,660.19 million and Rs. 185,997.29 million respectively. Though most of the players in the sector were severely affected, People's Leasing was able to increase its deposit base by 20.75% to Rs. 106,701.03 million, the largest deposit base in the NBFi sector. Loans and receivables however witnessed negative growth to close the year at Rs. 147,747.51 million and Rs. 154,134.93 million respectively for the Company and the Group due to lower volumes of new business. Nevertheless, we also own the largest loans and receivables portfolio in the sector. With the concessions afforded to our lending customers, net interest margin dropped marginally to 9.68% from 9.70% in the previous year. Consequently, our net interest income grew only by 3.18% during the year. Fee and commission income however recorded a 12.26% growth, enabling the total operating income to record a 4.23% growth. This coupled with careful management of operating expenses saw the cost-to-income ratio improve to 36.53% from 37.81% last year.

Following the trend observed across the industry, our gross non-performing advances (NPA) ratio increased to 7.62% from 3.91% as at 31 March 2019 due to the slowdown of the economy and the resulting difficulties experienced by our customers. Nevertheless, our non-performing advances

(NPA) ratio is well below the industry average of 10.59%. Among others, curtailing the growth of the NPA ratio was, without doubt, one of the key challenges during the year.

Our state-of-the-art IT infrastructure in place allowed us to conduct our operations digitally, and our employees and customers were encouraged to use digital channels as much as possible.

As a Group, we leverage our synergies to improve our performance collectively through our extensive, island-wide branch network and shared services that lend confidence to the market which allows our subsidiaries to strengthen their market base. People's Insurance, our insurance subsidiary listed on CSE, has performed exceptionally by capitalising on the vast client base of People's Leasing. Performance of our other subsidiaries: People's Leasing Fleet Management Limited, People's Leasing Property Development Limited, People's Leasing Havelock Properties Limited, and People's Micro-commerce Ltd., slowed down during the year, owing to the challenging market environment. However, our foreign subsidiary, Lankan Alliance Finance Limited which is in, only, the second year of its operations, improved its performance during the year, compared to the last year.

Digitalisation and sustainability to the fore

We are now reaping the dividends of our investments in state-of-the-art IT infrastructure and Company-wide improvement of digital literacy of our employees. Digital capabilities enabled us to swiftly migrate to the digital platforms to conduct our day to day operations during curfews and lockdowns. During the year, new systems were introduced like the eMemo System, Complaint Management System, Fixed Assets System, Savings Investment Plan, Valuation Dash Board, Environment Management System among others. We did not think it was prudent given the circumstances or necessary to expand our branch network during the year. However, we see a great potential of expanding our gold loan units in the branches.

We need to ensure that people have better access to financial products and services, so that we could support the Nation's economic development and contribute to improving livelihoods as a responsible and inclusive financial services provider. We also aim to embed social, economic, and environmental considerations more into our lending decisions and business practices to continue supporting our customers, whilst creating sustainable value for society. Further, we also aim at boosting climate resilience with climate smart financial solutions in future.

Chief Executive Officer's review

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Future outlook

We have steadily steered through the first wave of the global pandemic due to the robustness of our systems and processes, the agility of our strategy and business model, commitment of our staff and the strength and resilience we possess as a leader in the industry. Yet, the pandemic is still on-going which ushers in uncertainty for the immediate future. We have to prepare to face the socio-economic challenges that will emerge in the aftermath of the pandemic as a Company and as a country. We have thus mainly focused on the short-term, addressing such concerns as preserving liquidity, minimising credit losses, reducing operating costs, and ensuring the safety of our employees and our customers. While improving access to finance of our valued clients we will continue to leverage the latest in digital technology to facilitate operations in a crisis such as the COVID-19 pandemic.

Acknowledgement

I would like to extend my appreciation to the Chairman and the other members of the Board for their guidance and foresightedness during this crisis time. Further, I would like to commend the Corporate Management and each and every member of our committed workforce that really rose to the occasion in dealing with the pandemic and proposing innovative solutions to continue operations. My thanks also goes to the customers for their continued loyalty, our suppliers and partners for their trust, investors and shareholders for their continued conviction, and officials of the Central Bank of Sri Lanka and the Department of Supervision of Non-Bank Financial Institutions for their support and regulatory guidance.



A S Ibrahim
Chief Executive Officer

8 July 2020

We aim to embed social, economic, and environmental considerations more into our lending decisions and business practices to continue supporting our customers, whilst creating sustainable value for society.

Island-wide touchpoints

Through a wide spread network of channels and outlets comprising branches, service centres, and online touchpoints, we have made it possible for our customers to conveniently access our financial solutions.



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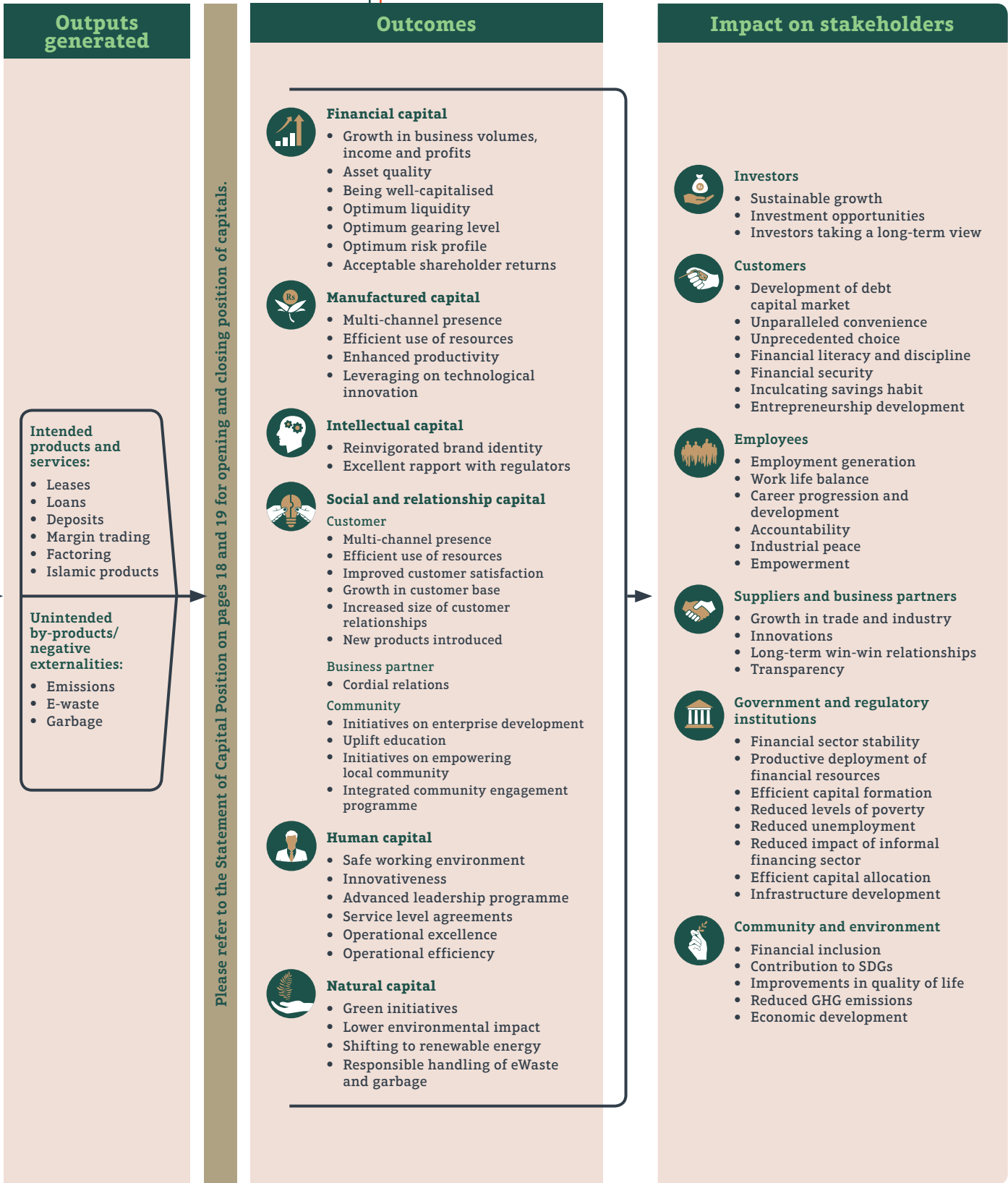
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Our strategy

Operating environment (that provides context and perspective for People's Leasing's business operations)

Triple Bottom Line
Relevant SDGs to our operations






Enhancing positive and managing negative outcomes






Statement of capital position

(Value creation as manifested by outcomes on capitals)

Capital	Indicator	For the year ended/ as at 31 March 2020	For the year ended/ as at 31 March 2019	Growth
 <p>Financial capital</p>	Gross income (Rs. million)	33,599.31	32,735.64	2.64%
	Profit after tax (Rs. million)	2,942.51	4,416.12	(33.37%)
	Total assets (Rs. million)	171,660.19	172,541.28	(0.51%)
	Return on assets (%)	2.64	3.95	(1.31)
	Return on equity (%)	10.00	15.88	(5.88)
	Net assets per share (Rs.)	18.58	18.10	2.65%
	Tier 1 capital ratio (%)	15.12	14.36	0.76
	Total capital ratio (%)	15.99	15.20	0.79
	Market capitalisation (Rs. million)	19,857.98	21,170.16	(6.18%)
Price to book value (times)	0.66	0.74	(10.81%)	
 <p>Manufactured capital</p>	Property, plant and equipment (PPE) (Rs. million)	1,143.93	1,098.29	4.16%
	Investment in PPE during the year (Rs. million)	213.93	147.67	44.87%
	Branch network	103	103	-
	Gold loan units	14	6	8
 <p>Intellectual capital</p>	Brand value (Rs. million)	8,786	8,719	0.77%
	Intangible assets (Rs. million)	257.58	324.91	(20.72%)
	New products introduced (No.)	1	6	(5.00)
	Expenditure in cybersecurity and expenditure on obtaining certifications (Rs. million)	1.39	0.55	152.73%
	Cumulative service of employees (years)	Over 15,000	Over 13,000	Over 2000
	Per employee average experience	Over 6 years	Over 5 years	One year
	Credit rating	A+(lka) by Fitch Ratings Lanka Limited B- Fitch Rating International*	AA-(lka) from Fitch Ratings Lanka Limited B- Fitch Rating International	

*Withdrawn Fitch International rating from 30 April 2020 onwards.

Capital	Indicator	For the year ended/ as at 31 March 2020	For the year ended/ as at 31 March 2019	Growth
 <p>Social and relationship capital</p>	Customer			
	Total number of customers	339,798	311,135	9.21%
	– Lending customers	126,715	121,129	4.61%
	– Deposit customers	282,944	248,587	13.82%
	Number of new customers	29,537	32,848	(10.08%)
	Percentage of repeat customers (%)	44.22	43.47	0.75%
	Loans and receivable portfolio (Rs. million)	147,747.51	151,707.90	(2.61%)
	Market share in deposits (%)	14.10	12.33	1.77
	Market share in total assets (%)	11.98	12.05	(0.07)
Savings to total deposits (%)	6.35	6.04	0.31	
Business partner	Number of vehicle suppliers	32,406	28,661	13.07%
	Total value of vehicle supplies procured (Rs. million)	60,616.17	66,800.57	(9.26%)
Community	Investment in local communities (Rs. million)	55.53	120.29	(64.76%)
	Number of entrepreneurs trained/educated	101	1,710	(94.09%)
	Total investment on entrepreneurship development (Rs. million)	3.05	8.15	(62.58%)
 <p>Human capital</p>	Number of employees	2,401	2,329	3.09%
	Training hours per employee (hours)	8.73	17.90	(9.17)
	Training cost (Rs. million)	3.38	12.93	(73.86%)
	Profit (PAT) per employee (Rs. million)	1.24	2.00	(38.00%)
	Employee retention rate (%)	90.82	88.90	2.16
 <p>Natural capital</p>	Investment in environmental initiatives (Rs. million)	3.32	1.94	71.13%
	Carbon footprint (tCO ₂ eq)	7,955.83	6,113.66	30.13%
	Energy consumption (kWh)	14.5x10 ⁶	4.5x10 ⁶	9.95x10 ⁶
	Green facilities (Rs. billion)	1.87	5.48	(65.88%)

Operating environment

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World economy in 2019/2020

According to the World Economic Outlook, global economy growth stood at 2.9%, the lowest growth rate recorded in the last decade. The year saw trade policy uncertainty, geopolitical tensions, and idiosyncratic stress in key emerging market economies affecting global economic output, especially in the manufacturing and trade sectors.

The US, the Euro area, and China the world's largest economies suffered a marked deceleration of activity in 2019. This will have an impact on the economic prospects in countries around the world.

The trade dispute between China and America that marked 2018 eased during December 2019. Brexit fears also played a huge role during the year, however, the uncertainty surrounding the Brexit eased with United Kingdom declaring that it will leave the EU on 31 January 2020, after which a transition period will set in.

The outbreak of the COVID-19 pandemic across the world in 2020 will have an unprecedented and unforeseeable impact on global growth and economies around the world. The IMF estimated a growth of 3.3% for 2020 before the pandemic, since then these have been drastically revised. Given that the pandemic is ongoing, even at the time of this report, it will have a profound impact on the world as a whole.

Sri Lankan Economy

Sri Lanka's economic growth has been on a downward trajectory since 2015, and recorded a subdued growth of 2.3% in 2019 compared to 3.3% in 2018, the lowest since 2001. This is mainly attributable to the sluggish economic activities

coupled with Easter attacks and subdued performance of the agriculture sector due to adverse weather conditions.

Sri Lanka's sovereign credit rating was affirmed by major international rating agencies in 2019, despite the downward revision to the outlook for Sri Lanka, reflecting the possible weakening of fiscal position of the economy. Fitch Ratings and S&P Global ratings affirmed Sri Lanka's rating at "B" in December 2019 while Moody's Investors Service (Moody's) maintained its ratings at "B2" in 2019.

Inflation measured by both the Colombo Consumer Price Index (CCPI) and the National Consumer Price Index (NCPI) accelerated to 4.8% and 6.2% respectively in 2019 despite remaining at a mid-single digit level.

The non-banking - financial institutions sector [NBFI]

According to the CBSL Annual Report 2019, the year was challenging to the NBFI sector in Sri Lanka owing to market conditions and socio-political impacts. The Licensed Finance Companies (LFCs) and Specialised Leasing Companies (SLCs) sector showed only a marginal expansion in the asset base while performance of the sector deteriorated with negative credit growth, declining profitability, and increase in NPLs. However, the sector as a whole, maintained capital and liquidity buffers well above the regulatory minimum levels.

CBSL implemented stringent regulatory actions and safeguard measures during 2019, in view of ensuring long term sustainability of the sector while seeking to ensure the safety of depositors. The total asset base of the sector expanded marginally during the year, while credit growth of the sector remained negative

in 2019. The investment portfolio recorded a significant increase, due to increased investment in government securities, equities, units and other debt instruments, and real estate amidst limited demand for credit and the cautious approach in lending by the sector. The deterioration in asset quality of the sector was reflected by the increase in NPL ratio in 2019. Meanwhile, the sector recorded a substantial decline in profit after tax, compared to the profit recorded in 2018, mainly due to an increase in non-interest expenses and high loan loss provisions. Signs of stress on profitability were also reflected by the decline in ROA and ROE during the year. The insurance sector expanded moderately during 2019, recording a growth in its assets base. Contractual savings institutions, dominated by the Employees' Provident Fund (EPF) and the Employees' Trust Fund (ETF), recorded moderate performance while providing reasonable positive real returns to the membership.

The Impact of COVID-19

The sector was struggling with many challenges and weakening profitability even before the COVID-19 outbreak. Following the diagnosis of COVID-19 patients in Sri Lanka, from mid-March 2020 onwards, the Government implemented several prudent measures to contain the virus. These include "Work from home" for the general public as well as island-wide curfew imposed from 20 March 2020 for all sectors and services except for "essential services." The curfew restrictions have gradually been lifted in the country. While there was a recovery in the sector in Q1, the pandemic and its resultant financial impacts and restrictions and directives of the Government and the CBSL have severely impacted the bottom line of the sector.

People's Leasing during the financial year

2019 Q2

The Easter attacks severely impacted the local economy, the NBFI sector, and the Company in terms of business volumes and recoveries. However, we were proactive in facing the crisis as well as offering our customers much needed relief in the form of default reliefs and concessionary periods during this difficult time. Rather than a Company-wide policy to tackle customer grievances, we allowed branches to grant reliefs which included 100% default interest waive-off to clients case by case.

2019 Q3 and Q4

Political instability and changes which included the Presidential Elections as well as tax changes, interest amendments and other monetary policy changes impacted the industry and the Company [see the industry overview above].

2020 Q1

The outbreak of the COVID-19 in the world and in Sri Lanka severely impacted the economy, the NBFI sector, and the Company. The Company had to manage the regulatory impact with regards to moratorium and other guidelines issued by CBSL and FIU. There was a huge impact on operations with decreased business volumes and collection ratios since mid-March 2020 that led to a drop in Company profits.

Our proactive response to COVID-19

Despite the unforeseen challenges, we took proactive measures to face the pandemic in a prudent manner. Critical functions were identified and internal systems were developed which allowed employees to operate during emergency situations. Working from home for critical functions was facilitated by the Management. Further the following measures were taken to manage the crisis:

- Crisis management systems and preparatory measures were established after the Easter attacks, therefore we were able to switch to emergency procedures with ease
- Certain manual processes were systematised within a short time span
- Following the national quarantine guidelines, the sanitary and hygiene requirements were adopted immediately by the Company which facilitated operations when the curfew restrictions were lifted in selected districts.
- In this time of global crisis, our main objective was not to penalise our loyal customers. While taking measures to give financial reliefs, we also facilitated every requirement even with the minimum number of staff.
- The Company greatly benefited from the past investments in state-of-the-art IT infrastructure as well as the strong in-house IT Department.

Our social responsibility during COVID-19

- The health and wellbeing of our stakeholders, which included our valued employees and loyal customers, was our highest priority.
- Most of our customers, especially the SMEs, were severely affected. We realised our responsibility to support them to restore their livelihoods until the end of the crisis.
- We demonstrated our true responsibility supporting these businesses and individuals, by effectively managing the moratorium process to assist those who were affected, in line with the Central Bank regulations.



Stakeholders

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Stakeholder Identification, Stakeholder Engagement, Materiality Mapping, and responding to our most valued stakeholders

Stakeholders are individuals or groups that have a considerable impact on our operations. We understand the importance of clear, transparent, consistent engagement with our stakeholder groups, and have implemented strategies to meet their expectations. We maintain a number of formal mechanisms to remain linked to our stakeholder groups. In addition, we also share responsibility for such linkage across the Organisation at every point of contact with our stakeholders.

Stakeholder identification

Being a responsible and inclusive financial solutions provider, we strive to promote sustainable development in Sri Lanka. From our vision, mission, purpose, and our code of ethics, we uphold our commitment to act responsibly towards our most valued stakeholders.

Our stakeholders are the individuals, groups, and organisations that significantly affect or could be significantly affected by our strategy execution and how we conduct our business activities.



Investors



Customers



Employees



Suppliers and business partners



Community and environment



Government and regulatory institutions

Trends observed in our operating environment

As we focus on delivering value to stakeholders, we need to identify material topics where we believe we can make a positive impact. These topics are also determined by identifying the following trends observed in our operating environment in connection with our core business activities.

- Financial inclusion is increasingly becoming a national priority
- Political instability
- Technological innovation
- Regulatory developments
- Protection and privacy controls in digitalising finance
- High-impact weather events
- Unexpected disease outbreaks
- Climate change

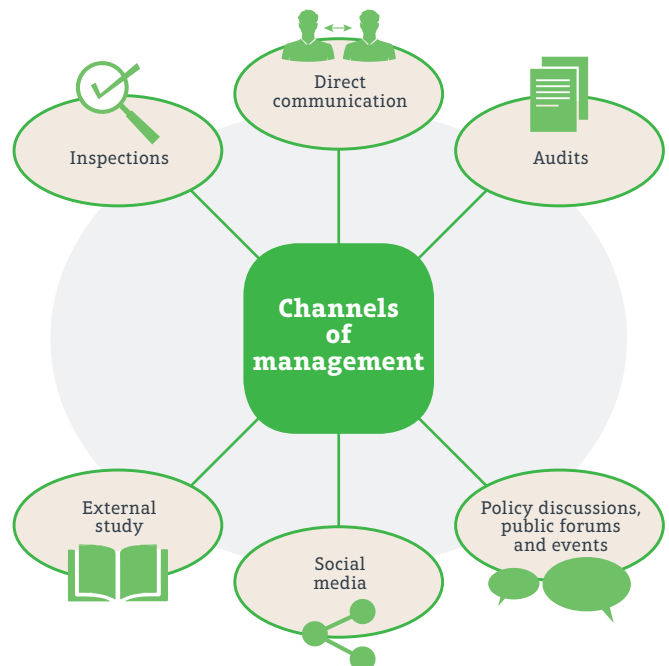
- Increased competition from competitors and new digital service providers
- Rapidly changing customer expectations and behaviours
- Demand for artificial intelligence

Stakeholder engagement

We engage with our stakeholders through a decentralised stakeholder engagement approach all the year round and we use various engagement platforms appropriate to the needs of each stakeholder group.

We understand that our sustainable growth is dependent on our key stakeholder perceptions of value we create for them. Hence, we value feedback from them about their concerns and perceptions of value engaging with our stakeholders through the following channels.

Stakeholder engagement, frequency, their concerns, and our response



Stakeholder	Mode of engagement	Frequency	Key concerns	Our response
 Investors	Annual Report	Annually	Balanced performance, transparency Consistent bottom line Business continuity ESG concerns Migration to digital channels Reputation, credibility and Brand Image Lower operational costs Asset quality, reduced NPL Plans for growth	Release and publish of information on integrated performance
	Interim Financial Statements	Quarterly		Performance driven culture
	Annual General Meeting	Annually		Prudent risk management practices/ Corporate governance framework
	Disclosures and Announcements to CSE	As Required		Optimise resource use
	Corporate Website	Ongoing		Invest and encourage in house developers to develop digital channels
	Email and telephone	Ongoing		Accolades and rankings by independent institutions/rating agencies
	Written communication	As required		Effective resource optimisation, performance-based rewards
	Press releases	As required		Stringent cost management systems
	One-to-one meetings	As required		Customer advisory services Strategies to deliver sustainable value
 Customers	Print, electronic and social media	Ongoing	Financial stability of the Company Product/service-related information Accessibility, convenience Migration to digital channels Financial literacy, advisory, relationship management Cost of borrowing, ROI Speedy service Complaints Stable ratings Health, safety, and wellbeing Customer privacy	Increased presence on social and print media on new products and corporate news
	Written communication	As required		Continued trilingual clear communication
	Call centre, Branch network	24x7, Business hours		Promoted tech driven financial platform "PLC Online" towards increasing accessibility
	Tech-based platforms	Ongoing		Continued in-house training for staff on digital channels
	Customer visits	Ongoing		Continued customer financial advisory through trained staff
	Day-to-day business interactions	Ongoing		Continued to offer customised products to suit customer income pattern/ investment plan
	Corporate website	Ongoing		Reduced time taken for decision making through e-memo system
	Press releases	As required		Streamlined customer complaint resolution process
	Advertisements/ propaganda campaigns	As required		Streamlined formal customer complaint resolution process
	Outreach CSR initiatives	As required		Introduced COVID-19-related safety measures at our points of contact
	One to one dialogue	As required		Strengthened customer data privacy through system based controls

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Stakeholder	Mode of engagement	Frequency	Key concerns	Our response
 Employees	Management Committee Meetings	As required	Materiality concerns Future plans for sustainable growth Business continuity Employee awareness Operational changes Make staff future ready Employee recognition and achievement Up skilling and career progression Employee Health and Safety Business ethics Remuneration and other benefits	Business operations continuity post Easter attacks and during COVID-19
	Strategic Planning Session	Annually		Engaged staff at different levels to develop strategic plan for the Company
	Corporate communication via e-mail/circular	As required		Operational changes based on performance reviews and uncertainty in operating environment
	Social media groups and text messages	Periodically		Inspire staff and update staff on latest developments
	Technology driven platforms	Periodically		Work from home facility during COVID-19, welfare events, support staff in sports events to promote their talents
	Online learning, in house training, Toastmasters Club	Ongoing		Develop knowledge, skills and competencies of staff
	Annual Employee Recognition Awards	Ongoing		Premier Awards' to recognise and reward outstanding staff performance
	People's Leasing Employee Union	Ongoing		Established a platform to raise employee concerns
	Operational guidelines	Ongoing		Introduced COVID-19-related safety measures at our points of contact
	Employee grievances	Ongoing		Promoted voluntarily compliance on "responsible business" criteria Amidst disturbed operations corporate management forwent benefits to incentivise staff
 Suppliers and business partners	Direct Dialogue	As required	Ethical sourcing Profitability New business opportunities Fair price On time delivery Compliance Responsible labour practices Responsible environmental practices	Regularly engaged with suppliers to monitor performance
	Supplier appraisals	Annually		Screened suppliers for their responsible business practices
	Supplier registration	Annually		Reviewed and updated credentials to select ethical suppliers
	Field visits	Periodically		Encouraged innovation for reliable suppliers
	Memorandums of Understanding	As required		Encouraged suppliers to expand business
	Service agreements	Annually		Continued sourcing from SMEs
	Written communication (letters/emails)	As required		Continued fair sourcing practices
	Telephone conversations	As required		Provided advisory services to support suppliers grow

Stakeholder	Mode of engagement	Frequency	Key concerns	Our response
 <p>Community and environment</p>	Corporate website	Ongoing	Engaging in anti-social activities Unmet/undermet infrastructure needs Public service improvement Lack of financial literacy Guidance on business development Limitations in vocational education Responsible lending Advancement of Sustainable Development Goals (SDGs) Health, safety, and wellbeing Community empowerment and capacity building Violation of environment related laws Transactions with potential risks Optimising resource use Responsible sourcing Environmental pollution Declining forest cover Climate change	Ensured minimum negative direct social impact of our operations
	Direct communication	As required		Invested in public infrastructure development
	Dialogue with institutions, community leaders and Community Based Organisations (CBOs)	As required		Invested in public service improvement
	Public events and training/awareness programmes	As required		Created financial literacy
	Outreach CSR initiatives	As per CSR Plan		Provided financial advisory
	Field visits and credit evaluations	As required		Continued vocational scholarships to support vocational education
	Press releases	As required		Continued educational scholarships to support school education
	Social media	On a regular basis		Contributed towards the advancement of SDGs
	Sponsorships	As requested		Educated stakeholders on COVID-19 prevention
	Telephone conversations and written communication	Ongoing		Supported to resolve community-based national priorities
	Outreach CSR initiatives	Periodically		Ensured minimum negative direct environmental impact of our operations
	Environment Management System	Annually		Continued education of staff and customers on environment friendly business practices
	Carbon footprint data tracking exercise	As required		Provided e-learning and classroom-based training for frontline staff on responsible lending
	Environment-related awareness/training programmes	As required		Calculated carbon footprint for the 7th time/Invested Rs. 3.32 million on outreach green CSR initiatives
	Field visits and credit evaluations	As required		Disbursed 1.87 billion worth green vehicle facilities
	Press releases	Ongoing		Responsibly disposed 3,558kg worth of hazardous electronic waste
 <p>Government and regulatory institutions</p>	On-site review by the CBSL	As required	Compliance and good governance	Complied with mandatory legislation, rules and other regulatory requirements
	Dialogue with policymakers and regulators	As required	Cybersecurity, action against financial crime	Introduced COVID-19-related safety measures at our points of contact
	Press releases	As required	New regulations	Shared insights and technical expertise on key industry related policy issues
	Directives and circulars	As required	Supporting SMEs and economic growth	Supported the development of ethical business
	Corporate website	Ongoing	Voluntary compliance	Voluntarily complied with codes and best practices
	Review Meetings	As required	Payment of taxes/fees/levies	Continued alternative payment plans during customers' financial distress
	Compliance reports	As required	Prevention of corruption	Complied with transparent reporting

Materiality

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Materiality mapping

Our material issues are those that matter most to our key stakeholders and that have an impact on our ability to create value in the prevailing economic, social and environmental context in which we operate.

Based on the trends observed and the concerns of stakeholders, following material topics were prioritised in alignment with the relevant SDGs as follows:

Priority	Material topic	Topic relevance	Alignment to SDGs
1	Sustainable growth	We need to ensure sustainable business growth by creating shared value to our stakeholders	  
2	Inclusive finance	Our shared purpose of existence	
3	Customer experience	Our customers contribute to our sustainable growth	  
4	Ethics, integrity and compliance	Our compliance with all applicable laws, regulations and standards safeguard our social license to operate	 
5	Human talent development	Our employees are the ambassadors of our responsible and ethical service	
6	Resource optimisation	In a resource scarce world to reduce our costs	 
7	Digitalisation	To be future fit as resources become scarcer by transforming business activities with digital technology to increase accessibility and enhance customer experience	
8	Cyber resilience and customer privacy	As threats from cyber-attacks increase protecting customers confidential information with integrity and internal controls is a must	  
9	Innovation	In a Volatile, Uncertain, Complex, and Ambiguous (VUCA) world, embedding trends in product development, innovating business models to be resilient and sustain our business	
10	Climate finance	To help businesses affected by climate change to adapt and contribute with our capacity as a financial services provider to build a low carbon economy as a Participating Financial Institution	 

Responding to our most valued stakeholders

We respond to our stakeholder concerns identifying potential areas for improvement, opportunities for differentiation and necessary changes to our strategy/business model.

This approach strengthens our legitimacy and social license to operate, builds trust and assures our sustainable growth as a socially relevant and responsible corporate citizen. Our strategy and business model is geared towards addressing all material concerns.

Our strategy, built on strong values, reflects our keen understanding of the operating environment and addresses stakeholder concerns, risks and opportunities, and material issues. The overall objective is to deliver sustainable value to all our stakeholders.

Our strategy is founded on five strategic imperatives. Under each strategic imperative, we have identified short and long-term goals which will help to steer the Company towards creating value.

Our strategic imperatives



1 Pursuing sustainable growth

- Increasing business volumes by focussing on untapped markets
- Intensifying recovery steps with strong monitoring of customer portfolio
- Optimising group synergies
- Positioning and building corporate brand image



2 Augmenting customer experience

- Increasing presence through island-wide network
- Diversifying product portfolio across customer segments
- Improving life long customer relationships and satisfaction levels
- Introducing new facilities through channel migration
- Increasing customer awareness through responsible communication



3 Achieving execution excellence

- Improving operational processes
- Partnering for excellence
- Attracting and retaining the best-suited talent
- Building a competent, engaged, and motivated team



4 Promoting efficient resource use

- Utilising funds in an effective manner to optimise returns versus risk
- Diversifying funding sources while managing liquidity
- Reducing mismatch in maturities of assets portfolio and the funding base
- Managing capital for growth and profitability



5 Embodying responsible stewardship

- Maintaining ethical, open, and transparent business environment
- Maintaining sound corporate governance practices
- Addressing national and local societal priorities to create a sustainable shared value
- Managing and optimising our direct impact on the environment

Loyal, highly-skilled people

We offer employee training opportunities that are essential to our growth while creating a engaging working environment to our team.



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Human capital

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Manufactured capital

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Social and relationship capital

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Intellectual capital

60

Natural capital



Financial capital

Being a finance company, financial capital is the lifeblood of our business which is directly linked with all other capitals within our value creation process. It comprises of the funds contributed by the shareholders and the reserves built up over the years by retaining part of the profit as well as funds sourced from investors in debt securities, borrowings from banks and deposits from customers. Executing the financial intermediary role, we invest these funds in loans and advances and other investments to generate sustainable returns which in turn are shared among the key stakeholders of the Company.

Accounts for
13.40%
of the
industry's loans
and advances

Highlights

Holds the largest loans and receivables portfolio in NBFIs sector

Largest deposit base of **Rs. 106.70 billion** in NBFIs

Healthy capital adequacy ratios

Related strategic imperatives



Pursuing sustainable growth



Augmenting customer experience



Achieving execution excellence



Promoting efficient resource use

Related stakeholders



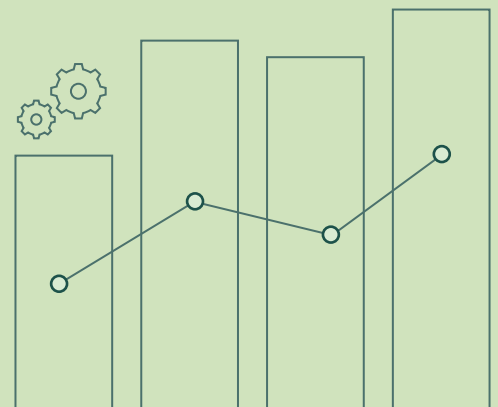
Investors



Customers



Suppliers and business partners



Financial capital

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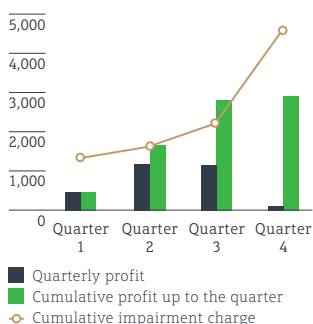
Overview of the Company's Financial Performance

In the wake of one of the most challenging years in our history, People's Leasing & Finance PLC completed the financial year 2019/20 with a profit after tax of Rs. 2,942.51 million. The overall slowdown in the economy following the Easter Sunday attacks and COVID-19 global pandemic caused negative sentiments on key business segments of the country and lowered the disposable income level of our customers. In addition, challenging economic setting of low growth rates, year-round effect from LTV rules and deteriorating external value of rupee also had a negative bearing upon the financial performance of the leasing sector of the country during the year.

After a sluggish start to the year following the Easter Sunday attacks in April, the Company's performance began to improve and achieved almost 90% of its original forecast in eleven months period up to February 2020. However, with the emergence of COVID-19 outbreak in the country, the Company's March financial performance was adversely impacted with high impairment charges and disposal losses resulting in a decline in cumulative profit for the year ended 31 March 2020.

Company performance throughout the year

(Rs. million)



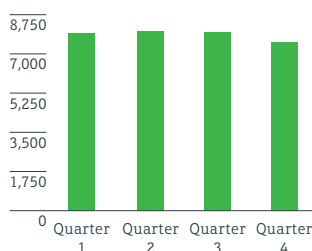
A detailed analysis of our financial performance during the year under review follows:

Net interest income

Year-on-year growth of the interest income was limited to 2.0% mainly due to the shortfall in achieving the budgeted business volumes in the immediate aftermath of the Easter Sunday attacks and delays in repayments of customers due to COVID-19 pandemic. In this backdrop, total interest earning assets evidenced a marginal decline of 1.89% compared to 31 March 2019. Interest income and net interest income experienced a significant decline in the last quarter because of the restricted business activities since mid-March 2020 given to the COVID-19 outbreak in the country and the reduction in interest rates at the latter part of the financial year.

Quarterly interest income

(Rs. million)



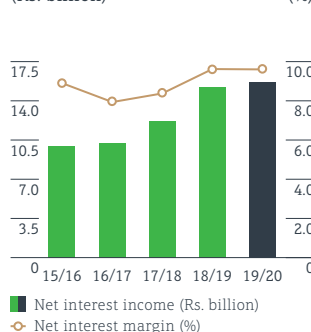
Growth in interest expense was also limited given the low interest rate regime and the reduction in interest bearing liabilities, yet witnessed a slight increase of 0.90% due to interest charge for operating lease liabilities of Rs. 238.58 million recognised during the year 2019/20 with the adoption of SLFRS 16 – "Leases".

Growth in interest income by 2.02% while curtailing the growth in interest expense to 0.90% contributed to the growth in net interest income by 3.18% to Rs. 15,672.52 million as against Rs. 15,190.20 million

in the financial year 2018/19. However, net interest margin (NIM) contracted marginally in 2019/20 to 9.68% from the 9.70% recorded in 2018/19.

Net interest income and net interest margin

(Rs. billion)



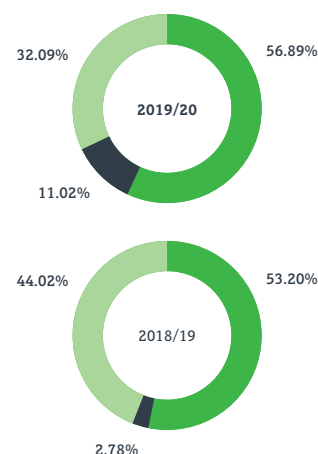
Other income

Other income comprising fees and commission income, net gains/(losses) on financial assets – fair value through profit or loss and other operating income reflects 12.68% improvement over the previous year to Rs. 2,140.21 million mainly with the increase in services provided to subsidiaries which resulted in increased shared income and increase in fee-based income.

Operating expenses

Operating expenses mainly comprising of personnel expenses and other operating expenses, grew slightly by 0.69% to Rs. 6,506.65 million in comparison to Rs. 6,462.19 million in the last financial year. Personnel expenses which accounts for the significant portion of operating expenses recorded 7.66% year-on-year growth with the increase in number of employees compared to the preceding financial year and annual salary increment granted in October 2019.

Composition of operating expenses



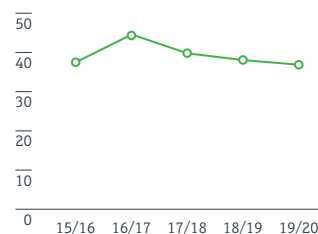
- Personnel expenses
- Depreciation and amortisation
- Other operating expenses

As a consequence of the new accounting standard SLFRS 16 – "Leases" becoming effective, rent payments included in other operating expenses was replaced with amortisation of right-of-use assets and interest cost on operating lease liabilities leading to a 26.58% decline in other operating expenses over the last year.

However, growth in overall operating expenses was below the total operating income growth of 4.23% resulting in an improved cost to income ratio of 36.53% compared to 37.81% in the financial year 2018/19.

Cost to income ratio

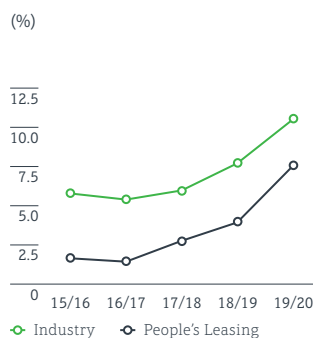
(%)



Impairment charges and asset quality

The Company's credit quality was under pressure during the financial year, a situation that was experienced across the industry mainly due to slowdown in economic activities following the Easter Sunday attacks and difficulties encountered on recoveries in the midst of COVID-19 outbreak that occurred in mid-March 2020. Consequently, gross non-performing advances ratio (NPA) of the Company rose to 7.62% by the end March 2020 in comparison to 3.91% in March 2019. However, the ratio still remained well below the industry average ratio of 10.6% reported in December 2019. (Industry average as per the CBSL Annual Report.)

Non-performing advances ratio



As a result of reduced recoveries, the Company saw its impairment charges and other losses for loans and receivables for the year ended 31 March 2020 rising to Rs. 4,646.68 million as against Rs. 1,586.51 million in the previous year which had a direct impact on the Company's profitability for the year. In accordance with the practical expedient issued by CA Sri Lanka, the Company considered February 2020 Days Past Due (DPD) for calculating the Probability of Default (PD) as at 31 March 2020 modified for economic factor adjustments, instead of March DPD, due to March figures been impacted by the setting of COVID-19 pandemic.

Taxes

Income tax expense of the Company for the year under review amounted to Rs. 1,609.32 million resulting in an effective tax rate of 35.36%. Since the new rate of 24% is applicable only for three months of the financial year and the rate has not yet been enacted, the Company used 28% for the provisioning of income tax for the financial year. Accordingly, the positive impact of the rate reduction for the final quarter has not been taken into account. The reduced rate will be taken into consideration at the time of paying the tax.

As per the notices issued by the Department of Inland Revenue, Debt Repayment Levy (DRL) and Economic Service Charge (ESC) were abolished with effect from 1 January 2020 whilst Nation Building Tax (NBT) was abolished with effect from 1 December 2019. Hence, DRL has been charged at 7% only for the first nine months of the financial year, on the value addition attributable to the supply of financial services. NBT stood at 2% prior to the abolition and this has a positive impact over the earnings since the Company was bearing the tax expense on behalf of the customer. In addition to these changes, value added tax (VAT) rate was also revised to 8% from 15% with effect from 1 January 2020.

Total direct taxes paid by the Company during the year under review increased to Rs. 5,711.95 million in comparison to Rs. 2,942.05 million in 2018/19 financial year whilst indirect taxes paid by the Company during the year ended 31 March 2020 amounted to Rs. 1,312.90 million.

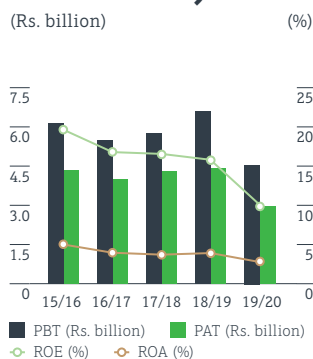
Profitability - PBT and PAT

On account of the increased impairment charges and hampered income levels under

extremely challenging business setting, the Company's profit before and after tax for the year contracted to Rs. 4,551.83 million and Rs. 2,942.51 million respectively.

With the reduction in profitability, Return on Assets (ROA) and Return on Equity (ROE) of the Company deteriorated to 2.64% and 10.00% respectively in the financial year 2019/20. However, the ratios remained ahead of the industry average ratios of 2.2% and 7.5% respectively for the year. (Industry averages as per the CBSL Annual Report.)

Profitability



Loans and receivables portfolio

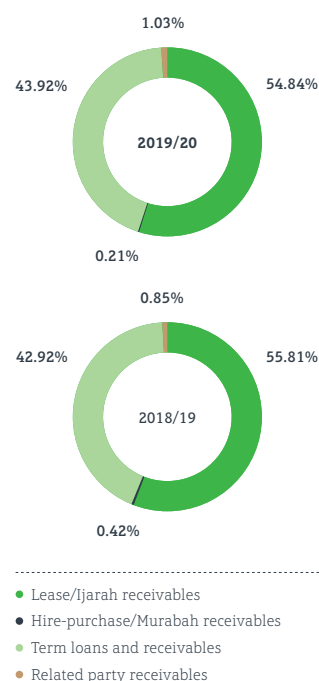
Gross loans and receivables portfolio of the Company as of 31 March 2020 stood at Rs. 156,497.75 million in comparison to Rs. 156,652.24 million as at 31 March 2019. Net portfolio after accounting for individual and collective impairment amounted to Rs. 147,747.51 million as at 31 March 2020 which is the highest portfolio in the non-bank financial institutions sector of the country. This portfolio which represents 86.07% of the total assets of the Company reflects a marginal year-on-year decline of 2.61%. Given the pessimism that prevailed in the market, new business volume for the year declined to Rs. 70,696.89 million as against

Rs. 95,282.60 million in the preceding financial year. Lease/Ijarah receivables remained as the highest contributor to the total gross portfolio, yet indicated a marginal drop compared to the last financial year.

The performance of the new product in our portfolio, gold loan was outstanding, with the portfolio reaching Rs. 895.70 million as at 31 March 2020.

Despite the negative sentiments in the capital market throughout the year, our margin trading receivables posted an increase of 8.47% over the preceding year and reached Rs. 2,232.78 million as at 31 March 2020.

Composition of Portfolio



Financial capital

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Investment mix

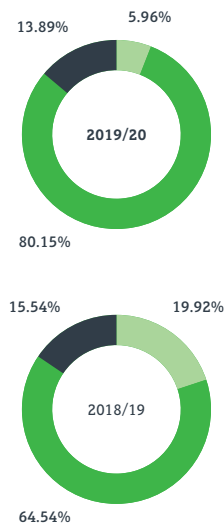
We invested 7.37% of our total assets in interest generating assets other than loans and receivables. These investments mainly comprise of fixed and savings deposits in banks and financial institutions, investments in treasury bills and reverse repurchase agreements which amounted to Rs. 12,649.87 million as of 31 March 2020. The Company's investment in reverse repurchase agreements and investment in unit trusts recorded a significant growth compared to the last year. However, given the sluggish performance of the Colombo Bourse during the year, market value of the Company's investment in quoted equity securities deteriorated to Rs. 13.55 million from Rs. 23.19 million as of the last financial year end.

Deposit base

During the year under review, our deposit base comprising of fixed and savings deposits including Islamic deposits topped the Rs. 100 billion mark and reached Rs. 106,701.03 million, up by 20.75% compared to the deposit base as at 31 March 2019. In the midst of rising public distrust surrounding the finance sector in the recent past, People's Leasing has today secured the largest deposit base in the industry. With this accelerated growth, deposits now represent 80.15% of our borrowing mix in comparison to 64.54% in last financial year.

Our savings base surpassed Rs. 6 billion with a significant year-on-year growth of 26.91% and reached Rs. 6,770.64 million as at 31 March 2020.

Borrowing mix

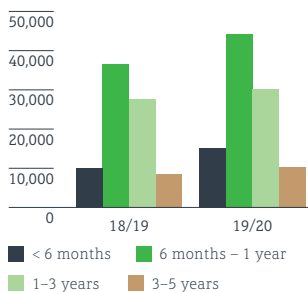


- Due to banks
- Due to customers/Deposit base
- Debt securities issued

The Company still faces the difficulties in finding deposits with longer maturity to match with the long-term lending portfolio. As a result, the deposit base is more skewed towards maturities between six to twelve months.

Deposits based on maturity

(Rs. million)



Capital and liquidity

As of 31 March 2020, total equity comprising of capital, retained earnings and other reserves amounted to Rs. 30,246.63 million up by 5.75% over the last year. Pursuant to the payment of final dividend for the financial year 2018/19 in the form of a scrip dividend, stated capital of the Company increased to Rs. 13,915.41 million with total number of shares of 1,627,703,388.

Our Tier 1 and Total Capital Ratios of 15.12% and 15.99% respectively are well ahead of the new capital adequacy requirements set out in the Finance Business Act Direction No. 03 of 2018 and are a reflection of a strong financial position.

	2019/20	2018/19
Tier 1 capital (Rs. million)	29,269.43	26,517.79
Total capital (Rs. million)	30,941.75	28,065.76
Total risk weighted assets amount (Rs. million)	193,545.73	184,636.04
Tier 1 capital ratio – minimum 7% (minimum 6% – 2018/19) (%)	15.12	14.36
Total capital ratio – minimum 11% (minimum 10% – 2018/19) (%)	15.99	15.20

The Company also maintained a healthy liquidity position with Rs. 14,459.38 million liquid assets as at 31 March 2020 leading to a ratio of 111.51, thus remaining well above the minimum liquidity requirements specified by the CBSL.

Group results overview

People's Leasing Group recorded a post-tax profit of Rs. 3,591.75 million during the year ended 31 March 2020 compared to Rs. 5,011.27 million during the year ended 31 March 2019. The Group recorded a 5.07% increase in net interest income during the financial year 2019/20 compared to the financial year 2018/19. Group performance was also negatively impacted by the overall economic slowdown.

Total assets of the Group indicated a slight growth compared to the total assets as at 31 March 2019 and reached Rs. 185,997.29 million as at 31 March 2020. Total net loans and receivables portfolio evidenced 1.8% decline and reached Rs. 154,134.93 million as at 31 March 2020 compared to the portfolio as at 31 March 2019.

Indicator (Group)	2019/20	2018/19
Return on assets (%)	3.07	4.26
Return on equity (%)	10.71	16.21
Earnings per share (Rs.)	2.11	3.05
Net assets value per share (Rs.)	20.25	19.44

Value generated and distributed

Financial value generated through the effective use of financial capital is distributed or shared with key stakeholders of the Company after retaining the required portion for its future growth. Yet, on account of the increased impairment charges, and reduction in income growth with the impact of COVID-19 outbreak the Company's economic value distribution had exceeded the economic value generated.

	2019/20 Rs. million	2018/19 Rs. million
Direct economic value generated		
Interest income	31,459.11	30,836.30
Fee and commission income	1,694.01	1,508.95
Other operating income	446.20	390.39
Economic value generated	33,599.32	32,735.64
Economic value distributed		
To providers of capital		
Dividend to equity holders	1,929.32	1,974.83
Interest on borrowings	4,256.40	6,963.55
Interest to deposit holders	11,530.60	8,682.55
	17,716.32	17,620.93
To employees		
Salaries and other benefits	3,701.39	3,438.17
	3,701.39	3,438.17
To Government		
Income tax expense	2,822.84	3,351.43
Tax on financial services	2,002.46	2,087.21
Other taxes paid	266.54	241.41
	5,091.84	5,680.05
To community		
On corporate social responsibility (CSR) and donations	58.85	122.23
	58.85	122.23
Operating costs		
Depreciation and amortisation	717.02	179.61
Impairment charges for loans and receivables and other losses	4,751.80	1,954.88
Other operating expenses	1,808.64	2,572.16
	7,277.46	4,706.65
Economic value distributed	33,845.86	31,568.03
Economic value retained	(246.54)	1,167.60

Economic value added

Economic value added indicates the surplus value created for the shareholders on their investment.

Economic value added for the year	2019/20 Rs. million	2018/19 Rs. million
Shareholders' funds	30,246.63	28,603.36
Add: Accumulated provision for impairment charges	8,750.24	4,944.34
Add: Cumulative market building expenses	696.75	885.95
	39,693.62	34,433.65
Profit attributable to:		
Shareholders	2,942.51	4,416.12
Add: Market building expenses for the year	196.56	324.81
Add: Impairment charge	3,805.90	993.22
Add: Deferred tax charge for the year	(1,213.52)	(1,182.29)
	5,781.45	4,551.96
Economic cost % (average Treasury Bill rate + 2% risk premium) (%)	10.22	10.73
Economic cost	3,787.90	3,508.66
Economic value addition	1,948.55	1,043.30

Market value added

Given the lacklustre performance of the capital market throughout the year, the share price of the Company declined during the year causing a decrease in market value added as at 31 March 2020 compared to the last year.

For the year	2019/20 Rs. million	2018/19 Rs. million
Market capitalisation/ market value of equity	19,857.98	21,170.16
Less: Shareholders' funds	30,246.63	28,603.36
Market value added	(10,388.65)	(7,433.20)



Manufactured capital

People's Leasing's manufactured capital comprises our reach through an island-wide branch network, ICT infrastructure, and other property, plant, and equipment employed for our operations. The management of manufactured capital plays a key role to the success of the Organisation since it directly affects efficiency, customer satisfaction, profitability, and growth.

Opened gold loan units in **14** branches

Highlights

Expanded our presence to 103 branches and 101 service centres

Renewal of ISO 27001

Implementation of the complaint management system

Related strategic imperatives



Augmenting customer experience



Achieving execution excellence

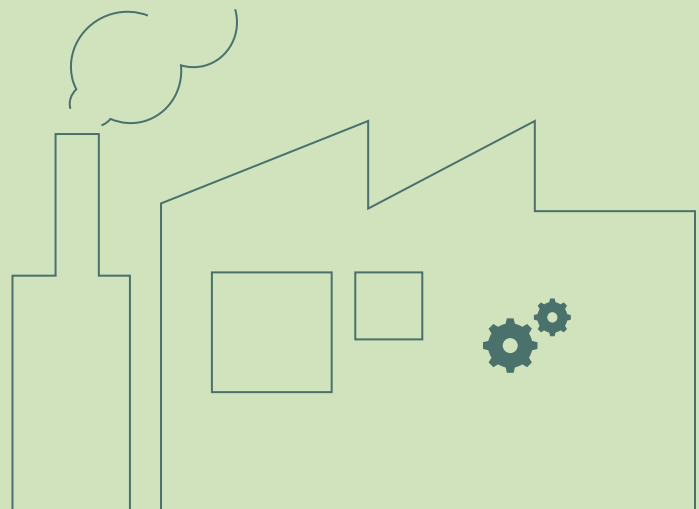
Related stakeholders



Customers

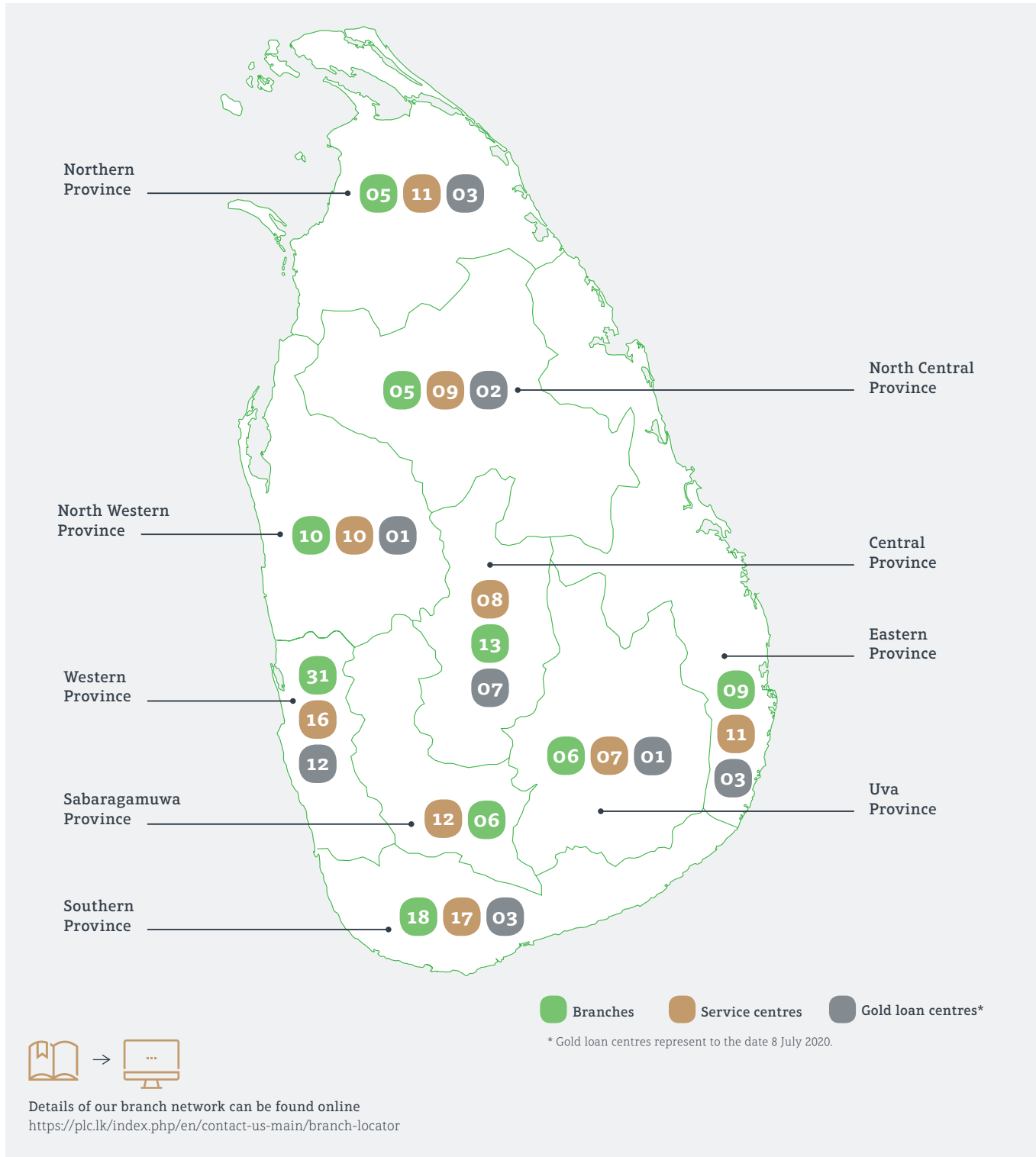


Suppliers and business partners



Our reach through an island-wide network

We continue to provide a heightened customer experience via our physical touch points throughout the island. We improve these touchpoints each year by integrating state-of-the-art technology. To provide our customers with easy access to our product portfolio we have expanded our presence to 103 branches and 101 service centres.



Manufactured capital

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Widening our physical footprint

In considering the challenging business environment prevailed throughout the year, the Company did not focus on opening new branches. We instead focused on consolidating the performance of existing branches.

In our drive to continue to improve the delivery of our services, four branches were relocated to ensure greater convenience to our customers. We also look to improve on our existing infrastructure to better serve our customers. We have also collaborated with our parent company, People's Bank to widen our reach.

This year we focused on expanding our new product "Gold loan" by opening Gold loan units in 14 branches.

Leveraging state-of-the-art IT infrastructure

ICT department heavily contributed on the Company performance through converting the business strategies in to reality in the sense of new product and features. It enhances overall business volume, expands clientele, upgrades the Company's overall profitability. The ICT Department collaborates with other divisions in all operations.

A proactive, timely ICT strategy

Our ICT strategy comes under the overarching business strategy and takes into account the timely requirements that have emerged from the operating environment. It encompasses all operations and is integrated into our internal systems and processes. For instance, in the product development phase, we envisage the required ICT infrastructure including

solutions, applications, and support. We utilise modern, state-of-the-art hardware as well as trained resource personnel who are equipped to handle any requirements. We leverage technology in our marketing efforts to reach a wider audience. The marketing division operates a Facebook page and Viber groups to address certain customer segments.

Combating cyber threats

One of the emerging threats at present is the increasing rate of cyber crime. Our customers are cognisant of the risks that technology entails. We consider the privacy of our customers an utmost priority and have taken every step to ensure the protection of sensitive data. We have invested heavily on firewalls and related upgrades in addition to the internal control system to combat cyber threats. The following diagram outlines our Information Security Policy:

Through our incident management process, any employee may lodge reports to the Chief Information Security Officer about any potential or actual breaches of security. We have a disaster recovery plan covering all areas of the Company, including aspects relating to data security with both onsite and offsite backups in secure environments. The Business Continuity Plan is tested once a year or more in collaboration with the information security team, to ensure data is securely backed up and provisions are adequate for the recovery of operations from any unforeseen adversity.

Initiatives in 2020

During the year, we have taken many steps to improve the efficiency of our ICT infrastructure. We also work in tandem with all other business segments of the Company to execute our strategic imperatives which principally involves enhancing customer experience, internal productivity and efficiency, and

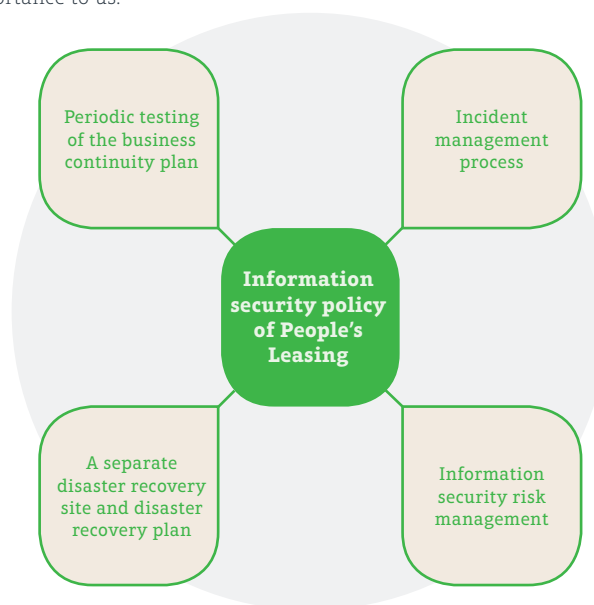
standardising service quality. The following initiatives were taken during the year:

We are in the process of adopting artificial intelligence (AI) into our business processes. We have taken the initial step of finalising and outlining our requirements to prospective vendors. The second phase will identify potential operations that will be converted in to AI processes, then the third phase would be to implement them. This is an ongoing initiative that will come to fruition in the near future.

We have also moved to the second phase in the upgrading of our Data Centre. Last year, we invested in the latest IBM power systems to the Data Centre. We hope to upgrade our virtualisation processes which will allow for more efficient utilisation of computer hardware and cloud computing. This upgrade will facilitate our exponential business requirements with high performance, low latency, and high availability.

Information security policy

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



The following are the other initiatives that were taken during the year:

- eMemo system implementation
- Complain management system implementation
- Fixed assets system implemented at PIL
- Ijarah, Musharaka floating rate modification
- Enhancement of leads management solution
- Raffle draw process
- Recovery diary
- New technology for fraud mitigation
- Selfie cash warrant deduction option
- System modifications relating to WHT tax change
- Common Electronic Fund Transfer Switch (CEFTS) implementation
- Gold loan system implemented in 14 branches
- Renewal of ISO 27001 information security management system certification

Future outlook

We will focus on enhancing the services of the current branch network and will not be looking into further branch expansions. In its stead, we will expand our gold units in branches after evaluation to offer our customers more convenience. Moreover, we will develop our IT capabilities even further since they facilitate our operations as evidenced by how the Company was effectively able to deal with the aftermath of the Easter attacks and the COVID-19 pandemic. We will introduce the following IT improvements in the coming year:

- Leads and sales force management solution
- Streamlined credit assessment by reducing expert's involvement
- A new delinquency management solution
- Digitalisation of the entire credit documents printing process

Our ICT strategy comes under the overarching business strategy and takes into account the timely requirements that have emerged from the operating environment.



Intellectual capital

Intellectual capital can be considered the driving force behind our Organisation and the value creation process. It comprises largely intangible components such as institutionalised knowledge, brand, corporate values and culture, standards and policies, customer perception, and processes that interact (not at) to create value. It is also a strategic enabler and the role of intellectual capital is taken into account in the formulation of our strategic imperatives. In this section, we look at People's Leasing's intellectual capital in light of how it can impact competitive advantage, future fitness, and the ability to engage stakeholders.

Investment in computer software increased by 75.32%

Highlights

Business Today Top 30
13th position

One of the Ten best
Corporate Citizens
in Sri Lanka

Ranked No. 03
in Transparency in
Corporate Reporting
(TRAC)

Related strategic imperatives



Pursuing
sustainable growth



Achieving execution
excellence

Related stakeholders



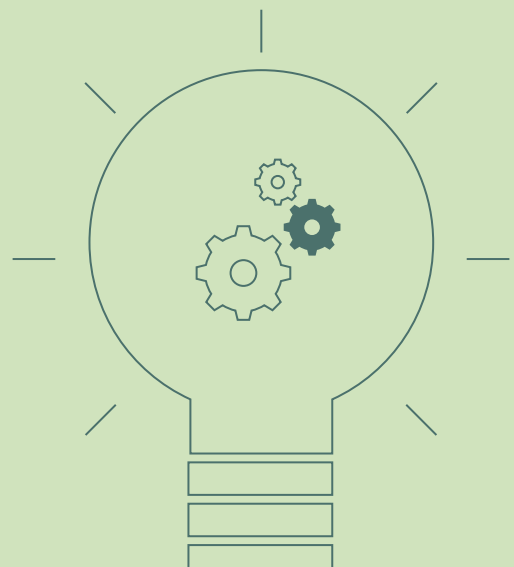
Investors



Employees



Customers



A trusted brand

Established in 1995, People's Leasing is a 75%-owned subsidiary of People's Bank, one of the largest State Banks in Sri Lanka. Formerly known as PLC, the Company changed its branding to reflect the name People's Leasing, capitalising on the connection with its parent company and to take Company's identity forward.

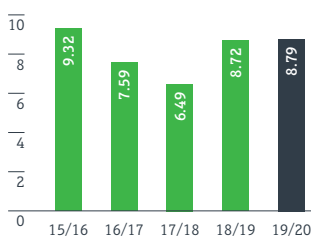
As one of the top NBFIs in the country, we occupy a leadership position in a highly competitive environment. We have established a research and development division to understand market context and how we are perceived by our customers as well as in the industry as a whole. There are a myriad of challenges operating in the present context with emerging competition from non-traditional players.

Our brand position remained strong throughout the year under review, as illustrated below. Fitch Ratings Lanka assigned the Company a credit rating of A+(lka) making it one of the highest-rated finance companies in Sri Lanka.

Considering the fact that non-availability of foreign funding sources at competitive rates at the moment the Company decided to withdraw its Fitch International rating from 30 April 2020 onwards.

Brand value

(Rs. billion)



Brand rating

Ratings

As at 31 March	2020	2019	2018	2017	2016
Fitch Ratings Lanka	A+(lka)	AA-(lka)	AA-(lka)	AA-(lka)	AA-(lka)
Fitch Ratings International	B-	B	B	B	B+
Standard & Poor's	Discontinued	Discontinued	B+/B	B+/B	B+/B

Corporate culture

Our corporate culture is underpinned by vision, mission, and our core values. There exists a culture that supports innovation, nurtures knowledge sharing and is inclusive. We have created opportunities for greater employee participation in decision-making as well as enabled out-of-the-box,

innovative thinking. Our culture prioritises knowledge and experience as evidenced by our investment in training and development programmes each year.

meet targets, satisfy customers, and gain experience that in turn supports to achieve our strategic imperatives and maintain a leadership position while fostering future potential.

Additionally, there is an engaged, performance-driven culture within our Organisation that allows our employees to

Our core values

While we trust each of our employees to do their part in ensuring that People's Leasing is operated as a responsible business, we have identified six core values that resonate with our employees.



Intellectual capital

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Institutionalised knowledge

As a leader in the industry, we possess a number of factors that differentiates us from the rest. We consider our institutionalised knowledge that has been passed down since our inception to be quintessential for the success of our Organisation. We possess strong knowledge of the SME

sector, and our intellectual and human capitals provide expert knowledge of the industry and its requirements.

We believe that a qualified and well-trained workforce is essential and that it forms the backbone of our operations. Institutionalised knowledge provides us with a unique competitive advantage in the industry.

Our loyal workforce consists of highly-experienced personnel who have been with the Organisation for many years as well as young recruits. Our high retention rate ensures that the knowledge is preserved within the Organisation. The experienced employees act as mentors and willingly share their accumulated knowledge and experience with other employees.

Group synergies

In a highly competitive environment, we effectively utilise the strengths and synergies across our Group to give us an edge over the competition. Our Parent Company, People's Bank, has added strength to our own brand and reputation. The island-wide presence of People's Bank has enabled People's Leasing to reinforce its existence across the country by opening service centres in branches. This cost effective method of widening our network helps us to tap into a vast customer base.

Through Lankan Alliance Finance Limited, we have moved beyond the shores of Sri Lanka into Bangladesh. This venture was a result of our expansion efforts. Though we operate in a highly competitive market in Bangladesh, our Company continues to show great potential for future growth. Our product offering, which includes leasing, term loans, and working capital loans, is our key differentiator that makes us stand out from the rest. We will continue to invest in the venture and utilise the synergies within our Group to develop the Company even further.

Our six subsidiaries provide us with an opportunity to offer diversified product portfolios to our customers while utilising ethical business processes. A shared distribution network provides us with better outreach and helps maintain a leaner overhead cost structure. Shared procurement allows us greater benefits in price and quality negotiations with suppliers.

Future outlook

Preserving our intellectual capital for our future success is of vital importance to us. We are confident that the systems and processes in place to ensure that the tacit knowledge of our employee is nurtured and not lost will see us through from strength to strength.

Awards and recognition



People's Leasing Annual Report 2018/19

International ARC Awards – 2019

- Gold: Financial Data: Financial Services: General
- Gold: Non-Traditional Annual Report: Financial Services: General
- Silver: Chairman's/ President's Letter: Financial Services: General
- Bronze: Cover Photo/Design: Financial Services: General
- Bronze: Written Text: Financial Services: General
- Bronze: Interior Design: Financial Services: General
- Bronze: Printing and Production: Financial Services: General
- Honors: Photography: Financial Services: General

55th Annual Report Awards 2019 organised by CA Sri Lanka:

- Bronze Award – The Finance Companies and Leasing Companies (Total Asset Above LKR 20 billion)
- Silver Award – Integrated Reporting: Best Disclosure on Business Model

SAFA Best Presented Annual Report Awards:

- People's Leasing Annual Report also became the joint winner at the SAFA Best Presented Annual Report Awards, Integrated Reporting Awards and SAARC Anniversary Awards for Corporate Governance Disclosures Competition 2018.

Recognition at CMA Excellence in Integrated Reporting Awards 2019

Certificate of Merit for Excellence in Integrated Reporting Awards organised by Certified Management Accountants of Sri Lanka (CMA Sri Lanka).

Business Today Top 30 annual listings – 13th place

LMD 100 – 2019 – 32nd rank



Human capital

At People's Leasing, we ensure that our employees are engaged and are driven by our values. The Company's HR policy is closely aligned with our corporate strategy and reflects the latest developments in the operating context. We understand that our employees are our greatest asset that differentiates us from the other competitors. This is reflected in our stringent recruitment process, our tailor-made capacity building and training programmes, and our career development opportunities. The digitalisation of our operations has also made it vital for our employees to function in a digital-first environment.

Employee retention ratio improved to

90.82%

Highlights

Employee base
2,401

New Recruitments
334

Training hours
20,955

Related strategic imperatives



Pursuing sustainable growth



Achieving execution excellence

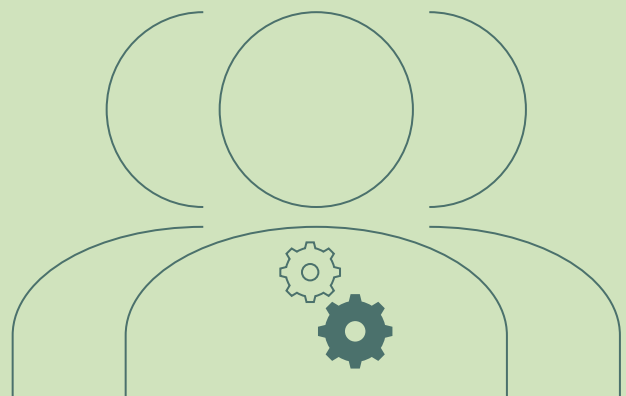
Related stakeholders



Employees



Embodying responsible stewardship



Human capital

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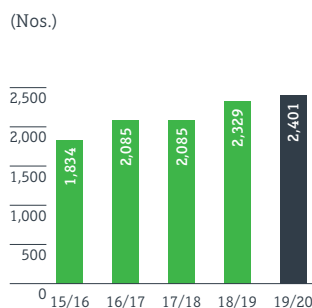
Our team

The total staff strength stood at 2,401 as of 31 March 2020 out of which 2,111 are permanent employees while 315 are probation, training, casual and contract employees. During the year, there were a total of 334 new recruits who joined our family. Our retention rate stood at 90.82% illustrating the trust and loyalty that our employees have placed on us.

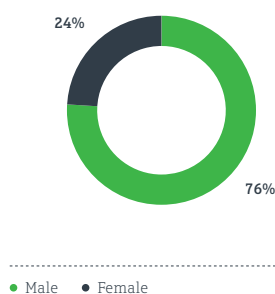
One of our greatest assets is the accumulated knowledge of our experienced employees. We possess a workforce that consists of employees that have been with the Company for a longer period of time and who are the custodians of our corporate culture. They in turn mentor and educate our new recruits that leads to the continuation of our values and corporate culture.

The following offers a detailed statistical representation of our workforce in 2019/20:

Total workforce



Total workforce by gender



We do not recruit employees on a temporary or part time basis. All recruits are subject to a period of probation with those who successfully complete this period being absorbed into permanent carder.

Employees composition by ethnicity

Ethnicity	2019/20			
	Male	Female	Total	%
Sinhalese	1,608	535	2,143	89
Tamil	139	25	164	7
Muslim	82	12	94	4
Total	1,829	572	2,401	100

We possess a inclusive, diverse workforce that reflects the diversity of our customers from all geographical regions representing different ethnicities. Traditionally given the nature of the industry, our gender composition has been weighted towards male. However, we strive to improve our gender ratio and ethnicity

composition by providing equal opportunities that does not discriminate based on gender, ethnicity, age, or physical disability. Since our employees come from all regions in Sri Lanka, we have established communication channels to ensure effective communication between the Head Office and the branches.

Total workforce by employee category, gender, and age

Employee category	Gender	2019/20						2018/19					
		Age analysis (years)					Total gender analysis Number	Age analysis (years)					Total gender analysis Number
		> 60	50-59	40-49	30-39	<= 29		> 60	50-59	40-49	30-39	<= 29	
Senior Leadership	Male	1	13	19	1	-	34	2	11	19	2	-	34
	Female	-	1	1	-	-	2	-	1	1	-	-	2
Middle Managers	Male	-	6	31	4	-	41	-	-	-	-	-	-
	Female	-	-	2	1	-	3	-	-	-	-	-	-
Line Managers	Male	-	6	64	50	-	120	1	7	86	57	-	151
	Female	-	-	12	12	-	24	-	-	13	12	-	25
Executives	Male	1	8	67	297	18	391	1	7	60	275	29	372
	Female	-	3	41	52	6	102	-	1	36	52	4	93
Non-Executives	Male	10	5	31	407	690	1,143	1	1	26	349	754	1,131
	Female	2	-	5	149	283	439	1	1	4	118	296	420
Minor staff	Male	-	8	19	31	42	100	-	6	20	35	38	99
	Female	-	2	-	-	-	2	-	1	1	-	-	2
Total		14	52	292	1,004	1,039	2,401	6	36	266	900	1,121	2,329

Regular methods of employee communication include:

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

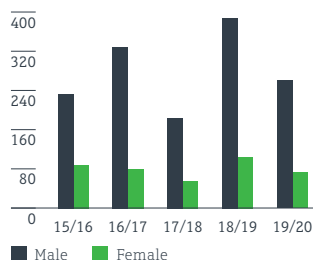
Recruitment

In order to have a competitive edge in a highly saturated sector, we ensure to attract and retain the best talent. Recruitment can be considered as the main challenge of the sector. To overcome this challenge we have in place a stringent recruitment policy which prioritises internal candidates for promotions and vacancies in the Company. We also hire recruits with less experience and train them to be leaders through our comprehensive professional development programmes. We also conduct comprehensive background checks on our new recruits which determines whether they possess values that is aligned with our culture and values. The HR department

identifies potential vacancies and gaps in expertise in all departments by adhering to Company strategy and the corporate structure. Succession planning was undertaken for key roles of branch operations such as Branch Manager, Second Officer. This gives the HR department a clear vision for the roles that are required to maintain a leadership position within the industry. We recruit young and energetic employees that have the potential to move up the hierarchy and be an asset to the Company for a long period of time. During the year, there were 334 new recruits who joined our ranks.

Recruitment by gender

(Nos.)



Continuous professional development

Continuous professional development is paramount to our success in a highly competitive environment. We realise that employee training opportunities are essential to our growth and it provides a rewarding working environment to our team. The importance of the training profile to the Company is further evidenced by the encouragement given to employees to undertake additional education and training. Employees are reimbursed their costs when they obtain professional accreditation and certification from recognised institutes. Employees have access to information at their fingertips due to the internal hub regarding policies and procedures in their relevant fields as well as learning about other fields. All employees recorded 20,955 presented training hours in 2019/20 and the Company invested Rs. 3.38 million on training and development during the year.

During the year, the Company increased number of internal training hours to develop frontline employees on new and existing products, processes and procedures. Cross functional training and job enlargement was initiated for recovery, risk and control and marketing staff.

Employee training and development covers a range of subjects including:

- Product knowledge
- Systems and processes
- Operations
- Finance
- ICT and documentation skills
- Marketing investigation and analysis
- Problem solving and decision-making
- Credit and customer evaluation
- Proposal preparation
- Office management and staff-handling
- Leadership skills and decision-making
- Presentation and communication skills
- Customer service

Average training hours per employee - by position

Category	Gender	Training programmes (Nos.)				Total staff trained (Nos.)	Gender-wise proportion of received training %	Average (hours)	Training hours
		Internal	External	Overseas	Total				
Senior Leadership	Male	1	8	1	10	22	91.67	10.75	236.50
	Female	-	2	-	2	2	8.33	14.00	28.00
Middle Managers	Male	2	4	-	6	35	92.11	6.54	229.00
	Female	1	2	-	3	3	7.89	11.33	34.00
Line Managers	Male	5	12	-	17	97	87.39	6.84	663.00
	Female	1	10	-	11	14	12.61	9.96	139.50
Executives	Male	10	10	-	20	469	94.37	7.60	3,563.00
	Female	7	8	-	15	28	5.63	8.23	230.50
Non-Executives	Male	10	3	-	13	1,334	91.00	9.98	13,318.50
	Female	5	7	-	12	132	9.00	15.34	2,025.00
Minor staff	Male	2	-	-	2	21	100.00	23.24	488.00
	Female	-	-	-	-	-	-	-	-
Total	Male	30	37	1	68	1,978	91.70	9.35	18,498.00
	Female	14	29	-	43	179	8.30	13.73	2,457.00
Grand total	Male + Female	44	66	1	111	2,157	100.00	9.71	20,955.00

Employee turnover

We have created a positive, healthy, and safe working environment which is key to employee retention, reducing absenteeism, and increasing productivity. However, being in a very competitive industry, staff turnover is a reality that we grapple with.

The employee turnover rate in the year under review stood at 9.18% and shows a decrease from 11.15% reported in the previous year.

Employee turnover by gender and province

Province	2019/20			2018/19		
	Male	Female	Total	Male	Female	Total
Western Province	73	26	99	80	46	126
Central Province	20	2	22	16	2	18
Eastern Province	13	3	16	21	4	25
Northern Province	11	1	12	9	3	12
Southern Province	17	4	21	17	3	20
Sabaragamuwa Province	9	1	10	7	2	9
Uva Province	7	2	9	11	1	12
North Central Province	11	2	13	4	2	6
North Western Province	14	1	15	16	2	18
Total	175	42	217	181	65	246

Employee retention following maternity leave

The number of persons who returned to work after taking maternity leave increased by 10.81% in 2019/20. Return to work rate after maternity leave and retention rate for the year 2019/20 are 85.42% and 65.96% respectively.

Description	2019/20	2018/19
Entitled for maternity leave	572	542
On maternity leave	48	47
Returned to work after maternity leave	41	37
Employed for the last 12 months after returning from maternity leave	31	23

Rewards and recognition

In addition to offering our employees fair, competitive, and attractive packages, we also offer performance-based rewards and other monetary and non-monetary benefits to keep them engaged. Our rewards scheme plays a vital role in employee retention.

We ensure that all employee EPF, ETF, and gratuity payments are made on time and are in line with relevant laws and regulations. People's Leasing contributes 12% to EPF, 3% to ETF while employees contribute 8% to EPF.

Employees with five or more years of service under their belts are paid a gratuity, on their retirement or resignation, equivalent to half a month's salary for each completed year of service. Branch competitions are arranged through which qualifying branch employees are rewarded.

During the year, we further strengthened the "pay for performance" culture by implementing new allowance scheme for marketing staff based on their individual target achievement.

All female employees are offered maternity leave in line with the provisions in the Shop and Office Employees Act.

Additional benefits made available through our welfare scheme include –

- Concessionary loan scheme for the purchase of vehicles for relevant categories
- A concessionary housing loan scheme
- Reimbursements on the cost of mobile phones
- Death benefits to employees and their immediate family including spouse's family
- Reimbursement of exam fees
- Concessionary rates for holiday bungalows in Maradana, Maharagama and Bandarawela

We also provide a range of insurance benefits for permanent employees and advocates a healthy lifestyle, providing the following benefits:

- Medical, accident, and life insurance
- Critical illness fund for illnesses not covered by medical insurance
- Fully-equipped gymnasium at the Head Office
- Awareness programmes and training on health, nutrition, and preventive care of serious diseases

Employee benefits

Key benefits	2019/20 Rs. million	2018/19 Rs. million
Salaries and bonus	2,443.61	2,209.74
EPF	182.75	163.15
ETF	45.67	40.78
Overtime	50.38	41.99
Leave encashment	60.67	51.43
Allowances and incentives	652.58	690.61
Casual wages	5.11	4.00
Medical insurance	149.33	145.88
Gratuity	111.28	90.59
Total	3,701.38	3,438.17

Initiatives in 2019/20

During the year, we focused on following initiatives to further motivate our people:

- Target based incentives directly linked to the target and reviewed monthly instead of three months
- Recruitment: priority was always given to internal employees. Almost all the key roles were filled with internal employees
- Phase 1, Job Descriptions (JD) for the corporate management was initiated
- Succession planning for key roles of Branch operations (Manager, Second Officer)
- Training for Managers, second officers of branch management, on products, processes/procedures
- Provide required product and service training support

Employee health and safety

Taking care of our employees' health and safety is a key focus at People's Leasing. A range of initiatives are already in place to ensure the best conditions for a positive working environment. People's Leasing commenced a doctor channelling service to employees free of charge. The Doctor visits the Company once a week from 8am to 12 noon. While the Company recorded one road accident during work hours, lost days due to this accident totalled 10, down from 29 in the previous year.

For the year ended	2019/20	2018/19
Road accidents during work hours	1	2
Lost days recorded due to these accidents	10	29

During the COVID-19 pandemic we took rigorous measures to ensure the health and safety of our employees as per the government regulations. Listed below are some of the measures implemented during the lockdown period:

- Work from home
- Rotation basis
- All safety measures were introduced at the workplace
Eg: Sanitising mechanism
- Transport facility for those who use public transport
- Strictly following the Government and health, transport authorities guidelines

Work-life balance

We focus on work-life balance which allows our employees to be more engaged which leads to employee satisfaction and retention. We assist our employees by offering such opportunities as sponsoring tours, and flexible working arrangements. The following steps were taken this year to promote work-life balance:

- Offer comprehensive insurance coverage
- Adopted safety and preventative measures to reduce occupational injuries and illnesses
- Routinely conduct sporting events and participate in externally sponsored events
- Fully-equipped gymnasium with training support at the head office

Employee grievance handling

We have a mechanism in place to handle grievances at their initial stage to prevent them from escalating further. Employees can report their grievances anonymously or through our open-door policy to any member of the Management. The HR

Department is equipped to handle any such grievances and the Company does not tolerate unethical or unlawful behaviour from any of its employees. There is a Disciplinary Code in place and individual behaviour inconsistent with the stipulated standards in the Code is dealt accordingly following a transparent process.

Future outlook

We will continue to make improvements in our HR practices to be on par with the best practices in the industry. For the next foreseeable future, the principal issue is dealing with the COVID-19 pandemic and safeguarding our employees by following all the necessary health and safety measures and adhering to all the necessary regulations issued by authorities. Further, we are hoping to encourage online learning in the wake of the health restrictions. The HR Department will implement new methods of recruitment such as visiting career fairs and creating links with local universities and professional institutes. We also have close liaisons with national institutions and federations for knowledge sharing about the best HR practices and statutory compliances. Following the strategic direction of the Company, we will create a performance-based culture across People's Leasing using HR analytics to provide valuable insight for business decisions.

- During next three years we will focus on the following to motivate the employees
 - Phase 2, JD for the middle level managers
 - Phase 3, JD for all head office staff
 - Identification of critical roles

- Focused training programmes to support the strategic objectives of the Company
- Create a talent pool for the Branch Management Vacancies (Internal and external)
- Revisit/Develop Job Descriptions (JDs) for head office staff
- Develop KPIs for head office staff
- Build a competent, engaged and motivated team
- Create a culture of HR analytics
- Leadership Development programme for HODs/Branch Management



Social and relationship capital

As a responsible corporate citizen, we are cognisant that our social and legal licence to operate come from the relationships we maintain with all stakeholders. Since our inception we have built long-standing, mutually-beneficial relationships with all our stakeholders to create and deliver interdependent value. These relationships contribute to the formulation of our strategy and inform our decision making. The following section outlines how we engage with some of our key stakeholder groups: investors, customers, suppliers and business partners, community and environment.

89% of new customers will continue their relationship with People's Leasing

Highlights

40,910 active business partners

Rs. 22.90 million worth investment on public healthcare

Brands Annual 2020 – **Most valuable consumer brand and most loved brand in the financial sector**

Related strategic imperatives



Pursuing sustainable growth



Augmenting customer experience



Embodying responsible stewardship

Related stakeholders



Investors



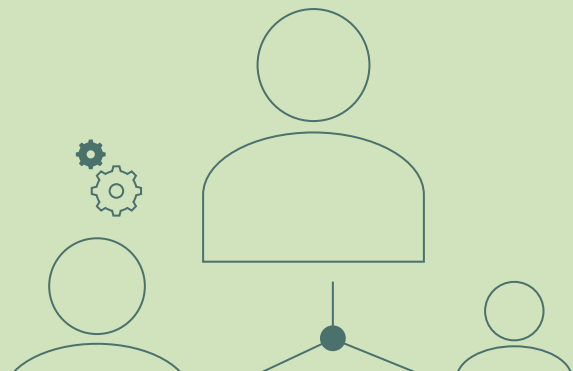
Customers



Suppliers and business partners



Community and environment



Business partners >>

Underpinned by the principles of corporate governance and adhering to the laws of the country, industry rules, regulatory requirements, and business ethics, we conduct our business operations in a responsible manner. Our business partners play a vital role in our operations and we have forged responsible business relationships with partners who are aligned with our values and policies.

In addition, we have fostered our partnerships with financial service providers, correspondent banks, local and international financial institutions. We have discharged our debt obligations in time which have earned us the trust of these partners. This has ensured the delivery of effective, uninterrupted services to internal and external customers.

We have also maintained relationships with partners in diverse sectors like property, equipment maintenance, systems and software solutions, energy, and advertising to name a few.

Our relationships with vehicle suppliers

As at 31 March 2020, our vehicle suppliers numbered 32,406, with our payments to them amounting to Rs. 60,616 million in the year under review. This represents 70.34% of our total payments to our suppliers.

During the year, we entered in to several strategic partnerships with vehicle dealers and importers. Benefits for our customers through this partnerships include:

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

	2019/20
Active business partners (Number)	40,910
Vehicle suppliers (Number)	32,406
Procurement expenditure (Rs. million)	88,788.44

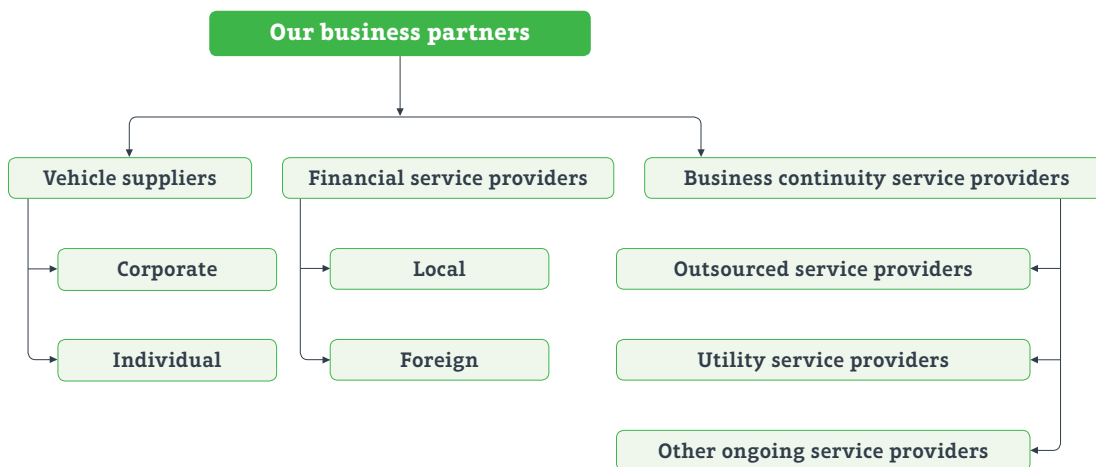
Our procurement policy

Guided by procurement policy, we have prepared a Procurement Manual which is a comprehensive document that contributes to sound business practices adopted by the Company. It is designed to guide all procurement undertaken within the Company. The procedures in the manual adheres to the values of transparency, accountability and equity and guides decision makers to make decisions in the best interests of the Company.

The Decision Making Unit (DMU) is responsible for and vested with the powers to act as the authority to approve the procurement of goods and services of the Company as per the approval matrix.

This Manual ensures that goods and services are procured in a timely manner, complying with all the necessary standards of quality and regulation, and that the selection of suppliers is a transparent process.

We have a Property Acquisition and Disposal Policy set up in place that outlines our approach to the acquisition, management, and disposal of land and buildings and their legal interests. Our Logistics Department conducts major procurement such as vehicles, equipment, ICT Hardware, and Software. The Technical Evaluation Committee is responsible for the selection of suppliers. The following diagram illustrates our procurement processes:

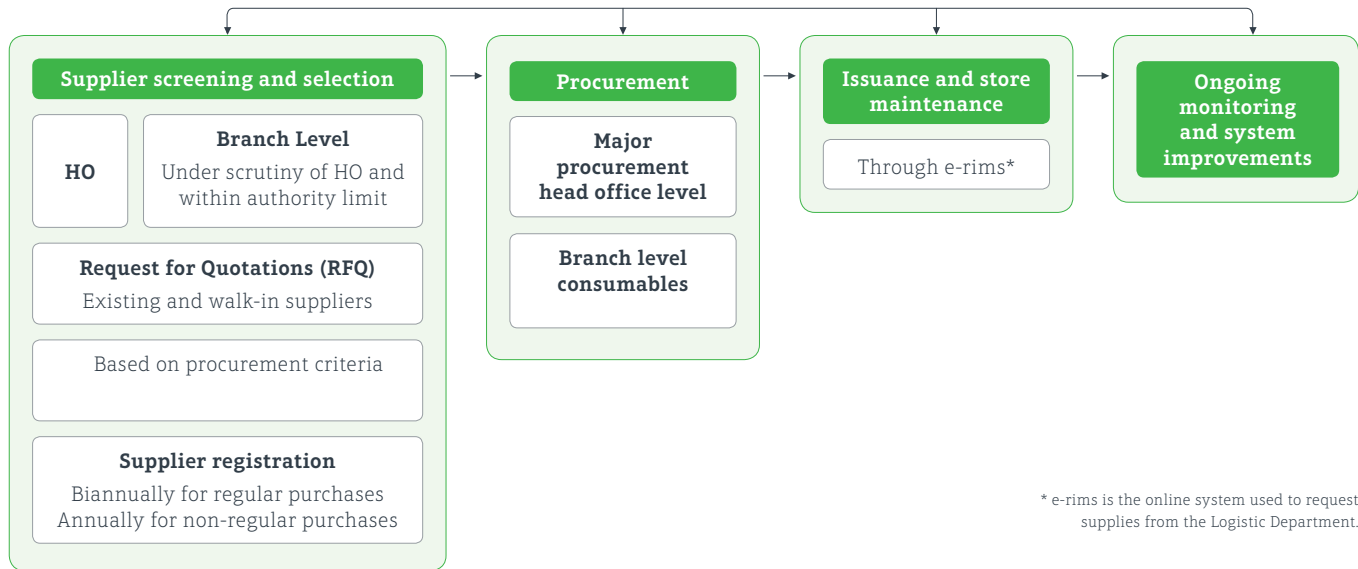


Social and relationship capital

Business partners >>

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Procurement process of business continuity services



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

Selection of suppliers

We have in place a stringent supplier selection criteria based on the following features:

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

Joining memberships and associations

We have secured memberships with different business associations that contribute to knowledge sharing as well as building relationships with other business entities. These relationships facilitate industry unity and networking, enhance industry standards, and provide opportunities for employees to benefit from activities offered by the associations. We maintain memberships with the following associations:

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

Future outlook

To strengthen our existing relationships with our suppliers and secure mutual benefits, we will seek more strategic partnerships in the future.

Customers >>

Our customers are the cornerstone of our success and we can boast of a diversified customer base from all classes of Sri Lankan society. Our main focus is to meet their needs and improve their financial well-being through offering a varied product portfolio as well as a superior service quality that enhances the customer experience. We strive to build strong, meaningful connections with our customers which is pivotal to our business success.

We have also created a platform where the voice of the customer can be heard and their needs are identified. One of our main strategic imperatives is Augmenting customer experience which is a testament to our efforts to put the customer at the heart of everything we do. Further, we strive to make them feel that each and every interaction with us is worthwhile and beyond their expectations.

Through a wide spread network of channels and outlets comprising own branches, service centres at People's Bank branches, online touchpoints, we have made it possible for our customers to conveniently access our financial solutions and for the Company to network with them conveniently.

Our customers

The public has an inherent trust in People's Leasing, by virtue of it being 75% owned by People's Bank (state-owned banking giant People's Bank which knows the pulse of the people and won the trust of the citizens of Sri Lanka for the past 59 years). This has contributed to the Company having a deposit base of Rs. 106.70 billion, the largest in the NBFi sector including savings deposits of Rs. 6.77 billion.

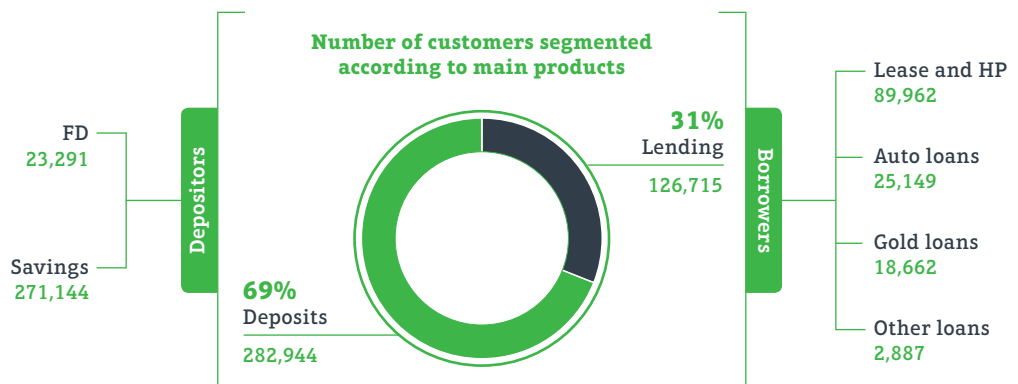
Composition of our customer base

Excluding cross selling, two-thirds of our customer base consists of depositors while the rest are lending customers. In terms of the number of deposit customers, the majority of them have invested in savings deposits which augurs well for the Company since these deposits are relatively of lower cost to the Company and are less interest sensitive stable funds. Leasing is the main product lending customers were interested in which accounted for 71% of the total lending customers.

Geographical segregation of the customers

Province	Depositors	Lending customers	Branches	Service centres
Central	28,533	15,115	12	8
Eastern	14,374	6,059	9	11
North Central	15,855	7,222	5	9
North Western	21,450	11,728	10	10
Northern	7,177	4,125	5	11
Sabaragamuwa	19,265	8,143	9	12
Southern	32,839	19,438	15	17
Uva	23,482	9,250	6	7
Western	119,969	45,635	32	16
Total	282,944	126,715	103	101

* Cross-selling exists



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

Islamic Awards

- The Sri Lanka Islamic Banking and Finance Institutions (SLIBFI) Silver Award for the "Leasing Company (On Ijarah Portfolio) of the Year". SLIBFI Gold Award for "Social Upliftment" category being presented to PLC's 'Al-Safa' Islamic Finance Unit
- IFFSA Awards 2019 – Sri Lanka's Islamic Finance Forum of South Asia Silver Award for the "Leasing Company of the Year"

Brands Annual 2020 – Ranked 21st place under Most valuable brand in all categories. Awarded the Most Valuable Consumer Brand in the financial sector and the most Loved Brand in the financial sector.

Social and relationship capital

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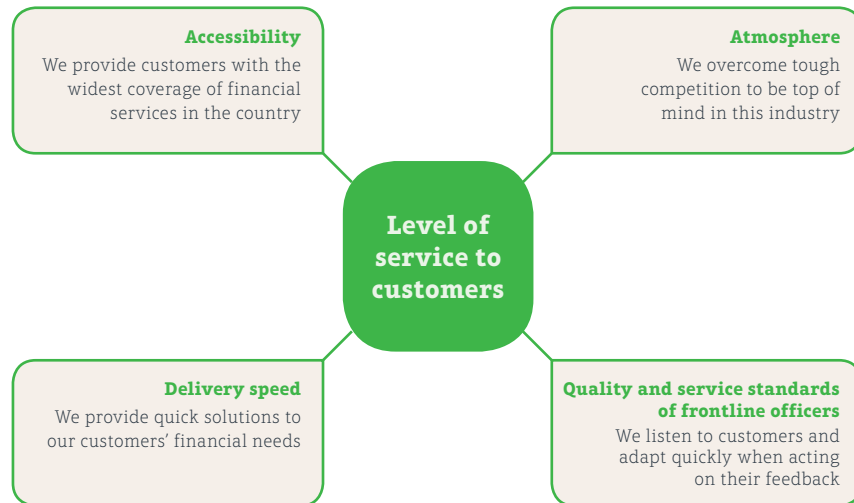
Our offering

We offer personalised products and services that satisfy all needs of customers that come from different segments of society. Following a comprehensive marketing strategy, we launched new products responding and satisfying customers' needs and desires effectively.

The product policy of People's Leasing is geared towards initially satisfying the identified needs of the customers and then expanding its reach to the rest of the populace while improving existing service standards, developing new products, and building relationships with those customers.

Service standards

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



Sector contribution (Gross portfolio Rs. million)



Our product portfolio

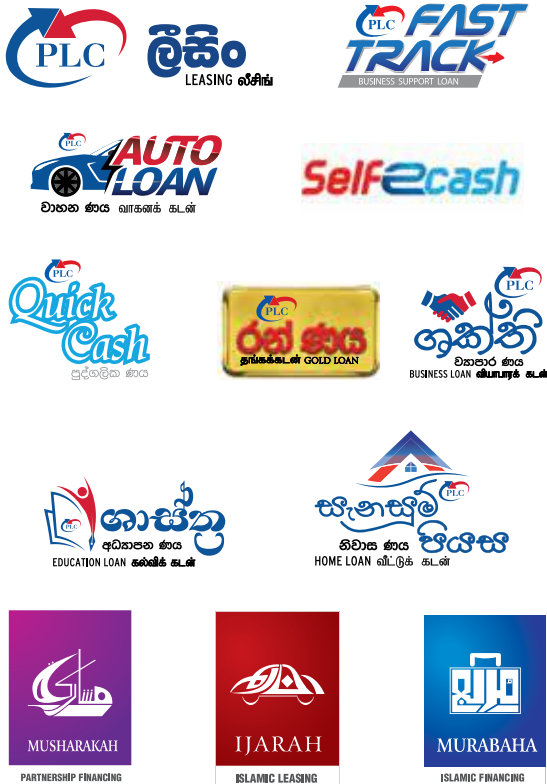
Lending

Leasing

Being our main product, leasing continues to do well with a gross portfolio of Rs. 85,815.37 million and 156,229 customers. Last year, we introduced variable interest lease for motor vehicles for individuals and business enterprises providing greater flexibility to customers in terms of rate and the period.

Loans

Different types of loan facilities are available to cater varying financial requirements of customers. Newly introduced gold loan product is showing promise with portfolio reaching Rs. 896 million. Gold loans offer customers a speedy solution to urgent financial requirements. By providing customers holding several gold loan facilities with us the option to redeem individual articles we also provide flexibility and convenience.



Deposits

Our deposit product bundle consists of a range of products that suits for the customers' different life stages for varying requirements and catering to all age groups: Minor saving accounts for Minors, Super savings, Premier Reward Plan for youth and middle age, Senior Citizen savings accounts for elderly. Despite the pessimism prevailed in the industry, deposits achieved a remarkable growth of 20.75% and reached Rs. 106,701.03 million. Reflecting customer confidence, People's Leasing now possesses the largest deposit base in the NBFi sector including a savings base of Rs. 6,770.64 million, which is also the largest in the industry.



Other products

Margin trading and factoring

Margin trading and factoring have long been staples in our product and services portfolio. The former provides investors of equity and debt markets with the chance to obtain a facility against their investment, to build their portfolio further, and to trade in additional securities. The latter offers capital solutions, transfer of risk, and sales ledger management, providing customers with a dedicated team to manage receivables. Margin trading comprises a portfolio of Rs. 2,232.78 million with interest income of Rs. 310.70 million. For factoring, our gross portfolio reached Rs. 3,142.70 million with an interest income of Rs. 616.56 million.

Margin Trading

Factoring



Details of Our product portfolio can be found online
<https://www.plc.lk/index.php/en/>

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Socially and environmentally responsible products

Our products are screened through a detailed precautionary mechanism to address and mitigate negative social and environmental impacts of our operations with customers. Our credit policy clearly defines business and customer types that we can lend to. This policy is periodically reviewed by a team specialised in risk and control under the supervision of the Deputy General Manager – Risk and Control. Approved credit files are randomly scrutinised on a monthly basis, reasons for discrepancies analysed and corrective actions taken. With every new product we promote paperless processes where possible to reduce our environmental footprint.

We also undertake a number of specific procedures to mitigate and offset the impact of vehicle emissions on the environment. We promote the Leasing of green vehicles and the operation of greener businesses respectively.

Customer engagement and satisfaction

In a highly saturated market where similar products and services are being offered by competitors, we have taken tangible steps to engage our customers and give them a superior experience which ensures customer retention. Through this approach, we have built long-lasting, mutually beneficial relationships with our customers.

Customer satisfaction survey

In order to understand the pulse of the customer, we conducted a customer satisfaction survey in 2019. The survey findings indicate

that advertising mediums such as ATL advertisements and social media have not contributed as much as anticipated to spreading awareness about the brand. Here are the key findings of the survey conducted among new customers:



Cybersecurity and customer privacy

We consider cybersecurity to be a top priority where we have taken every measure to prevent potential cyber threats and safeguard customer privacy. We understand the consequences of a breach in data security and customer privacy. While such a violation of trust is detrimental to the customer it would also impact stakeholder confidence in our competence.

Our Information Security Management System is ISO 27001 certified which gives our customers confidence in the quality of our operating systems. Following ICT policy, we ensure that employees are aware of the importance of protecting information, with our Heads of Departments and Branch Managers taking responsibility for data security and applying industry best practices. We use robust threat

and vulnerability assessments and incident tracking against breaches of customer privacy. Data security is also overseen by the Board and the CEO/GM. The DGM – ICT conducts regular evaluations to ensure the security and responsible storage of personal data, recommending system modifications, and enhancements to mitigate technology and information-security risks as needed.

In 2019/20 there were no complaints reported concerning breaches of customer privacy or losses of customer data.

Responding to the customer

New product and services are developed as a result of the deep understanding we have of our customers, their lifestyles and financing needs, and the solutions they require to secure a brighter future for themselves and their families.

Depending on institutional knowledge alone places us in danger of complacency – a risk we refuse to take.

To ensure a quick and efficient method of attending to customer complaints we have initiated the development of a customer care and complaint handling policy. Its goal is to ensure that all customer grievances receive the care and attention they deserve at the earliest convenience.

Customer complaints



Marketing and communications

Our marketing department consistently engages in brand building activities to spread awareness of People's Leasing to the public. Here are some of the initiatives in 2019/20:

- A Corporate brand awareness and product awareness campaign – *"Himi Thena Palamuthena Rata Hemathena"* was conducted on 24 August 2019.
- Our key product portfolio represents automobiles mainly for income generation purpose and we launched the *"Petrol Peraliya"* campaign to recognise and reward our loyal and new customers to maintain their vehicles leased through us responsibly with minimal impact on environment.
- Launched PLC Premier Reward Plan (an Investment Plan) with the high returns to inculcate the savings habit among Sri Lankans.
- A novel in-house training concept was introduced to educate marketing staff and branch staff on the products and services and also the operational process which helps to improve the execution process.
- An automated system of customer complaint and grievance handling was implemented where customer complaints were directed to the Management for timely responses to any issue.

Social media strategy of the Company

Focused on more customer engagements by posting many advertising campaigns using static and videos and thereby enhancing the market penetration and actively promoting products and services using main social media platforms such as

Facebook, LinkedIn, YouTube, and also communication applications such as WhatsApp/Viber.

Communicating within a regulated environment

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

Serving customer through digital means

We take every step to keep abreast of the latest innovations and technological developments in the business arena to stay ahead of the competition and to provide a superior customer experience. Utilising the most appropriate medium. It also allows the strategic employment of marketing and advertising based on new insights into the return on investment.

Our extensive investment on digital infrastructure and carrying out operations through digital platforms greatly facilitated our COVID-19 response. We were able to continue operations and making our customers aware through the use of digital technology. Our conduct during the lock-down period attested our digital capabilities and portrayed our agility to adapt to any crisis situation.

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

Anti-corruption

Conducting business in a transparent, ethical manner is embedded in our Company values of reliability and trustworthiness. We have a Code of Ethics in place that our employees follow in all business activities and transactions including dealings with customers and Company's other stakeholders. The Code of Ethics is a vital mechanism to safeguard our customers from unethical business practices. To add rigor to these guidelines, we have instituted sound internal controls to prevent improper activities taking place. There exists a proper approval process based on grade and a sound reporting line. Our whistleblowing policy is another formal, internal control that facilitates the disclosure of information concerning corruption or fraud without any reprisal. Thus, ethical behaviour is inculcated in the Company culture. This culture derives from the top of the Company which includes the Chairman, Board of Directors, CEO and Corporate Management.

In addition, there are mechanisms in place and entire operational units of the Company are audited via line records against anti-corruption to investigate and take corrective action where necessary, if there are

complaints or allegations of inappropriate or corrupt practices. Our stringent recruitment process is also geared to prevent future instances of corruption where we do thorough background checks before recruiting an employee. Our partners which includes agents, intermediaries, suppliers, associates, and consultants are also subjected to a similar screening process. This ensures that we work with partners who are aligned with our Company values. We value transparency above everything and we ensure transparency in all our business practices and service delivery to our customers.

The following policies and procedures are set up when dealing with third parties to prevent malpractice:

- People's Leasing whistleblower policy
- Policy on property acquisition and disposal policy
- Policy on outsourcing of business operation
- Related party transactions guide
- Anti-Money Laundering (AML) and Know Your Customer (KYC) Policy
- Information security policy
- Policy on valuation and inspection of immovable properties
- Guidelines on cashiering process
- Customer complaints and grievances handling policy
- Procurement policy
- Tender procedure manual

Under the preview of professionally-qualified auditing team our operational units are audited via online records against anti-corruption. Further, Branches are physically audited engaging well-trained and experienced field audit staff members against any fraudulent activity.

Branches are prioritised according to their grade, feedback reports provided by the respective Zonal Heads and the internal risk assessment independently performed by the Internal Audit team. Internal Audit Department also ensures that Head Office Departments and Branch network is covered at a frequency of two years or less against anti-corruption.

Future outlook

We have served customers hailing from all segments of the Sri Lankan society for the last 25 years ranging from individuals, SMEs, large corporates and offering a world class service without distinction, one value that will continue in the future. The increase of competition in the market, customer loyalty and retention are some of the biggest challenges we face every year. Thus, our focus is on consolidating the existing customer base but also attracting new customers by offering a superior service that distinguishes People's Leasing from the competition.

People's Leasing will support the customers to rebuild from this current crisis. Moratoriums introduced by the Government will be given to all eligible customers.

Investment on technology proved to be crucial when facing the post-Easter Attack period and also the COVID-19 pandemic. We will ensure that we make investments on the latest technology. Our research and development unit will explore the introduction of new products in the coming year.

Social and relationship capital

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As a responsible and inclusive financial services provider in Sri Lanka, we understand the essential role we play in the society. We empower society through our inclusive financial solutions and help people enhance their quality of life. Our island-wide touch points give us the opportunity to financial literacy and support entrepreneurs that include women and youth. Our fully-owned microfinance subsidiary is the vehicle through which

we are able to offer financial solutions that assist micro business ventures. All strategic Business Units at head office and branch network ensure that our business operations are conducted in a socially responsible manner.

Further, annually we invest in community empowerment initiatives in collaboration with the staff volunteerism at branch level and the identified strategic partners in alignment with the advancement of the United Nations (UN) Sustainable Development Goals (SDGs).

Community policy

People's Leasing is mindful of minimising any negative impact its business operations has on the community. In response to the expectations of our stakeholders, People's Leasing is committed to contribute to the sustainable development of the local community.

Guided by the Board of Directors, People's Leasing assigned 2.5% of net profit as the allocation on CSR initiatives and continued to invest part of its profit and charity fund in strategic priority focus areas. The five strategic priority

focus areas defined in the financial year 2013/14, were compressed to three areas encompassing education upliftment, empowerment of local communities and environment conservation to concentrate and impact more on priority areas. Accordingly, People's Leasing continued to create value for local community as we help them to improve their entrepreneurial skills, grow their savings and build public infrastructure and services. Progress made was monitored and reported with the participation of staff, their inputs and volunteerism. During 2019/20, community and environmental investment amounted to Rs. 58.85 million.

Highlights: Investment on local community

	2019/20	2018/19
Overall		
Investment on local communities (Rs. million)	55.53	120.29
Local community based initiatives (Nos.)	79	155
Beneficiaries (Approximate No.)	33,868	62,370
Education upliftment (early childhood development, school education, entrepreneurship development)		
Initiatives on early childhood development (Nos.)	38	118
Investment on early childhood development centre upgradation (Rs. million)	1.24	8.73
Initiatives on school education upliftment (Nos.)	6	8
Investment on school education upliftment (Rs. million)	3.53	8.71
Investment on scholarships (Rs. million)	7.07	17.99
Individuals benefited through scholarships (Nos.)	353	1,077
Initiatives on enterprise development (Nos.)	2	22
Entrepreneurs trained/educated (Nos.)	101	1,710
Total investment on entrepreneurship development (Rs. million)	3.05	8.15
Total investment on uplifting education (Rs. million)	14.33	11.94
Empowerment of local communities		
Initiatives on empowerment of local communities (Nos.)	38	43
Investment on public infrastructure development (Rs. million)	1.65	-
Investment on public healthcare (Rs. million)	22.90	27.14
Investment on positive community engagement at religious and cultural events (Rs. million)	13.61	13.49
Total investment on empowering local community (Rs. million)	38.16	54.45

People's Leasing's contribution to advancement of SDGs

Key focus area

Education upliftment

- early childhood development
- school education upliftment
- entrepreneurship development

Investment in education is a key driver of human capital development towards a sustainable and an inclusive society.

- Investing in the earliest years leads to the highest rate of return to a country.
- Schools provide the major part of the formal education that one needs to live in society.
- Vocational education, financial literacy and entrepreneurship development contribute towards the progress of a nation, job creation and eradication of poverty.



Empowerment of local communities

In a context where the Government budgetary allocations are limited, corporate sector interventions such as development of essential public infrastructure/services including healthcare development are a boon to empowerment of local communities and improve the quality of life of local communities.



Staff engagement in CSR

Our staff is educated on our shared purpose of existence and true corporate social responsibility as a financial services provider during orientation sessions and corporate trainings. Updates on staff volunteered community empowerment initiatives were uploaded on intranet and posts on social media motivating other staff to follow.

Staff is also educated on responsible lending principles including social risk screening in making their lending decisions as the ambassadors of a responsible and ethical financial services provider.

Further, for the very first time, People's Leasing recognised the CSR integrated business performance in three categories at the annual "Premier Awards - 2019", where outstanding individual and team performance is recognised. In place of recognising the "Best Outreach CSR Initiative", the "Most Responsible Branch" was assessed based on a comprehensive application introduced to assess the balanced performance of the branches.



"Most Responsible Branch" was recognised in two categories at the annual employee recognition event - "Premier Awards" to Maharagama and Minuwangoda branches.

Social responsibility during COVID-19

In the wake of the COVID-19 pandemic, People's Leasing has taken the initiative to ensure the health and safety of our stakeholders.

We continued to serve our most valued customers by continuing our operations as an essential service in a safe workplace in accordance with the Government health regulations.

Staff and customers were educated on hand washing, respiratory hygiene and social distancing to protect oneself and others from the virus.

Arrangement of work from home facility with required ICT infrastructure and limited operations with minimal staff and digital channels were provided to prevent community spreading.

The pandemic has greatly affected the SME sector, hence we duly followed up on our customers, listened to their grievances and played our role in supporting them to restore their livelihoods to normalcy.

We have taken necessary steps to support individuals and businesses by managing the moratorium process assisting those genuinely affected, in line with the CBSL

regulations. The digitalisation of the systems and processes prepared us to face the pandemic seamlessly.

Staff and customers were educated on hand washing, respiratory hygiene and social distancing to protect oneself and others from the virus.

School education upliftment (Contd.)

"I am very grateful for the scholarship offered to my son, and for the support given to develop my small business."

My son is a recipient of an educational scholarship from the "PLC Senehasa" Educational Scholarship Scheme inaugurated in October 2017, to mark the 20th anniversary of People's Leasing. My son was selected for this scholarship based on the application we submitted in response to a public announcement we saw in the Wijeya children's newspaper. The information submitted by us was verified by an independent panel, and we were also visited by representatives of the People's Leasing Matara branch as we reside in Pitabaddera, Matara. My husband passed away 10 years ago due to heart failure. I was a housewife, and it was indeed a challenge for me to raise my two children amidst many hardships. Yet I was determined to give my children a good education, and to help them stand on their own feet. I started supplying string hoppers to several shops in our neighbourhood. Thanks to People's Leasing, my son is being supported with Rs. 3,500.00 a month as an educational scholarship until he completes his school education. My son's progress is monitored periodically through a progress card, by the branch officials. My son passed the GCE (O/L) exam in 2018 with 9A's. He started his Advanced Levels in the Maths stream. As I suffer from a nerve disorder, I have been carrying out my business with great difficulty. People's Leasing has also supported my livelihood by offering me a free course on entrepreneurship. They also helped me to buy an industrial string hopper maker to upgrade my business. Despite my health limitations, I was able to scale up my business with this support. I am very grateful to People's Leasing for the scholarship offered to my son, and for the support given to continue and expand my small business.



Mother of a scholarship beneficiary

(Name withheld from disclosure to protect identity)

Early childhood development



Staff of Kelaniya branch volunteering at the registration desk prior to the pre-school teacher training programme held at "Indra Hotel" Kadawatha in June 2020.



A group of parents of pre-schoolers during an awareness session on "Progressive Parenting" held at Ashokaramaya, Colombo 5 in April 2020.



Presentation of outdoor play equipment to improve the child friendliness at "Pipena Kakulu" Early Childhood Development Center in Kundasale by People's Leasing Digana Branch

"During field visits we saw how teachers applied the new knowledge gained through the training"

We thank People's Leasing for providing us with the opportunity to enhance the knowledge of preschool teachers on their role in the holistic development of a child through activity based lesson planning. It is indeed a rare opportunity for preschool teachers from remote areas to gain knowledge from national level resource persons specialised in early childhood development. We received really good feedback from the teachers. During field visits we saw how teachers applied the new knowledge gained through the training. The effort was ably coordinated by the manageress and staff of People's Leasing Kamburupitiya branch, and the participants were very appreciative of the arrangements provided. We were also supported by the branch team in hosting an event on the World Children's Day 2018. Research has revealed that 80% of brain development takes place before the age of 5 years, and this type of corporate sector interventions helps early childhood service providers to contribute more meaningfully towards the development of our Nation's human capital.



Himali Kuruppu

Early Childhood Development Officer,
 Divisional Secretariat - Kamburupitiya

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Empowerment of local communities



State-of-the-art echo cardiographic machine presented to Cardiothoracic Unit of National Hospital, Colombo to perform surgeries with more accuracy and higher success rate in June 2020.



Curtaining of Ward 5 of De Soysa Hospital to improve patient friendliness and privacy of expecting mothers in April 2020.



Paediatric Ward of the Base Hospital Elpitiya was refurbished to create a child friendly environment and upgrade the quality of paediatric care in November 2019.

“People’s Leasing helped us to save the lives of critically ill neonates, using state-of-the-art lifesaving equipment.”

The Neonatal Intensive Care Unit (NICU) at the De Soysa Hospital for Women is a tertiary level referral centre that serves babies who need specialised care with meticulous monitoring for survival. We receive our little patients from all over the country. This includes babies of high risk pregnant mothers requiring specialised care. Upon delivery, most high risk new-borns are admitted to the NICU for life support. We also treat extreme pre-term babies born from 23 weeks of gestation onwards. On average, we receive 950-1,000 admissions per year to our neonatal units (both the NICU and the Special Baby Care Unit) for specialised care. There is often a waiting list for babies, as we cannot disconnect a baby from the lifesaving machinery until that baby fully recovers. Despite high demand, we operate this unit with very limited resources, and some of the existing equipment needs to be upgraded with the latest advancements to enable us to improve our care at the unit. We are very thankful to People’s Leasing for helping us to save the lives of critically ill neonates by providing state-of-the-art lifesaving equipment worth Rs. 5.9 million.



Dr Nalin Gamaathige
 Neonatal Paediatrician,
 De Soysa Hospital for Women

Updates on staff volunteered community empowerment initiatives were uploaded on intranet and posts on social media motivating other staff to follow.



Best Corporate Citizen Sustainability Awards 2019 presented by the Ceylon Chamber of Commerce
 – One of the Top Ten Best Corporate Citizens of Sri Lanka (7th time)
 – Winner of the Community relations category

Ian Dian Abeysinghe Memorial JASTECA CSR – Sustainability Awards 2019 presented by (Japan Sri Lanka Technical and Cultural Association)* –
 Winner of the best Ten CSR/Sustainability projects

Corporate Accountability rating for People’s Leasing & Finance PLC has been found to the standard of “Gold” as issued by STING Consultants
STING Corporate Accountability Index’ by STING Consultants – Gold rating – (since 2011)

* The Award Ceremony has been postponed due to COVID-19

A glimpse of community based CSR initiatives implemented in 2019/20

Name of the initiative	Expenditure in 2019/20 Rs. million
Presentation of critically-required medical instruments including a neonatal incubator, multipara monitor and neonatal and paediatric ventilator to Neonatal Intensive Care Unit and improvement of patient friendliness of Ward No. 5 and 15 of De Soyza Hospital with curtaining and presentation of an air conditioner for labour room	5.94
Presentation of an echo cardiographic machine to Cardiothoracic Unit of National Hospital, Colombo	13.57
Provided monthly scholarships for 21 students of Wayamba Technical College to continue their vocational education on Hybrid Technology	1.16
Conducted workshop series on entrepreneurship skill development in partnership with Department of Entrepreneurship, University of Sri Jaywardenepura for 80 potential entrepreneurs and granted financial assistance for 21 entrepreneurs to start and improve their businesses upon review of their business plans	1.88
Maternal healthcare programme, People's Leasing Anuradhapura Branch	0.30
Elpitiya Hospital Paediatric Ward refurbishment, People's Leasing Elpitiya Branch	0.43
Completed refurbishment of the Accident and Emergency Service and Auditorium of the Lady Ridgeway Hospital for Children	0.83
Presentation of the critically required medical equipment to Diyathalawa Base Hospital, People's Leasing Bandarawela Branch	0.14
Refurbishment of the Female Ward in Saithamarathu Divisional Hospital, People's Leasing Kalmunai Branch	0.24
Continued "Little Steps" preschool upgradation project with the engagement of the nearest People's Leasing branch island-wide	1.07
Offered educational scholarships for 353 deserving students with periodic follow up through nearest People's Leasing Branch	7.07
Conducted preschool teacher programmes on holistic development of preschoolers and activity based lesson planning	2.07
Improved sanitary facilities at Badi Ud-Din Mahmud Vidyalaya, Union Place by People's Leasing Union Place Branch	0.71
Presentation of traffic cones to Military Police	0.25

Planned initiatives

In the ensuing years we plan to implement the following:

- Continue to support small businesses with financial literacy and provide access to resources they need to become viable and sustainable entrepreneurs.
- Commit to more employee education on embedding responsible citizenship within People's Leasing culture.
- Promote ethical and responsible business practices among customers, suppliers and other stakeholders in doing their businesses ethically.
- Embed principles of responsible lending where People's Leasing guards against the occurrence of unethical anti-social activity that could have a negative impact on society.
- Continue to invest in our strategic CSR priorities in line with country priorities towards the advancement of SDGs.
- Collaborate with more strategic partners to pool resources and make more scalable impact on society.



Natural capital

Preservation of the natural environment for the future generation has become a global priority as climate change remains the most critical challenge of our times. People’s Leasing as a responsible financial services provider is committed to abide by legal and regulatory requirements of Sri Lanka and voluntarily adheres to our domestic and international standards on reporting.

We drive environmental stewardship, collaborate with our employees, customers, business partners, and private/public institutions towards safeguarding the environment. We not only strive to optimise our sustainable resource use but also promote sustainable business practices among our customers encouraging them to minimise their negative impact on our environment and the society at large. Further, we consider our environmental sustainability as a key focus area of our outreach Corporate Social Responsibility (CSR) efforts.

Established system-based EMS to effectively manage our Direct Impact on the environment

Highlights

Green awareness

Branch officers were educated on their individual carbon footprint for the first time with recommendations for reduction.

Green operations

Developed in-house Environmental Management System (EMS) to promote resource optimised operations across all business units.

Responsible finance

46 branches voluntarily responded on their commitment to responsible business including environmental responsibility.

Green outreach CSR

All island “PLC Haritha Sithuwam” Poster Art Competition was held successfully to create green literacy and encourage environment consciousness among the young generation.

Related strategic imperatives



Embodying responsible stewardship



Promoting efficient resource use

Related stakeholders



Employees



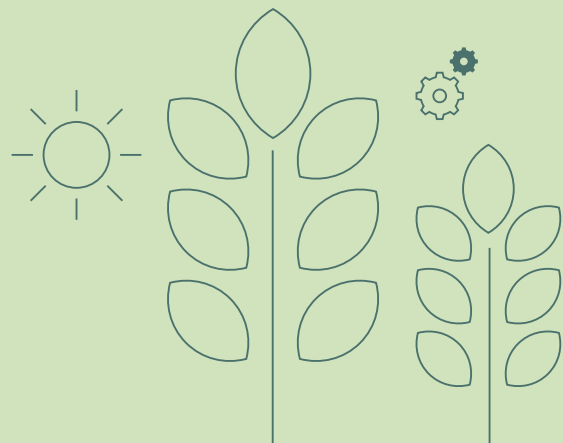
Customers



Suppliers and business partners



Community and environment



Our environmental accountability value is in line with the United Nations Sustainable Development Goals (SDGs) and we are progressing on the journey to contribute more effectively towards the sustainable development of our country through our responsible and environment-friendly business practices.

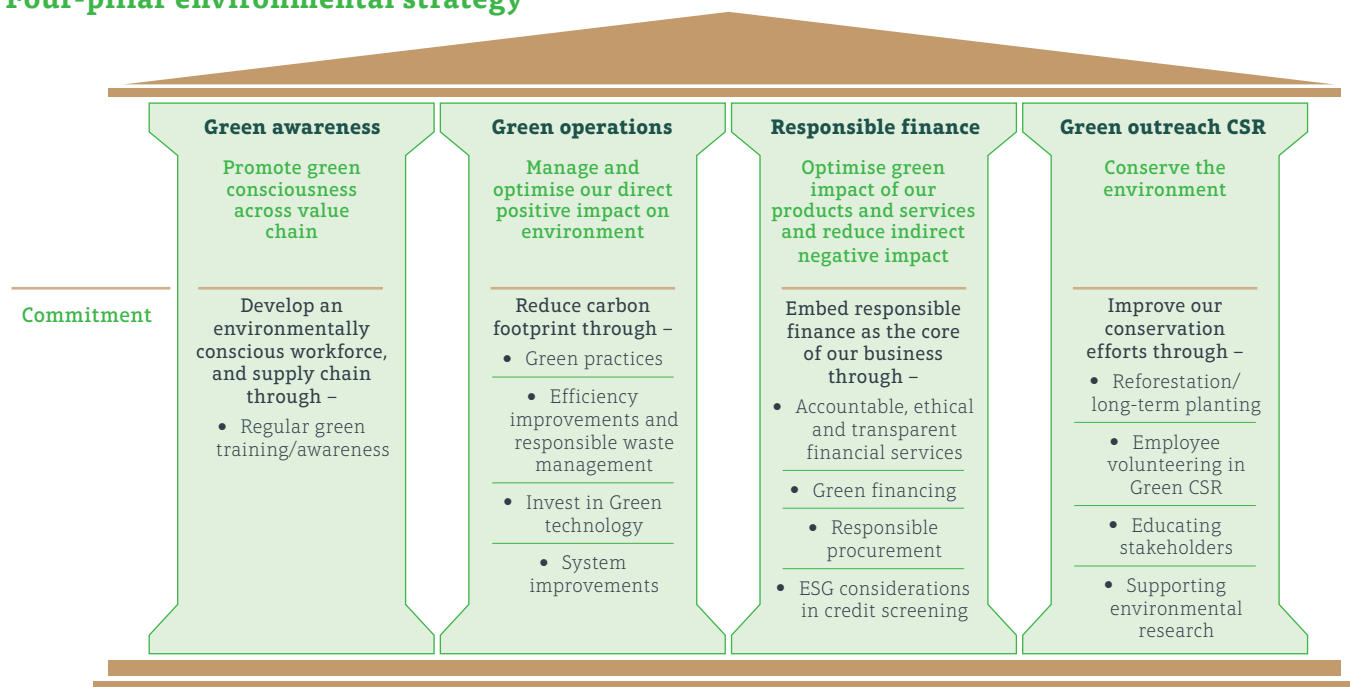
Further, guided by the Board and in accordance with our environmental policy which is reviewed periodically, responsible business practices are promoted Company-wide. Environment-oriented decision making is incorporated in our operations, lending, products and services and community-oriented activities through a four pillared strategy.

Highlights: Investment on protecting the environment

	2019/20	2018/19
Green awareness: Promoting green consciousness across our value chain		
Green training programmes (Nos.)	18	30
Employees trained on green business practices (Nos.)	35	Approx 300
New recruits trained (Nos.)	334	492
Green operations: Managing and optimising our direct positive impact on the environment		
Recycled waste paper (Kg)	7,150	6,970
Energy usage (kWh)	14.5 x 10 ⁶	4.5 x 10 ⁶
Recycled hazardous electronic waste (kg)	3,558	-
Carbon footprint (Tonnes of CO ₂ equivalents)	7,955.83	6,113.66*
Responsible finance: Optimising the green impact of products and services offered by People's Leasing		
Green finance facilities (Nos.)	850	2,185
Value of green finance (Rs. billion)	1.87	5.48
Green outreach CSR: Conserving the environment		
New saplings planted (Nos.)	4,517	14,625
Stakeholders educated on sustainable living (Nos.)	Approx 7,000	1,105
Environment-related outreach CSR initiatives (Nos.)	12	31
Environment-related investment (Rs. million)	3.32	1.94
Total direct beneficiaries (Approximate No.)	7,934	2,150

*carbon footprint value including the supplementary building

Four-pillar environmental strategy



Green awareness

Literacy on sustainable and responsible business

We educate our employees and other key stakeholders on our core value of environmental accountability. Round the year, our new staff and existing staff are educated on their individual and team responsibility towards environment.

Early adoption of our environment related Key Performance Indicators (KPIs) tracking has led to high levels of staff awareness throughout the Group in managing our direct impact on natural capital. Beyond a data tracking exercise, the KPIs are taken into every day decision making at business unit level driven by the Heads of business units and sustainability champions who track environmentally responsible business.

In 2019/20, the Company educated every branch office on their individual carbon footprint for the first time. They were educated on factors that contribute to increase their branch footprint with recommendations to lower the same in the ensuing years with informed responsible choices.

Our staff is educated on environmental due diligence into the lending process, which often includes a site visit and customers environment related records and licenses/ certifications obtained. Our employees are also educated on the indirect negative impact that could take place due to lack of screening of financial solutions against any biodiversity-related risks. Staff is made aware on protected areas and areas of high biodiversity value against our operational locations and encouraged to implement required action to minimise impacts on biodiversity.

We also engage our staff in outreach CSR on environment to increase their consciousness towards environment.

"With continuous awareness, we internalise the environment into our day-to-day business."

"While doing my regular work, I was assigned to track the environmental performance at my branch. I do this additional task with enthusiasm. With guidance from my Branch Manager, we discuss how we can save costs with responsible resource use, and how we can secure a high level of employee participation. With continuous awareness raising through word of mouth, social media, and emails, we internalise the environment into our day-to-day business decision-making on subjects including waste reduction, energy efficiency, and responsible lending. The staff support has been amazing in gradually greening our processes, and in transforming our branch culture. We also engage our staff in outdoor CSR projects, and ensure their active participation through dedicated sub-teams. We value staff feedback and give each staff member ownership for what they contribute. Now our staff understand the environmental impact of their actions better. This has improved our branch image among customers and the community. We truly consider environmental consciousness as a part of our business success."



Anwer Hassan
 Cash Officer
 People's Leasing & Finance PLC
 Badulla Branch



A staff member of Badulla branch volunteers in planting a sapling at the degraded grassland in Alugolla, Badulla contributing to restore the eco system

Green operations

Sustainable resource optimisation

From energy conservation to responsible waste management in our business units across the island, we actively work towards reducing our operational footprint on the environment. We introduced tracking of key environment-related indicators in 2014. Ever since our business units have been tracking these indicators and potential adverse

environmental impacts are identified and corrective action are taken where required.

We calculate our carbon footprint covering all scopes in line with the requirements of the ISO 14,064-1: 2018 framework. Reducing our carbon footprint is a key environmental performance indicator of the Company. In 2019/20, carbon footprint was calculated for the 6th time and the Group carbon footprint was reported as 7,955.83 tonnes of CO₂ equivalents. It an increase of 1,842.17 tonnes of CO₂ equivalents resulted

mainly due to employee business related travel – land (direct emission) category and emission losses incurred in the transmission and distribution of electricity (Indirect emission), despite our pro-environment actions and disturbed operations due to Easter attacks.

In 2019/20, a system based Environment Management System (EMS) was developed in house. It was pilot tested and run across our operational units, in place of manual tracking. In accordance with ISO 14064-1: 2018 the new EMS is expected to support real time decision making to reduce our carbon footprint enabled by the real time tracking and reporting. Year round environment performance data and sustainability audits help the Company to accurately track environmental KPIs.

Responsible use of paper

New products/services that promote paperless work, including paperless statements, online transactions and slipless transactions were continued. E-memo system was a significant milestone implemented towards a paperless work environment in 2019/20.

Responsible use of fuel

To reduce the fuel usage in business travel, we practice effective route planning, planned transportation and use of green vehicles in our fleet. Business travel of field staff was tracked through a system to enhance effectiveness in 2019/20.

Responsible use of electricity

Our main energy use is in the form of electricity and we economise air conditioning systems and use energy-efficient lighting and office equipment. In 2019/20, the energy consumption increased by 9.95×10^6 kWh mainly due to inclusion of employee business travel – land (direct emission) category and possible emission losses incurred in the transmission and distribution of electricity (indirect emission), despite our pro-environment actions and disturbed operations due to Easter attacks.

Responsible waste management

We understand the severity of irresponsible disposal of solid waste including the hazardous electronic waste and the higher global warming potential of food waste. Waste segregation is in practice since 2011 with employee support. Our waste management process is also strengthened by the Central Environmental Authority (CEA) registered waste collection solution providers and the collective effort taken by our staff to reduce group wide waste generation. Janitorial staff appreciation programme held annually also promotes a clean and a green workplace.

In 2019/20, highest ever disposal of hazardous electronic waste was sent for responsible recycling through two outsourced CEA registered e-waste recycling solutions providers. Our 7,150kg paper recycling efforts saved 122 fully grown trees and reduced GHG emissions.



A hard disk being damaged to ensure sensitive data protection during the highest ever responsible disposal of hazardous electronic waste through a CEA registered electronic waste recycling service provider in January 2020.

Moreover, guided by our sourcing policy, our central sourcing department and the relevant operational units educate our supply chain and guide them to meet our corporate requirements including environmental compliance. Central screening of suppliers annually and presence of environment-related clauses in supplier agreements, ensure that our suppliers are in adherence to environmentally responsible business practices.



7th time annual awareness and recognition of janitorial staff on "The importance of responsible janitorial practices" and "Happiness in life" in the presence of their closest family members in November 2019.

"Now we have a tailor-made paperless system in place of the traditional memo circulation method."

"I am so glad that we were able to team up in developing the e-memo system in June 2018. The three phased development process was in itself a complex task with concerns generated at all levels including the branch network, management, and related departmental staff. We are thankful to our in-house ICT experts. Now we have a tailor-made system in place of the traditional memo circulation method. Because of this automated approval process, we are now powered to serve our customers with minimal delays. This also minimises errors in data entry at our entry points. This facility is also coupled with our existing Document Scanning System which ensures data security by enabling the electronic transfer of sensitive customer documents, with no duplication or reprinting required. This is indeed a milestone in our journey towards a paperless environment. We save paper at every level. Here at Documentation, we have tracked a remarkable monthly reduction of 76.6%."



Mahesha Perera

Head of Documentation
 People's Leasing &
 Finance PLC, Head Office

Natural capital

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Responsible finance

Sustainable finance

In keeping pace with the rising expectations of stakeholders, we increasingly promote Environmental Social Governance (ESG) considerations when making lending decisions. This also includes working with customers to minimise the negative environmental effects of their business operations.

In 2019/20, the risks associated with lack of customer awareness on guarding against the violation of environment-related laws by customers or third parties were identified as a critical concern. Further, we plan to improve staff

awareness on minimising if not eliminating impacts on natural ecosystems in future capacity building programmes that promote quality and responsible credit.

As we continue to serve our customers we plan to identify possible climate change risks and vulnerabilities to natural disasters of their respective businesses.

In October 2019, responsible business practices of our branch network were identified, recognised and rewarded in alignment with the advancement of SDGs at the annual employee appreciation programme based on a comprehensive application that captured balanced performance of voluntarily participated branches where 46 branches out of 103 actively took part.

"Beyond numbers, we strive to bring in value through responsible lending."

"We as a team see a purpose to come to work, and we do believe that there is a role to be played by us in supporting the Nation's sustainable progress. Our staff is well aware of the repercussions of violating the laws of the country, leading to unnecessary court cases and a loss of staff productivity in our capacity as a lending institution. As such, we look beyond numbers and strive to bring in value through responsible credit and constant follow up with our potential and existing customers. We educate our customers on how to guard against illegal and anti-social activities that could even lead to criminal offences. We also encourage and guide our customers where required to operate their businesses responsibly with the quality credit we provide. This helps us win our customers' loyalty in the long run. We also foresee that with integrated systems and ethics in place, we could sustain our business and secure new funding lines in future as a responsible company."



Kushan Herath
Officer in Charge
People's Leasing & Finance PLC
Narammala Branch

In 2019/20, the risks associated with lack of customer awareness on guarding against the violation of environment-related laws by customers or third parties were identified as a critical concern.

Steps Towards Environmentally Responsible and Socially Accountable Lending



As a responsible and inclusive financial services provider, we are committed to environmentally responsible and socially accountable lending. We take the following precautionary steps to ensure that the borrowing our customer takes on is appropriate not only in terms of his/her income capacity, but also that it has minimal negative impact on the environment and/or society. This helps ensure that our business practices are responsible and sustainable in the long run.

1. Offer responsible financial solutions in line with the country's law, credit policies, circulars, and operational guidelines.
2. Ask questions about a potential customer's financial situation (current income/patterns, employment status, nature of business) and vulnerability of the business to any environmental/social risks.
3. Make our financial products and services responsibly, adhering to applicable legal and regulatory requirements.
4. Treat potential customers fairly, and ensure clear and transparent communication on our key terms and conditions.
5. Provide ethical advisory services to potential customers to improve their financial literacy and to help them make informed and responsible borrowing decisions.
6. Make inquiries about a potential customer's borrowing requirement, and identify any direct or indirect impacts associated with the borrowing purpose.
7. Educate potential customers on our exclusion list for lending, and the legal repercussions of violating relevant country laws and regulations.
8. Make further inquiries to be aware of any inconsistencies or insufficiencies in the information provided by potential customers.
9. Verify a potential customer's financial situation, and screen against any environmental or social risks associated with the borrowing through relevant documentation, required licenses/permits, and via third party referrals, followed by sound field investigation by the designated officer according to the borrowing limit.
10. Improve accessibility of our financial solutions, including the introduction of our digital channels to optimize the use of resources.
11. Offer a potential customer the most customized and responsible financial solution including a mutually agreed upon repayment plan.
12. Respect a customer's right to confidentiality, and protect sensitive customer data.
13. Recover loan instalments in a responsible manner, ensuring timely repayment through constant communication with the customer, helping him/her to maintain a good credit history.
14. Continue to monitor customer's post lending behavior through periodic follow up on entries made in the Inspection Report, and by continuing to play our advisory role responsibly.
15. Listen to our customers with empathy when faced with a genuine financial difficulty (change in income, illness, reduction in business cash flow, or emergency events like natural disasters) and offer appropriate alternatives to help them return to financial wellbeing.



Green outreach CSR

Environmental stewardship through outreach CSR

Our environmental stewardship is also demonstrated through outreach CSR programmes on environment. Aiming at generating carbon removals, long-term reforestation/ planting initiatives continued including 7 new sites planting 4,517 saplings. Such efforts at branch level engaged stakeholders and volunteered staff.

People's Leasing also continued investment in long-term reforestation in the multi stakeholder involved "Life" carbon accrual project in Opatha, Kanneliya spearheaded by the Biodiversity Sri Lanka.

Continued commitment to preserve bio diversity

Since 2013 People's Leasing is a patron member of Biodiversity Sri Lanka, a national platform entirely owned and driven by the private sector, established to promote strong engagement of the corporate sector in biodiversity and environmental conservation in Sri Lanka.

We also partnered with Biodiversity Sri Lanka to conduct an awareness seminar marking the "Earth Day" themed "The importance of Keeping Nature Intact – Business Challenges" held at the People's Leasing Head Office in Borella to educate the business community where over 40 officials representing various businesses participated.



A vignette of the awareness seminar supported by People's Leasing to mark the "Earth Day" at People's Leasing Head Office to educate the business community on environmental responsibility.

People's Leasing also conducted an island-wide poster art competition "PLC *Haritha Sithuwam*" for young children on environment conservation covering six sub themes woven around challenges to environment sustainability and proposed green action towards a low-carbon future. Over 7,000 creative entries were received. Thirty-six all island

winners were recognised at a colourful event participated by the winners and their parents. Subsequently, 588 merit winners were also recognised regionally engaging the branch network.

A certificate of participation was awarded to the rest of the applicants to encourage their creativity.



Award presentation of island-wide Poster Art Competition "PLC *Haritha Sithuwam*" to promote environment consciousness and green action among young generation held in February 2020 at the People's Leasing building, Colombo 5.

"People's Leasing made it a shared responsibility that generated public trust."

"On behalf of the Central Environmental Authority I wish to state that the "PLC *Haritha Sithuwam*" poster art competition was a timely event organised by People's Leasing and Finance, at a time where climate change is considered to be the most challenging environmental problem that humanity faced. Six sub themes had been identified according to the applicants' age group, covering vital areas such as responsible waste management, biodiversity protection, and green cities of the future. People's Leasing has encouraged children to understand the seriousness of environmental problems, to enhance their green consciousness, knowledge, and attitudes. It has inspired responsible green action in these future change agents in mitigating challenges to environmental sustainability. A collaborative effort with a spectrum of stakeholders, People's Leasing had made it a shared responsibility that generated public trust for all stakeholders involved."



Lakmini Radhika
 Assistant Director
 Environment Protection Unit
 Central Environment Authority

Natural capital

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“PLC HARITHA SITHUWAM – 2019”: ISLANDWIDE POSTER ART COMPETITION



Some of the creative entries received for “PLC Haritha Sithuwam”. Over 7,000 creative entries were received.

“Samadiyata Sewana” is a multi-stakeholder involved long-term planting initiative partnered by People’s Leasing Badulla Branch to restore the three acre grassland in Alugolla, Badulla. The project was spearheaded by the branch with the active participation of the Government and non-governmental institutions, community based organisations and community members in November 2020. Ever since the staff members of Badulla branch continue their periodic follow ups to ensure high survival rate of the planted saplings.



“Samadiyata Sewanak” a multi-stakeholder involved long-term planting initiative spearheaded by People’s Leasing Badulla Branch in three acre grassland in Alugolla, Badulla in February 2020.

Future outlook

In the ensuing years, People’s Leasing plans the following:

- Build more staff capacity on promoting responsible financial solutions with superior customer advisory services.
- Invest in required technological advancements and improve existing Environment Management System to drive sustainable resource optimisation.
- Strengthen staff communications to increase their commitment on responsible finance and climate smart business towards a low carbon future.
- Collaborate with more strategic partners and continue to invest in strategic national priorities to drive country transformation towards a low carbon economy while supporting the advancement of SDGs.

Advanced, digitally-served business platforms

Our extensive investments in digital infrastructure and carrying out operations through digital platforms greatly facilitated our COVID-19 response.



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Mr Sujeewa Rajapakse

Chairman/Non-Executive,
Non-Independent Director

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

Qualifications

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

Positions held/experience

During his professional career that spanned nearly four decades, he held the honorary positions of President, Vice President and Council Member (elect) of The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), Former Chairman of Auditing Standards Committee of CA Sri Lanka, President of Practicing Accountants Forum of Sri Lanka, Treasurer of Sri Lanka Cricket, Treasurer for Cricket World Cup 2011, Board Member and Technical Advisor to South Asian Federation of Accountants (SAFA), Technical Advisor to Confederation of Asia Pacific Accountants (CAPA). He has also served in the directorates of National

Development Bank PLC, NDB Capital Ltd. – Bangladesh and The Finance Company PLC.

Current positions

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

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



Mr Rohan Pathirage

Non-Executive,
Non-Independent Director

Mr Rohan Pathirage was appointed as Director to the Board on 10 July 2020.

Qualifications

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

Positions held/experience

He counts for over 24 years experience across Human Resources, Legal and Administration relating to People's Bank. Previously as Deputy General Manager – Secretary to the Board of Directors of People's Bank, a position held from August 2010 up until March 2019, Mr Pathirage provided administrative support to all matters relating to the Bank's Board of Directors and its various subcommittees. During his tenure as Secretary to the Board of Directors of People's Bank, he has played a key role to facilitate best practices in governance.

Current positions

Mr Pathirage is currently the Senior Deputy General Manager (Human Resources and Legal) of People's Bank. In his current role, he oversees the Bank's 10,000 plus strong work force and manages its Senior Executive recruitments in line with its HR requirements. In addition, he also leads the Bank's 70 member legal team. Chairman – People's Leasing Havelock Properties Limited, Director – People's Micro-commerce Limited, Director – Lankan Alliance Finance Limited, Bangladesh.



Mr Azzam A Ahamat

Non-Executive,
 Non-Independent Director

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

Qualifications

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

Positions held/experience

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

Current positions

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



Mr Sudarshan Ahangama

Non-Executive,
 Non-Independent Director

Mr Sudarshan Ahangama was appointed as Director to the Board on 19 February 2020.

Qualifications

Mr Sudarshan Ahangama is a fellow member of The Institute of Chartered Accountants of Sri Lanka.

Positions held/experience

He has served on the board of MAS Holdings as its Group Finance Director for the past 15 years. He had responsibilities for the finance function in 17 countries across multiple regions. He has extensive experience in mergers and acquisitions, cross border transactions, venture capital investments and organisational restructuring work which he handled in addition to his core role in finance for the Group.

Prior to that he was with the John Keells Group for a period of 14 years. He served as Managing Director of John Keells Stock Brokers and was a member of several of the financial services boards of the John Keells Group. He was also responsible for setting up the software out-sourcing and activities at John Keells.

Current positions

Director People's Bank, Director Lankan Alliance Finance Limited, Bangladesh and holds several Directorates in MAS Group of companies.

Board of Directors

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Mr Clive Fonseka

Non-Executive,
Non-Independent Director

Mr Clive Fonseka was appointed as Director to the Board on 19 February 2020.

Qualifications

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

Positions held/experience

He counts more than 26 years experience in Treasury Management. Prior to joining People's Bank in 2002, he served at American Express Bank and Standard Chartered Bank. Furthermore he has acted as a Chief Examiner for Institute of Bankers of Sri Lanka's IABF/DABF Examinations.

Current positions

He is currently the Head of Treasury and Investment Banking at People's Bank. He was appointed as the President of the Association of Primary Dealers in July 2018 and acts in this position at present. He is a member of National Payment Council and Financial System Stability Consultative Committees of Central Bank of Sri Lanka. He is the Chairman of People's Leasing Property Development Limited.



Mr Chanura Wijetillake

Non-Executive,
Independent Director

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

Qualifications

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

Positions held/experience

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

He has also successfully developed and executed strategies to maximise the sales and profit growth in 2 large Regions of the Bank for over 5 years. He has been a member of the Bank's Internal Resource faculty for its training programmes conducted for Branch Managers and the Credit Officers on Lending.

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



Mr Asoka Bandara

Non-Executive,
Independent Director

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

Qualifications

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

Positions held/experience

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

Current positions

Director Litro Gas Lanka Ltd., Litro Gas Terminal Lanka Private Ltd., Buildmart Lanka (Pvt) Ltd. Currently operates management consultancy services for leading local conglomerates. As a Trainer, he specialises on developing team leadership and personality development and imparts his knowledge via MBA teaching on topics i.e. leadership, strategic management and advanced marketing and sales management. He also acts as a key negotiator by leveraging his issue management skills for leading Industry bodies' vs. key stakeholders.



Ms Coralie Pietersz

Non-Executive,
Senior Independent Director

Ms Coralie Pietersz was appointed as Director to the Board on 19 February 2020. The effective date of appointment is 1 March 2020.

Qualifications

Ms Coralie Pietersz is an associate member of the Institute of Chartered Accountants in England and Wales and a fellow member of The Institute of Chartered Accountants of Sri Lanka. She holds a BSc (Honours) degree in Physics from the University of Sussex and an MBA from Heriot-Watt University, Edinburgh.

Positions held/experience

Ms Coralie Pietersz was the Finance Director of Finlays Colombo Limited, Hapugastenne Plantations PLC and Udapussellawa Plantations PLC.

Current positions

She serves as an Independent Director on the Board of Seylan Bank PLC and Bogala Graphite Lanka PLC, Compass Advisory Services (Pvt) Ltd. and Tambapanni Academic Publishers (Private) Limited. She is a Member of the Council of The Institute of Chartered Accountants of Sri Lanka.



Ms Lakmini Dilrukshi Kottegoda

Company Secretary

Ms Lakmini Kottegoda was appointed as the Company Secretary to the Board on 30 July 2018.

Qualifications

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

Current positions

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

* Board of Directors as at 8 July 2020.

Corporate management

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Mr Sabry Ibrahim

Chief Executive Officer/
General Manager

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

Qualifications

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

Positions held

Previously held the positions of Senior Deputy General Manager, Wholesale Banking (October 2014 to September 2016) and Senior Deputy General Manager, Risk Management (August 2007 to October 2014) at People's Bank. Deputy General Manager, Head of Treasury, Head of Corporate Banking & Recoveries, Chief Risk Officer and Chief Credit Officer of Hatton National Bank PLC (2004 to July 2007). Head of Credit and GSAM at Standard Chartered Bank (2002 to 2004). Director of HNB Securities (PVT) Limited (2005 to 2007) and People's Merchant Bank PLC (2009 to 2011).

Experience

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

Current positions

Director of People's Insurance PLC, People's Micro-commerce Ltd., People's Leasing Fleet Management Limited, People's Leasing Property Development Limited and People's Leasing Havelock Properties Limited, and Lankan Alliance Finance Limited.



Mr Sanjeewa Bandaranayake

Senior Deputy General
Manager

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

Qualifications

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

Positions held

Vice President of the Asian Financial Services Association (AFSA), former Committee Member of the Ceylon Chamber of Commerce and a former Council Member of the Sri Lanka Institute of Credit Management (SLICM), former CEO of People's Merchant Finance PLC.

Experience

Over 26 years of post-qualifying experience at a very senior level in the finance sector.

Current positions

Chairman of the Leasing Association of Sri Lanka, Director of the Credit Information Bureau of Sri Lanka, Council Member of the Finance Houses Association of Sri Lanka. Director of People's Leasing Property Development Limited, Member of the Financial System Stability Consultative Committee of the Central Bank.



Mr Lionel Fernando

Senior Deputy General
Manager

Mr Fernando joined People's Leasing & Finance PLC in 1995 and throughout the service at People's Leasing engaged in operations. Prior to joining People's Leasing he worked in People's Bank.

Qualifications

ACA, AIB (Sri Lanka), ACMA (Sri Lanka). Post Graduate Diploma in Business and Financial Administration (CA Sri Lanka).

Experience

Over 31 years experience in Banking and Finance Industry.

Current positions

Director/General Manager People's Leasing Havelock Properties Limited. Director of National Railway Museum (Guarantee) Limited. Head of Al-safa Islamic Financial Services. Overseeing the Gold loan operations.



Mr Rohan Tennakoon

Deputy General Manager – Risk and Control

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

Qualifications

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

Positions held

Served on the Panel of Jury in SLIM – NASCO for six consecutive years.

Experience

30 years of experience in many diversified fields such as accounting, manufacturing, exporting and banking prior to joining the leasing sector, experienced in marketing and business development, branch operations, credit, and presently in risk and control department, served as Head of Islamic Financial Services, served in panel representing the FHA in Chamber of Commerce.

Current positions

Represents the Company on the Council of Management in the Finance Houses Association of Sri Lanka, Compliance Officer of the Credit Information Bureau of Sri Lanka.



Mr Damith Malavithanthila

Deputy General Manager – Recoveries and Administration

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

Qualifications

Finalist of CA Sri Lanka and Intermediate of the IBSL.

Experience

Over 35 years experience in Banking and Finance and several years of experience in Auditing and Accounting. Served as General Manager of People's Leasing Fleet Management Limited over 8 years. Further, served as the Head of Recoveries for 10 years at People's Leasing & Finance PLC and later joined Branch Operations in 2007 and handled branches covering all island. Presently performs as Head of Recoveries and Administration.

Current position

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



Mr Laksanda Gunawardena

Deputy General Manager – Marketing

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

Qualifications

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

Experience

Over 25 years experience in corporate and SME financing in the areas of credit, marketing, recoveries, branch development, and operations.

Current positions

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



Mr Prabath Gunasena

Deputy General Manager – ICT (Group)

Mr Gunasena joined People's Leasing & Finance PLC in 1999 and has been the Head of ICT for 21 years.

Qualifications

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

Experience

21 years at People's Leasing & Finance PLC.



Mr Udesh Gunawardena

Deputy General Manager – Internal Audit

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

Qualifications

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

Positions held

Served as Chief Financial Officer and Company Secretary of Lankan Alliance Finance Limited – Bangladesh on secondment basis.

Experience

Over 20 years experience at senior levels in finance, with particular emphasis on accounting, auditing, financial management, and treasury operations.

Other positions

Secretary to the Board Audit Committee (BAC) of People's Leasing & Finance PLC.



Mr Ranil Perera

Assistant General Manager – Recoveries

Mr Perera has over 20 years of experience at People's Leasing Group.

Qualifications

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



Detailed profiles of Corporate Management and the Management Team are available online



Corporate Management

<https://www.plc.lk/index.php/en/about/management/corporate-management>



Management Team

<https://www.plc.lk/index.php/en/about/management/senior-management>

Compliance management

Compliance management or Compliance risk management is how we adhere to laws, regulations, standards, policies and codes of conduct that apply to the Organisation.

Internal policies are formulated in line with the rules and guidelines set by regulations, laws, or industry standards. To do this effectively the compliance department identifies, manages, and monitors activities to reduce the risks associated with non-compliance.

Our policies compel desirable, ethical, and safe behaviours in financial, environmental, information and data security, employee relations, and other business practices in order to better prepare ourselves to comply with the regulatory mandates.

Accordingly, we are cognisant of the need for a broader view of compliance and our risk assessment process encompasses compliance risk exposure.

The compliance culture

At People's Leasing & Finance PLC our staff is committed towards protecting and nurturing the Company's reputation and lives its values such as ethics, integrity, transparency and accountability every day, everywhere.

During the year, under review there have been many changes to policies and practices that have been implemented with the changing business environment. Our compliance driven culture is evidenced by the willingness of employees to readily accept and implement these changes and adapt accordingly. Further, our Code of Business conduct and ethics mandates compliance with all Laws, Rules and regulations. This compliance culture has resulted in its employees

taking ownership towards their responsibilities in performing their day-to-day functions whilst being compliant with all laws and regulations currently applicable to the business.

The Company continues to maintain a record that has not been subject to any fines or actions implemented by regulators for the period under review for any instances of non-compliance.

The compliance function

The Compliance Officer reports directly to the Board Integrated Risk Management Committee (BIRMC) of the Board which assures it a significantly higher level of independence from business and other support functions of the Company.

In the year under review the Compliance Officer presented status reports on the status of the Company's compliance at each of its meetings.

Our holistic approach is focused on 6 fundamental components; a strong compliance culture, policies and procedures, Training and Communication, Key Processes, Risk Assessment, Review and Monitoring and Required Resources which collectively deliver a cohesive and efficient compliance function with embedded compliance responsibilities throughout the organisation.

Key compliance requirements are subject to ongoing monitoring of the Compliance Department. The Company has implemented required procedures to ensure compliance with relevant laws and regulations and for the monitoring of the same. The compliance departments and several other departments are involved in the process. It is a constant cycle of updating knowledge, reviewing policies and procedures, reviewing and monitoring,

training, communication and implementation.



As we are a Finance Company we are regulated by the Central Bank of Sri Lanka and as we are a listed Company we are regulated by the Colombo Stock Exchange and the Securities and Exchange Commission and ensuring due compliance with Regulations, Directions and Guidelines issued by these regulatory authorities forms an important function of the Compliance department.

Each department of the Company is responsible for ensuring that they follow internal policies, circulars, guidelines, Regulatory directives and guidelines and also applicable local laws. They are required to provide a confirmation of compliance at the end of each quarter and any deviations from policies and any violations of laws/regulations are reported to the IRMC.

The Internal Audit regularly performs the necessary investigative activities, monitors compliance and carries out random checks

including online checks. Recommendations pursuant to these activities are implemented by the heads of respective divisions. Recommendations leading to disciplinary action are dealt with by the Human Resources Department. These processes are closely interrelated, in line with the concept of a comprehensive compliance management system.

Compliance controls

Effective controls are the lifeblood of what makes compliance work. At People's Leasing & finance PLC Internal controls are set up to ensure all corporate compliance obligations are met. Apart from policies, procedure manuals internal circulars, process trainings, entity control (Corporate Management guidance on corporate priorities) certain automated system controls and are also applied to reduce the risk or chance of an unwanted outcome.

Further, the Internal Audit Department plays a supportive role in ensuring compliance throughout the Organisation in conducting audits on a regular basis in the areas which are susceptible to the occurrence of fraud and unethical practices. The findings of these audits are reported to both the Board Audit Committee and the Board Integrated Risk Management Committee for evaluation and recommendation of corrective measures where relevant.

The Company promotes ethical behaviour through the Code of Business conduct and ethics of the Company and the Company Whistle Blower Policy promotes ethical behaviour and a robust and effective compliance culture within our business activities and serves as a valuable source of information on possible risks and specific violations of rules. Concerns raised by whistleblowers were duly attended to during the year under review.

The Company's HR Policy too lays the foundation for inculcating an ethical work culture in the Company by recruiting employees with high level of integrity and adopting a policy for periodically rotating staff.

Compliance technology

Technology is used for compliance monitoring, customer screening, and compliance controls in line with the current industry practices.

Compliance training

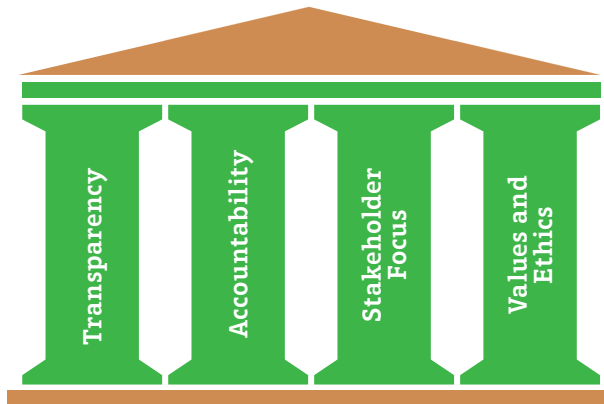
The Company identifies the training needs of employees and provides training where necessary. Selected employees attended external programmes during the year under review which encompassed training sessions on Anti Money Laundering and Combating Terrorist Financing, Cybersecurity Compliance, and Regulatory Reporting Requirements for Licensed Finance Companies etc.

Additionally, all new employees undergo a staff induction programme to get them acquainted with the processes of the Company.

Our holistic approach is focused on 6 fundamental components; a strong compliance culture, policies and procedures, Training and Communication, Key Processes, Risk Assessment, Review and Monitoring and Required Resources which collectively deliver a cohesive and efficient compliance function with embedded compliance responsibilities throughout the organisation.

Corporate governance

Our dedication to corporate governance



We constantly endeavour to deliver optimised shareholder value through our commitment to highest Corporate Governance standards encompassed in our governance charters, policies, procedures and clearly defined responsibilities. The manner in which the objectives of the Company are set and achieved: risk is monitored, balanced and assessed, and performance is optimised is reflected in our Corporate Governance structure to ensure the delivery of sustainable stakeholder value and establish strong and balanced economic development of the Company with the ultimate goal of making trustworthy, positive and influential, contribution to financial system of the country.

Compliance statement

While we are relentlessly committed to uphold the highest standards of Corporate Governance within our organisation, we believe that building trust in our stakeholders is essential to maintain and improve the asset of the Company by constantly being focused on efficiency and transparency and increase of shareholder value. We have endeavoured to adhere with the corporate governance standards outlined in governance charters, policies

and documents, the highlights and compliance to which are detailed in succeeding sections in this report.

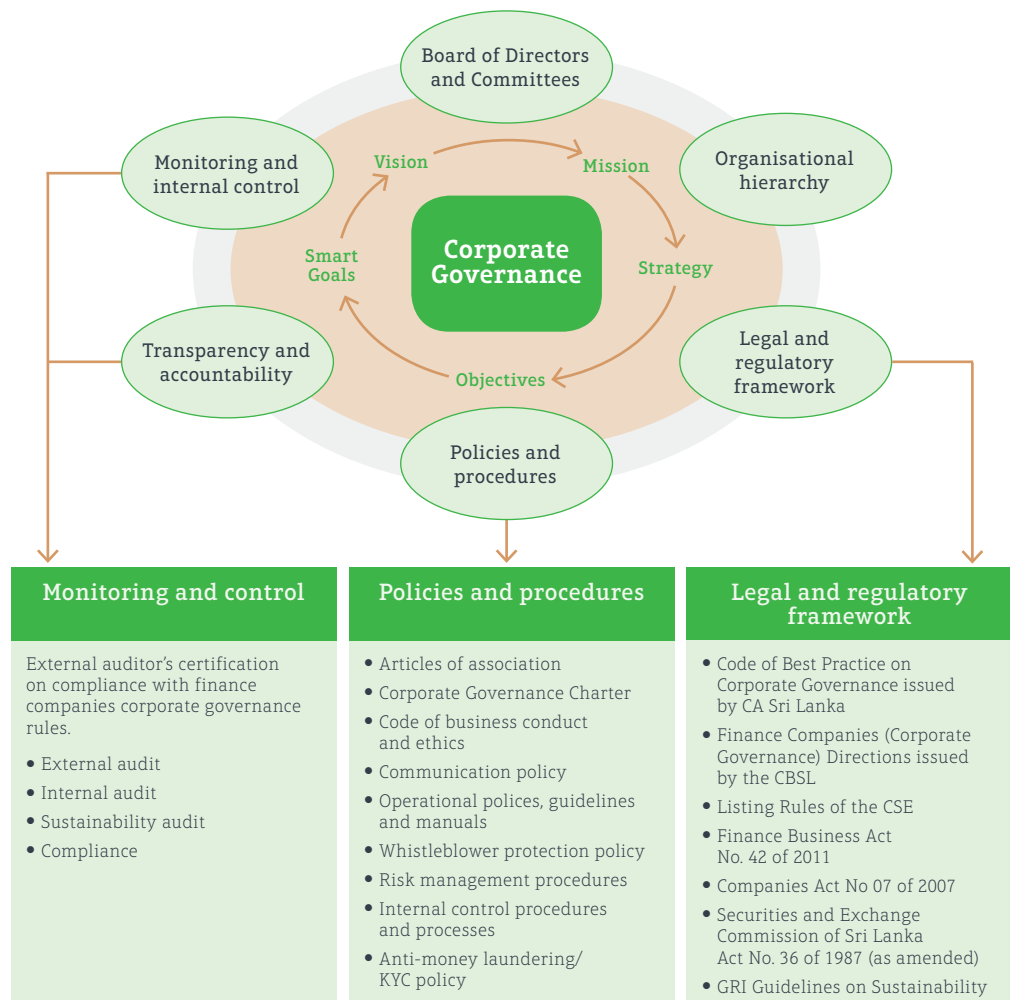
The Board of Directors of the Company wishes to confirm that the Company has complied throughout the year with the provisions of the Finance Companies (Corporate Governance) Direction No. 03 of 2008 as amended by Directions No. 04 of 2008 and No. 06 of 2013, Code of Best Practice on Corporate Governance issued by The Institute of Chartered Accountants of Sri Lanka

(CA Sri Lanka) and Corporate Governance Rules embedded in the Listing Rules of the Colombo Stock Exchange (CSE) to the extent hereinafter disclosed in this report.

The Board of Directors also wishes to confirm that, to the best of its knowledge and belief, the Company has complied with all the requirements under the Companies Act No. 07 of 2007 and satisfied all statutory payment obligations to the Government and the statutory/regulatory bodies.

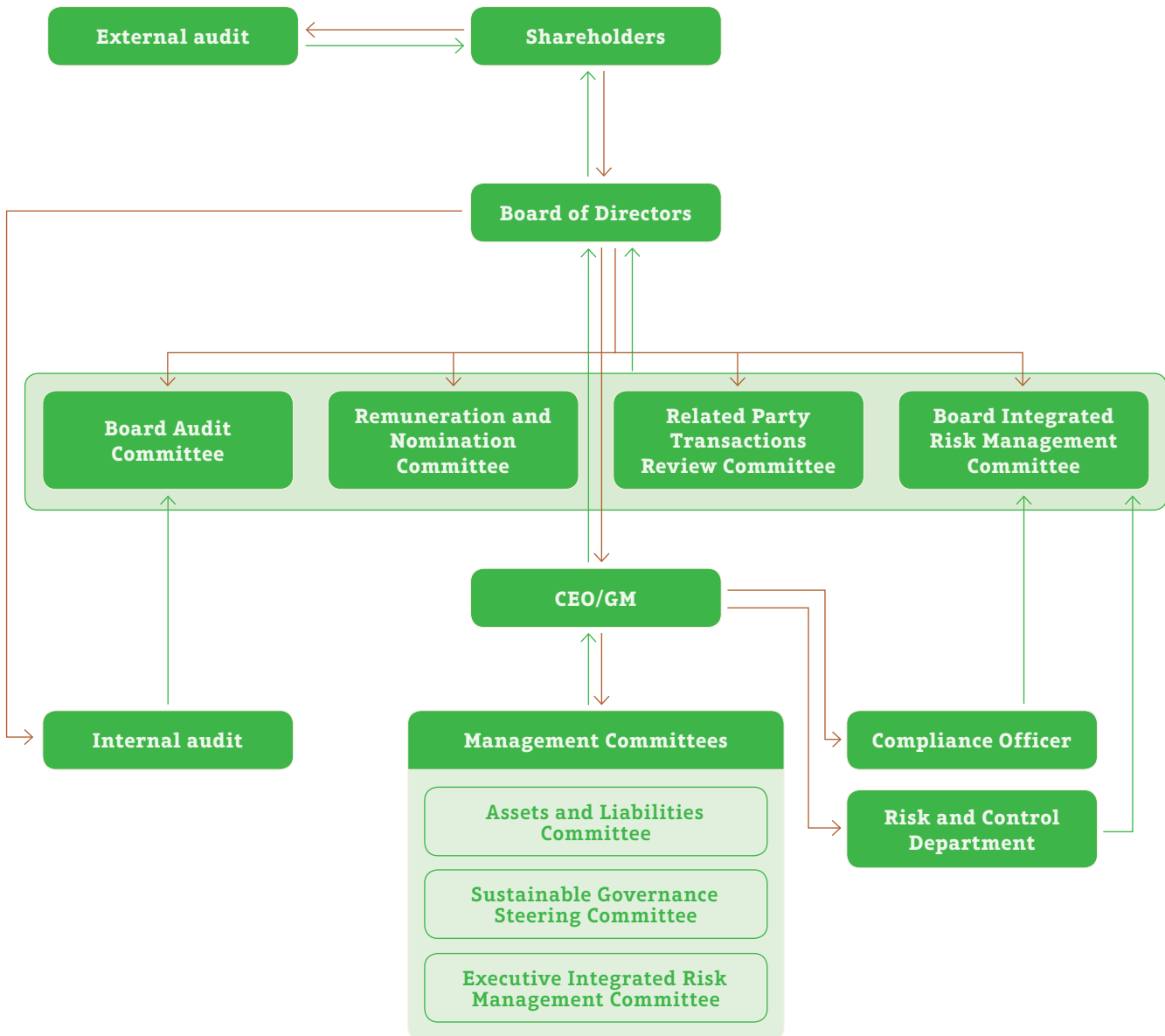
Corporate governance framework

We employ a dynamic corporate governance framework with strong set of policies, procedures along with an efficient mechanism focused on the protection of stakeholder interests by ensuring independency and transparency at all levels in the backdrop of regulation from external benchmarks and impact from internal benchmarks.



Our internal governance structure

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



→ Appoints → Reports

The Board and subcommittees

The Board

The commitment of our Board to Corporate Governance is an integral element for the achievement of the Group's strategy in an ethical and effective manner to ensure the continued satisfaction of the stakeholders.

As the drivers of the Corporate Governance, all Directors pay significant caution and allocate time to attend the meetings and provide independent judgment on matters relating to strategy, performance, risk management, governance and business conduct.

The Board concedes the responsibility to ensure that the annual report represents a balanced and accurate view of Corporate Governance practices and the salient matters which are expected to affect the stakeholders.

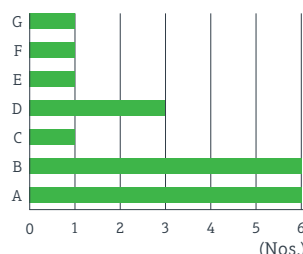
During the period under review the Board was reconstituted two times with effect 30 December 2019 and with effect 19 February 2020. Please refer pages 80 and 81 for details on appointments and the resignations of Directors.

Composition of the Board and financial acumen

The present Board is comprised of eight (8) qualified professionals who possess experience and skills in diversified areas including banking, accounting and finance, business administration, management consulting, marketing, human resource management and legal. All the eight members of the Board are Non-Executive Directors of whom three members are independent. Thus, the capability to compete with dynamic business environment is guaranteed by a well-balanced Board.

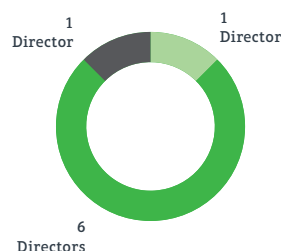
Four members of the Board including the Chairman are Chartered Accountants with sound knowledge in finance to offer guidance to the Board in matters relating to Finance, and the members are continuously updated on revisions to accounting and regulatory standards.

Diversity of experience



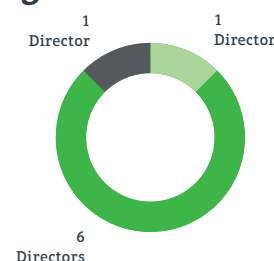
A - Accounting and finance
 B - Banking
 C - Management consulting
 D - Business administration
 E - Marketing
 F - Human resource management
 G - Legal

Tenure of the Board



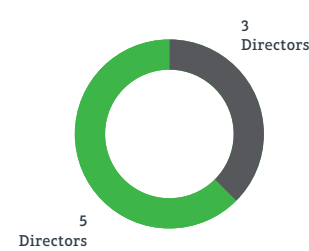
● Below 5 months ● 5-9 months
 ● Above 9 months

Age



● Below 50 ● 50-60 ● Above 60

Independent/ Non-independent



● Independent
 ● Non-Independent

Key areas of the Board during the financial year 2019/20

Governance	<ul style="list-style-type: none"> Review of Treasury Policy Approval of Dividend Policy Approval of revised Impairment Procedure Manual Revision of, <ol style="list-style-type: none"> Board Audit Committee Charter Internal Audit Manual Review of terms of Reference of Asset and Liability Committee
Strategy and Business	<ul style="list-style-type: none"> Review of quarterly business plan Considered financial performance of the Company against leading finance companies quarterly Review on focus areas for strategic outreach CSR initiatives Approval of branch expansion plan
Risk and Oversight	<ul style="list-style-type: none"> Approval of amended guideline of cashiering process Approval of amended credit policy
Stakeholder engagement	<ul style="list-style-type: none"> Convening the annual general meeting for 2018/19 Approval of dividend payment

Board meetings

Board meetings are held on a regular basis to discuss and take appropriate decisions covering the spheres of strategy, financial risk, governance and compliance. Board meetings are held within an interval of one month except in situations where the Board calls for special deliberations on significant matters. At the monthly meeting the Board reviews the performance in line with economic, environmental and social aspects, opportunities arising from them and associated risk. The Chairman sets the agenda for Board meeting with the assistance of the Company Secretary.

Managing effectiveness of meetings

Before meeting	At the meeting	After meeting
<ul style="list-style-type: none"> • Sending advance Notice of Meeting • Prepare and develop the agenda • Determining meeting requirements in consultation with the Directors • Providing comprehensive information to the Board on items included in the agenda • Provision for the appointment of an alternate Director when a Director is unable to attend the meeting. • Provision for Directors to obtain independent advice whenever they require. 	<ul style="list-style-type: none"> • Chairman encourages the members of the Board to participate in the discussion • The CEO presents complete and comprehensive updates on the business operations, financial performance, industry trends and developments • Regular updates provided to the Board of on the market condition, changes in the regulatory framework and other factors impacting the affair of the Company • Opportunity to Heads of respective business units to attend and discuss the issues relating to business • The Company Secretary attends the Board meeting and ensures that applicable rules and regulations are complied with 	<ul style="list-style-type: none"> • Follow-up by the committees of the matters referred at the Board meetings • Follow-up and preparation of additional information/material by the management on requirements of the Directors • Substantive discussions by the management on the key issues raised at Board meetings

Attendance of the members of the Board at the Meetings

From 1 April 2019 to 31 December 2019

Name of the Director	Date of Appointment	Retirement/ Resignation	Executive/ Non-Executive	Independent/ Non-Independent	Board Meetings	Board Audit Committee Meetings	Board Integrated Risk Management Committee Meetings	Remuneration and Nomination Committee Meetings	Related Party Transactions Review Committee Meetings
1. Mr Hemasiri Fernando	8 April 2015	12 Oct. 2019	Non-Executive	Non-Independent	6/6	-	-	-	-
2. Mr Pradeep Amirthanayagam	8 April 2015	19 Feb. 2020	Non-Executive	Independent	7/8	3/4	2/2	3/4	2/2
3. Mr Anise Rizwan	8 April 2015	30 Dec. 2019	Non-Executive	Independent	8/8	4/4	2/2	-	2/2
4. Mr Johnson Fernando	8 April 2015	30 Dec. 2019	Non-Executive	Non-Independent	7/8	-	-	4/5	0/2
5. Mr Jehan Amaratunga	8 April 2015	30 Dec. 2019	Non- Executive	Non-Independent	8/8	4/4	-	5/5	-
6. Mr Rasitha Gunawardena	29 Aug. 2016	25 June 2020	Non-Executive	Non-Independent	8/8	-	2/2	1/1	-
7. Dr Kennedy Gunawardana	9 Oct. 2018	30 Dec. 2019	Non-Executive	Independent	8/8	-	-	-	-
8. Mr Edward Weerasinghe	9 Oct. 2018	30 Dec. 2019	Non-Executive	Independent	7/8	-	-	-	-
9. Mr Rohan Pathirage	10 July 2019		Non-Executive	Non-Independent	5/5	-	-	-	1/1

From 31 December 2019 to 18 February 2020

Name of the Director	Date of Appointment	Retirement/ Resignation	Executive/ Non-Executive	Independent/ Non-Independent	Board Meetings	Board Audit Committee Meetings	Board Integrated Risk Management Committee Meetings	Remuneration and Nomination Committee Meetings	Related Party Transactions Review Committee Meetings
1. Mr Pradeep Amirthanayagam	8 April 2015	19 Feb. 2020	Non-Executive	Independent	1/1	-	-	-	-
2. Mr Rasitha Gunawardena	29 Aug. 2016	25 June 2020	Non-Executive	Non-Independent	1/1	-	-	-	-
3. Mr Rohan Pathirage	10 July 2019		Non-Executive	Non-Independent	1/1	-	-	-	-
4. Mr Boniface Silva	30 Dec. 2019	19 Feb. 2020	Non-Executive	Non-Independent	1/1	-	-	-	-
5. Mr Ranjith Kodituwakku	30 Dec. 2019	19 Feb. 2020	Non-Executive	Non-Independent	1/1	-	-	-	-
6. Mr Azzam A Ahamat	30 Dec. 2019		Non-Executive	Non-Independent	1/1	-	-	-	-

From 19 February 2020

Name of the Director	Date of Appointment	Retirement/ Resignation	Executive/ Non-Executive	Independent/ Non-Independent	Board Meetings	Board Audit Committee Meetings	Board Integrated Risk Management Committee Meetings	Remuneration and Nomination Committee Meetings	Related Party Transactions Review Committee Meetings
1. Mr Sujeewa Rajapakse	19 Feb. 2020		Non-Executive	Non-Independent	2/2	-	-	-	-
2. Mr Rasitha Gunawardena	29 Aug. 2016	25 June 2020	Non-Executive	Non-Independent	2/2	-	-	-	-
3. Mr Rohan Pathirage	10 July 2019		Non-Executive	Non-Independent	2/2	-	-	-	-
4. Mr Sudarshan Ahangama	19 Feb. 2020		Non-Executive	Non-Independent	2/2	-	-	-	-
5. Mr Clive Fonseka	19 Feb. 2020		Non-Executive	Non-Independent	2/2	-	-	-	-
6. Mr Chanura Wijetillake	19 Feb. 2020		Non-Executive	Independent	2/2	-	-	-	-
7. Mr Asoka Bandara	19 Feb. 2020		Non-Executive	Independent	1/2	-	-	-	-
8. Mr Azzam A Ahamat	30 Dec. 2019		Non-Executive	Non-Independent	2/2	-	-	-	-
9. Ms Coralie Pietersz	1 Mar. 2020		Non-Executive	Independent	-	-	-	-	-

Chairman's role

The Chairman plays a significant role in maintaining the high standards of Corporate Governance. Leading the Board, he guides the CEO and the management and ensures the overall effectiveness of the Board, Board committees, and the Directors. He also ensures that each Director is given an opportunity to contribute to the decision making process and to exercise their independent judgement.

Evaluation of Board performance

Performance of the Board and the Board committee is annually reviewed through a confidential questionnaire prepared in line with the

guidelines given in the Corporate Governance Charter of the Company.

Findings of the Board evaluation are analysed and presented by the Company Secretary to the Board. The Board and Board Committee evaluations for the financial year 2019/20 were commenced in June 2020, and the finding were tabled before the Board at its meeting held in July 2020. Based on the findings, it is duly affirmed that overall, the Board and its committees functioned effectively during the year under review. The Board has identified the areas that need to be improved, and are in agreement that appropriate action will be implemented to address same.

Assessment of independence

Annual assessment on the independence of the Directors was carried out in June 2020, based on the compliance criteria set out by Finance Companies (Corporate Governance) directions, Code of Best Practice on Corporate Governance issued by CA Sri Lanka and the Listing Rules of the CSE, and the findings were tabled before the Board at the meeting of the Board of Directors held in July 2020.

In assessing the independence, business relationship of the Director with the Group, with the members of the management and Company's substantial shareholders and member's length of service are taken in to account.

Board continuity

We believe that the continuity of the Board is an integral part in good governance. Therefore, the Board is constituted in a manner that diversified range of industrial knowledge, skills and experience including spheres covering economic, environmental and social factors are brought in to the Board.

Appointment of members to the Board is done subsequent to a cohesive deliberation on the suitability of proposed members by the Board based on the recommendations made by the Remuneration and Nomination Committee. The process of selection and appointment of Directors is provided for in the Corporate Governance Charter and the Articles of Association of the Company.

Induction and ongoing training

Continuous development of Directors is ensured through building up their expertise while developing an in-depth understanding of the business and of the operating market. The Directors are provided with an induction to provide themselves with effective knowledge in business, operations, financial affairs, Group's value, governance framework and strategic position of the Company. Furthermore, the Directors are given an opportunity to familiarise themselves with their responsibilities as Directors as enumerated in the Corporate Governance Charter.

Moreover, any change in the relevant legislations, regulations and corporate governance and sector developments that could affect the Group covering a wide area including economic, social and environmental aspects are updated at the meeting to Board committees and to the full Board as appropriate.

Board Committees

Board has delegated certain of its functions to subcommittees comprised of members of the Board, who are appointed thereto after careful evaluation on their qualifications and experience on the relevant subject matter falling under the purview of the subcommittees. This enables the Board to allocate adequate time to matters within its sphere. The Committee mandates are periodically reviewed in line with the developments in the regulatory and Governance Framework. Each committee is responsible for fulfilling the duties entrusted to it in accordance with its respective mandate, to take action, monitor, advise and make recommendations to the Board. Thus, Committees are responsible to add value and transparency to the Board. The Committee Chairmen report

to the Board on the activities of the respective committee at Board meetings and are accountable for the effective functioning of the Committees.

Board Committee	Composition	Key Areas of Focus	Key Highlights of the Year
Board Audit Committee (BAC)	<ul style="list-style-type: none"> Three members All Non-Executive Directors Two members including the Chairman are Independent Directors 	<ul style="list-style-type: none"> Financial reporting Internal and external audit Compliance with legal and regulatory requirements Internal controls and governance 	<ul style="list-style-type: none"> Refer pages 118 and 119 for Board Audit Committee Report
Board Integrated Risk Management Committee (BIRMC)	<ul style="list-style-type: none"> Seven members Three Non-Executive Directors and four Key Management Personnel Chairman is a Non-Executive Independent Director 	<ul style="list-style-type: none"> Risk governance Risk appetite Risk policy framework Risk management Risk monitoring and compliance 	<ul style="list-style-type: none"> Refer pages 124 to 126 for Board Integrated Risk Management Committee Report
Remuneration and Nomination Committee (RNC)	<ul style="list-style-type: none"> Three members All Non-Executive Directors Two members including Chairman are Independent Directors 	<ul style="list-style-type: none"> Organisational structure Remuneration policy Selection of Directors and Key Management Personnel Succession planning 	<ul style="list-style-type: none"> Refer pages 120 and 121 for Remuneration and Nomination Committee Report
Related Party Transactions Review Committee (RPTRC)	<ul style="list-style-type: none"> Three members All Non-Executive Directors Two members including the Chairman are Independent Directors 	<ul style="list-style-type: none"> Policies and procedures relating to related party transactions Avoidance of conflicts of interest 	<ul style="list-style-type: none"> Refer pages 122 and 123 for Related Party Transactions Review Committee Report

Company Secretary

Company Secretary is appointed by the Board and is accessible by all the members of the Board. Company Secretary assists in developing the Board meeting agenda in consultation with the Chairman, coordinates the Board meetings and prepares and maintains the minutes of the Board meetings.

Company Secretary assists the Chairman and the Board in implementing the corporate governance framework to enhance long-term stakeholder interest and ensures compliance with relevant provisions in terms of Company's Articles of Association, Rules and Regulations, Companies Act and Regulations of the Securities and Exchange Commission. Company Secretary ensures information flow within the

Board, its subcommittees and the management.

Governance and ethics

Our commitment to sustainability

We recognise sustainability as one of the most pivotal factors to achieving the Company's mission and the long-term competitiveness, and we believe that sustainability is the catalyst of our commercial success.

We have a dedicated CSR department focusing on the sustainable strategy of the Company. The Board has delegated the responsibility of co-ordination and monitoring of sustainability initiatives undertaken at various levels of the organisation to the CSR department, who

in consultation with the Sustainability Governance Steering Committee engages with the shareholders in identifying economic, social and environmental factors which affect the Company's operations, their risks and opportunities.

Periodical reports are presented by the CSR Department to the Board of Directors on a wide array of areas including the progress reports on the current sustainability initiatives, risks and opportunities arising from various economic, social and environmental factors affecting the business and the stakeholder concerns.

Management's role in governance

Executive level committees formed at the management level ensure that the business operations are carried out within ethical and governance parameters defined by the Board. These management Committees implement the policies and strategies determined by the Board and manage the business and affairs of the Company to ensure the sustainable growth for all the stakeholders.

Management of conflicts of interest

Our Code of Business Conduct and ethics requires all Directors and employees of the Company to refrain from using their position or confidential or price sensitive information as a benefit for himself or herself or to the benefit of any third party whether financial or otherwise.

The Directors are required to disclose to the Board of any potential conflict of interest which impairs his or her

independent judgement. When a matter related to conflict of interest of a Director is taken into consideration, after declaring such interest, the Director refrains from engaging himself/herself in the deliberation of such matter and avoids from voting thereon. The Company Secretary duly records such abstention in the minute.

The Related Party Transactions Policy of the Company

provides clear directions on the categories of parties and persons who can be considered as related parties to the Company, in terms of the Related Party Transactions Policy. Self Declarations on Related Parties are obtained from the Directors enabling the identification of related parties well in advance. Our system continuously facilitates monitoring and reporting of related party transactions.

Management Committee	Role of the Committee	Key matters taken up during the year
Assets and Liabilities Committee	<ul style="list-style-type: none"> Scope of review – Asset and liability functions of the Company Reporting line – Decisions and critical issues with recommended remedial action are reported to the Board 	<ul style="list-style-type: none"> Reviewed of the Terms of Reference of the Committee. Reduced the exposure limits (internal LTVS) for identified high risks assets.
Executive Integrated Risk Management Committee	<ul style="list-style-type: none"> Scope of review – Credit related risks Operational risks Reporting line – To the Board Integrated Risk Management Committee 	<ul style="list-style-type: none"> Reviewed the credit scoring mechanism developed by the Risk and Control Department. Decided to centralise the credit approvals for identified high risk assets.
Sustainability Governance Steering Committee	<ul style="list-style-type: none"> Scope of review – Sustainability performance Reporting line – Strategic sustainability initiatives are recommended to the Board through the CEO 	<ul style="list-style-type: none"> Review of strategic focus areas for outreach CSR initiatives. Development of Environment Management System. Collaborated with more strategic institutional partners from government institutions in supporting the advancement of Global Sustainable Development Goals.



Ranked No. 03 in Transparency in Corporate Reporting (TRAC) which assessed top 50 Listed Companies in Sri Lanka

Corporate governance

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Role of the CEO

The CEO is the apex level executive position of the Company holding the responsibility of managing day to day operations with the support of the Management. CEO 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 the risk. He represents the management at the Board meetings.

Appraisal of CEO/GM

The CEO is responsible for operating the business in a manner which enables the achievement of the financial and non-financial targets set by the Board. The Performance of the CEO is appraised by the Board at the end of the financial year as well as at each Board meeting against set targets.

Succession plan for the Management

The Remuneration and Nomination Committee set up by the Board has recognised the importance of succession planning and leadership development plans. The current succession plan of the Company is under review by the Human Resources department to ensure the career development and the leadership development of the prospective successors to key positions of the Company.

Our approach to compliance

We are fortified with robust Compliance Policies and internal charters designed to institutionalise best corporate governance practices, support and maintain a transparent and effective internal control system as well as to manage risk and compliance.

Internal audit

Internal audit is responsible to provide an independent risk based oversight on the processes and controls within the Company to the Board Audit Committee and the Board to ensure the compliance with the relevant laws and regulations.

A set of appropriately qualified and well experienced employees are recruited at internal audit department to conduct risk based reviews, thus providing an assurance over financial, operational and IT functions.

The Board approved Audit Charter provides mandate and authority to the internal audit.

Internal control

Our internal control system facilitates the identification, evaluation and management of risks affecting the Group. These internal controls cover a wider area including financial, operational, compliance and information technology controls, risk management controls and mechanisms.

The effectiveness and the relevancy of the internal controls are reviewed by the Board with the assistance of the Board Audit Committee and the Board Integrated Risk Management Committee. The Board has obtained a certification from the external auditors on the process adopted by it on the system of internal controls over financial reporting.

Risk management

We have embedded risk management in our day to day business operations and strategic planning through a comprehensive risk management framework to ensure the identification and control of risks within the organisation.

A continuous process is in place for identifying, assessing, managing, monitoring and reporting on the level of risks encountered by the individual companies in the Group as well as the entire Group.

Compliance function

We have established a separate compliance function that directly reports to the Board Integrated Risk Management Committee, to ensure continuous compliance with existing and emerging regulations.

Refer pages 85 to 111 for detailed compliance tracker.

IT governance and cybersecurity

Information technology (IT) is a strategic asset that provides competitive benefit within a well-established IT governance structure.

Information security audits are carried out by the external auditors periodically to ensure the confidentiality, integrity and availability of our IT system.

The Board Integrated Risk Management Committee continuously monitors the implementation of the IT governance framework. The Head of ICT (Group) is accountable for the design, implementation and the execution of IT governance framework, and he provides regular updates on status of the material IT projects and related matters to the Board Integrated Risk Management Committee and to the Board. The Board has appointed the Head of ICT (Group) as the Chief Information Officer of the Company.

Engagement with shareholders

Our governance culture is committed to promote a fair and equitable treatment to all shareholders, so that the shareholders rights are respected and protected at all times. Thus, we ensure the maintenance of good stakeholder relationship to achieve our commercial viability.

Constructive use of Annual General Meeting (AGM)

The notice of the AGM is communicated individually to shareholders 15 working days prior to holding the same, and such notice includes the nature of the matters to be discussed at the meeting. If a shareholder is unable to attend the meeting, Articles of Association of the Company allows appointment of a proxy who is empowered to vote at the meeting on behalf of the shareholder, and the Board should be informed at least 48 hours before the scheduled time of the meeting appointing a proxy. The shareholders are able to actively engage in discussion on performance and Company related matters at the AGM.

Compliance with code of best practice on corporate governance

Compliance with the Code of Best Practice (The Code) issued by The Institute of Chartered Accountants of Sri Lanka – 2017

Code reference	Principle and compliance	Status of compliance	Reference to report
The Company			
A Directors			
A.1	The Board The Board of Directors of People Leasing & Finance ("the Company") consists of nine eminent professionals from different disciplines such as banking, accounting and finance, business administration, management consulting, marketing, human resource management and legal, who are effective and dedicated to ensuring that the Company achieves its objectives. All Directors possess a range of skills, experience and knowledge complemented with high sense of integrity and independent judgement to provide leadership to the Company.	✓	Board of Directors
A.1.1	Conducting regular Board meetings The Board meets on a monthly basis and has met 11 times during the financial year to review the performance of the Company and its subsidiaries. The Board devoted a substantial time in evaluating the Company's strategy, performance, risk profile and compliance with governance and other statutory requirements ensuring 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. The structure and process of submitting information to the Board is documented in the Board approved Corporate Governance Charter of the Company. The Board meeting scheduled for 31 March 2020 was cancelled due to the island wide curfew imposed by the Government pursuant to threat of spread of the COVID-19 virus. In respect of the non-compliance with this provision, it has been confirmed by the CBSL that there will be no regulatory sanctions imposed on the Company.	✓	CG – Board Meeting
A.1.2	Roles and responsibilities of the Board The Board's principal responsibilities and duties are defined in the Company's Corporate Governance Charter and are updated to meet the requirements of the Code of Best Practice on Corporate Governance.	✓	
A.1.3	Act in accordance with laws of the country The Board collectively as well as individually complied with the laws of the country that are applicable to the Company. The Company's Corporate Governance Charter and the Code of Business Conduct and Ethics have been clearly formulated and, approved where procedures are in place for the Directors to seek independent professional advice when deemed necessary.	✓	
A.1.4	Access to services of Company Secretary and removal of Company Secretary All Directors have access to the Company Secretary who is an Attorney-at-Law by profession. The Board is responsible for the appointment or the removal of the Company Secretary.	✓	CG – Company Secretary
A.1.5	Independent judgement of the Board The Board works as an effective and cohesive unit that draws on the strengths of each Director without placing undue reliance on any one individual. Thus, All Directors are free to exercise independent judgment in decision making by the Board on issues of strategy, performance, resource allocation and the conduct of business	✓	CG – The Board CG – Management of conflict of interest
A.1.6	Dedicate adequate time and effort to Board matters Members of the Board dedicate adequate time and effort at Board and Committee meetings in ensuring the effective discharge of their duties and responsibilities to the Company. Board Papers, Committee Papers and minutes are dispatched in advance of the scheduled meetings to the Directors.	✓	CG – Board Meetings CG – Key areas of focus of the Board during the financial year 2019/20

Code reference	Principle and compliance	Status of compliance	Reference to report
A.1.7	<p>Directors to call for resolutions in the best interest of the Company</p> <p>In the best interest of the Company, one-third of the Directors can call for a resolution to be presented to the Board.</p> <p>However, there were no such instances in the year under review.</p>	✓	
A.1.8	<p>Induction and training for the Board</p> <p>When first appointed to the Board all Directors receive an induction and Management regularly updates Directors of any development on the Finance industry and new regulations. In addition Directors engage in Continuing Professional Development in their respective field.</p>	✓	CG – Induction and Ongoing training
A.2	<p>Division of business of the Board from the executive responsibility for management of the Company's business</p> <p>The duties of the Chairman and the CEO are clearly defined where the Chairman is charged with the responsibility for providing leadership to the Board to drive towards the strategic vision and ensure the effectiveness of the Board whereas execution of the business operation of the Company with the assistance of the Senior Management is considered as the primary role of the Chief Executive Officer.</p>	✓	CG – Chairman's Role Role of the CEO
A.2.1	<p>Separation of the roles of Chairman and the CEO</p> <p>There is a clear division of positions between the Chairman and CEO. The Chairman functions as a Non-executive Non-Independent Chairman whereas the CEO is the apex Executive Officer primarily responsible to conduct the business operations of the Company with the help of the Senior Management.</p>	✓	
A.3	<p>Chairman's role in preserving good Corporate Governance</p> <p>The Chairman is responsible for leadership of the Board, ensuring its effectiveness on all aspects and facilitating the contribution of all Board members on Board's affairs while preserving good Corporate Governance. He is also responsible to ensure effective implementation of Board's decisions, provide coherent leadership for the Company and understand the views of the shareholders and other stakeholders.</p>	✓	CG – Chairman's Role
A.3.1	<p>Responsibility of the Chairman to conduct Board proceedings in a proper manner</p> <p>The role and responsibilities of the Chairman for preserving good corporate governance and running the Board in an orderly and effective manner is set out in the Company's Corporate Governance Charter and is reviewed by the Board.</p>	✓	
A.4	<p>Availability within the Board those with financial acumen and knowledge</p> <p>During the year 2019/20, the Board comprised members with academic and professional qualifications in banking, accounting and finance, business administration, management consulting, marketing, human resource management and legal.</p>	✓	CG – Composition of the Board and financial acumen
A.5	<p>Availability of balance of Executive and Non-Executive Directors in the Board</p> <p>All Directors are Non-Executive Directors</p>	✗	
A.5.1	<p>Board to include at least three or one-third of total number of Directors, whichever is higher, to be Non-Executive Directors</p> <p>During the year 2019/20, the Board comprised only of Non-Executive Directors who bring a wealth of knowledge and experience covering a wide spectrum of topics and their views carried a significant weight in the Board's decisions.</p> <p>All the members of the Board including the Chairman are Non-Executive Directors.</p>	✓	CG – Composition of the Board and financial acumen
A.5.2	<p>Need for three or two-third of Non-Executive Directors, whichever is higher, to be independent</p> <p>Only three of the nine Directors are deemed as Independent Directors as at 31 March 2020.</p>	✗	

Code reference	Principle and compliance	Status of compliance	Reference to report
A.5.3	<p>Determination of independence of Directors</p> <p>All the Independent Non-Executive Directors of the Company during 2019/20 met the criteria for independence as set out in the applicable rules and regulations including Code of Best Practice on Corporate Governance (Code) 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 judgement.</p>	✓	CG – Assessment of independence
A.5.4	<p>Declaration of Directors on Independence</p> <p>During the year under review, self-declarations were submitted by each Non-Executive Director declaring his status of independency in terms of the applicable rules and regulations.</p>	✓	CG – Assessment of independence
A.5.5	<p>Board annual determination of independence or non-independence of each Non-Executive Directors</p> <p>Based on the annual declaration submitted by Directors the independence of Non-Executive Directors are evaluated annually to ensure compliance with the criteria for determining independence in line with the requirements of the applicable regulations and the Code.</p>	✓	
A.5.6	<p>Appointment of Alternate Director by Non-Executive or Independent Directors to meet the same criteria</p> <p>No alternate Directors were appointed during the year 2019/20</p>	N/A	
A.5.7	<p>Appointment of Senior Independent Director in the event the Chairman is not independent</p> <p>The Company has designated a Non-Executive Director as the Senior Independent Director in compliance with the Finance Companies (Corporate Governance) Directions. Hence, Mr M P Amirthanayagam, an Independent Non-Executive Director functioned as Senior Independent Director of the Company until he was appointed Chairman of the Company on 25 October 2019.</p> <p>Ms M Coralie Pietersz was appointed as Senior Independent Director with effect from 1 March 2020, subsequent to the appointment of the new Non-Independent Chairman Mr Sujeewa Rajapakshe.</p>	✓	
A.5.8	<p>The Senior Independent Director should make themselves available for confidential discussions with other Directors</p> <p>The Board approved Terms of Reference for the Senior Independent Director appointed in terms of Finance Companies (Corporate Governance) Directions requires him/her to make himself/herself available for confidential discussions with other Non-Executive Directors who may have concerns which they believe have not been properly considered by the Board as a whole and call a meeting of the Non-Executive Directors if, in his opinion, it is necessary.</p> <p>Senior Independent Director ensures to be present at the Annual General Meeting of the Company where all shareholders are given the opportunity to express their concerns and question the Senior Independent Director on their concerns.</p>	✓	
A.5.9	<p>Chairman to hold meetings exclusively with the Non-Executive Directors at least once each year</p> <p>During the year 2019/20, the Board comprised only Non-Executive Directors and therefore this need did not arise.</p>	N/A	
A.5.10	<p>Matters that cannot be unanimously resolved to be recorded in Board Minutes</p> <p>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.</p> <p>However, no such issues arose during the year under review.</p>	✓	
A.6	<p>Supply of information</p> <p>The Company believes that reliable and timely information increases confidence among decision-makers within the Company and enables them to make good business decisions directly affecting business growth, profitability and sustainability.</p>	✓	

Code reference	Principle and compliance	Status of compliance	Reference to report
A.6.1	<p>Management obligation to provide Board with appropriate and timely information</p> <p>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 Board made inquiries for additional information from the Management where necessary.</p> <p>Further, the Chairman ensured that all Directors were adequately briefed on issues arising at Board meetings.</p>	✓	
A.6.2	<p>Need to provide the minutes, Agenda and papers required for a Board meeting at least seven (7) days before the meeting</p> <p>The agenda and Board papers are circulated a week prior to Board meetings.</p> <p>The minutes of the meeting are ordinarily provided to the Directors at least one week prior to the next Board meeting along with the Board Papers.</p>	✓	
A.7	<p>Appointment to the Board</p> <p>A formal, transparent and a comprehensive procedure applicable to the selection and appointment of new Directors to the Board are provided in the Company's Articles of Association and the Corporate Governance Charter.</p>	✓	
A.7.1	<p>Establishment of Nominations Committee to make recommendations on new Board appointments</p> <p>A Remuneration and Nomination Committee has been established.</p>	✓	Remuneration and Nomination Committee Report
A.7.2	<p>Board Composition to be assessed annually</p> <p>During the annual self-evaluation process, 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.</p>	✓	CG – Evaluation of Board performance
A.7.3	<p>Appointment of new Director to the Board to be disclosed to the shareholders</p> <p>The Board was reconstituted twice during the year under review, both of which were communicated to the shareholders with an immediate disclosure through the Colombo Stock Exchange. All together there were nine new appointments of Directors during the year under review.</p>	✓	
A.8	<p>Re-election</p> <p>In terms of Article 27 (2) of the Articles of Association of the Company all Directors who have been appointed to the Board during the year retire at the next Annual General Meeting and are eligible for re-election by the shareholders.</p>	✓	
A.8.1	<p>Non-Executive Directors should be appointed for specific terms subject to re-appointment</p> <p>Although the Non-Executive Directors are not appointed for a specified time period, they are nevertheless subject to re-election at the Annual General Meeting in terms the Articles of Association of the Company and to the provisions of the Companies Act relating to the removal of a Director.</p>	✓	
A.8.2	<p>All Directors including the Chairman should be subject to election by the shareholders at the first opportunity after appointment and re-election at regular intervals</p> <p>In terms of Article 27 (2) 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.</p> <p>Accordingly, the existing members of the Board as at the Annual Report date have offered themselves for re-election at the forthcoming Annual General Meeting.</p>	✓	

Code reference	Principle and compliance	Status of compliance	Reference to report
A.8.3	<p>Communicating reason for resignation to the Board</p> <p>During the year under review, Mr Hemasiri Fernando, Chairman retired on 12 October 2019 upon reaching the age of 70 years. The resignations of Mr Jehan Prasanna Amaratunga, Mr Johnson Anthony Fernando, Mr Mohamed Rizwan Mohamed Anise, Dr Kennedy Degaulee Gunawardana, Mr N W A M U K K E Weerasinghe were approved by the Central Bank of Sri Lanka on 30 December 2019, and the resignations of Mr Pradeep Amirthanayagam, Mr Ranjith Kodituwakku, Mr M A Bonniface were approved by the Central Bank of Sri Lanka on 19 February 2020.</p> <p>The resignation of Mr Rasitha Gunwardana was approved by the Central Bank of Sri Lanka on 25 June 2020.</p> <p>Their letters of resignation were tabled before the Board for discussion and were submitted to the Central Bank of Sri Lanka for approval. Subsequent to obtaining approval from the Central Bank of Sri Lanka, immediate disclosures pertaining to the resignations were made to the public through the Colombo Stock Exchange.</p>	✓	
A.9	<p>Appraisal of Board performance</p> <p>The Board periodically appraises their performance to provide them with an important opportunity to review whether they are meeting their fiduciary responsibilities and adding value to stakeholders.</p>	✓	CG – Evaluation of Board Performance
A.9.1	<p>Annual appraisal of Board and its' Committees on its performance in the discharge of its key responsibilities</p> <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 June 2020.</p> <p>The full results of the Board evaluations were analysed by the Company Secretary and the findings were presented to the Board in July 2020.</p>	✓	
A.9.2	<p>Annual self-evaluation of Board performance and Board committees</p> <p>The self-evaluation carried out by the Board in 2019/20 included an evaluation of the performance of the Board as a whole as well as of its committees.</p>	✓	
A.9.3	<p>Review participation, contribution and engagement of Directors at the time of re-election</p> <p>Goals and targets of the Board have been clearly set out and evaluated at the end of each year.</p>	✓	
A.9.4	<p>State how performance evaluations have been conducted in the Annual Report</p> <p>The process of self-evaluation of the Board carried out in 2019/20 was led by the Chairman and supported by the Company Secretary. The full results of the Board evaluations were then analysed and presented to the Board in July 2020, which duly affirmed that the Board and its committees operated effectively during the year under review.</p>	✓	
A.10	<p>Disclosure of information in respect of Directors</p> <p>The Company places considerable importance to the timely disclosure of all relevant information to the shareholders enabling them to make informed decisions.</p>	✓	Board of Directors
A.10.1	<p>Annual Report to disclose specified information regarding Directors</p> <p>Profiles of the Directors, including their qualifications, expertise, experience and directorships, Directors' status, attendance at Board and committee meetings and their other Board seats or equivalent positions and related party transactions of the Directors can be found in this Report</p>	✓	CG – Attendance at Board and Board Committee Meetings – Related Party Disclosure
A.11	<p>Appraisal of Chief Executive Officer (CEO)</p> <p>The Chief Executive Officer (CEO), the apex executive of the Company is delegated by the Board with the authority of detailed planning and implementation of the strategic objectives and policies of the Company and day-to-day operations of the Company in accordance with appropriate risk parameters and is assessed annually.</p>	✓	CG – Appraisal of CEO/GM

Code reference	Principle and compliance	Status of compliance	Reference to report
A.11.1	<p>Board in consultation with the CEO to set financial and non-financial targets to be met by the CEO</p> <p>All financial and non-financial targets are set by the Board in consultation with the CEO at the beginning of each financial year in line with the short, medium and long-term objectives and overall strategic plan of the Company.</p>	✓	
A.11.2	<p>Performance of the CEO to be evaluated by the Board at the end of each fiscal year</p> <p>Assessment of the performance of the CEO by the Board is an ongoing process. The performance of the CEO is evaluated by the Board at the end of each financial year by comparing the performance of the Company with the financial and non-financial targets set at the beginning of the financial year.</p>	✓	
B Directors Remunerations			
B.1	<p>Remuneration procedure</p> <p>The Company has established a formal and transparent remuneration procedure in place for developing and effective remuneration policy to avoid potential conflict of interest. The Board has established a Remuneration Committee comprising solely of Non-Executive Directors with written terms of reference.</p> <p>There were no Executive Directors on the Board of the Company during the year 2019/20 and therefore, the necessity to consult the Chairman and/or CEO on their remuneration did not arise.</p>	✓	Remuneration and Nomination Committee Report
B.2	<p>Level and Make-up of remuneration</p> <p>The remuneration framework of the Company is sufficient to motivate and reward performance and complies with regulatory requirements and stakeholder expectations.</p> <p>There were no Executive Directors on the Board of the Company during the year under review and hence the need for attractive packages and performance related remuneration for such Directors is not applicable.</p> <p>Nevertheless, the Board is aware that the remuneration of Executive and Non-Executive Directors should reflect the market expectations and is sufficient enough to attract and retain the quality of personnel needed to run the Company and promote its long-term success.</p> <p>Therefore, the remuneration structure of the Company is reviewed from time to time with comparison to that of peers in the industry.</p> <p>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.</p> <p>At present, the Company does not have any share option scheme for the Directors or employees.</p>	✓	
B.3	<p>Disclosure of remuneration</p> <p>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.</p> <p>A Statement on Remuneration Policy and details of remuneration of the Board as a whole are detailed in this Report.</p>	✓	Related party disclosure note
C Relations with shareholders			
C.1	<p>Constructive use of Annual General Meeting (AGM) and conduct of General Meetings</p> <p>The Board uses an Annual General Meeting to communicate the Group's performance with shareholders and encourages their active participation. Annual Report containing the Notice of Meeting is sent along with the Form of Proxy to the shareholders 15 working days prior to the date of the AGM required by the statute.</p>	✓	CG – Engagement with shareholders

Code reference	Principle and compliance	Status of compliance	Reference to report
	<p>The Company proposes separate resolutions on each substantially separate issue giving shareholders the opportunity to vote on each such issue separately. The adoption of the Annual Report of the Board of Directors, the Financial Statements of the Company and the Report of the Auditors thereon are considered as a separate resolution.</p> <p>Proxy votes together with the votes of the shareholders present at the AGM are considered by the Company for each resolution.</p> <p>The Company records all proxy votes to indicate to the Chairman the level of proxies lodged on each resolution and the number of votes for and against such resolution.</p> <p>"Votes withheld" are not counted in the calculation of the proportion of the votes for and against resolutions.</p> <p>The Chairman of the Board ensures that the Chairmen of Board subcommittees and the Senior Independent Director are present at the AGM to answer any query by shareholders.</p> <p>The former Senior Independent Director and the Chairmen of the Board subcommittees prior to the reconstitution of the Board effective 19 February 2020 were present at the previous years' AGM held on 31 July 2019 and no queries were raised by the shareholders.</p>		
C.2	<p>Communication with shareholders</p> <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. The Communication Policy is based on four guiding principles, efficiency, transparency, clarity and cultural awareness and feedback.</p> <p>The Communication Policy, which forms an integral part of the Corporate Governance Charter of the Company was reviewed and approved by the Board.</p> <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> <p>Shareholders can contact the Company Secretary, whose details are given below, on matters relating them,</p> <p>Ms Lakmini Kottegoda Company Secretary People's Leasing & Finance PLC 1161, Maradana Road Colombo 8 Sri Lanka. Phone : +94 11 263 1103 Fax : +94 11 248 1500</p> <p>The Senior Independent Director is available to discuss with shareholders any major issues that cannot be resolved through normal channels.</p>	✓	CG – Communication and engagement with shareholders
C.3	<p>Major and material transactions</p> <p>The Board recognises that strong transparent disclosure is central to shareholder ability to exercise ownership rights.</p> <p>During the year, there were no major or material transactions engaged in or committed to by the Company as defined by Section 185 the Companies Act No. 01 of 2007.</p>	✓	

Code reference	Principle and compliance	Status of compliance	Reference to report
D Accountability and audit			
D.1	<p>Financial and Business Reporting (The Annual Report)</p> <p>The Directors are aware of their responsibility to present a balanced and understandable assessment of the Company's financial position, performance, business model, governance structure, risk management, internal controls and challenges, opportunities and prospects.</p> <p>Due care has been exercised to ensure that all statutory requirements are complied within the Annual Report and the issue of interim accounts on a timely basis and regulatory reports were filed by the due dates. Prior to approving the Financial Statements covering a particular financial period, the Board obtains the declaration of the CEO and the Chief Financial Officer on their responsibility in respect of financial reporting.</p> <p>The Company has in place a Related Party Transaction (RPT) Policy and it adequately discloses Related Party Transactions.</p> <p>The Code of Business Conduct and Ethics of People's Leasing ("the Code") requires each member of the Board to determine whether he/she has a potential or actual conflict of interests arising from personal relationships, external associations and interest in material matters which may have a bearing on his/her independent judgment. The Code also requires Directors who have such a potential or actual conflict of interests to immediately disclose it to the Board of Directors as soon as he/she becomes aware of it and records thereof are maintained by the Company Secretary in the Interest Register.</p>	✓	<p>Annual Report of the Board of Directors on the Affairs of the Company</p> <p>Directors Responsibility for Financial Reporting</p> <p>Directors' Statement on Internal Control over Financial Reporting</p> <p>Independent Auditor's Report</p> <p>Management Discussion and Analysis</p> <p>Related Party Transactions Review Committee Report</p> <p>Related Party Disclosure (Note)</p>
D.2	<p>Risk management and internal control</p> <p>The Board is responsible in determining the risk appetite for achieving the strategic objectives of the Company and ensuring that the Company maintains an adequate system of internal control and for reviewing its effectiveness.</p> <p>The Company's internal controls are designed to support the identification, evaluation and management of risks affecting the Group. These cover financial, operational, compliance and information technology controls, as well as risk management policies and mechanisms.</p> <p>Risks and controls are reviewed and monitored regularly for relevance and effectiveness. The Board Integrated Risk Management Committee (BIRMC) and the Board Audit Committee (BAC) assist the Board in this regard.</p> <p>Further, the Company has its own in-house Internal Audit Department. The Internal Audit Department of the Company carries out regular reviews on the risk management measures and internal controls system including internal controls over financial reporting and reports their findings to the Board Audit Committee, who then on behalf of the Board, undertakes a detailed monitoring and reviewing of the said controls and risk management measures. The minutes of the Board Audit Committee meetings together with the Committee's findings on internal controls and risk management functions are submitted at the meetings of the Board of Directors periodically.</p>	✓	<p>Board Audit Committee Report</p> <p>Board Integrated Risk Management Committee Report</p> <p>Directors' Statement on Internal Control over Financial Reporting</p>
D.3	<p>Audit Committee</p> <p>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.</p> <p>As at 31 March 2020, the Board Audit Committee comprised three Directors, all of whom were Non-Executive Directors. Two Directors of the Committee were Independent Non-Executive Directors.</p>	✓	<p>Board Audit Committee Report</p>

Code reference	Principle and compliance	Status of compliance	Reference to report
	<p>The current Chairman of the Audit Committee, Ms Miriam Coralie Pietersz has been appointed to the Board with effect from 1 March 2020 as a Non-Executive Independent Director. She is an Associate Member of the Institute of Chartered Accountants in England and Wales and a Fellow member of The Institute of Chartered Accountants of Sri Lanka. She has over 25 years of extensive experience at senior level in auditing, finance, accounting in several industries in both private and public sectors.</p> <p>Prior to her appointment, Mr Jehan Amaratunga was the Chairman of the Audit Committee who resigned from the Board with effect from 30 December 2019. He is a Fellow Member of The Institute of Chartered Accountants of Sri Lanka and a Fellow Member of the Chartered Institute of Management Accountants – UK, and has over 30 years of extensive experience in finance and management.</p> <p>The Company's External Auditor is the Auditor General in terms of Section 55 of the National Audit Act No. 19 of 2018. The Auditor General has appointed Messrs Ernst & Young, Chartered Accountants to assist to perform the audit of the Company for the financial year ended 31 March 2020, under the provision of Article 154 (4) (a) of the Constitution of the Democratic Socialist Republic of Sri Lanka.</p>		
D.4	<p>Related Party Transactions Review Committee</p> <p>The Board has approved a Comprehensive Related party Transaction manual setting out the procedure to ensure that no "Related party" of the Company as defined in LKAS 24 is given more favourable treatment than that accorded to third parties in the normal course of business.</p> <p>The Company has set up a Related Party Transactions Review Committee to oversee the related party transactions of the Company.</p> <p>As at 31 March 2020, the Related Party Transactions Review Committee comprised three Directors, all of whom are Non-Executive Directors. Two Directors of the Committee including the Chairman to the Committee are Independent Non-Executive Directors.</p> <p>The Related Party Transactions Review Committee operates within clearly defined Terms of Reference approved by the Board. The duties and responsibilities of the Committee as set out in the said Terms of Reference, are in line with the Code and the directions issued by the Central Bank of Sri Lanka.</p>	✓	Related Party Transaction Review Committee Report
D.5	<p>Code of Business Conduct and Ethics</p> <p>The Company has a strong organisational culture of entrenched values, which forms the cornerstone of its behaviour towards all stakeholders. These values are embodied in a written statement of values, which serves as the Company's Code of Business Conduct and Ethics and is continually reinforced.</p> <p>The Company has in place a comprehensive Code of Business Conduct and Ethics applicable to all Directors and employees of the Company. The Code has been circulated to all the Directors and employees and has been published in the Company's intranet to ensure strict compliance with same. The Code of Business Conduct and Ethics that embodies the corporate values was reviewed and updated in line with recommended best practices.</p> <p>The Board is not aware of any material violations of any of the provisions of the Code of Business Conduct and Ethics by any Director or Key Management Personnel of the Company.</p> <p>The Company has in place an effective mechanism for identification of information that could be perceived as price sensitive information and prompt disclosure of same to the relevant regulatory authorities.</p> <p>The Company has in place an established process for monitoring and disclosing of related party transactions set out in detail in the Board approved related party transaction guide of the Company.</p> <p>Further, The Code of Business Conduct and Ethics entails as part of it, a comprehensive policy and processes governing dealings by the Directors, KMPs and employees in the shares of the Company.</p>	✓	Annual Report of the Board of Directors on the Affairs of the Company

Code reference	Principle and compliance	Status of compliance	Reference to report
D.6	<p>Corporate Governance Disclosures</p> <p>The Company is resolute in its commitment to operating in an ethical and transparent manner and staying accountable to its stakeholders. The Company believes that corporate governance is not just a destination, but a journey to persistently progress in sustainable value creation.</p>	✓	Compliance with Code of Best Practice on Corporate Governance
Shareholders			
E Institutional Investors			
E.1	<p>Shareholder voting</p> <p>The Company is committed to promoting effective and open communication with all shareholders, transparently and regularly in order to facilitate a mutual understanding of the respective objectives of the parties. The Board and the Management strive to be accessible to both institutional and private investors and proactively encourage all shareholders to participate at the Company's Annual General Meeting (AGM).</p> <p>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>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	<p>Evaluation of governance disclosures</p> <p>Disclosure is an essential element of a robust corporate governance framework as it provides the basis for informed decision-making by shareholders, stakeholders and potential investors in relation to capital allocation, corporate transactions and financial performance monitoring.</p> <p>Sufficient attention has been given to the interests of institutional investors and they are at liberty to give due weight when exercising their voting rights on resolutions relating to the Board structure and the composition.</p>	✓	
F Other Investors			
F.1	<p>Investing/Divesting Decision</p> <p>The Company places a high degree of importance on maintaining good relationships and communications with institutional investors and private investors alike and ensures that they are kept informed of significant Company developments in order to give them the critical information they need to value their investments.</p> <p>Individual shareholders are at liberty to carry out adequate analysis or seek independent advice on their investing, holding or divesting decisions.</p>	✓	
F.2	<p>Shareholder Voting</p> <p>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</p> <p>Individual shareholders are encouraged to participate at General Meetings and cast their votes.</p>	✓	

Code reference	Principle and compliance	Status of compliance	Reference to report
G	<p>Internet of things and cybersecurity</p> <p>People's Leasing Group's IT policies by which the Company is governed, comprehensively cover IT discipline, use of licensed software, closer monitoring of the usage of the internet, email and mail server and the use of antivirus and firewall servers and software.</p> <p>The functions of the Chief Information Security Officer are delegated to the Head of IT of People's Leasing Group.</p> <p>Risks relating to IT matters including that arising from cybersecurity are discussed at Board meetings and Board Integrated Risk Management Committee meetings.</p> <p>Information Technology Auditors are used whenever they deem that expert advice is required. The review of Information Security was carried out by the External Consultants periodically.</p>	✓	CG – IT governance and cybersecurity
H	<p>Environment, Social and Governance (ESG)</p> <p>H.1 ESG Reporting</p> <p>Corporate sustainability reporting aims to deliver information in such a way that it provides decision-making value to investors, customers, employees and other relevant groups who have a stake in the Company or who are in some way affected by the Company's actions</p> <p>Environment, Society and Governance (ESG) aspects are considered as an important part of the Company's values and the Board is aware of its responsibility to ensure that such aspects are linked closely with the company strategy.</p> <p>ESG reporting of the Company is a reflection of how the Company has performed and achieved long-term economic value, assumed corporate responsibility and contributed to sustainable development. Thus, this Annual Report has been prepared in the form of an integrated report that covers sustainability reporting parameters.</p>	✓	Financial capital Natural capital Social and relationship capital Stakeholder engagement

Compliance with Finance Companies Direction

Compliance with the Finance Companies (Corporate Governance) Direction No. 03 of 2008 and amendments thereto as specified in Finance Companies (Corporate Governance – Amendment) Directions No. 04 of 2008 and No. 06 of 2013 issued by the Central Bank of Sri Lanka.

Rule reference	Principle and compliance	Status of compliance	Reference to report
A Responsibilities of the Board of Directors			
2 (1) Strengthening the Safety and Soundness of the Company			
(a)	<p>Approving and overseeing strategic objectives and corporate values</p> <p>The strategic objectives of the Company are predicated on the Vision and Mission statements of the Company and corporate values are embedded in the Code of Business Conduct and Ethics which have been communicated to employees at all levels.</p> <p>The Board plays an active role in setting the strategic objectives of the Company, ensuring that it focuses on converting the Company's Mission and Vision into Action.</p> <p>While the Board has delegated the task of implementing the set goals/objectives to the Management of the Company, the Board constantly monitors and reviews the Company's performance, vis-à-vis targets, being proactive in identifying any setbacks.</p>	✓	
(b)	<p>Approving overall business strategy including risk policy and management procedures</p> <p>A strategic plan was approved in 2018 for the three financial years upto 2021, A strategic plan covering the next three year 2022-2024 is in the process of being formulated.</p>	✗	
(c)	<p>Risk management</p> <p>The Board as a whole remains primarily responsible for the overall risk framework of the Company. Board Integrated Risk Management Committee, on behalf of the Board, identifies risks and ensures implementation of appropriate systems to manage risks prudently and reports to the Board on a quarterly basis.</p>	✓	Board Integrated Risk Management Committee Report Risk Management
(d)	<p>Communication with stakeholders</p> <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 depositors, creditors, borrowers, suppliers and other related stakeholders.</p>	✓	
(e)	<p>Reviewing Internal Control systems and Management Information Systems (MIS)</p> <p>The Board has the overall responsibility for ensuring that the Company maintains an adequate system of internal control and for reviewing its effectiveness.</p> <p>The Board Audit Committee, on behalf of the Board undertakes the detailed monitoring and reviewing of the internal controls and reports to the Board on its findings on a quarterly basis.</p> <p>The Management Information Systems (MIS) are reviewed by the Board for accuracy and integrity of the same through review of MIS Procedure Manual Outline/Guideline of the Company.</p>	✓	
(f)	<p>Key Management Personnel (KMP)</p> <p>The Board of Directors, Chief Executive Officer, Deputy General Managers of the Company and the Compliance Officer have been identified and designated as the Key Management Personnel of the Company.</p>	✓	
(g)	<p>Authority and responsibility for the Board and Key Management Personnel</p> <p>Principle duties and responsibilities of the Board of Directors and the Chief Executive Officer are set out in detail in the Corporate Governance Charter of the Company. The Key Functions/responsibilities of the Deputy General Managers (KMPs) have been defined and approved by the Board and included in their respective job descriptions.</p> <p>The respective delegated authority limits of the Chief Executive Officer and the Deputy General Managers have also been defined by the Board.</p>	✓	

Rule reference	Principle and compliance	Status of compliance	Reference to report
(h)	<p>Oversight of affairs of the Company by KMP</p> <p>Affairs of the Company are reviewed and discussed by the Board at Board meetings on a monthly basis. At these meetings, Key Management Personnel are represented by the Chief Executive Officer who apprises the Board on the operations and performance of the Company against set targets.</p> <p>Affairs of the Company are also reviewed and discussed by the Senior Management at management level.</p>	✓	
(i)	<p>Assess effectiveness of governance practices</p> <p>The Articles of Association of the Company and the Corporate Governance Charter provide for the general procedure applicable to selection and appointment of Directors of the Company. Presently, the Directors of the Company, other than the Non-Executive Independent Directors, are recommended by the parent, People's Bank and appointed by the Board in terms of the Articles of Association. The appointments of Key Management Personnel are made by the Board on the recommendation of the Chief Executive Officer.</p> <p>The management of conflicts of interests is addressed in a timely manner. In terms of the Code of Business Conduct and Ethics of the Company, each member of the Board has a responsibility to determine whether he/she has a potential or actual conflict of interest arising from personal relationships, external associations and interest in material matters which may have a bearing on his/her independent judgment. Directors who have an interest in a matter under discussion make a disclosure of his/her interest therein and refrain from engaging themselves in the deliberations on that matter and from voting thereon.</p> <p>Self-declarations on potential conflicts of interest are obtained from the Directors at the time of their appointment to the Board and subsequently as and when it is required. These declarations together with the interests disclosed by the Directors at Board meetings assist the Company to manage conflicts (if any) in an effective manner.</p> <p>The effectiveness of the Board's own governance practices including determination of its weaknesses was assessed by the Board through a self-evaluation of the Board carried out in June 2020.</p>	✓	
(j)	<p>Succession plan for KMP</p> <p>The Board has approved a Succession Plan for Key Management Personnel in October 2018.</p>	✓	
(k)	<p>Regular meetings with KMP's</p> <p>The Key Management Personnel are represented at monthly meetings of the Board of Directors by the Chief Executive Officer of the Company who apprises the Board of any concerns/critical issues raised by the Key Management Personnel at their meetings. Furthermore, where relevant, the Key Management Personnel are invited to participate in Board and Board Subcommittee meetings to review policies, establish lines of communication and monitor progress towards corporate objectives.</p>	✓	
(l)	<p>Understanding the regulatory environment</p> <p>The Board is well versed with the Group's values, business, operations, financial affairs, governance framework and strategic position of the Company.</p> <p>Regular updates on changes to relevant legislations, regulations and corporate governance as well as sector developments that could affect the Group and its operations covering a wide spectrum of topics including economic, social and environmental aspects are provided to the Board Committees at each meeting and as appropriate, to the full Board.</p> <p>A Summary of the contents of the regulatory requirements and relevant ratios are submitted to the Board on a regular basis for their awareness of the Company's standing with regard to regulatory environment.</p>	✓	

Rule reference	Principle and compliance	Status of compliance	Reference to report
(m)	<p>Hiring and oversight of External Auditors</p> <p>The Company's External Auditor is the Auditor General in terms of Section 55 of the National Audit Act No. 19 of 2018. The Auditor General has appointed Messrs Ernst & Young, Chartered Accountants to assist to perform the audit of the Company for the financial year ended 31 March 2020, under the provision of Article 154 (4) (a) of the Constitution of the Democratic Socialist Republic of Sri Lanka.</p>	✓	
2 (2)	<p>Appointment of the Chairman and CEO and defining and approving their functions and responsibilities</p> <p>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.</p>	✓	
2 (3)	<p>Obtaining independent professional advice by the Directors</p> <p>The Corporate Governance Charter provides for the Directors to seek the advice of the Company Secretary and other professional independent advice on matters related to the exercise of their duties and responsibilities, at the expense of the Company. However, no such advice was sought by any of the Directors during the financial year 2019/20.</p>	✓	
2 (4)	<p>Managing conflict of interest</p> <p>In terms of the Code of Business Conduct and Ethics of the Company, each member of the Board has a responsibility to determine whether he/she has a potential or actual conflict of interests arising from personal relationships, external associations and interest in material matters which may have a bearing on his/her independent judgement. Directors who have an interest in a matter under discussion make a disclosure of his/her interest therein and refrain from engaging themselves in the deliberations on that matter and from voting thereon. Such abstentions from decisions are duly recorded by the Company Secretary in the minutes.</p>	✓	
2 (5)	<p>Availability of formal schedule of matters specifically reserved for the Board</p> <p>The Corporate Governance Charter of the Company contains a formal schedule of matters specifically reserved to the Board for its decision.</p>	✓	
2 (6)	<p>Disclosure of probable solvency issues</p> <p>No such situation has arisen during the year 2019/20. Furthermore, the liquidity position of the Company is reported to the Director of the Department of Supervision of Non-Bank Financial Institutions on a weekly basis.</p>	✓	
2 (7)	<p>Publish Corporate Governance Report on compliance with the Direction in the Annual Report</p> <p>The Board includes in the Company's Annual Report, an annual corporate governance report setting out the compliance with the Direction.</p>	✓	Compliance with Finance Companies Direction
2 (8)	<p>Self-assessment of Directors</p> <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 June 2020.</p> <p>Each member of the Board except for Ms Coralie Pieterz, who was appointed to the Board effective 1 March 2020, and therefore did not attend meetings during the financial year 2019/20, carried out a self-assessment of his/her effectiveness as well as the Board Committees.</p> <p>The full results of the Board evaluations were analysed by the Company Secretary and the findings were presented to the Board in July 2020.</p>	✓	

Rule reference	Principle and compliance	Status of compliance	Reference to report
B Meetings of the Board			
3 (1)	<p>Regular Board meetings</p> <p>Board meetings are usually held at monthly intervals unless the business exigencies demand the convening of meetings at shorter intervals.</p> <p>The Board met Eleven times for the financial year 2019/20 and obtaining the Boards' consent via circulation was kept to a minimum of six instances.</p> <p>The Board meeting scheduled for 31 March 2020 was cancelled due to the island wide curfew imposed by the government pursuant to threat of spread of the COVID-19 virus.</p>	✘	
3 (2)	<p>Directors to include matters and proposals in the agenda</p> <p>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.</p>	✔	
3 (3)	<p>Notice of Board meetings</p> <p>The date of the next Board meeting is collectively agreed to by the members present during the previous Board meeting and subsequently communicated to all the members, so as to ensure that at least 7 days' notice is given of a meeting. Reasonable notice is given of any other special Board meeting.</p>	✔	
3 (4)	<p>Attendance of Directors at Board meetings</p> <p>No Director has been absent for three consecutive meetings.</p>	✔	CG – Attendance at Board and Board Committee meetings
3 (5)	<p>Appointment of a Company Secretary</p> <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>	✔	
3 (6)	<p>Delegating responsibility to the Company Secretary</p> <p>The function of preparing the Agenda for Board meetings has been delegated by the Chairman to the Company Secretary and accordingly, the Company Secretary is responsible for the same.</p>	✔	
3 (7)	<p>Access to service and advice of Company Secretary</p> <p>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.</p>	✔	
3 (8)	<p>Maintenance of minutes of Board meeting</p> <p>The Company Secretary maintains the minutes of Board meetings with sufficient details and the same is available for inspection by any Director in accordance with the procedure laid down in the Corporate Governance Charter of the Company.</p>	✔	
3 (9)	<p>Recording minutes of Board meetings in sufficient detail</p> <p>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.</p>	✔	

Rule reference	Principle and compliance	Status of compliance	Reference to report
C Composition of the Board			
4 (1)	Number of Directors on the Board As at the end of 2019/20, there were nine Directors on the Board thus, complying with the requirement	✓	
4 (2)	Period of service of a Director The period of service of all the Directors during 2019/20 was below nine years.	✓	
4 (3)	Appointment, election or nomination of an employee as a Director The Company does not have any Executive Directors.	✓	
4 (4)	Board balance and criteria for independence The Board comprised three Non-Executive Independent Directors as at the end of 2019/20 who met the one-fourth criteria for independence as specified in this rule. Self-declarations were obtained from all Non-Executive Independent Directors confirming their suitability to be designated as 'independent' in terms of the criteria in this rule. Pursuant to the reconstitution of the Board on 30 December 2020 there was only one Independent Director on the Board until the new Board was appointed on 19 February 2020. Upon request by the Company, Central Bank of Sri Lanka granted an extension to comply with this provision until 15 February 2020.	✓	
4 (5)	Alternate Director No alternate Directors were appointed during the year.	✓	
4 (6)	Skills and experience of Non-Executive Directors to bring an objective judgement The Board comprises solely Non-Executive Directors who possess academic and professional qualifications in diverse fields. Their mix of skills and business experience is a major contribution to the proper functioning of the Board and its committees.	✓	Board of Directors
4 (7)	Quorum at Board meetings Since all of the Directors of the Company during the year 2019/20 were Non-Executive Directors, the required quorum (one half of Directors being Non-Executive Directors) was met at all meetings of the Board convened for the year.	✓	
4 (8)	Disclosure of independent Non-Executive Directors, Board composition in corporate governance communications and in the Annual Report The Independent Non-Executive Directors are identified as such in corporate communications where necessary.	✓	
4 (9)	Formal and transparent procedure for appointment of new Directors The Articles of Association of the Company and the Corporate Governance Charter provides for the general procedure applicable to selection and appointment of Directors of the Company. Upon the nominees being found to be "fit and proper" for appointment as Directors of the Company, approval of the Director of Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka is obtained for the same. All appointments made to the Board during the year 2019/20 complied with the above procedure.	✓	
4 (10)	Re-election of Directors appointed to fill a casual vacancy In terms of Article 27 (2) of the Articles of Association of the Company all Directors, including those appointed to fill casual vacancies, are subject to re-election by shareholders at the first Annual General Meeting following their appointment.	✓	

Rule reference	Principle and compliance	Status of compliance	Reference to report
4 (11)	Disclosure of resignations/removal of Directors All resignations/removals and appointments of Directors are informed to the shareholders, with sufficient details, via immediate notification to the Colombo Stock Exchange, after approval for the same has been obtained from the Director of Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka in terms of the applicable regulations.	✓	
D	Fitness and propriety of Directors		
5 (1)	Age of Directors should not exceed 70 There are no Directors who are over 70 years of age. Mr Hemasiri Fernando (Non-Executive Non-Independent Chairman) reached the age of 70 years on 12 October 2019 and retired from the office of Chairman of the Company with effect from that date.	✓	
5 (2)	Holding office in more than 20 companies There are no Directors who hold office as a Director of more than 20 companies.	✓	Board of Directors
E	Delegation of functions		
6 (1)	Delegation of Board functions In terms of Article 29 (2) of the Articles of Association of the Company, the Board is empowered to delegate to a committee of Directors or to any person it deems fit, any of the powers vested in the Board which are permissible for delegation in terms of the applicable law. Accordingly, the Board has delegated authority to the Board Committees and the Management with clearly defined mandates and authorities, while preserving its accountability.	✓	
6 (2)	Review delegation of Board functions on a periodic basis The delegation of authority framework is reviewed periodically by the Board to ensure that the limits remain appropriate, taking into account the size of the entity and its specific operational context.	✓	
F	Chairman and the Chief Executive Officer		
7 (1)	Separation of roles of Chairman and CEO The posts of the Chairman and the Chief Executive Officer (CEO) of the Company are separate ensuring the balance of power and authority	✓	
7 (2)	Designation of an Independent Non-Executive Director as the Senior Director when the Chairman is not an Independent Non-Executive Director The Chairman is considered to be a Non-Independent Director by virtue of the fact that he also holds the office of Chairman of the parent company, People's Bank. Hence, Mr M P Amirthanayagam, an Independent Non-Executive Director functioned as Senior Independent Director of the Company until he was appointed Chairman of the Company on 25th October 2019. Ms M Coralie Pietersz was appointed as Senior Independent Director with effect from 1 March 2020, subsequent to the appointment of the new Non-Independent Chairman Mr Sujeeva Rajapakshe.	✓	
7 (3)	Disclosure of relationship between the Chairman, CEO and members of the Board As declared by them, there are no relationships whatsoever, including financial, business, family, or other material relationship between the Chairman/CEO and/ or other members of the Board which will impair their respective roles.	✓	Board of Directors

Rule reference	Principle and compliance	Status of compliance	Reference to report
7 (4)	<p>Role of the Chairman</p> <p>The Corporate Governance Charter of the Company sets out the responsibilities of the Chairman which includes leading the Board and ensuring its effective functioning.</p>	✓	Chairman's role
7 (5)	<p>Role of Chairman in the preparation of the agenda for Board meetings</p> <p>The Chairman has delegated the function of preparing the agenda to the Company Secretary.</p>	✓	
7 (6)	<p>Ensure that all Directors are informed adequately and timely of the issues arising at Board meetings</p> <p>The Chairman ensures, that all Directors are properly briefed on issues arising at Board meetings by submission of the agenda and Board papers with sufficient time for their perusal prior to a meeting.</p>	✓	
7 (7)	<p>Encouraging all Directors to make an active contribution to Board's affairs</p> <p>The Chairman sets the agenda, style and the tone of the Board deliberations and ensures that opinions of all Directors are appropriately considered in decision-making thereby promoting active contribution by the individual Directors to the Board's affairs.</p>	✓	
7 (8)	<p>Encourage participation of Non-Executive Directors and relationship between Executive and Non-Executive Directors</p> <p>The Company does not have any Executive Directors.</p> <p>Nevertheless, the Chairman ensures that a constructive relationship exists between the Board members as a whole by providing an equal opportunity to all Directors to actively participate in the Board's affairs.</p> <p>This process is further strengthened through the annual self-evaluations of the Board where views of all Directors are canvassed in respect of the performance of the Board as a whole as well as of its committees.</p>	✓	
7 (9)	<p>Avoidance of engaging in activities involving direct supervision of KMP or executive duties by the Chairman</p> <p>The Chairman is a Non-Executive Director who does not get involved directly in any of the Executive Duties of the Company or the direct supervision of the Key Management Personnel.</p>	✓	
7 (10)	<p>Effective communication with shareholders</p> <p>The Board attaches considerable importance to the maintenance of constructive relationships with the shareholders and considers the AGM and other General Meetings to be the formal opportunity for dialogue and communication between the Company and the shareholders. Accordingly, these meetings provide the principal opportunity for the Board to meet the shareholders and for the Chairman to explain the Company's progress and clarify matters that shareholders refer to the Board and the Management.</p>	✓	CG – Constructive use of Annual General Meeting (AGM)
7 (11)	<p>Role of Chief Executive Officer</p> <p>The Chief Executive Officer (CEO), the apex Executive of the Company is delegated by the Board with the authority of detailed planning and implementation of the strategic objectives and policies of the Company and day-to-day operations of the Company in accordance with appropriate risk parameters. The role of the CEO is detailed in the Corporate Governance Charter of the Company.</p>	✓	CG – Role of the CEO

Rule reference	Principle and compliance	Status of compliance	Reference to report
G Board Appointed Committees			
8 (1)	Establishing Board Committees, its functions and reporting <p>The Company has four Board appointed Committees directly reporting to the Board of which four namely, the Board Audit Committee (BAC), Board Integrated Risk Management Committee (BIRMC), Remuneration and Nomination Committee (R&NC) and Related Party Transactions Review Committee (RPTRC) are mandatory sub-committees set up in compliance with the applicable rules and regulations.</p> <p>Each committee has a secretary that arranges its meetings, maintains minutes, records and carries out other secretarial functions under the supervision of the chairmen of the respective committees.</p>	✓	Board Audit Committee Report Remuneration and Nomination Committee Report Related Party Transactions Review Committee Report Board Integrated Risk Management Committee Report
8 (2)	Audit Committee		
(a)	Chairman of Audit Committee <p>The current Chairman of the Audit Committee, Ms Miriam Coralie Pietersz has been appointed to the Board with effect from 1 March 2020 as a Non-Executive Independent Director. She is an Associate Member of the Institute of Chartered Accountants in England and Wales and a Fellow member of The Institute of Chartered Accountants of Sri Lanka. She has over 25 years of extensive experience at senior level in auditing, finance, accounting in several industries in both private and public sectors.</p> <p>Prior to her appointment, Mr Jehan Amaratunga was the Chairman of the Audit Committee who resigned from the Board with effect from 30 December 2019. He is a Fellow Member of The Institute of Chartered Accountants of Sri Lanka and a Fellow Member of the Chartered Institute of Management Accountants – UK, and has over 30 years of extensive experience in finance and management.</p>	✓	
(b)	Composition of Audit Committee <p>All three members of the Board Audit Committee are Non-Executive Directors, two of whom are Independent.</p>	✓	
(c)	Functions of the Audit Committee <p>The Auditor General has informed the Company that, according to the National Audit Act No. 19 of 2018, the Auditor General shall carry out the audit by himself or any person authorised by the Auditor General. Further, the Company has been informed that, Messrs Ernst & Young, Chartered Accountants has been appointed by the Auditor General to assist to perform the audit of the Company and the audit fee for the year ended 31 March 2020 has been determined. Therefore, the Committee has no role to play in the engagement of the External Auditor.</p> <p>The Board Audit Committee at its meetings discusses application of relevant accounting principles and standards.</p>	✓	
(d)	Review and monitor External Auditor's independence and objectivity and the effectiveness of audit processes <p>This is not applicable since the Company's Auditor is the Auditor General.</p>	✓	
(e)	Provision of non-audit services by External Auditor <p>This is not applicable since the Company's Auditor is the Auditor General.</p>	✓	
(f)	Determine scope of audit <p>The scope and the extent of audit is determined by the Auditor General. Due to the reconstitution of the Board and Board subcommittees and COVID-19 pandemic situation, the Audit Committee couldn't meet with the External Auditors before 31 March 2020. However, the Committee met the External Auditors in June 2020 for this purpose.</p>	✓	

Rule reference	Principle and compliance	Status of compliance	Reference to report
(g)	<p>Review financial information of the Company by the Audit Committee</p> <p>The Board Audit Committee reviews the financial information of the Company in order to monitor the integrity of the Financial Statements of the Company and other financial disclosures.</p> <p>The Committee has reviewed the Company's Annual and Quarterly Financial Statements before submission thereof to the Board for approval.</p>	✓	
(h)	<p>Discussion of issues, problems and reservations arising from the interim and final audits with the External Auditor</p> <p>Due to the reconstitution of the Board and Board Subcommittees and COVID-19 pandemic situation, the Audit Committee couldn't meet with the External Auditors before 31 March 2020. However, the Committee met the External Auditors in June 2020 and provided them the opportunity to discuss material issues, problems or reservations.</p>	✓	
(i)	<p>Review of External Auditor's Management Letter and Management's response</p> <p>The Committee reviewed the External Auditor's Management Letter for the year 2019/20 and the Management's responses thereto.</p>	✓	
(j)	<p>Review of Internal Audit function</p> <p>The Internal Audit Charter which is in place covers the scope and functions of the Internal Audit Department and that the necessary authority of the Head of the Department and the staff.</p> <p>The Board Audit Committee reviewed and approved the Internal Audit plan for FY 2019/20 that was prepared based on the resource availability and also ensured the implementation of internal audit recommendations. The Committee also reviewed progress of the Internal Audit Plan from time to time.</p> <p>The Committee has last reviewed the performance of the head and senior staff members of the internal audit department in February 2019.</p> <p>There were no appointments or terminations of the head, senior staff members of internal audit department or outsourced service providers have taken place during the last two years that was not recommended by the Committee.</p> <p>Internal audit function is independent as they report direct to the Board Audit Committee. Internal Audit Charter also addresses the independence of Internal Audit Department.</p> <p>Internal Audit Charter is in place to ensure that the audit work performed with impartiality, proficiency and due professional care.</p>	✓	
(k)	<p>Major findings of internal investigations and Management's response</p> <p>The Board Audit Committee considered major findings of internal audit investigations and Management's response thereto.</p>	✓	
(l)	<p>Participants of Audit Committee meetings</p> <p>The Board Audit Committee does not comprise Executive Directors.</p>	✓	
(m)	<p>Authority and resources of the Audit Committee</p> <p>The Board approved Terms of Reference of the Board Audit Committee mandates explicit authority to investigate into any matter within its purview.</p>	✓	Board Audit Committee Report
(n)	<p>Meetings of Audit Committee</p> <p>The Board Audit Committee met four times during the financial year under review. However, the Committee meetings were not regular during the latter part of the financial year due to reconstitution of the Board and Board Committees.</p>	✓	

Rule reference	Principle and compliance	Status of compliance	Reference to report
(o)	<p>Disclosure in Annual Report</p> <p>The Board Audit Committee Report details</p> <ul style="list-style-type: none"> • Activities of the Board Audit Committee during FY 2019/2020 • Number of Board Audit Committee meetings held in the year • Attendance of members at the meetings of the Committee 	✓	Board Audit Committee Report
(p)	<p>Recording and maintenance of minutes of meetings</p> <p>In accordance with the Terms of Reference, Head of Internal Audit functions as the Secretary to the Board Audit Committee and maintains minutes of Committee meetings in sufficient detail.</p>	✓	
(q)	<p>Whistle-blowing policy and relationship with External Auditors</p> <p>The Board has adopted a Whistleblower Protection Policy that enables the employees to, in confidence, report violations of laws, rules, regulations or unethical conduct to the Board Audit Committee. The policy has been published in the Company's intranet for information of all employees.</p>	✓	
8 (3)	<p>Board Integrated Risk Management Committee</p>		
(a)	<p>Composition of Board Integrated Risk Management Committee</p> <p>The Board Integrated Risk Management Committee comprises three Non-Executive Directors, Chief Executive Officer/General Manager, two SDGMs – Operations and DGM – Risk and Control supervising broad risk categories such as credit, market, liquidity, operational and strategic risk.</p> <p>Head of Internal Audit, key risk owners of subsidiaries and the compliance officer attended Board Integrated Risk Management Committee meetings on invitation.</p> <p>Please refer the "Board Integrated Risk Management Committee Report" on pages 124 to 126 for further information and functions of the Committee.</p>	✓	
(b)	<p>Risk assessment</p> <p>The Board Integrated Risk Management Committee assesses all risks, i.e., credit, market, liquidity, operational and strategic risks through appropriate risk indicators established for the Company and the subsidiary companies. Risk assessment is also carried out on a Company basis and the Group basis wherever possible.</p> <p>Board Integrated Risk Management Committee 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>	✓	
(c)	<p>Review adequacy and effectiveness of all Executive Level Committees</p> <p>Assets and Liabilities Committee (ALCO) of the Company reviews and monitors the liquidity risk and the market risk based on the risk tolerance levels (risk limits) established by the Board Integrated Risk Management Committee. The Committee makes an annual assessment of the effectiveness of the performance of the ALCO against its scope set out in the Terms of Reference.</p> <p>The Company has established credit authority levels with prescribed credit approval limits to evaluate the customer applications based on the risk and the amount of the facility. The Company adopts this credit authority levels for credit approvals instead of a Credit Committee.</p>	✓	Board Integrated Risk Management Committee Report

Rule reference	Principle and compliance	Status of compliance	Reference to report
(d)	<p>Corrective action to mitigate the effect of risks exceeding the prudent levels decided by the Committee</p> <p>The Board Integrated Risk Management Committee has determined risk tolerance levels and each risk category in the risk profile of the Company have been reviewed against those risk tolerance levels by the Committee at their meetings. The Committee has provided required direction where it ascertained that the risk levels have gone beyond the established risk limits.</p>	✓	
(e)	<p>Frequency of meetings</p> <p>The Board Integrated Risk Management Committee met two times during the financial year 2019/20. In compliance with this rule and in line with the TOR of the Board Integrated Risk Management Committee ("BIRMC" or "the Committee"), the Committee meets at least four (04) times every year. However, due to the reasons explained below, only two (02) meetings of the Committee could be convened.</p> <p>On 25 October 2019, the Board reconstituted the BIRMC and appointed Mr Johnson Anthony Fernando – Non-Executive, Non-Independent Director, Dr Kennedy D Gunawardana – Non-Executive, Independent Director and Mr Rasitha Gunawardana – Non-Executive, Non-Independent Director as the Committee Chairman and Committee Members respectively.</p> <p>Subsequently, the Committee Chairman and a Committee Member, Mr Johnson Anthony Fernando – Non-Executive, Non-Independent Director and Dr Kennedy D Gunawardana – Non-Executive, Independent Director respectively tendered their resignations from the office of the Director of the Company in early December 2019. Accordingly, we were unable to convene a meeting until new Directors were appointed to the Committee. Following the reconstitution of the Board, the BIRMC was reconstituted on 20 February 2020 and a meeting was scheduled in March 2020. However, owing to the circumstances arose due to COVID-19 pandemic outbreak in Sri Lanka, we were compelled to postpone the said meeting and it was held on 19 June 2020.</p>	✗	
(f)	<p>Action against officers for failure to identify specific risks and take prompt corrective action</p> <p>Risks are identified collectively by the Board Integrated Risk Management Committee and Assets and Liabilities Committee (ALCO) and such decisions are taken collectively.</p>	✓	
(g)	<p>Submission of risk assessment report to the Board</p> <p>Risk assessment reports are submitted by the Board Integrated Risk Management Committee at the Board meeting immediately within a week of the Board Integrated Risk Management Committee meeting.</p>	✓	
(h)	<p>Establish a compliance function</p> <p>Committee has established a compliance function to assess the Company's compliance with laws, regulations and regulatory guidelines.</p> <p>The compliance function was headed by an Attorney-at-Law in the senior managerial cadre who directly reported to the Board Integrated Risk Management Committee on the Company's compliance with laws, regulations, directions, rules, regulatory guidelines and internal controls.</p> <p>Subsequent to his resignation, an Attorney-at-Law in managerial cadre was appointed as Acting Compliance Officer pending the appointment of a replacement.</p>	✓	Compliance Management

Rule reference	Principle and compliance	Status of compliance	Reference to report
H Related party transactions			
9 (2)	<p>Avoid conflict of interest</p> <p>The Company has in place a Related Party Transaction (RPT) Policy whereby the categories of persons who shall be considered as "related parties" has been identified. In accordance with the RPT Policy self-declarations are obtained from each Director and Key Management Personnel for the purpose of identifying parties related to them. Based on the information furnished in these declarations, the Company has developed a system that enables the Company to retrieve data on related party transactions throughout the Company's network.</p> <p>The Code of Business Conduct and Ethics of the Company ("the Code") requires each member of the Board to determine whether he/she has a potential or actual conflict of interests arising from personal relationships, external associations and interest in material matters which may have a bearing on his/her independent judgment. The Code also requires Directors who have such a potential or actual conflict of interests to immediately disclose it to the Board of Directors as soon as he/she becomes aware of it.</p> <p>The Related Party Transactions Review Committee further strengthens the effective management and oversight of related party transactions.</p>	✓	Related Party Transactions Review Committee Report
9 (3)	<p>Related Party Transactions covered in the Direction</p> <p>The Related Party Transaction Policy of the Company covers all transactions with related parties irrespective of their nature and value.</p>	✓	
9 (4)	<p>Prohibit engaging in transactions with a related party in a manner that would grant such party "more favourable treatment"</p> <p>The Board approved Related Party Transaction Policy provides for the procedure to ensure that the Company does not engage in transactions with related parties in a manner that would grant such parties "more favourable treatment" as defined in this rule.</p> <p>This is further supplemented by the existing on-line preventive system which enables the Company to monitor and report related party transactions and retrieve data thereof throughout the Company's network.</p>	✓	
I Disclosures			
10 (1)	<p>Disclosure of Financial Statements</p> <p>The Board ensured that the annual Audited Financial Statements and periodical Financial Statements of the Company for the year 2019/20 were prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards.</p> <p>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.</p>	✓	
10 (2)	<p>Responsibility of Board to ensure appropriate disclosure in the Annual Report</p> <p>(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.</p> <p>The Board confirms the preparation of the annual Audited Financial Statements in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures.</p>	✓ ✓	Director's Responsibility for Financial Reporting Independent Auditor's Report

Rule reference	Principle and compliance	Status of compliance	Reference to report
(b)	<p>Report on Company's Internal Control systems.</p> <p>The Board of the Company confirms that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and the preparation of Financial Statements has been done in accordance with the applicable accounting principles and regulatory requirements.</p>	✓	Directors' Statement on Internal Control over Financial Reporting
(c)	<p>External Auditor's Certification on the effectiveness of the internal control mechanism.</p> <p>The Board has obtained the Assurance Report from the External Auditor on the Internal Control over Financial Reporting.</p>	✓	
(d)	<p>Details of Directors, including names, transactions with the Company.</p> <p>Details of the Directors, including names and transactions with the Company have been adequately disclosed.</p>	✓	Note 58.2 – Transaction with KMP and their family members
(e)	<p>Fees/remuneration paid by the Company to the Directors in aggregate.</p> <p>The details of the remuneration paid to the Board of Directors are adequately disclosed.</p>	✓	Note 58.2 – Remuneration to KMP
(f)	<p>Net accommodation outstanding in respect of each category of related parties as a percentage of the Company's capital funds.</p> <p>The details of the total net accommodation in respect of each category of related parties and the net accommodation outstanding in respect of each category of related parties as a percentage of the Company's capital funds are adequately disclosed.</p>	✓	Note 58.3 – Net accommodation and net accommodation as a percentage of capital funds.
(g)	<p>Aggregate value of remuneration paid to and transactions with KMP's</p> <p>The details of the aggregate values of remuneration paid by the Company to its Key Management Personnel and the aggregate values of the transactions of the Company with its Key Management Personnel during the financial year 2019/20 are adequately disclosed.</p>	✓	Note 58.2 to the Financial Statements
(h)	<p>Certification of Compliance</p> <p>The details on Company's compliance with prudential requirements, regulations, laws and internal controls during the year 2019/20 are explained in the Report.</p> <p>Other than to the extent disclosed in this report and the Report of the Directors on the Affairs of the Company referred to above there was no material non-compliance to prudential requirements, regulations, laws and internal controls during 2019/20 affecting the Company.</p>	✓	<p>Annual Report of the Board of Directors on the Affairs of the Company</p> <p>Corporate Governance Report</p>
(i)	<p>Statement of Regulatory and supervisory concerns</p> <p>There were no significant 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.</p>	✓	
(j)	<p>External Auditors Certification of Compliance</p> <p>The external auditor has performed procedures set out in Sri Lanka Standards on Related Service 4750 issued by The Institute of Chartered Accountants of Sri Lanka (SLSRS 4750), to meet the compliance requirement of the Corporate Governance Directions. Their findings presented in their report addressed to the Board are consistent with the matters disclosed above and did not identify any material inconsistencies to those reported above by the Board. The recommendations made by the Auditor where relevant will be implemented in 2020/21 as done previously.</p>	✓	
J	Transitional provisions		
11	Transitional and other provisions	✓	

Our Compliance with the Requirements on the Content of the Annual Report in Rule 7.6, Requirements on Corporate Governance in Rule 7.10 and Disclosures in the Annual Report in Rule 9.3.2 of the Listing Rules of the Colombo Stock Exchange (Listing Rules)

Following table indicates the status of compliance on the contents of annual report in terms of the Listing Rules of the Colombo Stock Exchange Rule No. 7.6.

Rule No.	Information required to be disclosed	Status of compliance	Page reference
7.6 (i)	Names of the Directors who held duties during the financial year	✓	80 & 81
7.6 (ii)	Principal activities of the Company and its subsidiaries during the year and any changes therein	✓	6, 112 & 155
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 as at the end of the financial year	✓	294
7.6 (iv)	The public holding percentage	✓	293
7.6 (v)	Directors' and Chief Executive Officer's holding in shares of the Company at the beginning and end of the financial year	✓	294 & 295
7.6 (vi)	Information pertaining to material foreseeable risk factors	✓	127-138
7.6 (vii)	Details of material issues pertaining to employees and industrial relations	During the year under review, there were no material issues pertaining to employees and industrial relations	41-45
7.6 (viii)	Extents, locations, valuations and the number of buildings of the land holdings and investment properties as at the end of the financial year	✓	224
7.6 (ix)	Number of shares representing the stated capital as at the end of the financial year	✓	245 to 291
7.6 (x)	A distribution schedule of the number of holders in each class of equity securities and the percentage of their total holdings as the end of the financial year	✓	293
7.6 (xi)	Ratios and market price information on: Equity: Dividend per share, dividend payout ratio, net asset value per share, market value per share (highest and lowest values during the financial year and the value as at the end of the financial year)	✓	290 & 291
	Debt: Interest rate of comparable Government security, debt/equity ratio, interest cover, quick asset ratio, market prices and yield during the year (highest and lowest prices and last traded price)	✓	295 & 296
	Any changes in credit ratings	✓	300
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 as at the end of the year	✓	220 to 225
7.6 (xiii)	Details of funds raised through a public issue, Rights Issue and a private placement during the year	We did not raise funds through a public issue, Rights Issue or a private placement during the year	Not applicable
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	Not applicable

Rule No.	Information required to be disclosed	Status of compliance	Page reference
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	✓	110
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 transactions falling within this section have been disclosed under "Note 58.2 – Related Party Disclosure" of the Financial Statements. These transactions were taken place through out the financial year in the normal course of business.	262

Compliance with Requirements on Corporate Governance Requirements in Rule 7.10 of the Listing Rules

Rule No.	Disclosure requirement	Compliance status	Details
7.10.1 (a)	Two or one third of the Directors, whichever is higher, should be Non-Executive Directors	✓	The Board of Directors of the Company comprised only Non-Executive Directors
7.10.2 (a)	Two or one third of Non-Executive Directors, whichever is higher, should be independent	✓	Of the nine Non-Executive Directors of the Company as at 31 March 2020, three were Independent Non-Executive Directors
7.10.2 (b)	Each Non-Executive Director should submit a declaration of independence/non-independence in the prescribed format	✓	All Non-Executive Directors submitted the requisite declarations
7.10.3 (a)	Names of Independent Directors should be disclosed in the Annual Report	✓	Refer: Board of Directors, pages 68 to 71 and Corporate Governance on pages 80 and 81.
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	N/A	No such determination was required to be made by the Board, as all 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	✓	Refer: Board of Directors on pages 68 to 71.
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	✓	Pursuant to the reconstitution of the Board twice during the financial year 2019/20, nine Directors were appointed to the Board during the year under review. Their resumes were provided to the Exchange for dissemination to the public
7.10.5	A listed company shall have a Remuneration Committee	✓	Refer: Remuneration and Nomination Committee Report on pages 120 and 121.
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	✓	As at 31 March 2020, Remuneration and Nomination Committee comprised three Non-Executive Directors of whom two were Independent. The Chairman of the Committee is a Non-Executive, Independent Director Refer: Remuneration and Nomination Committee Meeting Report on pages 120 and 121.
7.10.5 (b)	Functions of the Remuneration Committee shall be to recommend the remuneration of the Chief Executive Officer and the Executive Directors	✓	Refer: Remuneration and Nomination Committee Report on pages 120 and 121.

Rule No.	Disclosure requirement	Compliance status	Details
7.10.5 (c)	The Annual Report shall set out:		
	(i) The names of the Directors that comprise the Remuneration Committee	✓	Refer: Remuneration and Nomination Committee Report on pages 120 and 121.
	(ii) A statement of Remuneration Policy	✓	Refer: Remuneration and Nomination Committee Report on pages 120 and 121.
	(iii) Aggregate remuneration paid to Executive and Non-Executive Directors	✓	Refer: Note 15 to the financial statements on page 174.
7.10.6	A listed company shall have an Audit Committee	✓	Refer: Board Audit Committee Report on pages 118 and 119.
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	✓	The Audit Committee comprised three Non-Executive Directors of whom two were Independent. The Chairman of the Committee was a Non-Executive, Non-Independent Director
	The Chief Executive Officer and Chief Financial Officer shall attend Audit Committee meetings	✓	Both the Chief Executive Officer and the Chief Financial Officer attended the Audit Committee meetings by invitation
	The Chairman or one member of the Committee should be a member of a recognised professional accounting body	✓	Both Non-executive Directors who served as Chairman of the Committee during the year under review were members of a recognised Professional Accounting body
7.10.6 (b)	The functions of the Audit Committee shall be as set out in Section 7.10 of the Listing Rules		Refer: Board Audit Committee Report on pages 118 and 119.
7.10.6 (c)	The Annual Report shall set out;		
	The names of the Directors who comprise the Audit Committee	✓	Refer: Board Audit Committee Report on pages 118 and 119.
	The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination	✓	Refer: Board Audit Committee Report on pages 118 and 119.
	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	✓	Refer: Board Audit Committee Report on pages 118 and 119.

Compliance with Requirements on Disclosures in the Annual Report in Rule 9.3.2 of the Listing Rules

Rule No.	Information required to be disclosed	Status of compliance
9.3.2 (a)	Non-recurrent 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	There were no non-recurrent transactions exceeding 10% of the equity or 5% of the total assets
9.3.2 (b)	Recurrent Related party transactions exceeding 10% of the gross revenue/income as per Audited Financial Statements	The details of the recurrent transactions that exceeded the threshold during the Financial year 2019/20 are disclosed under "Note 58 – Related Party Disclosure" of the Financial Statements

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Annual report of the Board of Directors on the affairs of the Company is presented as required by Section 168 of the Companies Act No. 07 of 2007. It also provides information required by the Finance Business Act No. 42 of 2011 and Directions issued thereunder, and the Listing Rules of the Colombo Stock Exchange.

1 – General

The Board of Directors of People's Leasing & Finance PLC has pleasure in presenting the Integrated Annual Report to the shareholders, together with the Audited Financial Statements of the Company and the Audited Consolidated Financial Statements of the Group for the year ended 31 March 2020 and the Auditor's Report on these Financial Statements conforming to all statutory requirements. This Report was approved by the Board of Directors on 8 July 2020.

2 – Nature of the business

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

2.1 Vision, mission and corporate conduct

The Company's Vision and Mission are given on page 5 of this Annual Report. In achieving the Vision and Mission, all Directors and employees conduct their activities to the highest level of ethical standards and integrity, as set out in the Company's Code of Business Conduct and Ethics.

2.2 Principal business activities

The Company's principal business activities comprise providing finance leases, term loans, Islamic finance, margin trading, factoring, gold loans, and issuance of debt instruments, and mobilisation of public deposits. The Company had six subsidiaries as at 31 March 2020 and the nature of business activities of these subsidiaries are described in accounting policies on page 155. The Company or its subsidiaries have not engaged in any activity, which contravened any law or regulation during the year under review.

2.3 Changes to the Group structure

There has been no change to the Group structure during the financial year under consideration.

Subsequent to the private placement and rights issue of People's Merchant Finance PLC (PMF), the state of People's Leasing in PMF reduced to 11.86%. Accordingly status of associate changed as financial investments – Fair value through comprehensive income (FVOCI).

2.4 Branch network

The total branch network of the Company as at 31 March 2020 comprised 103 fully-fledged branches and 101 service centres.

2.5 Review of operations

An overall assessment of the Company's financial position and performance during the year 2019/20, with comments

on financial results and special events that took place is contained in the Chairman's Message on pages 10 and 11, the Chief Executive Officer's Review on pages 12 to 14, and the Management Discussion and Analysis on pages 28 to 66 of this Annual Report. These reports form an integral part of the Annual Report of the Board of Directors on the Affairs of the Company. Segment-wise contribution to Group revenue, results, assets and liabilities is disclosed in Notes to the Financial Statements on pages 255 and 256 of this Annual Report.

2.6 Future outlook

The Company's outlook based on the challenges, opportunities and developments in a global context as well as in the Sri Lankan economy is set out in each section of this Annual Report.

3 – Financial Statements

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

The Financial Statements of the Company and the Group duly certified by the Chief Manager Finance and the Chief Executive Officer with the approval of the Chairman which have been prepared in accordance with the Sri Lanka Accounting Standards laid down by CA Sri Lanka and in compliance with the requirements of Companies Act No. 07 of 2007, are appearing on pages 149 to 288 of this Annual Report.

3.1 Financial results and appropriations

Interest income

The total interest income of the Company and the Group was Rs. 31,459.11 million (Rs. 30,836.30 million in 2018/19) and Rs. 33,282.88 million (Rs. 32,234.34 million in 2018/19) respectively for the year ended 31 March 2020. A more descriptive analysis of the interest income is given in Note 6.1 and 6.1.1 to the Financial Statements on page 165.

Performance and appropriations

The Company and the Group recorded a net profit of Rs. 2,942.51 million and Rs. 3,591.75 million respectively for the financial year 2019/20 (Rs. 4,416.12 million and Rs. 5,011.27 million in 2018/19). This represents a decline in the net profits of the Company and the Group by 33.37% and 28.33% respectively compared to the previous year.

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

Company	2019/20 Rs. million	2018/19 Rs. million
Profit before income tax	4,551.83	6,585.26
Income tax expense	(1,609.32)	(2,169.14)
Profit for the year	2,942.51	4,416.12
Profit brought forward from previous year	13,361.81	11,502.16
Restatement of opening balances	-	(755.91)
Profit available for appropriation	16,304.31	15,162.38
Appropriations		
Dividend paid for previous/current year	(1,929.32)	(1,974.83)
Other comprehensive income	0.12	(4.94)
Transfers to reserves	(147.12)	(220.81)
Transfers from reserves	-	400.00
Total appropriations	(2,076.32)	(1,795.63)
Unappropriated profit carried forward	14,227.99	13,361.80

Provision of taxation

As per the notices issued by the Department of Inland Revenue, following changes have been implemented while formal amendments to the respective Act are pending:

- **Debt repayment levy (DRL)**
DRL was abolished with effect from 1 January 2020. DRL has been charged at 7% only for the first nine months of the financial year, on the value addition attributable to the supply of financial services. This had a positive impact over the profitability of the Company for the last quarter.
- **Value added tax (VAT)**
VAT rate was revised to 8% from 15% with effect from 1 January 2020. This too had a positive impact for the Company, although its effect on the profitability was minimal.
- **Nation building tax (NBT)**
NBT was abolished with effect from 1 December 2019. It stood at 2% prior to the abolition. This has a positive impact over the earnings

since the Company was bearing the tax expense on behalf of the customer.

- **Economic service charge (ESC)**
ESC, charged at 0.5% of the revenue of the Company was abolished with effect from 1 January 2020. Its impact on the earnings of the Company is minimal, since this was considered as an advanced income tax payment.
- **Income tax (IT)**
Income tax which stood at 28% for the first nine months of the financial year was revised to 24% effective from the last quarter of the financial year under review. This made a positive contribution to the profitability of the Company.

However, according to the provisions of LKAS 12 – "Income Taxes", deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Further, since the new rate of 24% is applicable only for three months of the financial year and the rate has not yet been enacted, Company used 28% for the provisioning of income tax for the financial year. Accordingly, the positive impact of the rate reduction for the final quarter has not been taken into account. The reduced rate will be considered at the time of paying taxes.

The rate of VAT on Financial Services was at 15% for the year under review (15% in 2018/19).

Property, plant and equipment and intangible assets

The total capital expenditure incurred on property, plant and equipment (including capital work in progress) of the Company and the Group in the year ended 31 March 2020 amounted to Rs. 213.93 million and Rs. 284.22 million respectively (Rs. 147.67 million and Rs. 257.37 million in 2018/19).

In the year ended 31 March 2020, the Company and the Group invested Rs. 15.12 million

to acquire intangible assets. (In 2018/19, the Company invested Rs. 8.62 million and the Group invested Rs. 12.19 million to acquire intangible assets).

The Directors confirm that there were no other significant changes in the Company's or its subsidiaries' fixed assets and market value of land which substantially differ from the book values thereof as disclosed in Note 32.4 on page 224.

The details of property, plant and equipment and intangible assets are presented in Notes 32 and 33 on pages 220 to 227 to the Financial Statements.

Freehold land and building

Extents, locations, valuations and the number of buildings of the entity's land holding are detailed in Note 32.4 on page 224 of this Annual Report and the net book values of freehold land and buildings owned by the Company and the Group as at 31 March 2020 as included in the Financial Statements was Rs. 571.08 million.

Investments

Details of investments held by the Company are disclosed in Notes 22, 23, 24, 27, 28, 29 and 30 on pages 189, 190, 212, 214 and 216 to the Financial Statements.

Equity

Stated capital

The stated capital of the Company and the Group as at 31 March 2020 amounted to Rs. 13,915,41 million, compared to Rs. 13,236,07 million as at 31 March 2019. Consequent to the final dividend for the financial year 2018/19 paid by way of a scrip dividend, the stated capital increased by Rs. 679.34 million.

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Reserves

The total reserves of the Company and the Group as at 31 March 2020 stood at Rs. 16,331.22 million and Rs. 19,038.00 million respectively. During the financial year under review, Rs. 147.12 million was transferred from retained earnings to the reserves. Information on the movement of reserves is given in the "Statement of Changes in Equity" on pages 152 and 153 and in Notes 46 to 48 to the Financial Statements.

Debt capital

The details of debt capital are given in Note 38 and a more comprehensive analysis of the Company's debentures is set out in Note 38.2 to the Financial Statements.

Capital adequacy

Tier 1 capital ratio and total capital ratio of the Company computed as per the Finance Business Act Direction No. 03 of 2018 capital adequacy requirements issued by the Central Bank of Sri Lanka stood at 15.12% and 15.99% respectively as at 31 March 2020. The information on minimum capital requirements is given on page 32 of this Annual Report.

4 – External auditor

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

4.1 Auditor and their independence

In accordance with the National Audit Act No. 19 of 2018 People's Leasing & Finance PLC falls under the definition of "Auditee Entity" and the Auditor General or any person authorised by the Auditor General shall carry out the

audit of the Company and their responsibilities in relation to the Financial Statements are set out in the "Independent Auditor's Report" given on pages 145 to 147.

4.2 Auditor's report

The Report of the Auditor on the Financial Statements of the Company and its Group is given on pages 145 to 147.

4.3 Auditor's remuneration

Auditors were paid following sums by the Company and the Group for audit and related services as well as for non-audit services including tax related services:

Fees	Company		Group	
	2019/20 Rs. million	2018/19 Rs. million	2019/20 Rs. million	2018/19 Rs. million
Audit and related services	7.38	6.47	13.49	12.05
Non-audit services	1.64	1.49	4.91	3.85

5 – Accounting policies and changes during the year

[Section 168 (1) (d)]

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

The significant accounting policies adopted in the preparation of the Financial Statements are given on pages

155 to 288 The significant changes to accounting policies adopted if any, in the preparation of the Financial Statements are given in Note 3.4 on pages 159 to 160.

6 – Board of Directors

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

6.1 Profiles

Names of the members of the Board of Directors together with their profiles including skills and experience are set out on pages 68 to 71 of this Report.

6.2 Appraisal of Board performance

The method used to appraise the performance of the Board of Directors is presented in the "Corporate Governance" section on page 81.

6.3 Other Directorships/ significant positions of Directors

Information of the other directorships/significant positions of the present

Directors of the Company is given on pages 68 to 71.

6.4 Resignations and appointments

In terms of Section 5 (1) of the Finance Companies (Corporate Governance) Direction No. 03 of 2008, Mr Hemasiri Fernando, Non-Executive Non-Independent Director/ Chairman of the Company retired from the said office with effect from 12 October 2019.

Mr Micheal Pradeep Amirthanayagam was appointed as the Non-Executive Independent Chairman of the Company with effect from 25 October 2019.

Mr Jehan Prasanna Amaratunga (Non-Executive, Non-Independent Director), Mr Mohamed Anise Mohamed Rizwan (Non-Executive Independent Director), Mr Johnson Anthony Fernando (Non-Executive, Non-Independent Director), Dr Kennedy Degaulle Gunawardana (Non-Executive Independent Director) and Mr Namugoda Wijesinghe Atapattu Mudiyansele Udawatte Keerthi Kumara Edward Weerasinghe (Non-Executive Independent Director) resigned from the post of Director of the Company with effect from 30 December 2019.

Mr Mahawelage Anthony Boniface Silva, Mr Ranjith Kodituwakku and Mr Azaam A Ahamat were appointed as Non-Executive Non-Independent Directors of the Company with effect from 30 December 2019.

Mr Micheal Pradeep Amirthanayagam (Non-Executive Independent Chairman/Director), Mr Ranjith Kodituwakku (Non-Executive Non-Independent Director) and Mr Mahawelage Anthony

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Bonniface Silva (Non-Executive Non-Independent Director) resigned from the post of Director of the Company with effect from 19 February 2020.

Mr Sujeewa Rajapakse (Non-Executive Non-Independent Director/ Chairman), Mr Sudarshan Ahangama (Non-Executive Non-Independent Director), Mr Kurukulasuriya Canicious Joachim Clive Fonseka (Non-Executive Non-Independent Director), Mr Chanura Jayanta Wijetillake (Non-Executive Independent Director) and Mr Upul Lakshman Asoka Wickramasinghe Bandara (Non-Executive Independent Director) have been appointed to the Board of the Company with effect from 19 February 2020.

Ms Miriam Coralie Pietersz was appointed as Non-Executive Independent Director of the Company with effect from 1 March 2020.

6.5 Directors' remuneration

Directors' fees and emoluments paid by the Company and the Group for the year ended 31 March 2020 was Rs. 6.69 million and Rs. 13.56 million respectively. Comparative figures are given in Note 15 to the Financial Statements.

6.6 Interests register/Directors' interest in transactions

In compliance with the Companies Act No. 07 of 2007, the Company maintains an interests register, which is available for inspection. The Directors of the Company have made general declarations of their interests in transactions of the Company as per Section 192 (2) of the Companies Act No. 07 of 2007. Details of the transactions disclosed therein are given on pages 257 to 262 under related party

transactions. Furthermore, the Chairman, the Board of Directors and the Chief Executive Officer of the Company have made general declarations that there is no financial, business, family or other material/relevant relationship(s) between themselves as required to be disclosed by the Finance Companies (Corporate Governance) Direction No. 03 of 2008.

6.7 Directors' interest in shares

The Directors have disclosed to the Board of their shareholding in the Company and any acquisitions or disposals thereof in compliance with Section 200 of the Companies Act No. 07 of 2007. The Directors' individual shareholdings along with the Chief Executive Officer's individual shareholding in the Company are given in the section titled "Investor Relations" on pages 294 to 295 of this Annual Report.

6.8 Meetings

The details of Board meetings and Board Subcommittee meetings are presented in the Corporate governance report on pages 80 to 81 of this Annual Report.

7—Share information

Significant shareholder information along with substantial shareholder details and other share related information is presented in detail under the title "Investor Relations" on pages 290 to 296 of this Annual Report.

7.1 Equitable treatment to shareholders

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

7.2 Dividends on ordinary shares

An interim dividend of Rs. 0.70 per share was paid on 23 January 2020 to the ordinary shareholders. The Board of Directors ensured that the Company would meet the requirement of the solvency test in terms of Section 56 (3) of the Companies Act No. 07 of 2007 and the Listing Rules of the CSE, immediately after the payment of the said interim dividend as required by Section 56 (2), the Board of Directors has obtained a certificate from the Auditor on the Statement of Solvency in respect of dividend payment conforming to the above statutory provision.

8—Donations

[Section 168 (1) (g)]

During the financial year 2019/20, the Company made donations amounting to Rs. 58.85 million (Rs. 122.23 million in 2018/19) in terms of the resolution passed at the last Annual General Meeting. The Company's Corporate Social Responsibility Department handles the Corporate Social Responsibility (CSR) initiatives and activities. The CSR initiatives of the Company are presented in the Community section of the Social and relationship capital and Natural capital on pages 54 to 59 and pages 60 to 66 respectively.

9—Corporate governance

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

The Board of Directors is committed to develop the corporate governance principles of the Company and has adopted a Corporate Governance Charter including the procedures and processes governing the different

participants in the Company – such as the Board, Managers, shareholders and other stakeholders to ensure that the highest principles of corporate governance is maintained across the Organisation.

In adopting the aforesaid Corporate Governance Charter, the Board has ensured that the Company is in compliance with the recommendations of the Code of Best Practices on Corporate Governance issued by CA Sri Lanka, the Listing Rules of the Colombo Stock Exchange (CSE) and the Finance Companies (Corporate Governance) Directions No. 03 of 2008, No. 04 of 2008 and No. 06 of 2013.

The Directors declare that

1. The Company has not engaged in any activity, which contravenes laws and regulations.
2. The Company has made all endeavours to ensure the equitable treatment of shareholders.
3. The business is a going concern.
4. Effectiveness of and successful adherence to internal controls and risk management is practiced by the Company. The measures taken in this regard are set out in the Corporate Governance Report on pages 77 to 111 of this Annual Report.
5. To the best of their knowledge, there has not been any violation of the Code of Business Conduct and Ethics of the Company.

9.1 Board subcommittees

Board Audit Committee, Board Integrated Risk Management Committee, Remuneration and Nomination Committee, and Related Party Transactions Review Committee function as Board subcommittees with Directors who possess the requisite qualifications and experience. The composition

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of the said committees is set out on respective committee reports given in this Annual Report.

9.2 Compliance with laws and regulations

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

9.3 Statutory payments

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

9.4 Environmental protection

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

9.5 ESG reporting

Environmental, social and governance considerations can affect a Company's ability to execute its business strategy and create value. The Company's Annual Report contains sufficient information on ESG risks and opportunities are recognised, managed, measured and reported as set out on page 95.

10 – Acknowledgment

[Section 168 (1) (k)]

The Board of Directors has acknowledged the contents of this Annual Report as disclosed on page 117.

11 – Outstanding litigation

In the opinion of the Directors formed in consultation with the Company's lawyers, litigation currently pending against the Company will not have any material impact on the reported financial results or future operations of the Company. Details of litigation pending against the Company are given in Note 53 to the Financial Statements on pages 250 to 252.

12 – Human resources

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

As at 31 March 2020 – 2,401 persons were in employment (2,329 persons as at 31 March 2019) with the Company.

13 – Events after the reporting period

Details of events after the reporting period are disclosed in Note 61 on page 288 to the Financial Statements.

14 – Compliance with requirements on the content of the Annual Report in terms of Rule 7.6 of the Listing Rules

Rule reference	Information required to be disclosed	Status of compliance
7.6 (i)	Names of persons who were Directors of the Company during the financial year	✓
7.6 (ii)	Principal activities of the Company and its subsidiaries during the year	✓
7.6 (iii)	Information on 20 largest shareholders at the end of the year	✓
7.6 (iv)	The public holding percentage	✓
7.6 (v)	Directors' and Chief Executive Officer's holding in shares	✓
7.6 (vi)	Information pertaining to material foreseeable risk factors	✓
7.6 (vii)	Details of material issues pertaining to employees and industrial relations	✓
7.6 (viii)	Information on buildings/land holdings and investment properties as at the end of the year	✓
7.6 (ix)	Number of shares representing the stated capital as at the end of the year	✓
7.6 (x)	A distribution schedule of the number of holders in each class of equity securities and related information	✓
7.6 (xi)	Ratios and market price information on equity, debt, change in credit rating	✓
7.6 (xii)	Significant changes in the Company's or Subsidiaries' fixed assets	✓
7.6 (xiii)	Details of funds raised through a public issue, rights issue and a private placement during the year	✓
7.6 (xiv)	Information in respect of employee share ownership or stock option schemes	✓
7.6 (xv)	Disclosure pertaining to Corporate Governance practice in terms of Rules 7.10.0, 7.10.5 c and 7.10.6 c of Section 7 of the Listing Rules	✓
7.6 (xvi)	Related party transactions exceeding 10% of the equity or 5% of the total assets of the entity	✓

Refer page 109 for more details.

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15 – Going concern

[Code of best practice D1.4]

The Group's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business 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.

In determining the basis of preparing the financial statements for the year ended 31 March 2020, the management has assessed the existing and anticipated effects of COVID-19 on the Group Companies and the appropriateness of the use of the going concern basis, based on available information.

Group evaluated the resilience of its businesses considering a wide range of factors under multiple stress tested scenarios, relating to expected income, cost management, profitability, the ability to defer non-essential capital expenditure, unused credit lines and the ability to continue providing services to ensure businesses continue as least impacted as possible. Having presented the outlook for each industry of group to the holding Company's Board and after evaluating the above by the Management, and after due consideration of the range and likelihood of outcomes, the Management is satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis in preparing and presenting these Financial Statements.

16 – Annual General Meeting

The 24th Annual General Meeting will be held at the People's Bank Staff Training College Auditorium, 11th Floor, People's Leasing building, No. 07, Havelock Road, Colombo 5 on the 11 September 2020 at 3.00 p.m. Notice of meeting relating to the 24th Annual General Meeting is provided on page 301 of this Annual Report.

By order of the Board of Directors,



Coralie Pietersz
Director



Sujeewa Rajapakse
Chairman



Lakmini Kottegoda
Company Secretary

8 July 2020

Colombo

Board audit committee report

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Board Audit Committee ("Audit Committee" or "the Committee") of the Company presents its report for the year ended 31 March 2020. This Report was approved by the Board of Directors.

Objective and terms of reference

The objective of the Board Audit Committee is to assist the Board of Directors in its general oversight on financial reporting, system of internal control, functions relating to internal and external audit and process of monitoring compliance with legal and regulatory requirements. The Committee is responsible to the Board of Directors and reports on its activities regularly.

The Terms of Reference of the Committee are clearly defined in the Charter of the Audit Committee. In order to adequately address new developments to the Committee's functions and concerns, the Audit Committee reviewed the Board Audit Committee Charter at its meeting held in July 2019 and revised it with approval of the Board of Directors during the same month.

Authority

The Board Audit Committee is appointed by the Board of Directors of People's Leasing & Finance PLC. The Board of Directors of the Company was reconstituted on 19 February 2020 following which the Board Audit Committee was also reconstituted.

As at the end of the financial year 31 March 2020, the Board Audit Committee comprised of the following Non-Executive Directors of the Company.

Ms Miriam Coralie Pietersz – Chairperson of the Committee

Independent Non-Executive Director

Appointed to the Board w.e.f. 1 March 2020

Chairperson of the Committee is an Associate Member of the Institute of Chartered Accountants in England and Wales and a Fellow Member of The Institute of Chartered Accountants of Sri Lanka. She has over 25 years' experience at senior level in auditing, finance, accounting in several industries in both private and public sectors. She is also a Member of the Council of The Institute of Chartered Accountants of Sri Lanka and has served on many committees of the Institute.

Mr U L Asoka W Bandara – Member

Independent Non-Executive Director

Appointed to the Board w.e.f. 19 February 2020

Mr Asoka Bandara has over 30 years of expertise in demand generation function and business development in MNC's and leading local corporates. Currently he operates management consultancy services for leading conglomerates. He holds a MBA from University of Colombo and a Postgraduate Diploma in Marketing (CIM-UK).

Mr Azzam A Ahamat – Member

Non-Independent Non-Executive Director

Appointed to the Board w.e.f. 30 December 2019

Mr Azzam Ahamat, is a Fellow Member of the Chartered Institute of Management Accountants (UK), a Fellow Member of the Association of Chartered Certified Accountants (UK) and a Fellow Member of the Institute of Certified Management Accountants of Sri Lanka. He has over 18 years of experience both locally and internationally across strategic financial management, alternate investments and risk management.

Mr Udesh Gunawardena, Head of the Internal Audit, functions as the Secretary to Board Audit Committee.

Prior to the reconstitution, the Board Audit Committee comprised of the following Non-Executive Directors of the Company.

Mr Jehan P Amaratunga – Committee Chairman

(Ceased to hold office w.e.f. 30 December 2019)

Mr M Pradeep Amirthanayagam

(Ceased to hold office w.e.f. 19 February 2020)

Mr M A M. Rizwan

(Ceased to hold office w.e.f. 30 December 2019)

Meetings

The Committee is required to meet at least four times per financial year, preferably quarterly, with authority to convene additional meetings as circumstances require. The Committee held four meetings during the financial year under review. The attendance of the

Committee Members at the meetings was as follows;

Name of the member	Attendance at Committee Meetings
Mr Jehan P Amaratunga	4/4
Mr Michael Pradeep Amirthanayagam	3/4
Mr Mohamed Anise Mohamed Rizwan	4/4

The Chief Executive Officer and other members of the senior management/staff of the Company attend the meetings by invitation.

The proceedings of the Audit Committee Meetings are recorded with adequate details and reported to the Board of Directors.

Details of the activities during the financial year

Financial reporting

The Committee assisted the Board of Directors in discharging its responsibility for the preparation of the quarterly and annual Financial

Statements to reflect a true and fair view of the affairs of the Company in accordance with the Company's accounting records and in conformity with the Sri Lanka Accounting Standards, the Sri Lanka Financial Reporting Standards, Finance Business Act No. 42 of 2011, the Companies Act No. 07 of 2007, rules and regulations of the Colombo Stock Exchange and the Securities and Exchange Commission of Sri Lanka and Central Bank of Sri Lanka Directions.

The Committee reviewed the Company's interim and annual Financial Statements prior to the submission of the same to the Board. The Audit Committee also reviewed the profit reconciliation based on

CBSL directions and LKAS/SLFRS and the impact of dividend declarations to the prudential ratios, in compliance with relevant regulations.

Further, the Committee reviewed and approved the statement to be included in the Annual Report on Internal Control over financial reporting.

Internal audit

A dedicated Internal Audit Department is available to carry out the internal audit function and to report to the Audit Committee. During the financial year, the Audit Committee reviewed and updated the internal audit manual in order to improve the effectiveness and objectivity of the internal audit process. Further, the Committee reviewed and approved the Internal Audit plan and the strategy for the financial year and ensured the implementation of internal audit recommendations.

External audit

The Auditor General had informed the Company that, according to the National Audit Act No. 19 of 2018, the Auditor General shall carry out the audit by himself or any person authorised by the Auditor General. Accordingly, Messrs Ernst & Young was appointed to assist the Auditor General in performing the external audit.

The Committee also reviewed the External Auditor's Management Letter pertaining to the previous year's audit and management responses thereto. The Committee initiated action to ensure that recommendations contained in the Management Letter were implemented by the Management.

Ethics and good governance

The Committee promotes good governance among the internal audit staff by introducing an internal audit policy charter and among all staff by introducing a whistleblower protection policy.

Highest standards of corporate governance and adherence to the Company's Code of Ethics are ensured. All appropriate procedures are in place to conduct independent investigations into incidents reported through whistleblowing or identified through other means.

Whistleblowing and fraud

The Company's whistleblower protection policy intends serving a wide-spread informal channel for the corporate fraud risk management. The policy has been published in the Company intranet and guarantees the maintenance of strict confidentiality of the whistleblowers.

Any employee, who observes or notices any improper or illegal activity or unethical practices in the Company or receives credible information of the same is encouraged to practice whistle-blowing. Awareness is being raised among staff to encourage its use to raise any genuine concerns.



Coralie Pietersz
 Independent Director/
 Chairperson
 Board Audit Committee

8 July 2020
 Colombo

Remuneration and nomination committee report

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Board appointed Remuneration and Nomination Committee of the Company operates within the Board approved Terms of Reference.

Composition and committee meetings

As at 31 March 2020, the Committee comprised three Non-Executive Directors of whom two are Independent Directors.

During the Financial year 2019/20 and prior to the reconstitution of the Board with effect 19 February 2020, the Committee held five meetings. Due to island-wide curfew imposed by the Government pursuant to the threat of the spread of the COVID-19 virus, the Committee could not convene the meeting scheduled to be held on 16 March 2020.

The Chief Executive Officer/GM of the Company attended Committee meetings by invitation other than in the instances where matters relating to him have been discussed, and members of the Senior Management were invited to participate in the meetings as and when required. The proceedings of the Committee were duly reported to the Board.

With the appointment of Mr Pradeep Amirthanayagam as the Chairman of the Company with effect 25 October 2019, Mr Rasitha Gunawardana was appointed to the Committee in place of Mr Pradeep Amirthanayagam.

Attendance of the Members

Name of Director	Board status	Membership	Meeting attendance
Mr Jehan Amaratunga	Non-Executive Non-Independent Director	Chairman	5/5
Mr Pradeep Amirthanayagam	Non-Executive Independent Director	Member	3/4
Mr Johnson Fernando	Non-Executive Non-Independent Director	Member	4/5
Mr Rasitha Gunawardana	Non-Executive Non-Independent Director	Member	1/1

With the reconstitution of the Board of the Company with effect 19 February 2020, the Remuneration and Nomination Committee was reconstituted, and the members of the Remuneration and Nomination Committee as of 31 March 2020 are as follows:

Name of Director	Board Status	Membership
Mr Asoka Bandara	Non-Executive Independent Director	Chairman
Ms Coralie Pietersz	Non-Executive Independent Director	Member
Mr Rohan Pathirage	Non-Executive Non-Independent Director	Member

Brief profiles of the members of the Remuneration and Nomination Committee as at 31 March 2020 are given on pages 68 to 71 of this Annual Report.

Key highlights of year 2019/20

- Recommended the payment of bonus to employees;
- Recommended the salary increment to employees;
- Recommended Annual Promotions based on comprehensive performance evaluation process.

Scope of the Committee

Mandate

The Committee assists the Board of Directors in ensuring that remuneration arrangements in the Company align reward with performance, and advises the Board on selection of members to the Board.

The Committee reviews the structure, size and composition of the Board in terms of the powers vested with them under the Terms of Reference approved by the Board, and make recommendation to the Board with regard to any changes that need to be introduced.

The approved Terms of Reference of the Committee precludes the members from participating in decision making with regard to his/her own appointment.

Authority

The Committee has authority to discuss and make recommendation on the matters under its purview, and provides recommendation to the Board to make a final decision. The Board has authorised the Committee to obtain professional advice as and when required.

Evaluation of the Committee performance

As part of the annual self-assessment of the Directors, the performance and effectiveness of the Committee was also assessed by the Board as a whole.

Details of the annual self-assessment of the Directors can be found on page 81 of this Annual Report.

Remuneration Policy

Reward strategy

Our reward strategy is designed to attract and retain high-caliber people in a highly competitive environment. When deciding the remuneration benefits for the individuals, his/her performance as well as the skills, experiences and level of responsibility of the individual is considered.

Remuneration policy principles

- To enable the attraction and retention of high-calibre people, with the right mix of experience, skills and knowledge to deliver on the strategy.
- To support and reinforce our desired culture and encourage behaviour consistent with our values.
- To create an appropriate balance and alignment between the needs and expectations of our stakeholders to ensure the creation of long-term value for them
- To incentivise employees to deliver and sustain high levels of performance and the execution of our strategic priorities.
- To align with the principles of good Corporate Governance.

Remuneration and other benefits of Directors

Fees

Based on the recommendation of the Remuneration and Nomination Committee the remuneration of the Non-Executive Directors is determined by the Board as a whole. A fixed allowance has been paid to the Non-Executive Directors for attending Board and Committee meetings. Fees paid to the Non-Executive Directors are neither performance related nor pensionable.

Details of the fees paid to Directors are given on page 257 of this Annual Report.

Remuneration and other benefits of employees

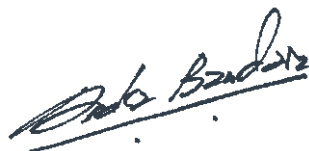
Remuneration Package and other benefits

The Remuneration package of the employees is decided considering the performance of the Company and the Individual, comparison with peer group companies, institutional guidelines and reports from specialist consultants.

Other benefits provided to employees include, vehicle loans, staff health insurance cover, critical illness cover and the personal accident cover.

Employee share schemes

The Employees of the Company have no rights to receive any share option scheme.



Asoka Bandara
 Chairman
 Remuneration and
 Nomination Committee

8 July 2020
 Colombo

Related party transactions review committee report

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The Board appointed Related Party Transactions Review Committee ensures the strict compliance with the rules and regulations governing related party transactions.

Composition and committee meetings

As at 31 March 2020, the Related Party Transactions Review Committee comprised three Non-Executive Directors of whom two are Independent Directors.

During the Financial year 2019/20 and prior to the reconstitution of the Board with effect 19 February 2020, the Committee held two meetings. Pending reconstitution of the Board in December 2019 and due to island-wide curfew imposed by the Government pursuant to the threat of the spread of the COVID-19 virus, the Committee could not convene a meeting in December 2019 and could not convene the meeting scheduled to be held on 16 March 2020.

The Chief Executive Officer/GM of the Company attended Committee meetings by invitation of the Committee and the members of the Senior Management were invited to participate in the meetings as and when required. The proceedings of the Committee were duly reported to the Board.

Mr Rohan Pathirage was appointed to the Committee with effect from 25 October 2019.

Attendance at meetings during the financial year

Name of Director	Board status	Membership	Meeting attendance
Mr Pradeep Amirthanayagam	Non-Executive Independent Director	Chairman	2/2
Mr Johnson Fernando	Non-Executive Non-Independent Director	Member	0/2
Mr M A M Rizwan	Non-Executive Independent Director	Member	2/2
Mr Rohan Pathirage	Non-Executive Non-Independent Director	Member	1/1

With the reconstitution of the Board of the Company with effect from 19 February 2020, the Related Party Transactions Review Committee was reconstituted, and the members of the Related Party Transactions Review Committee as of 31 March 2020 are as follows:

Name of Director	Board Status	Membership
Mr Chanura Jayanta Wijetillake	Non-Executive Independent Director	Chairman
Mr Sudarshan Ahangama	Non-Executive Non-Independent Director	Member
Mr Upul Lakshman Asoka Wickramasinghe Bandara	Non-Executive Independent Director	Member

Brief profiles of the members of the Related Party Transactions Review Committee as at 31 March 2020 are given on pages 68 to 71 of this Annual Report.

Key highlights of year 2019/20

- Recommendation of revised Related Party Transactions (RPT) Guide and Manual for related party transactions
- Reviewed the related party transactions

Scope of the Committee

Mandate

The Board approved Terms of Reference (TOR) of the Committee sets out the purpose of the Committee, which is to review in advance all proposed related party transactions other than those transactions explicitly exempted in the TOR which are in conformity with the Listing Rules of the Colombo Exchange.

The functions of the Committee include

- Reviewing in advance all proposed related party transactions of the Company except those explicitly exempted by the TOR.
- Adopting policies and procedures to review related party transactions of the Company 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 the Shareholders of the Company.
- Establishing guidelines to be followed by the senior management in respect of ongoing related party transactions;
- Ensuring that no Director of the Company shall participate in any discussion of a proposed related party transaction for which he or she is a related party, unless such Director is requested to do so by the Committee for the express purpose of providing information thereon to the Committee;
- Ensuring that immediate market disclosures and disclosures in the Annual Report as required by the applicable rules/regulations are made in a timely and detailed manner.

Authority

The Committee is authorised by the Board to discuss the matters falling within its purview to make decisions and report the recommendations to the Board and enable the Board to take final decisions on the matters. The Board has authorised the Committee to obtain professional advice as and when required.

Policies and Procedures on Related Party Transactions

Policy

The Board approved Related Party Transactions Policy defines the categories of persons who shall be considered as "related parties".

Self-declarations are obtained from each Director and Key Management Personnel of the Company under the RPT policy to identify the parties related to them.

The Code of Business Conduct and Ethics of the Company requires each member of the Board to determine whether he/she has a potential or actual conflict of interest arising from personal relationships, external associations and interest in material matters which may have a bearing on his/her independent judgement. Directors who have such potential or actual conflict of interest are required to immediately disclose such conflict to the Board of Directors as soon as he/she becomes aware of it.

Procedures

The Company has implemented an on-line preventive system to ensure that no favourable treatment is accorded to related parties. This system also enables the Company to monitor and report related party transactions and retrieves data thereof throughout the Company's network.

Related Party Transactions during 2019/20

Details of all transactions with the related parties during the year 2019/20 were reviewed by the Committee. There were no non-recurrent transactions that exceeded the threshold during the financial year 2019/20.

The details of the recurrent transactions that exceeded the threshold during the financial year 2019/20 are disclosed under "Note 58 – Related Party Disclosure" of the Financial Statements.

Details of related party transactions are disclosed under Note 58 on pages 257 to 262 of the Financial Statements.

Declaration

The declaration by the Board of Directors that no related party transaction other than the recurrent transactions that exceeded the threshold during the Financial year 2019/20 as disclosed under "Note 58 – Related Party Disclosure" of the Financial Statements is contained in the Annual Report of the Board of Directors on the Affairs of the Company on pages 112 to 117.



Chanura Wijetillake
Chairman

Related Party Transactions
Review Committee

8 July 2020
Colombo

Board integrated risk management committee report

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The Board of Directors of People's Leasing & Finance PLC which is primarily responsible for the integrated risk management initiatives has delegated its authority to the Board Integrated Risk Management Committee ("BIRMC" or "Committee") to review and assess the adequacy and effectiveness of the risk profile of the Company and the Group, in terms of Section 8 (3) of the Finance Companies (Corporate Governance) Direction No. 03 of 2008.

Terms of reference (TOR)

In compliance with the aforementioned Direction, the TOR clearly sets out authority/delegations vested with the Committee, composition, responsibilities, meeting frequency and quorum, reporting and other procedures of the Committee.

Composition

Following the reconstitution of the Board of Directors of the Company on 19 February 2020 as mentioned on page 79 of the Corporate Governance Report, the BIRMC was reconstituted by the Board at its meeting held on 20 February 2020 and it presently comprises the following members:

Regular attendees by invitation

- DGM – Marketing
- DGM – Recoveries and Administration
- DGM – Internal Audit
- Compliance Officer
- Key Management Personnel from People's Leasing Subsidiaries
 - Chief Executive Officer – People's Insurance PLC
 - Technical Consultant – People's Insurance PLC
 - Senior Manager – Head of People's Micro-commerce Ltd.
 - Officer-in-charge of People's Leasing Fleet Management Limited

Ms Akila Samarasinghe – Deputy Manager – Risk and control functions as the Secretary to the BIRMC.

Brief profiles of the Directors representing the Committee are given on pages 68 to 73 of the Annual Report.

Meetings

According to the TOR of BIRMC and in line with the regulatory requirements, the Committee meetings should be held at least four (04) times a year on a

quarterly basis. During the period under review, the Committee held only two (02) meetings and the reasons for the same are explained under "frequency of meetings" on page 106.

Name	Attended/eligible to attend
Mr M P Amirthanayagam	*2/2
Mr Rasitha Gunawardana	*2/2
Mr M A M Rizwan	*2/2
Mr A S Ibrahim	2/2
Mr Sanjeewa Bandaranayake	2/2
Mr Lionel Fernando	2/2
Mr Rohan Tennakoon	2/2

*Mr M P Amirthanayagam – Committee Chairman (Non-Executive, Independent Deputy Chairman/Senior Independent Director) and Mr M A M Rizwan – Committee Member functioned as Committee Chairman and Committee Member respectively up to 24 October 2019. Mr Rasitha Gunawardana – Non-Executive, Non-Independent Director functioned as a Committee Member up to 19 February 2020.

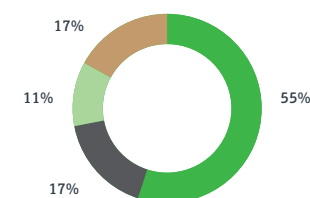
Reporting to the Board

Minutes of the Committee which include the deliberations and conclusions reached were submitted to the subsequent BIRMC meeting for the confirmation and adoption. All minutes of the meetings were formally approved by the Committee Chairman. Approved Minutes were also submitted to the Board within a week of the BIRMC meeting seeking their views, concurrence and/or specific directions.

Activities

The BIRMC effectively assisted the Board of Directors in performing its oversight function in relation to the internal/external risks faced by the Company in carrying out its business operations. All key risks tracked through Key Risk Indicators (KRIs) on a monthly basis are reviewed by the Committee at its meetings.

Key areas of discussion and time allocated



- Risk dashboard and risk reports (People's Leasing and subsidiaries)
- ALCO related
- EIRMC related
- Compliance related

Name of the BIRMC Member	Directorship status
Mr Chanura Wijetillake	Committee Chairman (Non-Executive, Independent Director) Appointed to the Committee w.e.f. 20 February 2020
Mr Azzam Ahamat	Committee Member (Non-Executive, Non-Independent Director) Appointed to the Committee w.e.f. 20 February 2020
Mr Clive Fonseka	Committee Member (Non-Executive, Non-Independent Director) Appointed to the Committee w.e.f. 20 February 2020
Mr A S Ibrahim (Chief Executive Officer/General Manager)	Non-Director
Mr Sanjeewa Bandaranayake (SDGM – Operations)	Non-Director
Mr Lionel Fernando (SDGM – Operations)	Non-Director
Mr Rohan Tennakoon (DGM – Risk and Control)	Non-Director

Integrated risk management committee report

Assessment of Management Level Committees

- Reviewed the adequacy and effectiveness of the functions carried out by the Assets and Liabilities Committee (ALCO) by reviewing meeting highlight reports and the annual assessment performed against the ALCO's TOR.
- Reviewed the effective functionality of Executive Integrated Risk Management Committee (EIRMC) by reviewing the meeting highlights/minutes of the EIRMC meetings which include the deliberations carried out particularly on the credit risk and operational risk matters. DGM-Risk and Control who chairs the EIRMC briefed the activities of EIRMC to the Committee.

Credit risk

- Reviewed the portfolio quality through non-performing loan analysis based on assets and products together with other credit risk indicators such as sector-wise credit concentration and compliance with the Single Borrower Limits etc. The Committee deliberated in detail on the necessary course of action to improve the asset quality of the Company.
- In February 2020, the credit policy was reviewed and the proposed amendments thereon were approved by the Board.
- Reviewed the adequacy of impairment coverage and stress test results performed for credit risk.

Liquidity and market risk

- Reviewed the adequacy of liquid assets maintained and the maturity mismatch, sensitivity analysis and interest rate repricing gaps.
- Reviewed liquidity stress test results and adequacy of contingent funding lines.
- Reviewed the highlight reports of ALCO meetings submitted to the Committee in assessing the effectiveness of liquidity and market risk management.

Operational risk

- Reviewed key operational risk indicators established in respect of ICT, Human Resources, Frauds etc.
- Reviewed the progress of Business Continuity Plan implementation process and the adequacy of disaster recovery plans.

Regulatory and compliance risk

- Reviewed the Company's compliance with the regulatory requirements and monitored against the risk tolerance levels.
- Reviewed the compliance reports submitted by the Compliance Officer to assess the Company's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies in all areas of Company operations.
- Reviewed the adequacy of capital in line with new capital adequacy requirements of the Central Bank of Sri Lanka which came in to effect from 1 July 2018.

Strategic risk

- Reviewed the effectiveness of strategies implemented in response to the changes in the business environment.
- Reviewed strategic risk indicators against the risk tolerance levels.

Assessing the risk profile of subsidiary companies

During the year under review, in line with the Finance Companies (Corporate Governance) Direction, No. 03 of 2008, Section 8 (3) (b), the following subsidiary companies submitted Risk Dash-board/key risk indicator reports to the BIRMC enabling the Committee to review the risk profile of each subsidiary company and the overall risk profile of People's Leasing Group. Highlights of subsidiary company reviews are given below:

People's Insurance PLC (PI)

- The Committee reviewed the underwriting quality, investment concentrations together with KRIs of default risk, operational risk, strategic risk, compliance risk on a quarterly basis.
- The Committee reviewed the PI's Compliance to the Risk-Based Capital Model regulated by the Insurance Regulatory Commission of Sri Lanka (formerly known as Insurance Board of Sri Lanka).

People's Micro-commerce Ltd. (PML)

- PML is involved in the business of providing microfinance facilities to ensure financial inclusivity of the under privileged, rural and urban population and operates with a different risk profile.

- The Company's risk profile was quarterly reviewed by the Committee against set risk tolerance limits.

Other subsidiaries

- BIRMC quarterly reviewed the Risk Dash-board reports submitted by People's Leasing Fleet Management Limited.
- Reviewed the Risk Indicator reports submitted by People's Leasing Property Development Limited.

People's Leasing Havelock Properties Limited and Lankan Alliance Finance Limited (People's Leasing's Bangladesh Subsidiary) commenced preparing Risk Indicator Reports and Risk Dash Board Reports respectively from December 2019 onwards. The relevant papers were discussed by the BIRMC at its meeting held in June 2020.

The Risk and Control Department co-ordinated with aforementioned subsidiaries of People's Leasing and briefed the Committee with the relevant information through various risk indicators and additional information.

Detailed assessment on Group Risk is given on pages 137 to 138 in this Annual Report.

Others

- Worked closely with the Corporate Management, Senior Management and Key Management Personnel supervising broad risk categories (credit, market, liquidity, operational and strategic risks) and made decisions on behalf of the Board within the framework of the authority and responsibility assigned to the Committee.

Integrated risk management committee report

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- Supervised the procedures of Integrated Risk Management responsibilities pertaining to risk management strategies, policies and processes.
- Recommended corrective action to mitigate the effects of specific risks at levels beyond the risk tolerance levels approved by the Board and on the basis of Company's policies, regulatory and supervisory requirements.

During the year under review, the BIRMC extended its support in line with the risk appetite and tolerance framework, in the execution of overall business strategy emphasising the upside and downside risks which can have an impact on the Company.



Chanura Wijetillake
Chairman
Board Integrated Risk
Management Committee

8 July 2020
Colombo

Risk management

Overview

In a context where operating environment is volatile and unpredictable, it is imperative that the Company has a well-defined risk management framework to manage risks and optimise the shareholder value by minimising the effects of down-side risks and determining the best trade-off between risk and return.

The nature of the business model of the Company

exposes it a myriad of risks. People's Leasing, as a financial institution and lending being its main business activity, Credit Risk is the dominant risk to which the Company is exposed followed by other risks such as operational, market, liquidity and capital adequacy.

The reporting year was tumultuous and stressful for the country's economy, mainly due to effects caused by Easter

attacks, political uncertainty that arose around Presidential Election in November 2019 and inclement weather conditions. COVID-19 pandemic outbreak that was triggered at the latter part of the reporting year exacerbated the negative impact on the economy.

The NBFi industry too was negatively affected by the economic downturn and resulted in decelerated credit

growth. The industry's asset quality continued to deteriorate due to customer defaults. The regulator increased the capital adequacy requirement that should be maintained by the NBFIs. However, due to COVID-19 pandemic outbreak, the CBSL extended the time line by one year to comply with the enhanced minimum capital adequacy requirements.

Risk event	Impact	Company's responsive strategies/risk mitigation strategies
Depressed economic growth	Decelerated demand for credit due to unfavourable credit environment.	Cautious on granting credit to assets that are highly vulnerable for economic downturns. Focused on growing low risk products.
Easter sunday attacks	Tourism industry was severely affected and the impact was felt across the economy. Weakened the business confidence.	Having assessed the impact based on detailed analyses, the Company accommodated the debt moratorium for tourism and other affected sectors. Continued to grow business on other safer sectors.
Presidential/parliamentary elections	Political uncertainty negatively affected the general business sentiments.	While endeavouring to achieve budgetary targets, focused on internal cost optimisation.
Cancellation of license of finance companies and unethical financial services providers	Loss of customer confidence. Increase in pre-mature withdrawal of deposits.	Focused on building a strong brand value and stakeholder trust.
Cyber-attacks	Interrupt business activities and loss of confidential data.	Built the awareness and shared knowledge of known attacks among the staff. Invested in systems and processes to counter cybersecurity risks.
Country-wide lockdown due to COVID-19 pandemic	Loss of income and livelihoods for a large segment in the society. Increase in non-performing assets and impairment charges.	Six month debt-moratorium accommodated for customers affected. Formulated a short-term action plan to manage risks, credit and liquidity risks in particular.

Risk management framework

Risk governance

The Board of Directors is the apex body which sets the tone for effective risk management in the Company. The three lines of defence model explains how the parties in the governance structure are differentiated according to their specific roles and responsibilities. Each layer of defence has its own distinct role which provides shield to mitigate the onslaught of risk while foreseeing any emerging risks to devise appropriate strategies.



Role of committees

Board level

Board Integrated Risk Management Committee (BIRMC)	Board Audit Committee (BAC)
Chaired by: Independent, Non-Executive Director	Chaired by: Independent, Non-Executive Director
Members: Two Non-Independent, Non-Executive Directors, CEO/GM, two SDGM – Operations, DGM – Risk and Control Regular invitees include; DGM – Marketing, DGM – Recovery and Administration, DGM – Internal Audit, Representative Officers of People's Leasing Subsidiary Companies	Members: Three Non-Executive Directors Invitees include; Key Management Personnel, External Auditors
Key function: Reviewing overall risk profile of the Company/Group	Key function: Overseeing financial reporting, internal controls and monitoring auditor independence
Meeting frequency: Quarterly	Meeting frequency: Quarterly
Reporting: Minutes of the BIRMC meeting to the Board Detailed report is given on pages 124 to 126	Reporting: Minutes of BAC to the Board Detailed report is given on pages 118 and 119

Management level

Asset and Liability Management Committee (ALCO)	Executive Integrated Risk Management Committee (EIRMC) (formerly Integrated Risk Management Operating Committee)
Chaired by: CEO/GM	Chaired by: DGM – Risk and Control
Members: Two SDGM-Operations, DGM – Risk and Control, DGM – Recoveries and Administration, DGM – Marketing, CM – FD and Savings, CM – Finance, Head of Treasury	Members: Members of Corporate management, CMs – Operations, SM – Operation, Risk owners of functional areas
Key function: Reviewing treasury, asset and liability functions of the Company	Key function: Reviewing credit related risks and operational risks
Meeting frequency: Regular meetings on a monthly basis. However, special meetings are conducted if an urgent need arises	Meeting frequency: Quarterly
Reporting: Minutes of meetings to the Board and a report of meeting highlights on a quarterly basis to the BIRMC	Reporting: Recommendations to the CEO/GM Minutes of meetings to the BIRMC

Risk culture

Building a sound risk culture in an organisation is a continuous process. People's Leasing is committed to foster a sound risk culture where all employees are aware of risks and making informed risk decisions. The Company's risk culture encompasses the risk governance structure, risk appetite framework, policy framework, risk management and internal control framework. The Risk and Control Department (RCD) provides appropriate training/awareness to the employees, credit officers in particular to educate them of the risks.

Policy framework

The Board of Directors bears the ultimate responsibility for establishing strong policy framework in the Company. During the reporting year, the Company policies were reviewed and the required amendments thereon in line with the operational environment and regulatory

requirements were proposed to the Board for approval. The Board approved these policy amendments for immediate adoption. New policies were also formulated for identified risk areas and adopted the same upon the approval of the Board.

Risk appetite

The Board is responsible for setting the risk appetite for the business and the implementation thereof comes under the purview of the

Management. The risk appetite is determined on the level of risk that the Company is willing to accept in reaching for its business objectives and quantifiably expressed through risk tolerance limits.

The performance against risk tolerance limits is monitored through the Risk Dash-board report submitted to the BIRMC on a quarterly basis. The BIRMC is responsible for reviewing the Risk Tolerance Limits at least annually in line with the changes in strategic objectives, operating environment, regulatory requirements and capital plans. In June 2020, the BIRMC reviewed the Risk Tolerance Statement and the Board adopted the same on the recommendation of the BIRMC.

Policies reviewed and updated in 2019/20

- Credit policy
- Policy on valuation on inspection of immovable properties
- Policy on outsourcing of business operations
- Property acquisition and disposal policy
- People's Leasing whistleblower policy
- Policy for engagement of external auditors to provide non-audit services
- Policy on writing-off of financial accommodations
- Treasury policies and procedures
- Investment policy on liquid assets
- All ICT policies including policies on information security, disaster recovery, cybersecurity etc.

New Policies formulated in 2019/20

- Dividend Policy
- Policy on Post Disbursement review
- Pricing Policy

Risk management

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Risk category	Risk indicator	Unit	Maximum risk tolerance limit	Position as at 31 March 2019	Position as at 31 March 2020
Credit risk	Non-performing ratio (gross)	%	< 5	3.91	7.62
	Three months overdue ratio (gross)	%	<10	7.57	20.34
	Profit and loss charge ratio (on profit)	%	<20	28.02	58.61
Credit concentration risk	Single/group borrower limit		As per CBSL	Complied	Complied
	HHI score	Points	<0.40	0.21	0.22
Liquidity risk	Liquid assets ratio	%	>100	108.90	110.59
	Maturity mismatch ratio (up to one year)	%	>-45	-20.04	-21.94
	Facilities granted from stable sources	%	<150	114.96	105.29
	Liquid assets to short-term liability ratio	%	>30	78.19	203.57
	Maximum single depositor concentration	%	<5	4.33	4.20
	Exposure to bulk deposits (over Rs. 50 million)	%	<20	21.89	24.17
Market risk	Interest rate sensitivity	%	<6	0.37	0.29
	Repricing gap ratio (up to three months)	%	>-20	-7.43	4.13
Operational risk	Frauds detected (value as a percentage of operational expenses) – FY 2019/20	%	<0.5	Nil	Nil
	Unsatisfactory audits (as a percentage of total audit reviews) – FY 2019/20	%	<15	Nil	8.70
	Cost to income ratio	%	<50	37.81	36.53
	Staff turnover ratio (Annual)	%	<15	11.15	9.18
Regulatory risk	Capital adequacy ratio				
	– Tier I capital ratio	%	>6	14.36	15.12
	– Total capital ratio	%	>12.5	15.20	15.99
	Capital funds ratio	%	>12.5	32.39	28.33
Strategic risk	Return on equity ratio	%	>15	15.88	10.00
	Return on assets ratio	%	>3.5	3.95	2.64
	Net interest margin	%	>7.5	9.70	9.68
	Gearing ratio	Times	<7	4.75	4.38

Managing Principal Risks at People's Leasing

Credit Risk

Credit risk relates to the financial losses that may arise in the event that the counter-party to a financial transaction fails to discharge his/her obligations. It may lead to suspension of interest recognition on loans granted, classification of loans into non-performing category, impairment charges, loss of principal and interest and write-offs of non-performing

facilities and losses arising from disposal of repossessed assets, all adversely impacting profitability of the Company. At People's Leasing, the credit risk may arise on leases, loans and other lending products such as margin trading, factoring, gold loans etc. which in effect account for over 85% of total assets.

Reflecting the trend experienced across the industry, the Company's asset quality continued to deteriorate during the reporting year mainly due to its financed assets being

vulnerable to the lackluster economic performance of the country. Early in financial year 2019-20, Tourism sector was negatively affected followed by the Easter Sunday Terror Attacks and the Company, in line with the Government instructions, accommodated debt moratorium and other reliefs to tourism and other affected sectors.

During Pre-COVID period, the Company focused on growing lending products which are less vulnerable for economic downturns and products with low credit risks.

The RCD introduced a mechanism of computing credit competency scores on an individual credit officer basis to assign credit authority limits. Credit competency scores were computed based on selected credit quality criteria. With a view to improve the scrutiny level for property-based loans, credit approvals for property based loans were centralised and grantings were done with higher level of scrutiny.

Improving knowledge on credit assessment was one of the top priorities during the period under review. The RCD

conducted on-going training for marketing staff to improve their knowledge on credit assessment and evaluation.

RCD conducts Post-Disbursement Review on active facilities on a regular basis. While the Post-Disbursement Review cannot reverse a decision to lend, it may where appropriate, facilitate taking any corrective measures to remedy any defects. Facts revealed from the review are swiftly communicated to respective credit officers involved from low authority to high authority level and a summary report of findings of the reviews is also submitted quarterly to the EIRMC. During the year under review, with a view to standardise the exercise of the Post-Disbursement Review, a Policy was formulated defining objectives, scope, roles and responsibilities and reporting lines etc.

The Company adopted internal Loan-to-Value (LTV) Ratios, below the LTV ratios specified by the CBSL for identified high risk assets and grantings therefor were done selectively and with a higher level of scrutiny.

In February 2020, the Credit Policy of the Company was reviewed and updated to be reflective of the operating environment and regulatory requirements.

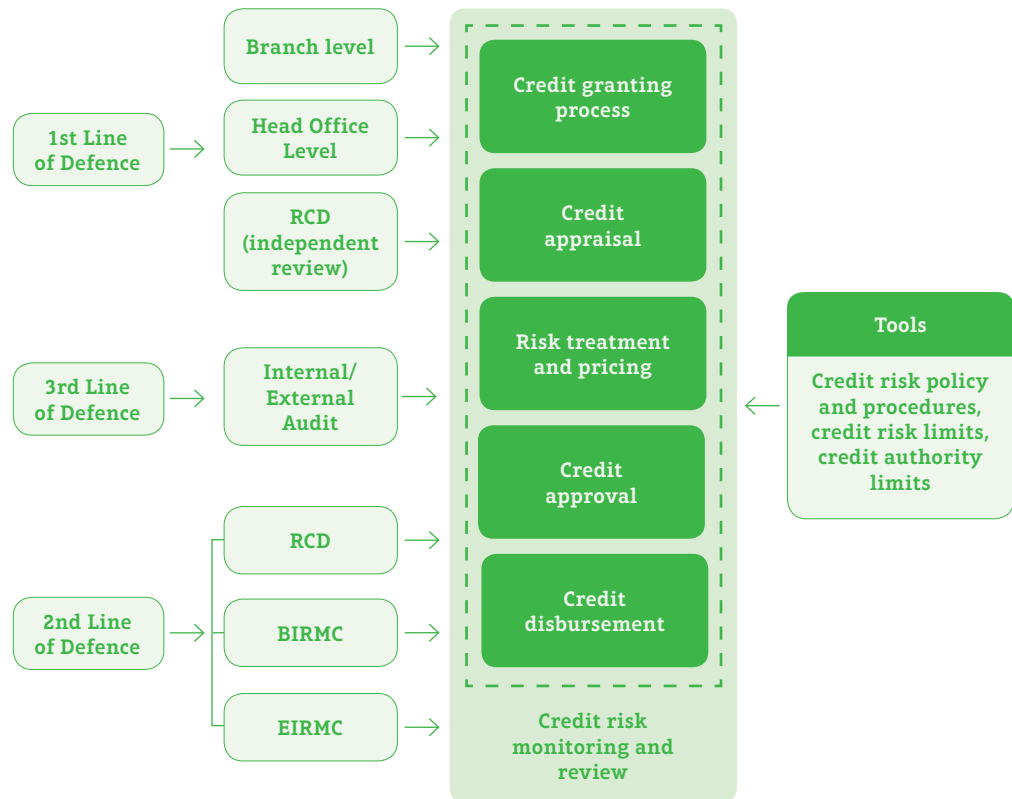
COVID-19 pandemic outbreak triggered in the country in mid-March 2020 caused unprecedented changes locally. Non-performing advances were substantially increased only in the month of March 2020. The CBSL issued a direction on six month debt moratorium to provide relief to the customers who are affected from COVID-19 outbreak. To assess the impact due to COVID-19 pandemic outbreak, the Company's existing lending portfolio was categorised from low to high impact.

Potential impact	Description
High	Customers expecting a structural shift in the business and undergoing elevated credit risk
Medium	Customers expected to experience prolonged stress more than 1 year
Low	Customers who can bounce back within short term
No impact	Customers not affected by the pandemic

Currently, the Company is in the process of finalising the debt moratorium applications forwarded by the customers. The Company continued

to perform its recovery procedures for identified segments of customers who are not affected or least affected from COVID-19 outbreak.

The real impact in terms of non-performing advances and impairment is yet to be assessed upon the finalisation of debt moratorium requests.



Credit granting process

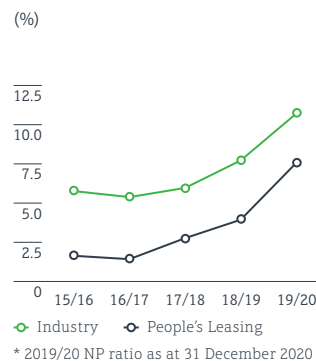
Activity	Description	Improvement measures taken in 2019/20
Credit appraisal	Credit proposals are originated at the branch level and evaluated in line with the credit policy and the operational guidelines issued from time to time by the Corporate Management.	RCD conducted credit trainings to enhance knowledge on credit assessments and evaluations.
Credit risk treatment	Cash flows will be considered as the primary source of repayment. As a secondary recourse, collateral in the form of movable property, immovable property, trade debtors or personal guarantees are obtained. Valuations on collateral where applicable are obtained from professional valuers. Second opinions are also obtained wherever possible. Responsible officers of branches are required to carry out inspections on vehicles and properties.	Increased the scrutiny level for property based loans. In respect of property valuation, the CBSL issued a direction revising the eligibility criteria of valuation officers and other requirements. People's Leasing's Policy on Valuation of Immovable Properties amended in line with the same and adopted upon the Board Approval.
Credit approval	Credit approvals are in line with the delegated authority. Authority is delegated by the Board to CEO/GM, SDGMs – Operations and selected officers progressively at lower levels of the Company's credit organisation down to the level of Branch Manager. RCD independently evaluates the Credit proposals forwarded above prescribed limit and provides recommendations thereon to next authority levels.	RCD initiated an exercise of calculating individual credit scores based on the asset quality criteria and Credit Authority limits were aligned thereon.
Credit disbursement	All disbursements of approved facilities are released by the payment unit at Head Office upon the confirmations by the Documentation, RMV and the Supplier Payment Units.	Initiated automation of processes replacing manual activities to improve the operational efficiency.
Credit risk monitoring and review	Credit Risk monitoring is carried out on an on-going basis by the RCD and findings thereof are reported to CEO/GM and EIRMC for their recommendations and action. The RCD reviews the Credit KRIs on a monthly basis and communicates any negative trends identified to the Corporate Management for their immediate attention and action. Quarterly, the RCD submits the Risk Dash-board report that details the status and trends of lending portfolio to the BIRMC for their review and recommendations.	RCD is responsible for coordinating the EIRMC and BIRMC meetings. RCD prepared and forwarded committee papers comprise of detailed risk analyses for those committees' consideration and deliberation. Commenced monitoring the infectious portfolio based on the facilities granted during last 12 months.

Credit recovery

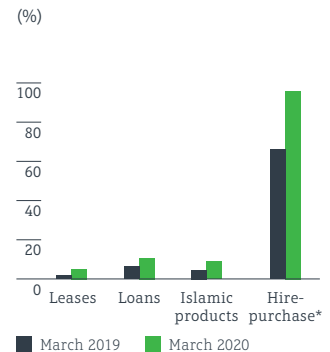
The Company has a dedicated Recoveries Department headed by a DGM and two centralised units namely special recovery and legal recovery units operating thereunder. The Company's credit recovery is coupled with a continuous review process at the branch level and Head Office level.

Recovery officers at the branches are geared to monitor the collection of rentals and identify post-disbursement recovery issues. Special recovery and legal recovery units at the Head Office further facilitate recovery action for the identified non-performing facilities. Legal action is initiated for non-performing facilities above 6-9 months.

Industry vs People's Leasing non-performing loans ratio

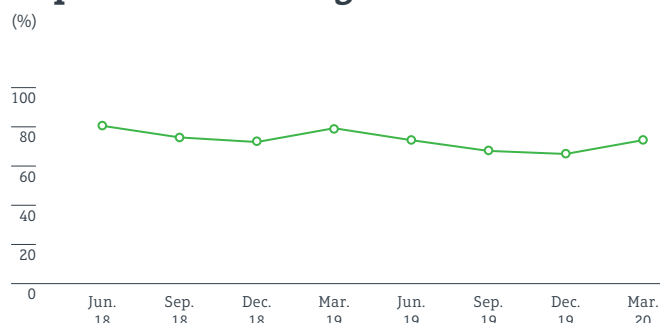


Product-wise non-performing loans ratio comparison

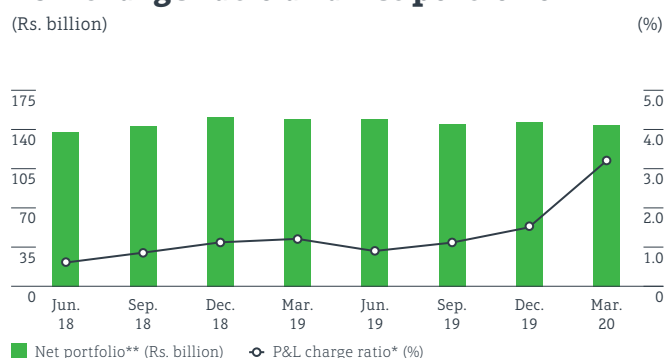


* Hire purchase is a discontinued product. The net portfolio as at 31 March 2020 is only 133 million which is insignificant compared with the total lending portfolio.

Impairment coverage ratio



P&L charge ratio and net portfolio



* P&L Charge Ratio=(Impairment Charge+disposal losses+write-offs/Net portfolio)
 ** Net portfolio after Impairment

Market risk

Market risk is the potential risk that the value or earnings of a company may decline due to exposure to market driven factors. Under this risk, there are four (04) sub categories affecting the Company's operations – interest rate risk, commodity price risk, equity investment risk and exchange rate risk which are discussed below:

Market risk category	Description	Risk exposure to the Company
Interest rate risk	This is the volatility in the value of interest rate sensitive products and the susceptibility of the future income and expense levels to the changes in the market interest rates	High
Commodity price risk	Uncertainties of future market values and on the future income due to the fluctuation in the prices of commodities	Low
Equity investment risk	Possible losses arising as a result of volatility and adverse movement in equity prices	Negligible
Foreign exchange risk	Foreign exchange risk relates to the losses from adverse exchange rate movements	Negligible

Interest rate risk

The Company is mainly exposed to Interest Rate Risk as the majority of its assets and liabilities are interest rate sensitive. Treasury and ALCO play key roles in managing interest rate risk. The Treasury regularly monitors the interest rate environment and the movement of key interest rate indices such as the Average Weighted Prime Lending Rate (AWPLR) and rates of Government securities (Treasury Bill Rates) and a comprehensive report thereof is provided to the ALCO to make decisions on deposit rates and lending rates to maintain desired margins.

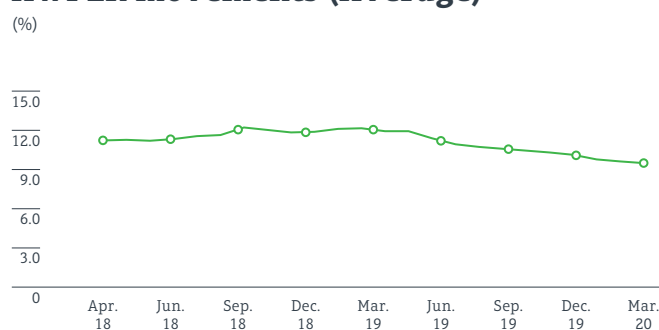
The ALCO monthly reviews the Interest Re-pricing Gap Analysis prepared based on Interest Sensitive Assets and Interest Sensitive Liabilities into various time buckets according to maturity (if they are fixed rates) or time remaining to their next

re-pricing (if they are floating rates). Sensitivity Analysis is also performed to assess the impact on Net Interest Income for a 1% change in interest rate. During the period under review, the ALCO set limits for each time bucket in Interest Rates Re-pricing Gap Analysis and for Interest Rate Sensitivity Analysis to assess and monitor the risk exposures effectively.

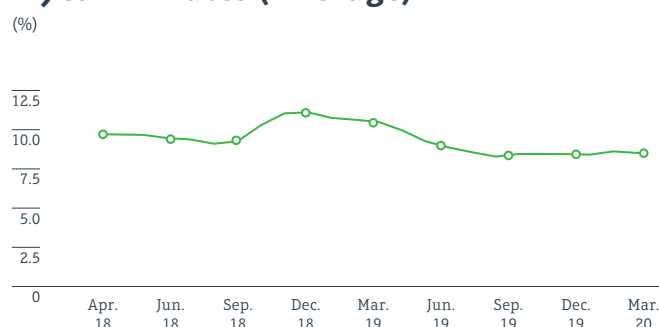
Key market risk indicators such as interest rate sensitivity and re-pricing gap ratios were also reviewed by the BIRMC quarterly against pre-defined risk tolerance levels. Stress testing is performed quarterly to test the impact on the net interest margin and the profits under various stressed scenarios of interest rate movements and the same is reviewed by the BIRMC.

Interest rate repricing analysis is presented on pages 280 and 281.

AWPLR movements (Average)



1 year TB rates (Average)



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Stress test on NII on the interest rate shock

Impact on NII Rs. '000	2020		2019	
	Increase	Decrease	Increase	Decrease
1%	(52,577)	52,577	(53,540)	53,540
3%	(105,154)	105,154	(160,619)	160,619
5%	(157,732)	157,732	(267,698)	267,698

Commodity price risk

This risk results from exposures to changes in prices and volatilities of individual commodities. The Company is exposed to commodity price risk due to its gold loan product. A dedicated Gold Loan Unit is established centrally to monitor and coordinate operations of gold loan units in the Branch network. RCD monitors the gold price movements daily and assesses the gold price volatility based on Exponentially Weighted Moving Average (EWMV) method as it places greater weight on recent price changes while diminishing the weight on older price changes. The ALCO monthly reviews the gold price movement, price volatility and product performance.

Equity investment risk

This relates to the losses arising from adverse movements in the value of any equity investment held by the Company as a result of volatility in equity prices. Margin Trading Department of the Company regularly monitors the movement in stock market prices, broader economic conditions and political environment which could potentially have impacts on share prices. ALCO monthly reviews the detailed equity investment report to decide on appropriate action to mitigate risks. Board approved stop loss policy is in place to manage equity investment risk exposure. The ALCO decided the appropriate action on

equity that exceeds the stop loss limit. The equity portfolio recorded a market value of Rs. 13.5 million as at the year-end, which is insignificant compared to the size of the Company.

Foreign exchange risk

Foreign exchange risk relates to the losses from adverse exchange rate movements during a period in which it has an open position in a currency. It is the Company's policy to keep no foreign currency in open position. Accordingly, no foreign currency exposure was held in open position during the reporting year.

Liquidity risk

**People's Leasing
credit rating**

**A+ (Ika) by
Fitch Ratings Lanka**

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. Effective management of liquidity is significant to ensure confidence and smooth operations to generate working capital under any circumstance.

As stipulated by the CBSL direction, the Company is required to maintain liquid assets in respect of fixed deposits, savings deposits, and any unsecured borrowings.

The Treasury Department is tasked with executing day-to-day liquidity management within the parameters set by the ALCO. Deposit base is the dominant source of funds while its growth in turn may increase the level of liquidity risk exposure of the Company. Throughout the reporting year, the Company maintained liquid assets above the regulatory requirement. The Company maintains adequate unutilised facilities to honour all cash outflow commitments as and when they fall due to mitigate the liquidity risk. This ensures the availability of liquidity to meet the Company's obligations and act as a buffer to support any deficiency in liquidity.

The Treasury reports to the ALCO on the management of liquid assets, cash flow forecasts, borrowing maturity analysis for information of the Committee. ALCO monthly reviews liquidity risk indicators such as maturity mismatch analysis, liquid asset ratio and capital adequacy ratios at its meetings. During the reporting year, the ALCO set limits for each time bucket in the maturity analysis to review them effectively at monthly meetings.

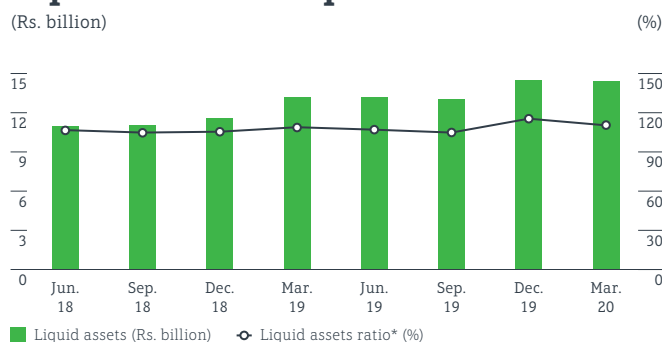
Maturity Analysis is presented on page 275.

ALCO also emphasised the requirement of focusing on stable sources of funding in managing the liquidity risk. The Committee further recommended to look for foreign term loans as an alternative source of funding. The ALCO also reports to the Board and recommends appropriate action it deems necessary to limit or mitigate and to manage such risks.

Stress testing is performed and results thereof are reported to the BIRMC on a quarterly basis. During the reporting year, Treasury Department reviewed the existing approved policies on liquidity risk management.

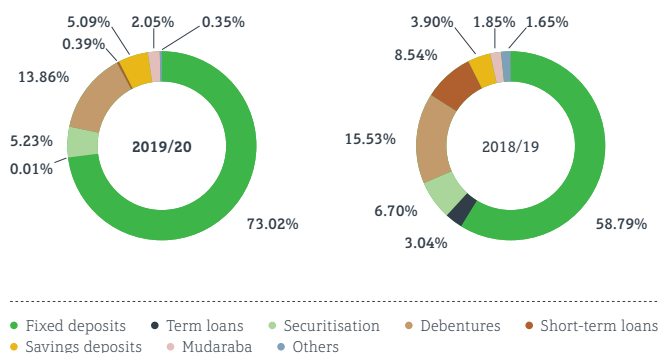
Due to COVID-19 outbreak, the CBSL relaxed regulatory requirement of maintaining liquid assets for LFCs with a view to ease possible stress due to sudden withdrawal of cash by depositors and delay of repayment of loan rentals. Accordingly, liquid asset requirement on time deposits, saving deposits, and unsecured borrowings were reduced to 6%, 10% and 5% respectively. The Company is currently maintaining comfortable level of liquid assets while ensuring it has instant access to funding lines if the need arises.

Liquid assets and liquid assets ratio



* Liquid asset ratio: liquid assets available/liquid assets required as per CBSL Direction.

Funding diversification



Liquid assets stress test Immediate withdrawal of deposits

Scenario	1 %	2 %	3 %
Magnitude of shock	10	15	20
Liquid asset ratio*	31.63	(13.64)	(63.54)
Liquid asset ratio* – after adjusting for contingent funds	194.81	157.51	116.38

* Liquid asset ratio: liquid assets available/liquid assets required as per CBSL Direction.

Capital adequacy

In 2018, the CBSL introduced a new capital adequacy framework for the LFCs. The framework requires risk weighted assets to be calculated for credit risk and operational risk based on the Standardised Approach and Basic Indicator Approach respectively, as stipulated by the Basel Committee on Banking Supervision.

Capital adequacy



Minimum regulatory requirements

Component of capital	01.07.2018	01.07.2019	01.07.2020	01.07.2021
Tier I capital	6.00%	7.00%	8.00%	10.00%
Total capital	10.00%	11.00%	12.00%	14.00%

ALCO reviewed the forecasted capital adequacy requirement for the next three financial years to check the Company's compliance status to enhanced regulatory requirements. The Company is in a comfortable position and forecasted ratios are above the minimum regulatory requirement. This is monthly reviewed by the ALCO at its meetings.

The Company's Scrip Dividend issue in July 2019 resulted in increasing the capital of the Company. The Company comfortably maintained its capital adequacy above the regulatory requirement throughout the year.

Considering the COVID-19 situation and its effects, the CBSL decided to relax

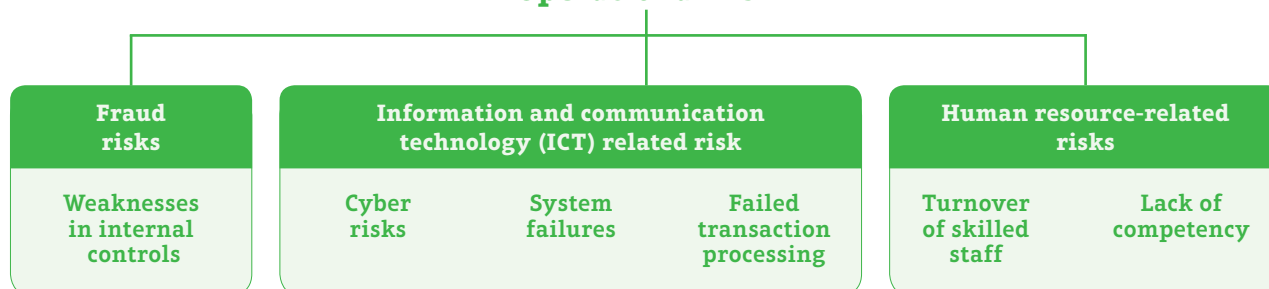
measures on minimum capital adequacy requirements for LFCs. Accordingly, capital enhancement requirement due on 1 July 2020 and 1 July 2021 will be deferred for a further period of one year until 1 July 2022 and 1 July 2023 respectively.

Also, the CBSL provided one year extension to comply with minimum core capital requirements. Accordingly, time line of 1 January 2020 and 1 January 2021 already set for the enhancement of capital up to Rs. 2 billion and Rs. 2.5 billion will be extended until 31 December 2020 and 31 December 2021, respectively. However, this requirement will not have any implications on People's Leasing, as the Company's Capital is well above this.

Operational risk

Operational risk arises due to inadequate and inappropriate internal processes, systems and people or from external events. It is inherent in all business activities and the Company's objective is to manage risks in a cost-effective manner. For the effective identification and management of risk, the sub categories of operational risk have been identified such as fraud risk, ICT-related risk and HR-related risk which have been described in detail below:

Operational risk



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The Company manages operational risk through clearly established policies and procedures, regular risk assessments and control actions. Tools such as Key Risk Indicators (KRIs) and audit findings are used to identify and assess operational risks.

The Company's operational risk mitigation arrangements include fostering a strong internal control framework, information and system security, insurance coverage, procedures relating to outsourcing of business activities, a comprehensive Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP), creating risk awareness culture, operational risk monitoring and reporting.

Internal control framework

The Company has established robust controls with well-defined segregation of duties, policies, and procedures. These internal controls include both manual and application controls and ensure adherence to laid down procedures ensuring segregation of duties. Authority levels have been established to ensure the escalation of operational issues to the higher levels. Authority and approval limits are implemented for all functions of the Company including for payment approval and thus, making employees accountable for their actions. All key functions are subject to the scrutiny of another suitably skilled and authorised employee. The Internal Auditors conduct audits on a regular basis in the areas which are susceptible to the occurrence of fraud.

Information system security

The Company maintains a well-established IT risk management framework.

Comprehensive IT policies for identified risks have been formulated and are updated annually. The Company maintains its IT processes in compliance with the standard ISO 27001:2013 and certification thereof is renewed every 3 years after an audit. A separate Vulnerability Assessment and Penetration Test (VAPT) is also conducted annually in compliance with ISO/IEC 27001:2013 to safeguard against any malicious threat of gaining access to the Company's computer system and identified any lapses are rectified based on the findings thereof.

Disaster recovery site and other facilities are maintained in compliance with said standards and an audit thereon is carried out by the External Auditors (DNV). Disaster recovery replication is tested twice a day (8.00am – 8.30am) and (3.00pm – 3.30pm) once in every two days.

ICT Department regularly monitors the data link connection and in case of a breakdown, the same is promptly reported to the telecommunication service provider to take appropriate action. IT risk events such as system failures, cyber-attacks, data link breakdowns, status of DR site replication of live data bases are reported to the BIRMC quarterly for their review.

Human resource-related risks

The Company ensures it attracts, develops, and retains employees with capabilities and commitment that are required in achieving strategic objectives by rewarding and recognising. The training needs are duly identified and focused training is conducted to create awareness, including high standards of ethics and integrity. All staff members are free to meet their senior managers at any time, in

discussing their work-related matters or address their grievances.

The Management takes appropriate measures to rotate staff in an attempt to discourage malpractices. If and when frauds are detected, immediate remedial disciplinary action is taken with zero tolerance standpoint. Employees are encouraged to report on their concerns regarding fraud and mis-conduct through the whistleblower link which is also included in the People's Leasing intranet whilst the anonymity of the whistleblower is strictly maintained.

People's Leasing has identified the importance of health and safety concerns of employees as a part of employee-related operational risk. The Company has established required safety measures to minimise work-related injuries. In continuing the Company's operations as an essential service during the period of lockdown due to COVID-19 outbreak, work from home arrangements were facilitated wherever possible considering the safety of staff members. Through emails and People's Leasing intranet, staff members were made aware of the safety measures that should be adhered by them in line with the instructions given by the Health Authorities. Safety measures recommended by the Health Authorities were implemented at the work premises to ensure the safety of staff.

Insurance arrangements

People's Leasing has comprehensive insurance policies to cover risks on property, furniture, and fittings, fixed assets, money, electronic equipment etc. These policies have been timely renewed and are in active status.

Outsourcing

The Company has formulated a detailed policy on outsourcing of business operations in compliance with the directions issued by the CBSL. This policy mainly sets out the identified services for outsourcing, services that cannot be outsourced, selection procedure of outsourcing service providers and roles and responsibilities etc. According to this Policy, any outsourcing arrangement should be approved by the Board. The Compliance Department annually informs the list of outsourcing arrangements to the CBSL.

Business continuity planning

People's Leasing has a Business Continuity Plan (BCP) developed in consultation with Messrs Somaratna Consultants (Pvt) Ltd. (SCL) in compliance with the professional practices prescribed by the Disaster Recovery Institute International of USA one of the apex organisations in the world on the subject.

BCP includes a set of plans which is required to establish the correct preparedness for a disaster situation and sets out the BCP Management Team (BCPM Team) and their distinct roles and responsibilities.

The BCPM Team consists of members of corporate management, senior managers and BCP coordinators. The team met in early March 2020 prior to lockdown in the country to discuss and decide on the Company-wide preparedness based on scenarios of lockdown due to possible outbreak of COVID-19. The existing BCP was useful to formulate operational plans for the possible scenarios of COVID-19 pandemic outbreak. Main areas of concerns at this meeting were; prioritising the processes,

products, and services, work from home arrangements, safety arrangements at work premises and crisis communication.

Review of operational risk

Status of key operational risk indicators is reported quarterly to the BIRMC to review them against risk tolerance limits. Adequacy of internal controls is evaluated through the reviews carried out by the Internal Audit at the Branches and Head Office Departments. Based on the audit reports, RCD identifies operational risk events and a summary report prepared thereon is quarterly submitted to the EIRMC for deliberations and decisions on necessary action.

Compliance and regulatory risks

Compliance risk may arise due to the failure to abide by any laws or regulatory requirements applicable to the Company. The Company's compliance with internal controls and approved policies in all areas of business operations is regularly monitored by the Compliance Officer and the confirmations on compliance status are obtained from the respective Departments on a quarterly basis. The Compliance Officer regularly assesses the Company's compliance with laws, regulations, new directions issued, rules and regulatory guidelines applicable for the Company and the status thereof is reported to the BIRMC quarterly for its review.

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 to monitor reporting and compliance with all mandatory reporting requirements, with the intention of establishing a fully-compliant corporate governance and risk mitigating culture. Providing third line of defence, Internal Audit carries out compliance audit annually and the report thereof is submitted to the Board Audit Committee.

The detailed report on compliance function is given on pages 75 to 76.

Legal risk

Legal risk can be defined as the risk of loss due to non-enforceability of contracts or documents due to inaccurately drafted contracts, the absence of written agreements or inadequate agreements. Legal risk is managed by the Legal Department of the Company ensuring that applicable regulations are fully taken into consideration in all relations and contracts with customers. The Legal Department consists of experienced lawyers with the capability of handling legal issues, matters with regard to collateral documentation and execution etc. Required third party consultations are also obtained, whenever required, in order to mitigate any legal risk exposure.

Strategic risk

Strategic risk arises from adverse business decisions, improper implementation of decisions or lack of responsiveness to changes in the business environment. People's Leasing believes that the right strategy selection together with effective execution is a prerequisite in achieving strategic objectives.

Strategic Planning Session is conducted annually to devise strategies to achieve strategic objectives and budgets and action plans decided thereat are documented in the three-year strategic plan and adopted upon the approval of Board of Directors.

The achievement of budgets and action plans is reviewed by the Board at their meetings with management updates thereon. Further, the effectiveness and performance of subsidiaries are also assessed in order to mitigate the strategic risk of diversification.

Reputational risk

Reputational risk is an event or incident that could adversely impact on earnings, assets, and liabilities and brand value. The Company understands risk interdependency as the reputational risk is also driven by a wide range of other risks such as credit, market, and operational risk etc.

Scope for reputational risk has widened with the usage of social media. Reputational risk of the Company is broadly managed through effective management of key risks such as credit, market, and operational risks etc.

As part of the corporate governance process, communication policies, code of conduct, and ethics are also in place and it is expected to be followed by all employees without exception.

The Company also effectively involves in promoting Corporate Social Responsibility (CSR) activities as part of corporate strategy. Ethical business practices and commitment to the local community and the environment are part-and-parcel of the operations. The Company also maintains its media presence including social media platforms to improve its brand visibility through ongoing promotional activities.

The Company has adopted a customer complaints and grievances handling policy and procedures. The central marketing unit at Head Office monitors the customer complaints on a regular basis.

Group risk

Group risk relates to the loss (financial or non-financial) incurred by People's Leasing through its six subsidiaries. The BIRMC reviews the Group Risk through risk dash-board reports and Risk Indicator reports of subsidiaries. The representatives from each of the subsidiary companies participate at the BIRMC meetings which are held on a quarterly basis.

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Company	Relationship	Business operations	Reports submitted to BIRMC	Reporting interval
People's Insurance PLC (PI)	Subsidiary	Non-life (general) insurance business	Risk Dash-board report and comparison report	Quarterly
People's Leasing Fleet Management Limited (PLFML)	Wholly-owned subsidiary	Operating leases, Valuation services, Vehicle service facilities, Rent-a-Car unit, Fleet Management unit	Risk Dash-board Report with quarterly comparisons	Quarterly
People's Micro-commerce Ltd. (PML)	Wholly-owned subsidiary	Providing microfinance facilities to the under privileged, rural and urban population and providing hire purchase facilities	Risk Dash-board report and comparison report	Quarterly
People's Leasing Property Development Limited (PLPDL)	Wholly-owned subsidiary	Property development	Risk Indicator Report with quarterly comparisons	Quarterly
People's Leasing Havelock Properties Limited (PLHPL)	Wholly-owned subsidiary	Property development	Risk Indicator Report with quarterly comparisons	Quarterly
Lankan Alliance Finance Limited (LAFL)	Subsidiary	Finance Business in Bangladesh	Risk Dash-board Report and comparison report	Quarterly

Major risk categories

Subsidiary	Credit	Concentration	Market	Liquidity	Operational	Compliance	Strategic	Underwriting
PI	✓	✓	✓	✓	✓	✓	✓	✓
PLFML	✓	✓	✓	✓	✓	✓	✓	-
PML	✓	✓	✓	✓	✓	✓	✓	-
PLPDL	✓	✓	✓	✓	✓	✓	✓	-
PLHPL	✓	✓	✓	✓	✓	✓	✓	-
LAFL	✓	✓	✓	✓	✓	✓	✓	-

Risk profile of each subsidiary is different as they are operating in different industries with different business models. Therefore, risks should be assessed and mitigated separately. People's Insurance People's Leasing is the largest subsidiary by size which is regulated by the Insurance Regulatory Commission of Sri Lanka.

CEO of People's Leasing represents People's Leasing in the Boards of all subsidiary companies. This ensures full and sufficient knowledge of subsidiaries' operations and risk profiles. All inter-company transactions are carried out at arms-length. People's Leasing is the holding company and accounts for the largest balance sheet. i.e. over 90% of the total assets and liabilities of the Group.






People's Leasing ensures its awareness on changes in the business environment in finance, insurance, microfinance, and property development industries in mitigating the Group risk.

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		2019/20	2020/21
Interim financial statements publication 	Q1 ended 30 June	31 July 2019	Before 15 August 2020
	Q2 ended/ending 30 September	25 October 2019	Before 15 November 2020
	Q3 ended/ending 31 December	20 February 2020	Before 15 February 2021
	Q4 ended/ending 31 March	25 June 2020	Before 30 May 2021
Financial statements publication 	Year ended 31 March 2019	29 June 2019	
	Six months ended 30 September 2019	26 November 2019	
	Year ended 31 March 2020		15 July 2020
	Six months ending 30 September 2020		Before 31 December 2020
Annual Report publication 	Publication of Annual Report	August 2020	June 2021
Annual General Meeting 	Annual General Meeting	24th Annual General Meeting 11 September 2020	25th Annual General Meeting Before June 2021
Dividend payment 	Interim Dividend – Cash Paid for the year ended 31 March 2020	23 January 2020	
	Final Dividend – Scrip Scrip dividend for the year ended 31 March 2019	9 August 2019	

Directors' responsibility for financial reporting

The responsibility of the Directors, in relation to the Financial Statements of People's Leasing & Finance PLC (the Company) and the Consolidated Financial Statements of the Company and its subsidiaries (the Group) in accordance with the provisions of the Companies Act No. 07 of 2007 is set out in this statement.

The Directors confirm that the Financial Statements of the Company and the Group give a true and fair view of the financial position as at 31 March 2020 and the financial performance for the financial year then ended and place them before the Annual General Meeting. These Financial Statements comprise:

- Statement of Financial Position
- Statement of Profit or Loss
- Statement of Comprehensive Income
- Statement of Changes in Equity
- Statement of Cash Flows
- Notes to the Financial Statements

The Board of Directors accepts responsibility for the integrity and objectivity of the Financial Statements presented in this Annual Report. The Directors confirm that in preparing these Financial Statements:

- The appropriate accounting policies have been selected and applied in a consistent manner and material departures if any, have been disclosed and explained;
- All applicable accounting standards as relevant have been followed; and
- Reasonable and prudent Judgements and estimates have been made.

The Directors of the Company and the Group have responsibility for ensuring that the Company and the Group keep proper books of accounts of all the transactions as per

Sections 150 (1), 151, 152 and 153 (1) and (2) of the Companies Act No. 07 of 2007.

The Directors also ensured that the Company has adequate resources to continue in operation to justify applying the going concern basis in preparing these Financial Statements. Further, the Directors have a responsibility to ensure that the Company maintains sufficient accounting records to disclose, with reasonable accuracy, the financial position of the Company.

The Financial Statements of the Company and the Group have been certified by the Company's Chief Financial Officer, the officer responsible for their preparation as required by Sections 150 (1) (b) and of 152 (1) (b) of the Companies Act No. 07 of 2007. In addition, the Financial Statements of the Company and the Group have been signed by two Directors on 8 July 2020 as required by Sections 150 (1) (c) and 152 (1) (c) of the Companies Act No. 07 of 2007 and other regulatory requirements.

In compliance with Section 148 (1) of the Companies Act No. 07 of 2007, the Directors are also responsible for ensuring that proper accounting records which explain the Company's transactions and assist in determining the Company's financial position with reasonable accuracy at point of time, are maintained by the Company and the Group enabling the preparation of Financial Statements and further enabling the Financial Statements to be readily and properly audited. The Financial Statements for the year 2019/20 prepared and presented in this Annual Report are consistent with the underlying books of accounts and are in conformity with the requirements of Sri Lanka Accounting Standards, Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, Finance Business Act

No. 42 of 2011 and Directions issued thereunder, Listing Rules of the Colombo Stock Exchange, the Code of Best Practice on Corporate Governance issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

Board of Directors reviews financial reporting system directly at their regular meetings and through the Board Audit Committee (BAC), the report of which is given on pages 118 and 119 to ensure that the Company and the Group maintain proper books of accounts. Interim Financial Statements published by the Company and the Group are also approved by the Board following a review by Board Audit Committee (BAC).

The Directors are also responsible for taking reasonable steps to safeguard assets of the Company and the Group and in this regard give proper consideration to the establishment of an appropriate system of internal control for managing significant risks in the Company and the Group. The "Directors' Statement on Internal Control over Financial Reporting" is given on page 143.

As required under Section 56 (2) of the Companies Act No. 07 of 2007, the Board of Directors wishes to confirm that they have authorised the distribution of the interim dividend paid on 23 January 2020 after being satisfied that the Company meets the solvency test immediately after such distribution was made in accordance with Section 57 of the Companies Act No. 07 of 2007 and have obtained in respect of dividends paid, certificate of solvency from External Auditor.

The Board of Directors also wishes to confirm that as required under Sections 166 (1) and 167 (1) of the Companies Act No. 07 of 2007, they have prepared this Annual Report in time and ensured that a copy thereof is sent to the shareholders within the

stipulated period of time as required by Rule No. 7.5 (a) and (b) of the Listing Rules of the Colombo Stock Exchange. The Directors also wish to confirm that all shareholders have been treated in an equitable manner in accordance with the original terms of issue.

The Directors are required to prepare the Financial Statements and to provide the Auditor with every opportunity to take whatever steps and undertake whatever inspections they may consider appropriate to enable them to give their audit opinion. People's Leasing & Finance PLC falls under the definition of "Auditee Entity" and the Auditor General or any person authorised by the Auditor General shall carry out the audit of the Company and their responsibilities in relation to the Financial Statements are set out in the "Independent Auditors' Report" given on pages 145 to 147.

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company and the Group, all contributions, levies and taxes payable relating to employees of the Company and the Group, and the Government and other statutory bodies that were due in respect of the Company and the Group as at the reporting date have been paid or, where relevant provided for.

Accordingly the Board of Directors is of the view that they have discharged their responsibilities as set out in this Statement.

By order of the Board,



Lakmini Kottegoda
 Secretary to the Board

8 July 2020
 Colombo

Independent assurance report

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எனது இல. }
My No. }

BAF/D/PLF/2020/01

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Your No. }

දිනය
திகதி }
Date }

15 July 2020

The Chairman
People's Leasing & Finance PLC

→ Independent Assurance Report of the Auditor General to the Board of Directors on the Directors' Statement on Internal Control of People's Leasing & Finance PLC

Introduction

This report is to provide assurance on the Directors' Statement on Internal Control over Financial Reporting (the "Statement") of People's Leasing & Finance PLC (the "Company") included in the annual report for the year ended 31 March 2020.

Management's responsibility

Management is responsible for the preparation and presentation of the Statement in accordance with the "Guidance for Directors of License Finance Company/ Finance Leasing Company on the Directors' Statement on Internal Control" issued in compliance with the Section 10 (2) (b) of the Finance

Companies (Corporate Governance) Direction No. 3 of 2008/Section 10 (2) (b) of the Finance Leasing (Corporate Governance) Direction No. 4 of 2009, by The Institute of Chartered Accountants of Sri Lanka.

My responsibility and compliance with SLSAE 3051

My responsibility is to assess whether the Statement is both supported by the documentation prepared by or for directors and appropriately reflects the process the directors have adopted in reviewing the design and effectiveness of the internal control of the Company.

I conducted this engagement in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE) 3051, Assurance Report for License Finance Company/Finance Leasing Company on Directors' Statement on Internal Control, issued by The Institute of Chartered Accountants of Sri Lanka.

This Standard required that I plan and perform procedures to obtain limited assurance about whether Management has prepared, in all material respects, the Statement on Internal Control.

For the purpose of this engagement, I am not responsible for updating or reissuing any reports, nor have I, in the course of this engagement, performed an audit or review of the financial information.

Summary of work performed

I conducted my engagement to assess whether the Statement is supported by the documentation prepared by or for directors; and appropriately reflected the process the directors have adopted in reviewing the system of internal control over financial reporting of the Company.

The procedures performed were limited primarily to inquiries of the Company personnel and the existence of documentation on a sample basis that supported the process adopted by the Board of Directors.

SLSAE 3051 does not require me to consider whether the Statement covers all risk and controls, or to form an opinion on the effectiveness of the Company's risk and control procedures. SLSAE 3051 also does not require me to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

The procedures selected depend on my judgement, having regard to my understanding of the nature of the Company, the event or transaction in respect of which the Statement has been prepared.

I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Conclusion

Based on the procedures performed, nothing has come to my attention that causes me to believe that the Statement included in the annual report is inconsistent with my understanding of the process the Board of Directors has adopted in the review of the design and effectiveness of internal control system over the financial reporting of the Company.

W P C Wickramarathne
Auditor General

අංක 306/72, පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව.

இல. 306/72, பொல்தூவு வீதி, பத்தரமுல்லை, இலங்கை.

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Directors' statement on internal control over financial reporting

➔ Responsibility

In line with the Section 10 (2) (b) of the Finance Companies Direction No. 03 of 2008 as amended by the Finance Companies (Corporate Governance – Amendment) Direction No. 06 of 2013, the Board of Directors present this report on internal control over financial reporting.

The Board of Directors ("the Board") is responsible for the adequacy and effectiveness of the system of internal control in place at People's Leasing & Finance PLC ("the Company").

The Board has established an ongoing process for identifying, evaluating, and managing the significant risks faced by the Company and this process includes the system of internal control over financial reporting which is regularly reviewed and enhanced by the Board taking into account the changes in business environment and regulatory guidelines.

The Board is of the view that the system of internal control over financial reporting in place is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting, and that the preparation of Financial Statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

The Management assists the Board in the implementation of the Board's policies and procedures pertaining to internal control over financial reporting. The Management

is in the process of continuously enhancing the documentation of the system of internal control over financial reporting. In assessing the internal control system over financial reporting, identified officers of the Company collated all procedures and controls that are connected with significant accounts and disclosures of the Financial Statements of the Company.

These in turn are being observed and checked by the Internal Audit Department of the Company for suitability of the design and implementation effectiveness, on an on-going basis.

The Company adopts Sri Lanka Accounting Standards comprising SLFRSs and LKAS progressive improvements on processes to comply with requirements of recognition, measurement, classification and disclosure are being made whilst further strengthening of processes will continue in its Financial Reporting and Management information.

Board has given due consideration for requirements of SLFRS 9 – "Financial Instruments". The required modules have been implemented and progressive improvements on processes and controls are being made to strengthen the processes and controls around the Management information systems and reports required for model validation and compliance in line with SLFRS 9.

The Board also has taken into consideration the requirements of the Sri Lanka Financial Reporting Standard: SLFRS 16 on "Leases" that has been issued effective for Annual Financial Periods from 1 January 2019 by replacing LAKS 17 – "Leases". All required adjustments have been made in the Financial Statements for the year ended 31 March 2020.

➔ Confirmation

Based on the above processes, the Board of Directors confirms that the financial reporting system of the Company has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes has been done in accordance with Sri Lanka Accounting Standards and regulatory requirements of the Central Bank of Sri Lanka and the Colombo Stock Exchange.

➔ Review of the statement by external auditor

The External Auditors have reviewed the above Directors' statement on internal control for the year ended 31 March 2020 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in the review of the design and effectiveness of internal control system over the financial reporting of the Company.

By order of the Board,



Coralie Pietersz
 Chairperson
 Board Audit Committee



Sujeewa Rajapakse
 Chairman



Rohan Pathirage
 Director

15 July 2020
 Colombo

Chief Executive Officer's and Chief Financial Officer's responsibility statement

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The Financial Statements of People's Leasing & Finance PLC (the Company) and the Consolidated Financial Statements of the Company and its subsidiaries (the Group) as at 31 March 2020 are prepared and presented in conformity with the following requirements:

- Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka;
- Companies Act No. 07 of 2007;
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995;
- Directions issued to Licensed Finance Companies by the Central Bank of Sri Lanka under the Finance Business Act No. 42 of 2011;
- Listing Rules of the Colombo Stock Exchange; and
- Code of Best Practice on Corporate Governance issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

The Group on a quarterly basis presents Interim Financial Statements to its shareholders in compliance with the Listing Rules of the Colombo Stock Exchange.

The Company applied the Sri Lanka Accounting Standard – SLFRS 16 on “Leases” which replaced the Sri Lanka Accounting Standard LKAS 17 on “Leases” with effect from 1 April 2019. The new standard has removed the distinction between operating leases and finance leases. Most contracts classified as operating leases, which were previously recorded off balance sheet, are now recognised as right-of-use (ROU) assets and lease liabilities on the Statement

of Financial Position. Lessee measures right-of-use assets similar to other non-financial assets (such as property, plant and equipment) as disclosed in Note 34 on page 227 and lease liabilities similar to other financial liabilities as disclosed in Note 41 on page 238. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability. The depreciation would usually be on a straight-line basis.

IFRIC 23 – Uncertainty over income tax treatment, addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12 on “Income Taxes”. The Company applies significant judgement in identifying uncertainties over income tax treatments. Since the Company operates in complex environment, it assessed whether the Interpretation had an impact on its Consolidated Financial Statements. The Company determined, based on its tax compliance and transfer pricing study that it is probable that its tax will be accepted by the taxation authorities. The Interpretation did not have an impact on the Financial Statements of the Company.

The accounting policies used in the preparation of the Financial Statements are appropriate and are consistently applied by the Group. There are no departures from the prescribed Accounting Standards in their adoption. Comparative information has been reclassified wherever necessary to comply with the current presentation and material departures, if any, have been disclosed and explained. Significant accounting policies and estimates that involved a

high degree of judgement and complexity were discussed with the Company's External Auditor and the Board Audit Committee.

The Board of Directors and the Management of the Company accept responsibility for the integrity and objectivity of these Financial Statements. The estimates and judgements relating to the Financial Statements were made on a prudent and reasonable basis; in order to ensure that the Financial Statements are reflected in a true and fair manner, the form and substance of transactions and the Company's state of affairs is reasonably presented. We also confirm that the Group has adequate resources to continue in operation and have applied the Going Concern basis in preparing these Financial Statements.

To ensure this, the Company and the Group have taken proper and sufficient care in installing a system of internal control and accounting records, for safeguarding assets and for preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis.

Internal Audit Department has conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company and the Group were consistently followed. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of internal controls and accounting.

The Board Audit Committee reviewed all of the internal and external audit and inspection programmes, the efficiency of the internal control systems and

procedures, the quality of accounting policies and their adherence to statutory and regulatory requirements, the external audit plan and the management letters and also followed up on any issues raised during the statutory audit, the details of which are given in the “Board Audit Committee Report” on pages 118 and 119 of this Annual Report. The Financial Statements of the Company and Consolidated Financial Statements of the Group were audited by Auditor General and his report is given on pages 145 to 147 of this Annual Report.

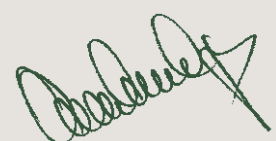
We confirm that:

- the Group has complied with all applicable laws, regulations and prudential requirements, there is no material non-compliance;
- there are no material litigations that are pending against the Group other than those disclosed in Note 53 on page 250 of the Financial Statements of this Annual Report.

All taxes, duties, levies and all statutory payments by the Group and all contributions, levies and taxes payable on behalf of and in respect of the employees as at 31 March 2020 have been paid, or where relevant provided for.



A S Ibrahim
 Chief Executive Officer



Omal Sumanasiri
 Chief Manager Finance

8 July 2020
 Colombo

Independent auditor's report



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 My No.

BAF/D/PLF/2020/01

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 உமது இல.
 Your No.

දිනය
 திகதி
 Date

13 July 2020

The Chairman
 People's Leasing & Finance PLC

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the People's Leasing & Finance PLC and its subsidiaries for the year ended 31 March 2020 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

1 – Financial Statements

1.1 Opinion

The audit of the Financial Statements of the People's Leasing & Finance PLC (the "Company") and the Consolidated Financial Statements of the People's Leasing & Finance PLC and its subsidiaries (the "Group") for the year ended 31 March 2020 comprising the Statement of

Financial Position as at 31 March 2020, and Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the Financial Statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act, No. 19 of 2018. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course. To carry out this audit I was assisted by a firm of Chartered Accountants in public practice.

In my opinion, the accompanying Financial Statements of the Company and the Group give a true and fair view of the Financial Position of the Company and the Group as at 31 March 2020, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Key audit matters

Key Audit Matters are those matters that, in my professional judgement, were of most significance in my audit of the Financial Statements of the current period. These matters were addressed in the context of my audit of the Financial Statements of the Company and the Consolidated Financial Statements of the Group as a whole, and in forming my audit opinion thereon, and I do not provide a separate opinion on these matters.



Independent auditor's report



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Key audit matter

Impairment allowance for loans and receivables

My audit considered impairment allowance for loans and receivables as a key audit matter. The materiality of the reported amounts for loans and receivables together with impairment allowance thereof, the subjectivity associated with management's impairment estimation, involvement of complex manual calculations and increase in management overlays due to probable impacts of COVID-19 outbreak on the economy, underpinned my basis for considering it as a Key Audit Matter.

As at 31 March 2020, 83% of its total assets of the Group consisted of loans and receivables amounting to Rs. 154,135 million (Note 25), net of impairment allowance of Rs. 9,170 million (Note 25).

The Note 25.7 of the Financial Statements describes the basis of impairment allowance and assumptions used by the Management in its calculation.

How our audit addressed the key audit matter

To assess the reasonableness of the impairment allowance, my audit procedures (among others) included the following:

- I evaluated design effectiveness of controls over estimation of impairment of loans and receivables, which included assessing the level of oversight, review and approval of significant judgements, estimates and assumptions in relation to the impairment by the Board Audit Committee and management.
- Test-checked the underlying calculations and data.
- In addition to the above, following key procedures were also performed:

For a sample of loans and receivables individually assessed for impairment:

- I assessed the main criteria used by the Management for determining whether an impairment event had occurred;
- Where impairment indicators existed, I assessed the reasonableness of management's estimated future recoveries including the expected future cash flows considering Government relief measures, discount rates and the valuation of collateral held, on a sample basis.

For loans and receivables collectively assessed for impairment:

- I checked the completeness and accuracy of the underlying information and calculations thereon by agreeing details to the relevant source documents, information in IT systems and re-performing the calculations.
- I considered the reasonableness of macroeconomic and other factors used by management in their judgemental overlays, by comparing them with publicly available data and information sources.
- I also assessed the management application of temporary practical expedients issued by CA Sri Lanka in relation to ECL computation.
- I assessed the adequacy of the related Financial Statement disclosures as set out in Notes 11, 25 and 59.2.

Management's assessment of possible effects of the COVID-19 outbreak on the nature and extent of risks arising from financial instruments and related disclosures

Management has assessed the possible impacts of the COVID-19 outbreak on, nature and extent of risks arising from financial instruments and related Financial Statement disclosures are made considering the best available information up to the date of assessment, as more fully described in Section 59.1 of the Financial Statements.

I considered such management's assessment and related disclosures as a key audit matter, considering nature of business and use of significant management judgements and estimates considering future events and circumstances.

My procedures included among other included the following:

- I gained an understanding of management's assessment of the possible impacts of the COVID-19 outbreak on the nature and extent of risks arising from financial instruments and developing related disclosures of the Group.
- I also assessed the adequacy of qualitative disclosures made, in note(s) 59.1, 59.2 and 59.3 to the Financial Statements focusing on credit risk and liquidity risk in the light of the objective of SLFRS 7.
- In relation to significant judgements and estimates underpinning such disclosures, I assessed the reasonableness of those key assumptions considering related market information and internal decisions made by the Group.

1.4 Other matter

The Financial Statements of the Company for the year ended 31 March 2019 were audited by another auditor who expressed an unmodified opinion on those statements on 13 June 2019.

1.5 Other information included in the Group's 2020 Annual Report

Other information consists of the information included in the Group's 2020 Annual Report, other than the Financial Statements and my Auditor's Report thereon. Management is responsible for the other information. The Group's 2020

Annual Report is expected to be made available to us after the date of this Auditor's Report.

My opinion on the Financial Statements does not cover the other information and I will not express any form of assurance conclusion thereon.

In connection with my audit of the Financial Statements, my

responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.



1.6 Responsibilities of management and those charged with governance for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

As per Section 16 (1) of the National Audit Act No. 19 of 2018, the Group is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic Financial Statements to be prepared of the Group.

1.7 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect

a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt

on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my Auditor's Report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my Auditor's Report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

2 Report on other legal and regulatory requirements

National Audit Act, No. 19 of 2018 and Companies Act, No. 07 of 2007 includes specific provisions for following requirements:

- I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Company as per the requirement of Section 163 (2) (d) of the Companies Act, No. 07 of 2007 and Section 12 (a) of National Audit Act, No. 19 of 2018.
- The Financial Statements of the Company comply with the requirement of Section 151 of the Companies Act, No. 07 of 2007.

- The Financial Statements presented is consistent with the preceding year as per the requirement of Section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.
- The Financial Statements presented includes all the recommendations made by me in the previous year as per the requirement of Section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

Based on the procedures performed and evidence obtained were limited to matters that are material, nothing has come to my attention:

- to state that any member of the governing body of the Company has any direct or indirect interest in any contract entered into by the Company which are out of the normal course of business as per the requirement of Section 12 (d) of the National Audit Act, No. 19 of 2018;
- to state that the Company has not complied with any applicable written law, general and special directions issued by the governing body of the Company as per the requirement of Section 12 (f) of the National Audit Act, No. 19 of 2018;
- to state that the Company has not performed according to its powers, functions and duties as per the requirement of Section 12 (g) of the National Audit Act, No. 19 of 2018;
- to state that the resources of the Company had not been procured and utilised economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of Section 12 (h) of the National Audit Act, No. 19 of 2018.


W P C Wickramaratne
 Auditor General

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Statement of Profit or Loss

For the year ended 31 March	Note	Page No.	Company			Group		
			2020 Rs. '000	2019 Rs. '000	Change %	2020 Rs. '000	2019 Rs. '000	Change %
Gross income	5	164	33,599,314	32,735,639	2.64	40,054,830	38,356,205	4.43
Interest income	6.1	165	31,459,108	30,836,300	2.02	33,282,879	32,234,340	3.25
Less: interest expense	6.2	165	15,786,586	15,646,099	0.90	16,110,935	15,891,298	1.38
Net interest income	6	164	15,672,522	15,190,201	3.18	17,171,944	16,343,042	5.07
Net earned premium	7	166	-	-	-	5,202,030	4,728,573	10.01
Fee and commission income	8	167	1,694,014	1,508,952	12.26	1,165,632	1,004,297	16.06
Net gains/(losses) on financial assets – FVTPL	9	168	11,017	(27,887)	139.51	19,586	(44,351)	144.16
Other operating income	10	168	435,175	418,274	4.04	384,703	433,346	(11.22)
Total operating income			17,812,728	17,089,540	4.23	23,943,895	22,464,907	6.58
Less: impairment charges and other losses for loans and receivables	11	169	4,646,683	1,586,506	192.89	4,901,902	1,708,203	186.96
impairment charges for investment in associate	30	216	-	348,794	(100.00)	-	152,572	(100.00)
impairment charges for right-of-use assets	34	227	36,965	-	100.00	36,965	-	100.00
impairment charges for goodwill	33	225	68,145	19,580	248.03	68,145	19,580	248.03
Net operating income			13,060,935	15,134,660	(13.70)	18,936,883	20,584,552	(8.00)
Less: expenses								
Personnel expenses	12	172	3,701,385	3,438,167	7.66	4,561,026	4,166,618	9.47
Depreciation and amortisation	13	172	717,021	179,607	299.22	635,998	302,360	110.34
Benefits, claims and underwriting expenditure	14	173	-	-	-	3,441,937	3,328,705	3.40
Other operating expenses	15	174	2,088,244	2,844,419	(26.58)	2,565,073	3,048,420	(15.86)
Total operating expenses			6,506,650	6,462,193	0.69	11,204,034	10,846,103	3.30
Operating profit before taxes on financial services			6,554,285	8,672,467	(24.42)	7,732,849	9,738,449	(20.59)
Less: taxes on financial services	16	175	2,002,460	2,087,210	(4.06)	2,030,532	2,117,910	(4.13)
Operating profit after taxes on financial services			4,551,825	6,585,257	(30.88)	5,702,317	7,620,539	(25.17)
Share of profit/(loss) of an associate (net of tax)	30.1	217	-	-	-	-	(33,234)	100.00
Profit before income tax expense			4,551,825	6,585,257	(30.88)	5,702,317	7,587,305	(24.84)
Less: income tax expense	17	175	1,609,317	2,169,136	(25.81)	2,110,568	2,576,037	(18.07)
Profit for the year			2,942,508	4,416,121	(33.37)	3,591,749	5,011,268	(28.33)
Profit attributable to –								
Equity holders of the Company			2,942,508	4,416,121	(33.37)	3,408,670	4,813,578	(29.19)
Non-controlling interest	49	249	-	-	-	183,079	197,690	(7.39)
Profit for the year			2,942,508	4,416,121	(33.37)	3,591,749	5,011,268	(28.33)
Basic/diluted earnings per ordinary share (Rs.)	18	179	1.83	2.80	(34.64)	2.11	3.05	(30.82)
Dividend per ordinary share (Rs.)	19	179	1.20	1.25	(4.00)			

The Notes appearing on pages 155 to 288 form an integral part of the Financial Statements.

Statement of Comprehensive Income

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For the year ended 31 March	Note	Page No.	Company			Group		
			2020 Rs. '000	2019 Rs. '000	Change %	2020 Rs. '000	2019 Rs. '000	Change %
Profit for the year			2,942,508	4,416,121	(33.37)	3,591,749	5,011,268	(28.33)
Other comprehensive income, net of tax:								
Items to be reclassified to profit or loss in subsequent years (net of tax):								
Net gains/(losses) arising from translating the Financial Statements of the foreign subsidiary	48.5	249	-	-	-	139,129	259,151	(46.31)
Net items to be reclassified to profit or loss in subsequent years			-	-	-	139,129	259,151	(46.31)
Items not to be reclassified to profit or loss in subsequent years (net of tax):								
Net actuarial gains/(losses) on defined benefit plans								
Actuarial gains and losses on retirement benefit obligation	44.1	244	172	(17,909)	100.96	1,225	(20,872)	105.87
Deferred tax effect on actuarial gains and losses	43.1	241	(49)	5,670	(100.86)	(91)	14,028	(100.65)
Financial assets – Fair value through other comprehensive income								
Gains/(losses) on re-measuring	48.4	248	(49,372)	(99,611)	50.44	(61,300)	(100,290)	38.88
Net items not to be reclassified to profit or loss in subsequent years			(49,249)	(111,850)	55.97	(60,166)	(107,134)	43.84
Other comprehensive income for the year, net of tax			(49,249)	(111,850)	55.97	78,963	152,017	(48.06)
Total comprehensive income for the year			2,893,259	4,304,271	(32.78)	3,670,712	5,163,285	(28.91)
Attributable to:								
Equity holders of the Company			(49,249)	(111,850)	55.97	82,278	152,757	(46.14)
Non-controlling interest	49	249	-	-	-	(3,315)	(740)	(347.97)
Other comprehensive income for the year, net of tax			(49,249)	(111,850)	55.97	78,963	152,017	(48.06)
Total comprehensive income for the year			2,893,259	4,304,271	(32.78)	3,670,712	5,163,285	(28.91)

The Notes appearing on pages 155 to 288 form an integral part of the Financial Statements.

Statement of Financial Position

As at 31 March	Note	Page No.	Company			Group		
			2020 Rs. '000	2019 Rs. '000	Change %	2020 Rs. '000	2019 Rs. '000	Change %
Assets								
Cash and cash equivalents	22	189	7,164,139	3,294,055	117.49	7,693,032	4,310,595	78.47
Balances with banks and financial institutions	23	190	3,207,440	3,404,533	(5.79)	6,661,407	7,375,423	(9.68)
Financial assets – Fair value through profit or loss	24	190	1,031,719	23,190	4,348.98	1,198,592	72,386	1,555.83
Loans and receivables – Amortised cost	25	193	147,747,511	151,707,902	(2.61)	154,134,934	156,955,837	(1.80)
Insurance and reinsurance receivables	26	210	-	-	-	1,194,933	885,395	34.96
Financial assets – Fair value through other comprehensive income	27	212	324,381	125,651	158.16	1,455,702	125,651	1,058.53
Debt instruments – Amortised cost	28	214	4,106,963	8,002,625	(48.68)	4,813,439	9,091,945	(47.06)
Investments in subsidiaries	29	214	3,213,788	3,213,788	-	-	-	-
Investment in associate	30	216	-	237,633	(100.00)	-	237,633	(100.00)
Investment property	31	218	-	-	-	1,131,652	1,131,596	0.00
Property, plant and equipment	32	220	1,143,929	1,098,286	4.16	3,998,370	4,017,301	(0.47)
Goodwill and intangible assets	33	225	257,581	324,905	(20.72)	368,574	432,340	(14.75)
Right-of-use assets	34	227	1,939,450	84,065	2,207.08	1,639,482	84,065	1,850.26
Deferred tax assets	43	240	376,291	-	100.00	471,841	47,584	891.60
Other assets	35	228	1,147,001	1,024,644	11.94	1,235,329	1,164,884	6.05
Total assets			171,660,193	172,541,277	(0.51)	185,997,287	185,932,635	0.03
Liabilities								
Due to banks	36	229	7,938,185	27,273,933	(70.89)	10,978,046	30,475,326	(63.98)
Due to customers	37	231	106,701,027	88,368,656	20.75	107,685,592	88,923,196	21.10
Debt securities issued	38	232	18,479,260	21,275,031	(13.14)	18,338,039	21,134,040	(13.23)
Other financial liabilities	39	235	3,014,117	2,480,377	21.52	2,829,708	2,464,936	14.80
Insurance liabilities and reinsurance payable	40	236	-	-	-	5,065,220	4,880,873	3.78
Lease liabilities	41	238	1,909,098	-	100.00	1,594,245	-	100.00
Current tax liabilities	42	239	1,803,309	2,238,257	(19.43)	2,077,418	2,323,647	(10.60)
Deferred tax liabilities	43	240	-	837,179	(100.00)	418,132	1,141,973	(63.39)
Other liabilities	44	242	1,568,565	1,464,489	7.11	1,700,685	1,606,686	5.85
Total liabilities			141,413,561	143,937,922	(1.75)	150,687,085	152,950,677	(1.48)
Equity								
Stated capital	45	245	13,915,414	13,236,073	5.13	13,915,414	13,236,073	5.13
Statutory reserve fund	46	246	2,205,344	2,058,219	7.15	2,235,077	2,070,667	7.94
Retained earnings	47	247	14,227,988	13,361,805	6.48	16,517,824	15,198,424	8.68
Other reserves	48	247	(102,114)	(52,742)	93.61	285,103	207,274	37.55
Total equity attributable to equity holders of the Company			30,246,632	28,603,355	5.75	32,953,418	30,712,438	7.30
Non-controlling interest	49	249	-	-	-	2,356,784	2,269,520	3.85
Total equity			30,246,632	28,603,355	5.75	35,310,202	32,981,958	7.06
Total liabilities and equity			171,660,193	172,541,277	(0.51)	185,997,287	185,932,635	0.03
Contingent liabilities and commitments	53	250	5,316,892	7,775,864	(31.62)	5,350,615	7,788,708	(31.30)
Net assets value per ordinary share (Rs.)	54	252	18.58	18.10	2.64	20.25	19.44	4.14

The Notes appearing on pages 155 to 288 form an integral part of the Financial Statements.

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



Omal Sumanasiri
 Chief Manager – Finance

The Board of Directors is responsible for these Financial Statements.
 Approved and signed for and on behalf of the Board by:



Sujeewa Rajapakse
 Chairman

8 July 2020



A S Ibrahim
 Chief Executive Officer



Rohan Pathirage
 Director

Statement of Changes in Equity

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Company	Other reserves							Retained earnings	Total equity
	Capital	Statutory reserve fund	General reserve	Tax equalisation reserve	Revaluation reserve	Available-for-sale reserve	Fair value reserve		
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
Balance as at 1 April 2018	13,236,073	1,837,413	300,000	100,000	7,302	46,869	-	11,502,165	27,029,822
Recognition of SLFRS 9 expected credit loss including those measured at amortised cost	-	-	-	-	-	-	-	(1,006,640)	(1,006,640)
Deferred tax on transitional adjustment	-	-	-	-	-	-	-	250,729	250,729
Transfer of AFS reserve to fair value reserve	-	-	-	-	-	(46,869)	46,869	-	-
Restated balance as at 1 April 2018	13,236,073	1,837,413	300,000	100,000	7,302	-	46,869	10,746,254	26,273,911
Total comprehensive income for the year									
Profit/(loss) for the year	-	-	-	-	-	-	-	4,416,121	4,416,121
Other comprehensive income (net of tax)	-	-	-	-	(7,302)	-	(99,611)	(4,937)	(111,850)
Total comprehensive income for the year	-	-	-	-	(7,302)	-	(99,611)	4,411,184	4,304,271
Transactions with equity holders, recognised directly in equity									
Transfers to reserves	-	220,806	(300,000)	(100,000)	-	-	-	179,194	-
Dividend paid – Interim	-	-	-	-	-	-	-	(1,184,896)	(1,184,896)
– Final	-	-	-	-	-	-	-	(789,931)	(789,931)
Total transactions with equity holders	-	220,806	(300,000)	(100,000)	-	-	-	(1,795,633)	(1,974,827)
Balance as at 31 March 2019	13,236,073	2,058,219	-	-	-	-	(52,742)	13,361,805	28,603,355
Balance as at 1 April 2019	13,236,073	2,058,219	-	-	-	-	(52,742)	13,361,805	28,603,355
Total comprehensive income for the year									
Profit/(loss) for the year	-	-	-	-	-	-	-	2,942,508	2,942,508
Other comprehensive income (net of tax)	-	-	-	-	-	-	(49,372)	123	(49,249)
Total comprehensive income for the year	-	-	-	-	-	-	(49,372)	2,942,631	2,893,259
Transactions with equity holders, recognised directly in equity									
Transfers to reserves	-	147,125	-	-	-	-	-	(147,125)	-
Dividend paid – Interim	-	-	-	-	-	-	-	(1,139,392)	(1,139,392)
– Final	679,341	-	-	-	-	-	-	(789,931)	(110,590)
Total transactions with equity holders	679,341	147,125	-	-	-	-	-	(2,076,448)	(1,249,982)
Balance as at 31 March 2020	13,915,414	2,205,344	-	-	-	-	(102,114)	14,227,988	30,246,632

The Notes appearing on pages 155 to 288 form an integral part of the Financial Statements.

Statement of Changes in Equity

Group	Other reserves						Retained earnings	Total	Non-controlling interest	Total equity	
	Capital	Statutory reserve fund	General reserve	Tax equalisation reserve	Available-for-sale reserve	Fair value reserve					Foreign currency translation reserve
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000					Rs. '000
Balance as at 1 April 2018	13,236,073	1,837,413	300,000	100,000	45,585	–	2,828	13,167,172	28,689,071	2,165,070	30,854,141
Recognition of SLFRS 9 expected credit loss including those measured at amortised cost	–	–	–	–	–	–	–	(1,066,686)	(1,066,686)	–	(1,066,686)
Deferred tax on transitional adjustment	–	–	–	–	–	–	–	266,494	266,494	–	266,494
Transfer of AFS reserve to fair value reserve	–	–	–	–	(45,585)	45,585	–	–	–	–	–
Restated balance as at 1 April 2018	13,236,073	1,837,413	300,000	100,000	–	45,585	2,828	12,366,980	27,888,879	2,165,070	30,053,949
Capital gains tax	–	–	–	–	–	–	–	(167,949)	(167,949)	–	(167,949)
Balance after capital gains tax	13,236,073	1,837,413	300,000	100,000	–	45,585	2,828	12,199,031	27,720,930	2,165,070	29,886,000
Total comprehensive income for the year											
Profit/(loss) for the year	–	–	–	–	–	–	–	4,813,578	4,813,578	197,690	5,011,268
Other comprehensive income (net of tax)	–	–	–	–	–	(100,290)	259,151	(6,104)	152,757	(740)	152,017
Total comprehensive income for the year	–	–	–	–	–	(100,290)	259,151	4,807,474	4,966,335	196,950	5,163,285
Transactions with equity holders, recognised directly in equity											
Transfers to reserves	–	233,254	(300,000)	(100,000)	–	–	–	166,746	–	–	–
Dividend paid											
– Interim	–	–	–	–	–	–	–	(1,168,949)	(1,168,949)	(92,500)	(1,261,449)
– Final	–	–	–	–	–	–	–	(805,878)	(805,878)	–	(805,878)
Total transactions with equity holders	–	233,254	(300,000)	(100,000)	–	–	–	(1,808,081)	(1,974,827)	(92,500)	(2,067,327)
Balance as at 31 March 2019	13,236,073	2,070,667	–	–	–	(54,705)	261,979	15,198,424	30,712,438	2,269,520	32,981,958
Balance as at 1 April 2019	13,236,073	2,070,667	–	–	–	(54,705)	261,979	15,198,424	30,712,438	2,269,520	32,981,958
Capital gains tax	–	–	–	–	–	–	–	14	14	–	14
Balance after capital gains tax	13,236,073	2,070,667	–	–	–	(54,705)	261,979	15,198,438	30,712,452	2,269,520	32,981,972
Total comprehensive income for the year											
Profit/(loss) for the year	–	–	–	–	–	–	–	3,408,670	3,408,670	183,079	3,591,749
Other comprehensive income (net of tax)	–	–	–	–	–	(61,300)	139,129	4,449	82,278	(3,315)	78,963
Total comprehensive income for the year	–	–	–	–	–	(61,300)	139,129	3,413,119	3,490,948	179,764	3,670,712
Transactions with equity holders, recognised directly in equity											
Transfers to reserves	–	164,410	–	–	–	–	–	(164,410)	–	–	–
Dividend paid											
– Interim	–	–	–	–	–	–	–	(1,139,392)	(1,139,392)	(92,500)	(1,231,892)
– Final	679,341	–	–	–	–	–	–	(789,931)	(110,590)	–	(110,590)
Total transactions with equity holders	679,341	164,410	–	–	–	–	–	(2,093,733)	(1,249,982)	(92,500)	(1,342,482)
Balance as at 31 March 2020	13,915,414	2,235,077	–	–	–	(116,005)	401,108	16,517,824	32,953,418	2,356,784	35,310,202

The Notes appearing on pages 155 to 288 form an integral part of the Financial Statements.

Statement of Cash Flows

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ACCOUNTING POLICY

The Statement of Cash Flows has been prepared by using the "Indirect Method" of preparing cash flows in accordance with the Sri Lanka Accounting Standard – LKAS 7 on "Statement of Cash Flows", whereby operating activities, investing activities and financing activities are separately recognised. Cash and Cash Equivalents comprise of short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents as referred to in the Statement of Cash Flows are comprised of those items as explained in Notes 50 to 52 on pages 249 and 250.

For the year ended 31 March	Note	Page No.	Company		Group	
			2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Cash flows from operating activities						
Profit before income tax expense			4,551,825	6,585,257	5,702,317	7,587,305
Adjustment for:						
Non-cash items included in profits before income tax	50	249	5,675,637	2,358,912	5,823,119	2,411,109
Change in operating assets	51	250	2,235,794	(16,346,695)	(82,151)	(19,792,535)
Change in operating liabilities	52	250	19,433,735	17,586,705	20,344,695	19,674,400
Share of loss in associate, (net of tax)	30.1	217	-	-	-	33,234
Dividend income from investments	10	168	(423,091)	(388,945)	(17,280)	(16,569)
Interest expense on due to banks	6.2	165	1,736,221	4,569,420	2,066,943	4,857,611
Interest expense on debt securities issued	6.2	165	2,281,180	2,394,127	2,264,940	2,378,916
Net unrealised gains/(losses) arising from translating the Financial Statements of foreign subsidiary	48.5	249	-	-	139,129	259,151
Benefits paid on retirement benefit obligation	44.1	244	(10,726)	(9,107)	(12,103)	(9,242)
Income tax paid	17.9	178	(3,071,709)	(805,705)	(3,339,472)	(907,945)
Net cash from operating activities			32,408,866	15,943,969	32,890,137	16,475,435
Cash flows from investing activities						
Purchase of property, plant and equipment	32	220	(213,928)	(147,667)	(284,215)	(257,371)
Proceeds from the sale of property, plant and equipment			9,976	69,903	17,612	102,629
Purchase of intangible assets	33	225	(15,120)	(8,624)	(15,120)	(12,195)
Proceeds from the sale of investment property	31	218	-	141,380	-	141,380
Dividends received from investments			113,091	246,920	17,280	16,569
Net cash from/(used in) investing activities			(105,981)	301,912	(264,443)	(8,988)
Cash flows from financing activities						
Proceeds from due to banks	36.1	229	12,950,000	59,966,000	12,950,000	59,966,000
Repayment of due to banks	36.1	229	(34,046,652)	(77,536,350)	(35,209,177)	(77,456,806)
Proceeds from debt securities issued	38.1	233	-	6,000,000	-	5,874,220
Redemption of debt securities issued	38.1	233	(3,338,413)	(1,164,060)	(3,338,413)	(1,164,060)
Interest paid on debt securities issued	38.1	233	(1,738,538)	(1,738,538)	(1,722,528)	(1,738,538)
Dividend paid to shareholders			(1,930,807)	(1,979,340)	(1,251,466)	(1,979,340)
Dividend paid to non-controlling interest	49	249	-	-	(92,500)	(92,500)
Net cash from/(used in) financing activities			(28,104,410)	(16,452,288)	(28,664,084)	(16,591,024)
Net increase/(decrease) in cash and cash equivalents			4,198,475	(206,407)	3,961,610	(124,577)
Cash and cash equivalents at 1 April			2,940,981	3,147,388	3,036,468	3,161,045
Cash and cash equivalents at 31 March			7,139,456	2,940,981	6,998,078	3,036,468
Cash and cash equivalents	22	189	7,164,139	3,294,055	7,693,032	4,310,595
Overdraft	36	229	(24,683)	(353,074)	(694,954)	(1,274,127)
Cash and cash equivalents at 31 March			7,139,456	2,940,981	6,998,078	3,036,468

The Notes appearing on pages 155 to 288 form an integral part of the Financial Statements.

Notes to the Financial Statements

1 – Corporate and group information

1.1 Corporate information

People's Leasing & Finance PLC (the "Company"), is a public limited liability Company incorporated on 22 August 1995 and domiciled in Sri Lanka. It is a licensed finance company under the Finance Business Act No. 42 of 2011. The Company has a primary listing on the Colombo Stock Exchange on 24 November 2011. The Company was re-registered under the Companies Act No. 07 of 2007.

Its registered office and the principal place of the business is at No. 1161, Maradana Road, Colombo 08.

Consolidated financial statements

The Consolidated Financial Statements of the Group for the year ended 31 March 2020 comprise People's Leasing & Finance PLC (Parent Company), its subsidiaries (together referred to as the "Group").

Parent entity and ultimate parent entity

The Company's parent entity is People's Bank which is a Government-owned entity.

Number of employees

The staff strength of the Company and Group as at 31 March 2020 is 2,401 and 3,059 respectively. (2,329 and 3,232 as at 31 March 2019).

1.2 Group information

Principal activities and nature of operations

Company

People's Leasing & Finance PLC

The principal business activities are providing finance leases, hire purchase assets financing, term loans, Islamic finance, margin trading, share trading, issue of debt instruments, factoring, gold loans and mobilisation of public deposits.

There were no significant changes in the nature of the principal activities of the Company and the Group during the financial year under review. Subsequent to the said private placement and rights issue, People's Leasing & Finance PLC's stake is reduced to 11.86%. Accordingly status of associate changed as Financial investments – Fair value through comprehensive income (FVOCI) of PLC after April 2019.

2 – Basis of preparation and other significant accounting policies

2.1 Statement of compliance

The Consolidated Financial Statements of the Group and Separate Financial Statements of the Company, as at 31 March 2020 and for

Subsidiaries and associate

Name of the Company	Principal activities	Country of incorporation	Percentage equity interest	
			2020	2019
Subsidiaries				
People's Leasing Fleet Management Limited	Fleet management, vehicle valuation, sale of vehicles, insurance assessment, and vehicles repairing	Sri Lanka	100	100
People's Leasing Property Development Limited	Carrying out a mixed development projects and property development activities	Sri Lanka	100	100
People's Insurance PLC	Carrying out general insurance business	Sri Lanka	75	75
People's Leasing Havelock Properties Limited	Construct and operate an office complex	Sri Lanka	100	100
People's Micro-commerce Ltd.	Providing non-bank financial services to low income earners and micro enterprises	Sri Lanka	100	100
Lankan Alliance Finance Limited	Providing leasing of movable and immovable properties and provide loans	Bangladesh	51	51
Associate				
People's Merchant Finance PLC	Mobilisation of deposits, providing finance leases, term loans, real estate developments, pawning and related services	Sri Lanka	-	37.06

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the year then ended, have been prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRSs and LKASs), laid down by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and in compliance with the requirements of the Companies Act No. 07 of 2007, the Finance Business Act No. 42 of 2011, Insurance Industry Act No. 43 of 2000 and the Listing Rules of the Colombo Stock Exchange. These Financial Statements, except for information on cash flows have been prepared following the accrual basis of accounting.

Sri Lanka Accounting Standards are available at www.casrilanka.com.

The Group did not adopt any inappropriate accounting treatments, which are not in compliance with the requirements of the SLFRSs and LKASs, regulations governing the preparation and presentation of the Financial Statements.

Details of the Group's General Accounting Policies followed during the year are given in Note 3 on page 158.

2.2 Responsibility for Financial Statements

The Board of Directors is responsible for these Financial Statements of the Company and the Group as per the provision of the Companies Act No. 07 of 2007 and SLFRSs and LKASs.

The Board of Directors acknowledges their responsibility as set out in the "Annual Report of the Board of Directors on the Affairs of the Company", "Directors' Responsibility for Financial Reporting" and in the Certification on the Statement of Financial Position.

These Financial Statements include the following components:

- – a Statement of Profit or Loss and Statement of Comprehensive Income providing the information on the financial performance of the Company and the Group for the year under review;
- – a Statement of Financial Position providing the information on the financial position of the Company and the Group as at the year end;
- – a Statement of Changes in Equity depicting all changes in shareholders' equity during the year under review of the Company and the Group;

- – a Statement of Cash Flows providing the information to the users, on the ability of the Company and the Group to generate cash and cash equivalents and the needs of entity to utilise those cash flows; and
- – Notes to the Financial Statements comprising Accounting Policies and other explanatory information.

2.3 Approval of Financial Statements by the Board of Directors

The Financial Statements of the Company and the Group for the year ended 31 March 2020 (including comparatives) were approved and authorised for issue on 8 July 2020 in accordance with the resolution of the Board of Directors on 8 July 2020.

2.4 Basis of measurement

The Financial Statements of the Company and the Group have been prepared on the historical cost basis except for the following items in the Statement of Financial Position:

2.5 Presentation of Financial Statements

The assets and liabilities of the Company and the Group in the Statement of Financial Position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 55 (current/non-current analysis) on page 253. No adjustments have been made for inflationary factors affecting the Financial Statements.

2.6 Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the Consolidated Statement of Financial Position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the Consolidated Statement of Profit or Loss unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

Item	Basis of measurement	Note	Page No.
Financial assets – Fair value through profit or loss	Fair value	24	190
Financial assets – Fair value through other comprehensive income	Fair value	27	212
Investment property	Fair value	31	218
Retirement benefit obligation	Liability is recognised as the present value of the retirement benefit obligation, plus actuarial gains and losses.	44.1	244

2.7 Functional and presentation currency

The Financial Statements of the Group and the Company are presented in Sri Lanka Rupees (Rs.), which is the currency of primary economic environment, in which the Group operates (Group functional currency).

2.8 Rounding

The amounts in the Financial Statements have been rounded-off to the nearest Rupees thousands, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard – LKAS 1 – “Presentation of Financial Statements”.

2.9 Materiality and aggregation

In compliance with the Sri Lanka Accounting Standard – LKAS 1 – “Presentation of Financial Statements”, each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions too are presented separately, unless they are immaterial.

2.10 Significant accounting judgements, estimates and assumptions

The preparation of the Financial Statements of the Company and the Group in conformity with SLFRSs and LKASs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Further, management is also required to consider key

assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Actual results may differ from these estimates.

Accounting judgements, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The key significant accounting judgements, estimates and assumptions involving uncertainty are discussed below, whereas the respective carrying amounts of such assets and liabilities are as given in related Notes.

Going concern

The Group's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for a foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis.

Going concern in determining the basis of preparing the Financial Statements for the year ended 31 March 2020, based on available information, the Management has assessed the existing and anticipated effects of COVID-19 on the Group Companies and the

appropriateness of the use of the going concern basis.

Group evaluated the resilience of its businesses considering a wide range of factors under multiple stress tested scenarios, relating to expected income, cost management, profitability, the ability to defer non-essential capital expenditure, unused credit lines and the ability to continue providing services to ensure businesses continue as least impacted as possible. Having presented the outlook for each industry of group to the holding company Board and after evaluating the above by the Management, and after due consideration of the range and likelihood of outcomes, the Management is satisfied that the Company have adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis in preparing and presenting these Financial Statements.

Classification of financial assets and liabilities

As per SLFRS 9, the Significant Accounting Policies of the Group provides scope for financial assets to be classified and subsequently measured into different categories, namely, at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) based on the following criteria;

- – The entity's business model for managing the financial assets as set out in Note 3.5.2 on page 160.
- – The contractual cash flow characteristics of the financial assets as set out in Note 3.5.2 on page 160.

Impairment losses on financial assets

The measurement of impairment losses both under SLFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses.

The Group/Company assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets are impaired.

Impairment losses on loans and receivables

Accordingly, the Group reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be provided in the Statement of Profit or Loss. In particular, the Management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss.

These estimates are based on assumptions about a number of factors and hence actual results may differ, resulting in future changes to the impairment allowance made.

Details of the “impairment losses on loans and receivables” are given in Note 25.7 on pages 204 to 206 to the Financial Statements.

Impairment charges on financial investments

Financial investments are categorised under amortised cost Subject to Impairment in according with SLFRS 9 – Financial Investment.

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The Company/Group does not have historical loss experience on debt instruments at amortised cost. Thus the Group considers PDs published by the external sources i.e. – Bloomberg for external credit rating, LGD for debt securities issued by the Government of Sri Lanka in rupees is considered as 0%, and for all other instruments, industry average is considered as LGD.

Credit risk has not increased significantly relating to financial investments, since initial recognition. Therefore Group did not record expected credit loss in the Financial Statements for those investments.

Impairment on FVOCI

Details of the “impairment on FVOCI” are given in Note 27 on pages 212 and 213 to the Financial Statements.

Useful life time of the property, plant and equipment

The Group reviews the residual values, useful lives and methods of depreciation of property, plant and equipment at each reporting date. Judgement of the Management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

Useful lifetime of the intangible assets

Details of the “useful lifetime of the intangible assets” are given in Note 33 on pages 225 to 227 to the Financial Statements.

Transfer pricing regulation

The Company is subject to income taxes and other taxes including transfer pricing

regulations. Prevailing uncertainties with respect to the interpretation of respective transfer pricing regulations, necessitated using management judgement to determine the impact of transfer pricing regulations. Accordingly critical judgements and estimates were used in applying the regulations in aspects including but not limited to identifying associated undertakings, estimation of the respective arm's length prices and selection of appropriate pricing mechanism. The current tax charge is subject to such judgements. Differences between estimated income tax charge and actual payable may arise as a result of management's interpretation and application of transfer pricing regulation.

Deferred tax

Details of the “deferred tax” are given in Note 43 on pages 240 to 242 to the Financial Statements.

Retirement benefit obligation

Details of the “retirement benefit obligation” are given in Note 44.1 on page 244 and 245 to the Financial Statements.

Valuation of general insurance contract liabilities of subsidiary, People's Insurance PLC

The estimates of general insurance contracts have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims Incurred, But Not yet Reported, at the reporting date (IBNR). It can take a significant period of time

before the ultimate claims cost can be established with certainty. The main assumption underlying estimating the amounts of outstanding claims is the past claims development experience.

Large claims are usually separately addressed, either by being reserved at the face value of loss adjusted estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims, inflation or loss ratios.

2.11 Comparative information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period in the Financial Statements in order to enhance the understanding of the current period's Financial Statements and to enhance the inter period comparability. The presentation and classification of the Financial Statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

The Group/Company has not restated the comparative information for contracts within the scope of Sri Lanka Accounting Standard – SLFRS 16 on “Leases” (SLFRS 16). Therefore, the comparative information is reported under Sri Lanka Accounting Standard – LKAS 17 on “Leases” (LKAS 17) and is not comparable with the information presented for 2019. The Group applied modified retrospective approach in accordance with SLFRS 16 when accounting for right-of-use assets and lease liabilities.

3 – General accounting policies

3.1 Basis of consolidation

The Consolidated Financial Statements of the Group for the year ended 31 March 2020 include the Company, its subsidiaries and its associate company. The Financial Statements of the Company's subsidiaries and associate are prepared for the same reporting year except for People's Insurance PLC, and Lankan Alliance Finance Limited subsidiaries of People's Leasing & Finance PLC, whose financial year ends on 31 December. For consolidation purpose same reporting year has been used.

3.1.1 Business combination and goodwill

Business combinations are accounted for using the Acquisition method as per the requirements of Sri Lanka Accounting Standard – SLFRS 3 – (Business Combinations).

The Group and the Company measure goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in Statement of Profit or Loss.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net amount of the

identifiable assets, liabilities and contingent liabilities acquired.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's Cash-Generating Units (CGUs) or group of CGUs, which are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognised in the Statement of Profit or Loss.

3.1.2 Common control business combination

Common control business combinations are accounted using the guidelines issued under Statement of Recommended Practice

(SoRP) – Merger accounting for common control business combination issued by The Institute of Chartered Accountants of Sri Lanka.

3.1.3 Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary any non-controlling interest and the other components of equity-related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in Statement of Profit or Loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost.

3.1.4 Transactions eliminated on consolidation

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the Consolidated Financial Statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 Foreign currency transactions and balances

All foreign currency transactions are translated into the functional currency which is Sri Lankan Rupees (Rs.) at the spot exchange rate at the date of the transactions were affected. In this regard, the Group's practice is to use

the middle rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the spot rate of exchange at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year adjusted for effective interest and payments during the year and the amortised cost in foreign currency translated at the exchange rate at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition. Non-monetary items measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value was determined.

3.3 SLFRS 15 – Revenue from contracts with customers

SLFRS 15 replaces revenue recognition guidance, including LKAS 18 on "Revenue", LKAS 11 on "Construction Contracts" and IFRIC 13 on "Customer Loyalty Programmes" and is effective for annual reporting periods beginning on or after 1 April 2018.

SLFRS 15 provides a comprehensive framework for determining whether, how much, and when revenue is recognised. SLFRS 15 requires new qualitative and quantitative disclosure aimed at enabling users of Financial

Statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

Entities are required to apply five-step model to determine when to recognise revenue and at what amount. The model specifies that revenue is recognised when or as an entity transfers control of goods and services to a customer at the amount at which the entity expects to be entitled.

There is no significant impact on the Financial Statement of the Group and the Company resulting from the application of SLFRS 15.

3.4 Changes in accounting policies

In these Financial Statements, the Group has applied Sri Lanka Accounting Standard – SLFRS 16 on "Leases" and IFRIC Interpretation 23 – "Uncertainty over Income Tax Treatment" which became effective for the annual reporting periods beginning on or after 1 January 2019, for the first time. The Group has not early adopted any other standard, interpretation or amendment that has been issued but not effective.

3.4.1 IFRIC 23 – Uncertainty over income tax treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12 – "Income Taxes". It does not apply to taxes or levies outside the scope of LKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain

tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Company applies significant judgement in identifying uncertainties over income tax treatments. Since the Company operates in a complex environment, it assessed whether the Interpretation had an impact on its Consolidated Financial Statements. The Company determined, based on its tax compliance and transfer pricing study that it is probable that its tax will be accepted by the taxation authorities. The Interpretation did not have an impact on the Financial Statements of the Company.

3.4.2 SLFRS 16 – “Leases”

The new standard SLFRS 16 – “Leases” became effective for periods beginning on or after 1 January 2019, replacing LKAS 17 – “Leases”.

The new standard has removed the distinction between operating leases and finance leases. Most contracts classified as operating leases, which were previously off-balance sheet, are now recognised as right-of-use (ROU) assets and lease liabilities on the Statement of Financial Position. Lessor accounting under SLFRS 16 is substantially unchanged from LKAS 17 where by lessors will continue to classify leases as either operating or finance leases using similar principles as in LKAS 17. Therefore, SLFRS 16 did not have an impact for leases where the Group is the lessor. However, SLFRS 16 has introduced fundamental changes to accounting principles when the Group becomes the lessee of the contract.

Lessee measures right-of-use assets similar to other non-financial assets (such as property, plant and equipment) and lease liabilities similar to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability. The depreciation would usually be on straight-line basis.

SLFRS 16 allows a number of choices in selecting the transition method in applying the Standard. The Company has selected Option 2B (Simplified) which requires to calculate the lease liability at transition and then the right-of-use asset equals the liability. This approach does not have an equity adjustment. Please refer Note 34 on page 227.

3.5 Financial instruments – Initial recognition and subsequent measurement

3.5.1 Date of recognition

All financial assets and liabilities except “regular way trades” are initially recognised on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. “Regular way trades” means purchases or sales of financial assets that requires delivery of assets within the time frame generally established by regulation or convention in the market place. Those trades are initially recognised on the settlement date.

3.5.2 Classification and subsequent measurement of financial assets

As per SLFRS 9, the Group classifies all of its financial assets based on the business model for managing the assets and the assets’ contractual terms measured at either;

- Amortised cost
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVTPL)

The subsequent measurement of financial assets depends on their classification.

Business model assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level and not assessed on instrument-by-instrument

basis because this best reflects the way the business is managed and information is provided to management. The information considered includes –

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management’s strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group’s management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group’s stated objective for managing the financial assets is achieved and how cash flows are realised.

The business model assessment is based on reasonably expected scenarios without taking "worst case" or "stress case" scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI test)

As a second step of its classification process the Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

"Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as profit margin.

In contrast, contractual terms that introduce a more than the minimise exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual

cash flows that are solely payments of principal and interest on the principal amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

In assessing whether the contractual cash flows are solely payments of principal and interest on principal amount outstanding, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Group's claim to cash flows from specified assets; and
- Features that modify consideration of the time value of money.

The Group holds a portfolio of long-term fixed rate loans for which the Group has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Group has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic

lending risks and costs associated with the principal amount outstanding.

Details on different types of financial assets recognised on the SOFP.

Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortised cost are given in Notes 22, 23, 25, 26 and 35.

Financial assets measured at FVOCI

Financial assets at FVOCI include debt and equity instruments measured at fair value through other comprehensive income. Financial assets measured at FVOCI are given in Note 27 on pages 212 to 213.

Financial assets measured at FVTPL

As per SLFRS 9, all financial assets other than those classified at amortised cost or FVOCI are classified as measured at FVTPL. Financial assets at fair value through profit or loss include financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis as they are neither held to collect contractual cash

flows nor held both to collect contractual cash flows and to sell financial assets and financial assets designated upon initial recognition at fair value through profit or loss which are discussed in Notes 24 on pages 190 to 192.

Financial assets designated at fair value through profit or loss

As per SLFRS 9 – "Initial Recognition", the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL when such designation eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis.

The Group has not designated any financial assets upon initial recognition as at fair value through profit or loss as at the end of the reporting period.

3.5.3 Derecognition of financial assets and financial liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial asset) is derecognised when;

- The rights to receive cash flows from the asset which have expired;
- The Group and Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either:

- The Group and Company has transferred substantially all the risks and rewards of the asset; or
- The Group and Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset and consideration received and any cumulative gain or loss that has been recognised in Statement of Comprehensive Income is recognised in Statement of Profit or Loss.

When the Group and Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability

is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in Statement of Profit or Loss.

3.5.4 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, therefore, the related assets and liabilities are presented gross in the Statement of Financial Position.

Income and expenses are presented on a net basis only when permitted under LKASs/SLFRSs, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

3.5.5 Determination of fair value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 21 on pages 182 to 189.

3.6 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets are reviewed at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing of an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share price for publicly traded subsidiaries or other available fair value indicators.

For assets 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 Statement of Profit or Loss.

3.7 Provisions

Provisions are recognised in the Statement of Financial Position when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation in accordance with the Sri Lanka Accounting Standard – LKAS 37 on "Provision, Contingent Liabilities and Contingent Assets". The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation at that date. The expense relating to any provision is presented in the Statement of Profit or Loss net of any reimbursement.

3.8 Borrowing costs

As per Sri Lanka Accounting Standard – LKAS 23 on "Borrowing Costs", the Group capitalises borrowing costs that are directly attributable to the acquisition, construction or production of qualifying asset as part of the cost of the asset. A qualifying asset is an

asset which takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are recognised in the Statement of Profit or Loss in the period in which they occur.

3.9 Current tax

Details of the "income tax expense" are given in Note 17 on pages 175 to 178 to the Financial Statements.

3.10 Deferred tax

Details of the "deferred tax" are given in Note 43 on pages 240 to 242 to the Financial Statements.

3.11 Crop insurance levy (CIL)

As per the provisions of the Section 14 of the Finance Act No. 12 of 2013, the CIL was introduced with effect from 1 April 2013 and is payable to the National Insurance Trust Fund. Currently, the CIL is payable at 1% of the profit after tax.

3.12 Taxes on financial services

Details of the 'VAT, NBT and debt repayment levy on financial services are given in Note 16 on page 175 to the Financial Statements.

4 – Standards issued but not yet effective

The following Sri Lanka Accounting Standards and interpretations were issued by The Institute of Chartered Accountants of Sri Lanka but not yet effective as at 31 March 2020. Accordingly, these accounting standards have not been applied in the preparation of the Financial Statements for the year ended 31 March 2020.

SLFRS 17 – Insurance Contracts

SLFRS 17 "Insurance Contracts", is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosures. Once effective, SLFRS 17 replaces existing SLFRS 4 "Insurance Contracts". The overall objective of SLFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of Financial Statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

SLFRS 17 is effective for reporting periods beginning on or after 1 January 2021. Early application is permitted, if the entity is applying both Sri Lanka Accounting Standard – SLFRS 9 "Financial Instruments" and Sri Lanka Accounting Standard – SLFRS 15 "Revenue from Contracts with Customers" on or before the date on which it first apply SLFRS 17.

Amendments to SLFRS 3: Definition of a Business

In November 2018, the CA Sri Lanka issued amendments to the definition of a business in SLFRS 3 to help entities determine whether an acquired set of activities and assets is a business or not. These amendments clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive,

narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

The Group shall apply these amendments to business combinations prospectively for annual financial periods beginning on or after 1 January 2020, if the asset acquisitions occurs on or after the beginning of that period.

Amendments to LKAS 1 and LKAS 8: Definition of Material

In November 2018, the CA Sri Lanka issued amendments to LKAS 1 and Sri Lanka Accounting Standard – LKAS 8 on "Accounting Policies, Changes in Accounting Estimates and Errors" to align the definition of "material" across the standards and to clarify certain aspects of the term "definition". The new definition states that, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose Financial Statements make on the basis of those Financial Statements, which provide financial information about a specific reporting entity." The Group shall apply those amendments prospectively for annual financial periods beginning on or after 1 January 2020.

Amendments to the conceptual framework for financial reporting

CA Sri Lanka has issued a revised Conceptual Framework which will be used in standard setting decisions with immediate effect. Key changes include:

- – increasing the prominence of stewardship in the objective of financial reporting
- – defining a reporting entity, which may be a legal entity, or a portion of an entity
- – reinstating prudence as a component of neutrality
- – revising the definitions of an asset and a liability
- – removing the probability threshold for recognition and adding guidance on derecognition
- – adding guidance on different measurement basis, and
- – stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the Financial Statements.

No changes will be made to any of the current Accounting Standards. However, if the Group rely on the framework in determining certain accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised framework from 1 January 2020. The Group will need to consider whether those accounting policies are still appropriate under the revised Framework.

5 – Gross income

ACCOUNTING POLICY

Income is recognised to the extent that it is probable that the economic benefits will flow to the Company/Group and revenue can be reliably measured. The specific recognition criteria, for each type of income, is given under the respective income notes.

For the year ended 31 March	Note	Page No.	Company		Group	
			2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Interest income	6.1	165	31,459,108	30,836,300	33,282,879	32,234,340
Net earned premium	7	166	–	–	5,202,030	4,728,573
Fee and commission income	8	167	1,694,014	1,508,952	1,165,632	1,004,297
Net gains/(losses) on financial assets – FVTPL	9	168	11,017	(27,887)	19,586	(44,351)
Other operating income	10	168	435,175	418,274	384,703	433,346
Total			33,599,314	32,735,639	40,054,830	38,356,205

6 – Net interest income

ACCOUNTING POLICY

Recognition of income and expense

Income is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Interest income and 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 income” for financial assets and “interest expense” for financial liabilities. However, for a reclassified financial asset for which the Company subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Under SLFRS 9, interest income and interest expense are recorded using the effective interest rate method for all financial assets measured at amortised cost and all financial liabilities measured at amortised cost respectively.

Revenue can be recognised only when it is probable that the economic benefit associate with the transaction will flow to the entity. However when uncertainty arise about the recoverability, revenue recognition should be ceased. With the adoption of SLFRS 9 – “Financial Instrument”, Customer default point (uncertainty about the recoverability) has been change to 90 days past due. Accordingly, interest income can be recognised only up to 90 days past due in accordance with SLFRS 9.

Interest on overdue rentals

Interests from overdue rentals have been accounted for on a cash received basis.

For the year ended 31 March	Note	Page No.	Company		Group	
			2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Interest income	6.1	165	31,459,108	30,836,300	33,282,879	32,234,340
Interest expenses	6.2	165	15,786,586	15,646,099	16,110,935	15,891,298
Net interest income			15,672,522	15,190,201	17,171,944	16,343,042

6.1 Interest income – Financial asset-wise

For the year ended 31 March	Note	Page No.	Company		Group	
			2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Cash and cash equivalents			40,471	27,906	70,219	57,654
Balances with banks and financial institutions			385,414	355,787	510,760	485,967
Loans and receivables	6.1.1	165	30,280,577	29,835,673	31,530,367	30,765,517
Debt instruments – Amortised cost			752,646	616,934	1,171,533	925,202
Total interest income			31,459,108	30,836,300	33,282,879	32,234,340

6.1.1 Interest income – Loans and receivables

For the year ended 31 March	Company		Group	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Lease/Ijarah receivable	17,767,878	17,887,342	17,770,273	17,887,448
Hire purchase/Murabah receivable	34,709	146,178	822,222	806,600
Term loans and receivables	12,477,990	11,802,153	12,937,872	12,071,469
Total	30,280,577	29,835,673	31,530,367	30,765,517

6.2 Interest expense – Financial liability-wise

For the year ended 31 March	Note	Page No.	Company		Group	
			2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Due to banks	6.2.1	166	1,736,221	4,569,420	2,066,943	4,857,611
Due to customers	6.2.1	166	11,530,604	8,682,552	11,595,328	8,654,771
Debt securities issued	6.2.1	166	2,281,180	2,394,127	2,264,940	2,378,916
SLFRS 16 – Incremental borrowing cost	41	238	238,581	–	183,724	–
Total interest expenses			15,786,586	15,646,099	16,110,935	15,891,298

6.2.1 Interest expenses – Product-wise

For the year ended 31 March	Company		Group	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Due to banks				
Interest on bank overdraft	2,511	74,473	31,811	102,062
Interest on short-term loans	286,526	1,770,898	286,659	1,770,901
Interest on term loans	402,721	1,525,581	704,009	1,786,180
Interest on securitisation loans	1,044,463	1,198,468	1,044,464	1,198,468
Subtotal	1,736,221	4,569,420	2,066,943	4,857,611
Due to customers				
Interest cost on deposits	11,530,604	8,682,552	11,595,328	8,654,771
Subtotal	11,530,604	8,682,552	11,595,328	8,654,771
Debt securities issued				
Interest on debentures	2,281,180	2,394,127	2,264,940	2,378,916
Subtotal	2,281,180	2,394,127	2,264,940	2,378,916
Lease liabilities				
SLFRS 16 – Incremental borrowing cost	238,581	–	183,724	–
Subtotal	238,581	–	183,724	–
Total interest expenses	15,786,586	15,646,099	16,110,935	15,891,298

7 – Net earned premium

ACCOUNTING POLICY

Product classification of insurance and investment contracts

SLFRS 4 – “Insurance Contracts”, requires contracts written by insurer to be classified as either “insurance contracts” or “investment contracts” depending in the level of insurance risk transferred.

Insurance contracts are those contracts when the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders, if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk by comparing benefits paid with benefits payable, if the insured event did not occur. Insurance contracts can also transfer financial risk.

Investment contracts are those contracts that transfer significant financial risk, and no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variables, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

All the products sold by the People's Insurance PLC (Subsidiary of PLC) are insurance contracts and therefore classified as insurance contracts under SLFRS 4 – “Insurance Contracts”. Thus, the Company does not have any investment contracts within its product portfolio as at the reporting date.

Revenue recognition of gross written premium

Gross written premium (GWP) represents the premium charged by the Company to underwrite risks. GWP is accounted on accrual basis.

Gross written premium comprises the total premiums received/receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy commences.

Rebates that form part of the premium rate, such as no claim rebates are deducted from GWP.

Insurance – Revenue recognition gross written premium

Non-life insurance gross written premium comprises the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy commences.

Reinsurance premium

Non-life gross reinsurance premium written comprises the total premium payable for the whole cover provided by contracts entered into the period and are recognised on the date on which the policy incepts. Premium includes any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Unearned premium reserve

Unearned premium reserve represents the portion of the premium written in the year but relating to the unexpired term of coverage. Unearned premiums are calculated on the 365 basis.

Unearned reinsurance premium reserve

Unearned reinsurance premium is the proportion of premium written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies.

For the year ended 31 March	Company		Group	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Gross written premium	-	-	5,958,629	5,666,450
Less: Premium ceded to reinsurers	-	-	631,221	525,790
Less: Change in reserve unearned premium	-	-	125,378	412,087
Total	-	-	5,202,030	4,728,573

8 Fee and commission income

ACCOUNTING POLICY

Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. Commission income is recognised on accrual basis. Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the documents and inspection of vehicle are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

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For the year ended 31 March	Company		Group	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Service charges	642,507	620,031	201,485	197,171
Other fees and commission	1,051,507	888,921	964,147	807,126
Total	1,694,014	1,508,952	1,165,632	1,004,297

9 – Net gains/(losses) on financial assets – FVTPL

ACCOUNTING POLICY

This comprise all gains and losses from changes in fair value including realised and unrealised fair value changes for financial assets “Fair value through profit or loss”.

For the year ended 31 March	Company		Group	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Net gain/(loss) on financial assets – FVTPL				
Net mark-to-market (losses)/gains	4,772	(24,915)	11,448	(57,981)
Net capital gains	6,245	(2,972)	8,138	13,630
Total	11,017	(27,887)	19,586	(44,351)

10 – Other operating income

ACCOUNTING POLICY

Other operating income includes income earned on other sources, which are not directly related to the normal operations of the Group is recognised on accrual basis.

Dividend income

Dividend income is recognised when the right to receive the payment is established.

Net trading income from sale of vehicles

Revenue from the sale of imported vehicles is recognised when the significant risks and rewards of ownership of the vehicles have transferred to the buyer, usually on dispatch of the vehicles.

Operating lease income

Income arising on operating leases is accounted for on a straight-line basis over the lease terms on ongoing leases and is recorded in the Statement of Profit or Loss in other operating income.

Bad debts recovered

Recovery of amounts written off as bad and doubtful debts is recognised on a cash basis.

Gain or losses on disposal of property, plant and equipment

Gains or losses resulting from the disposal of property, plant and equipment are accounted for on cash basis in the Statement of Profit or Loss, in the period in which the sale occurs.

Hiring income

Hiring income from vehicle on hire is recognised in the Statement of Profit or Loss based on the agreement entered between the owner and tenner for the year.

Valuation income

Valuation income is recognised when they are realised or realisable.

Insurance fee income

Insurance policy holders are charged for policy administration services and other contract fees. These fees are recognised as income upon receipt or become due.

Other income

Other income is recognised on an accrual basis.

For the year ended 31 March	Company		Group	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Gain on sale of property, plant and equipment	6,183	19,645	6,183	26,625
Hiring income	-	-	26,583	26,888
Operating leases income	-	-	29,061	23,074
Rent income from investment property	-	-	90,284	92,884
Net trading income from sale of vehicles	301	2,704	301	3,575
Dividend income from – FVOCI	14,658	10,508	14,658	10,508
– Subsidiaries	406,750	375,766	-	-
– FVTPL	1,683	2,671	2,622	6,061
Gain/(Loss) on sale of investment properties	-	6,980	-	6,980
Valuation income	-	-	108,448	100,969
Insurance fee income	-	-	54,838	51,224
Other income	5,600	-	51,725	84,558
Total	435,175	418,274	384,703	433,346

11 – Impairment charges and other losses for loans and receivables

ACCOUNTING POLICY

The Company and the Group recognise the changes in the impairment provisions for loans and receivables which are assessed as per the SLFRS 9 – “Financial Instruments”. The methodology adopted by the Company and the Group is explained in Note 25 to these Financial Statements.

Loss on disposal of collaterals including write-offs

Loans and receivables (and the related impairment allowance accounts) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans and receivables are secured, this is generally after receipt of any proceeds from the realisation of security.

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For the year ended 31 March	Note	Page No.	Company		Group	
			2020 Rs. '000	2020 Rs. '000	2020 Rs. '000	2020 Rs. '000
Impairment on loans and receivables:						
Individual impairment	11.3/11.4	171	839,570	194,262	952,300	194,262
Collective impairment	11.3/11.4	171	2,966,326	799,059	2,940,618	905,371
Other receivable			-	-	34,346	15,385
Loss on disposal of collaterals including write-offs			953,786	728,458	1,090,659	728,458
Recovery of written off debts/disposal loss			(112,999)	(135,273)	(116,021)	(135,273)
Total	11.1/11.2	170	4,646,683	1,586,506	4,901,902	1,708,203

11.1 Impairment charge/(reversal) and other losses for loans and receivables (detailed breakdown) - Company

For the year ended 31 March	2020			
	Disposal loss/Write-offs (net of recovery) Rs. '000	Impairment charge Rs. '000	Impairment (reversal) Rs. '000	Net amount Rs. '000
Lease/Ijarah receivable	586,795	2,524,239	(829,916)	2,281,118
Hire purchase/Murabah receivable	(9,027)	58,737	(11,526)	38,184
Term loans and receivables	263,019	3,065,761	(1,001,399)	2,327,381
Total	840,787	5,648,737	(1,842,841)	4,646,683

For the year ended 31 March	2019			
	Disposal loss/Write-offs (net of recovery) Rs. '000	Impairment charge Rs. '000	Impairment (reversal) Rs. '000	Net amount Rs. '000
Lease/Ijarah receivable	402,752	1,207,248	(822,962)	787,038
Hire purchase/Murabah receivable	38,955	26,602	(75,634)	(10,077)
Term loans and receivables	151,478	1,747,013	(1,088,946)	809,545
Total	593,185	2,980,863	(1,987,542)	1,586,506

11.2 Impairment charge/(reversal) and other losses for loans and receivables (detailed breakdown) - Group

For the year ended 31 March	2020			
	Disposal loss/Write-offs (net of recovery) Rs. '000	Impairment charge Rs. '000	Impairment (reversal) Rs. '000	Net amount Rs. '000
Lease/Ijarah receivable	720,646	2,524,239	(829,916)	2,414,969
Hire purchase/Murabah receivable	(9,027)	210,150	(11,526)	189,597
Term loans and receivables	263,019	3,089,724	(1,089,753)	2,262,990
Other receivable	-	34,346	-	34,346
Total	974,638	5,858,459	(1,931,195)	4,901,902

For the year ended 31 March	2019			
	Disposal loss/Write-offs (net of recovery) Rs. '000	Impairment charge Rs. '000	Impairment (reversal) Rs. '000	Net amount Rs. '000
Lease/Ijarah receivable	402,752	1,207,248	(822,962)	787,038
Hire purchase/Murabah receivable	38,955	26,602	(11,982)	53,575
Term loans and receivables	151,478	1,853,325	(1,152,598)	852,205
Other receivable	-	15,385	-	15,385
Total	593,185	3,102,560	(1,987,542)	1,708,203

11.3 Impairment charge/(reversal) to the income statement - Company

For the year ended 31 March	2020			
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Financial assets at amortised cost - Loans and receivables				
Individual impairment	-	-	839,570	839,570
Collective impairment	(18,943)	499,561	2,485,708	2,966,326
Total	(18,943)	499,561	3,325,278	3,805,896

For the year ended 31 March	2019			
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Financial assets at amortised cost - Loans and receivables				
Individual impairment	-	-	194,262	194,262
Collective impairment	49,497	172,842	576,720	799,059
Total	49,497	172,842	770,982	993,321

11.4 Impairment charge to the income statement - Group

For the year ended 31 March	2020			
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Financial assets at amortised cost - Loans and receivables				
Individual impairment	-	-	952,300	952,300
Collective impairment	9,901	602,968	2,327,749	2,940,618
Total	9,901	602,968	3,280,049	3,892,918

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For the year ended 31 March	2019			
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Financial assets at amortised cost – Loans and receivables				
Individual impairment	-	-	194,262	194,262
Collective impairment	71,080	200,328	633,963	905,371
Total	71,080	200,328	828,225	1,099,633

12 – Personnel expenses

ACCOUNTING POLICY

Personnel expenses include salaries, bonus, terminal benefit charges, and other related expenses. The provision for bonus is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made on the amount of the obligation.

Employees are eligible for Employees' Provident Fund (EPF) contribution and Employees' Trust Fund (ETF) contributions in accordance with the respective statutes and regulations.

Retirement benefit obligation is recognised in the Statement of Profit or Loss based on an actuarial valuation carried out for the gratuity liability in accordance with Sri Lanka Accounting Standard – LKAS 19 – "Employee Benefits".

For the year ended 31 March	Note	Page No.	Company		Group	
			2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Remuneration			3,361,639	3,143,641	4,152,846	3,813,087
Employee benefit – Defined contribution plans – EPF			182,755	163,148	227,447	200,849
Employee benefit – Defined contribution plans – ETF			45,666	40,784	56,229	51,347
Employee benefit – Retirement benefit obligation – Gratuity	44.1	244	111,325	90,594	124,504	101,335
Total			3,701,385	3,438,167	4,561,026	4,166,618

13 – Depreciation and amortisation

Depreciation

Depreciation is recognised in Statement of Profit or Loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment since this method most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Land is not depreciated.

The estimated useful lives are as follows:

Class of asset	Percentage per annum	Period years
Freehold buildings	2	50
Improvement of leasehold property	25	4
Motor vehicles	12.5-20	5-8
Computer hardware	20	5
Office equipments	10 -20	5-10
Furniture and fittings	20	5

The above rates are consistently used by all the Group entities. The depreciation rates are determined separately for each significant part of an item of property, plant and equipment and commence to depreciate when it is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is derecognised. Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

All classes of property, plant and equipment together with the reconciliation of carrying amounts and accumulated depreciation at the beginning and at the end of the year are given in Note 32 on pages 220 to 225.

Amortisation of intangible assets

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful economic lives at the rates as specified below:

Class of asset	Percentage per annum	Period years
Computer software	20	5

The unamortised balances of intangible assets with finite lives are reviewed for impairment annually and whenever there is an indication for impairment and recognised in Statement of Profit or Loss to the extent that they are no longer probable of being recovered from the expected future benefits.

All classes of intangible assets together with the reconciliation of carrying amounts and accumulated amortisation at the beginning and at the end of the year are given in Note 33 on pages 225 to 227.

	Note	Page No.	Company		Group	
			2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Depreciation of property, plant and equipment	32	220	164,492	166,006	292,404	286,193
Amortisation – Right-of-use assets	34	227	538,230	3,066	332,830	3,066
Amortisation of intangible assets	33	225	14,299	10,535	10,764	13,101
Total			717,021	179,607	635,998	302,360

14 – Benefits, claims and underwriting expenditure

ACCOUNTING POLICY

Recognition of gross claims

Gross claims for non-life insurance include all claims occurring during the year, whether reported or not, related external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries and any adjustments to claims outstanding from previous years. Claims outstanding are assessed by review of individual claim files and estimating changes in the ultimate cost of settling claims.

Claims expenses and liabilities for outstanding claims are recognised in respect of direct insurance business. The liability covers claims reported but not yet paid, incurred but not reported claims (IBNR) and the anticipated direct and indirect costs of settling those claims. The provision in respect of IBNR is actuarially valued on a quarterly basis to ensure a more realistic estimation of the future liability based on past experience and trends.

While the Directors consider that the provision for claims is fairly stated on the basis of information currently available, the ultimate liability will vary as a result of subsequent information and events. This may result in adjustment to the amounts provided. Such amounts are reflected in the Financial Statements for that period. The methods used and the estimates made are reviewed regularly.

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Recognition of reinsurance claims

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

Claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business.

For the year ended 31 March	Company		Group	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Net benefits and claims	-	-	2,903,951	2,851,334
Underwritings and net acquisition costs	-	-	537,986	477,371
Total	-	-	3,441,937	3,328,705

15 Other operating expenses

ACCOUNTING POLICY

Other operating expenses are recognised in the Statement of Profit or Loss on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the Statement of Profit or Loss in arriving at the profit for the year.

Crop insurance levy (CIL)

As per the provisions of the Section 14 of the Finance Act No. 12 of 2013, the CIL was introduced with effect from 1 April 2013 and is payable to the National Insurance Trust Fund. Currently, the CIL is payable at 1% of the profit after tax.

Directors' emoluments

Directors' emoluments include fees paid to Non-Executive Directors.

For the year ended 31 March	Company		Group	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Directors' emoluments	6,269	9,315	13,143	16,564
Auditors' remunerations	7,385	6,466	13,487	12,051
Non-audit fees to auditors	1,641	1,493	4,912	3,850
Professional fees	24,119	32,934	32,069	47,480
Advertising expenses	43,280	48,450	68,836	66,993
Legal fees	16,915	19,531	17,048	19,845
Deposits insurance premium	141,843	106,232	141,843	106,232
Crop insurance levy	31,751	46,094	31,751	46,094
Operational expenses arising from investment property	-	-	7,337	6,444
Office administration and establishment expenses	1,815,041	2,573,904	2,234,647	2,722,867
Total	2,088,244	2,844,419	2,565,073	3,048,420

16 – Taxes on financial services

ACCOUNTING POLICY

VAT on financial services

VAT on financial services is calculated in accordance with Value Added Tax (VAT) Act No. 14 of 2002 and subsequent amendments thereto. The value base for the computation of value added tax on financial services is calculated by adjusting the economic depreciation computed on rates prescribed by the Department of Inland Revenue to the accounting profit before income tax and emoluments payable. Emoluments payable include cash benefits, non-cash benefits including terminal benefits. VAT on financial services rate applied for the current financial year is 15% (2019 – 15%).

NBT on financial services

NBT on financial services is calculated in accordance with Nation Building Tax (NBT) Act No. 9 of 2009 and subsequent amendments thereto with effect from 1 January 2014. NBT on financial services is calculated as 2% of the value addition used for the purpose of VAT on financial services. NBT abolished with effect from 1 December 2019, amendment to the said Act yet to be enacted as of reporting date.

Debt repayment levy (DRL) on financial services

As per the Finance Act No. 35 of 2018, with effect from 1 October 2018, DRL of 7% was introduced on the value addition attributable to the supply of financial services by each financial institution. DRL is chargeable on the same base used for calculation of VAT on financial services as explained above. The amount of DRL charged in determining the profit or loss for the period is given in below. DRL abolished with effect from 1 January 2020, amendment to the said Act yet to be enacted as of reporting date.

For the year ended 31 March	Company		Group	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
VAT on financial services	1,280,414	1,462,311	1,305,293	1,489,818
NBT on financial services	127,682	187,929	130,875	191,122
Debt repayment levy	594,364	436,970	594,364	436,970
Total	2,002,460	2,087,210	2,030,532	2,117,910

17 – Income tax expense

ACCOUNTING POLICY

This Note also includes the major components of tax expense, the effective tax rates and a reconciliation between the profit before tax and tax expense, as required by the Sri Lanka Accounting Standard – LKAS 12 – “Income Taxes”. As per Sri Lanka Accounting Standard – LKAS 12 – “Income Taxes”, tax expense is the aggregate amount included in determination of profit or loss for the period in respect of current and deferred taxation.

Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

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Accordingly, provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and the amendments thereto, and the Inland Revenue Act No. 24 of 2017, effective from 1 April 2018 at the rates specified below:

Company	Note	Page No.	Tax rate	
			2020 (%)	2019 (%)
People's Leasing & Finance PLC			24-28	28
People's Leasing Fleet Management Limited			24-28	28
People's Micro-commerce Ltd.			24-28	28
People's Insurance PLC	17.1	176	24-28	14-28
People's Leasing Property Development Limited	17.2	176	20-24-28	10-28
People's Leasing Havelock Properties Limited	17.3	176	Exempt	Exempt
Lankan Alliance Finance Limited	17.4	177	40.00	42.50

Deferred taxation

Detailed disclosure of accounting policies and estimate of deferred tax is available in Note 42 to the Financial Statements.

According to LKAS 12 – "Income Taxes", Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Further to this since new rate of 24% is applicable for only three months of the financial year and still the rate has not been enacted PLC used 28% for the provisioning of income tax for the financial year.

17.1 People's Insurance PLC

According to the Inland Revenue Act No. 10 of 2006 and subsequent amendments thereto, any company which is liable to pay income tax at the rate of 28%, lists its shares on the Colombo Stock Exchange (CSE) by way of a minimum initial public offering (IPO) through which not less than 20% of its shares is issued to the general public on or before 1 April 2017, the income tax rate will be reduced by 50% for the year of assessment in which the such shares are listed and for another two years of assessment, provided that such company after listing continues to maintain a minimum public float of 20%.

Accordingly, 25% of the shares of the Company was offered and issued to the general public by way of an IPO in December 2015 and shares of the Company were listed on the CSE in January 2016. As at 31 December 2016, the public float of the Company's shares was 24.94% while the Company was liable for income tax at 28% (before the tax reduction). Hence, the Company was considered eligible for the 50% tax reduction as per the said Act, and income tax was calculated at 14% for nine months ended 31 December 2018 and balance three months 28%. However, during the reporting the reporting period income tax rate was 28% for the year ended 31 March 2020. (2019 – 28%)

17.2 People's Leasing Property Development Limited

Pursuant to the agreement dated 3 December 2008 entered into by People's Leasing Property Development Limited with the Board of Investment under Section 17 of the Board of Investment Law, for the business of setting up and operating a mixed development project, the Inland Revenue Act relating to the imposition, payment and recovery of income tax shall not apply for a period of five years reckoned from the year in which the Company makes profit or any year of assessment not later than two years reckoned from the date of commencement of its commercial operations whichever is earliest. The Company is eligible for a 10% concessionary tax rate for a period of two years immediately succeeding the last date of tax exemption period and a 20% concessionary tax rate after the expiration of the 10% concessionary tax period. Non-BOI income is liable for normal rate of 24%.

17.3 People's Leasing Havelock Properties Limited

Pursuant to the agreement dated 16 December 2010 entered into by People's Leasing Havelock Properties Limited with the Board of Investment under Section 17 of the Board of Investment Law, for the business of setting up and operating a mixed development project, the Inland Revenue Act relating to the imposition, payment and recovery of income tax shall not apply for a period of five years reckoned from the year in which the Company makes profit or any year of assessment not later than two years reckoned from the date of commencement of its commercial operations whichever is the earliest. The Company is eligible for a 10% concessionary tax rate for a period of two years immediately succeeding the last date of tax exemption period and a 20% concessionary tax rate after the expiration of the 10% concessionary tax period.

17.4 Lankan Alliance Finance Limited

According to Bangladesh income tax ordinance, 1984 and amendments made thereto, tax rate applicable for Lankan Alliance Finance Limited is 40%.

17.5 Income tax expense

For the year ended 31 March	Note	Page No.	Company		Group	
			2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Statement of profit or loss						
Current income tax charge	17.6	177	2,822,836	3,351,426	3,258,757	3,511,778
Deferred tax (reversal)/charge for the year	43	240	(1,213,519)	(1,182,290)	(1,148,189)	(935,741)
Income tax expense recognised in Statement of Profit or Loss			1,609,317	2,169,136	2,110,568	2,576,037
Statement of comprehensive income						
Deferred tax charge/(reversal) for the year	43	240	(49)	(5,670)	(91)	14,028
Income tax charge/(reversal) recognised in Statement of Comprehensive Income			(49)	(5,670)	(91)	14,028
Effective tax rate (excluding deferred tax) (%)			62.02	50.89	57.15	46.28
Effective tax rate (%)			35.36	32.94	37.01	33.95

17.6 Reconciliation of accounting profit and taxable income

For the year ended 31 March	Note	Page No.	Company		Group	
			2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Profit as per Statement of Profit or Loss			4,551,825	6,585,257	5,702,317	7,587,305
Add: Disallowable expenses			6,374,026	3,698,709	7,037,717	4,001,348
Add: Lease capital recoverable			12,008,536	20,165,037	12,008,536	20,165,037
Less: Allowable expenses			11,751,442	17,770,847	11,986,518	18,386,164
Less: Exempted/allowable income			1,101,388	385,267	1,255,050	451,848
Statutory income			10,081,557	12,292,889	11,507,002	12,915,678
Less: Tax losses utilised during the year	17.7	178	-	-	29,755	30,556
Assessable income			10,081,557	12,292,889	11,477,247	12,885,122
Taxable income			10,081,557	12,292,889	11,477,247	12,885,122
Income tax expense at the statutory income	17.8	178	2,822,836	3,442,009	3,259,538	3,601,824
(Over)/under provision – Previous years			-	(90,583)	(781)	(90,046)
Current tax on profits for the year			2,822,836	3,351,426	3,258,757	3,511,778
Deferred tax charged/(reversal) for the year	43	240	(1,213,519)	(1,182,290)	(1,148,189)	(935,741)
Tax expense for the year			1,609,317	2,169,136	2,110,568	2,576,037

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17.7 Tax losses brought forward and utilised during the year

For the year ended 31 March	Company		Group	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Tax losses brought forward	-	-	105,589	136,145
Tax losses utilised during the year	-	-	(29,755)	(30,556)
Tax losses not utilised and carried forward	-	-	75,834	105,589

17.8 Income tax expense at the statutory income

For the year ended 31 March	Company		Group	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
People's Leasing & Finance PLC	2,822,836	3,442,009	2,822,836	3,442,009
People's Leasing Fleet Management Limited	-	-	6,211	9,642
People's Micro-commerce Ltd.	-	-	40,707	22,691
People's Insurance PLC	-	-	310,271	103,245
People's Leasing Property Development Limited	-	-	-	4,112
Lankan Alliance Finance Limited	-	-	79,513	20,125
Total income tax at the statutory income	2,822,836	3,442,009	3,259,538	3,601,824

17.9 Summary of the taxes paid during the year

For the year ended 31 March	Company		Group	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Direct taxes				
Income tax	3,071,709	805,705	3,339,472	907,945
Value added tax on financial services	1,463,382	1,383,392	1,498,978	1,412,620
Nation building tax on financial services	147,494	184,632	150,837	218,014
Crop insurance levy	56,002	45,344	56,002	53,938
Economic service charge	210,539	196,063	250,764	235,961
Debt repayment levy	762,822	326,916	762,822	326,916
Total direct taxes	5,711,948	2,942,052	6,058,875	3,155,394
Indirect taxes (collected and paid)				
Value added tax	281,796	348,864	892,932	1,100,517
Nation building tax	22,674	31,373	130,847	167,120
Stamp duty	250,144	260,520	257,991	267,539
Withholding tax on dividend and interest	605,245	665,306	690,842	714,362
PAYE tax	153,043	128,338	164,590	139,929
Total indirect taxes	1,312,902	1,434,401	2,137,202	2,389,467
Total taxes paid during the financial year	7,024,850	4,376,453	8,196,077	5,544,861

18 – Basic/diluted earnings per ordinary share (EPS)

ACCOUNTING POLICY

Basic earning per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

Basic earnings per share is calculated by dividing the net profit for the year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year, as per Sri Lanka Accounting Standard – LKAS 33 – “Earnings per Share”.

For the year ended 31 March	Company		Group	
	2020	2019	2020	2019
Profit attributable to equity holders of the Company (Rs.)	2,942,508,328	4,416,121,280	3,408,670,499	4,813,577,186
Weighted average number of ordinary shares	1,611,756,419	1,579,862,482	1,611,756,419	1,579,862,482
Basic/Diluted earnings per ordinary share (Rs.)	1.83	2.80	2.11	3.05

19 – Dividend per ordinary share

For the year ended 31 March	Company	
	2020	2019
Ordinary shares		
Out of dividend received (Rs.)	376,792,083	392,767,335
Out of normal profits (Rs.)	762,600,288	1,582,060,768
Total cash dividend paid (Rs.)	1,139,392,371	1,974,828,103
Cash dividend paid (Rs.) – Interim	1,139,392,371	1,184,896,862
Scrip/Cash dividend paid (Rs.) – Final	789,931,241	789,931,241
Total dividend paid (Rs.)	1,929,323,612	1,974,828,103
Weighted average number of ordinary shares	1,611,756,419	1,579,862,482
Dividend per ordinary share (Rs.)	1.20	1.25

Shareholders approved a final dividend of Rs. 0.50 per share for the year ended 31 March 2019. This was paid in the form of a scrip dividend in July 2019. An interim dividend of Rs. 0.70 per share was paid in December 2019 to the ordinary shareholders of the Company for the year 2019/20 (interim dividend 2018/19 – Rs. 0.75).

20 – Analysis of financial instruments by measurement basis

ACCOUNTING POLICY

Financial instruments are measured on an ongoing basis either at fair value or at amortised cost. The summary of significant accounting policies describes how each category of financial instruments is measured and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of the financial instruments by category as defined in Sri Lanka Accounting Standard – SLFRS 9 – “Financial Instruments” under the heading of the Statement of Financial Position.

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20.1 Company

As at 31 March 2020	Note	Page No.	Financial instruments recognised at fair value through profit or loss (FVTPL) Rs. '000	Financial instruments at amortised cost (AC) Rs. '000	Financial instruments at fair value through other comprehensive income (FVOCI) Rs. '000	Total Rs. '000
Assets						
Cash and cash equivalents	22	189	-	7,164,139	-	7,164,139
Balances with banks and financial institutions	23	190	-	3,207,440	-	3,207,440
Financial assets – Fair value through profit or loss	24	190	1,031,719	-	-	1,031,719
Loans and receivables	25	193	-	147,747,511	-	147,747,511
Financial assets – Fair value through other comprehensive income	27	212	-	-	324,381	324,381
Debt instruments – Amortised cost	28	214	-	4,106,963	-	4,106,963
Other financial assets	35	228	-	232,692	-	232,692
Total financial assets			1,031,719	162,458,745	324,381	163,814,845

As at 31 March 2020	Note	Page No.	Financial instruments recognised at fair value through profit or loss (FVTPL) Rs. '000	Financial instruments at amortised cost (AC) Rs. '000	Financial instruments at fair value through other comprehensive income (FVOCI) Rs. '000	Total Rs. '000
Liabilities						
Due to banks	36	229	-	7,938,185	-	7,938,185
Due to customers	37	231	-	106,701,027	-	106,701,027
Debt securities issued	38	232	-	18,479,260	-	18,479,260
Other financial liabilities	39	235	-	3,014,117	-	3,014,117
Lease liabilities	41	238	-	1,909,098	-	1,909,098
Total financial liabilities			-	138,041,687	-	138,041,684

20.2 Company

As at 31 March 2019	Note	Page No.	Financial instruments recognised at fair value through profit or loss (FVTPL) Rs. '000	Financial instruments at amortised cost (AC) Rs. '000	Financial instruments at fair value through other comprehensive income (FVOCI) Rs. '000	Total Rs. '000
Assets						
Cash and cash equivalents	22	189	-	3,294,055	-	3,294,055
Balances with banks and financial institutions	23	190	-	3,404,533	-	3,404,533
Financial assets – Fair value through profit or loss	24	190	23,190	-	-	23,190
Loans and receivables	25	193	-	151,707,902	-	151,707,902
Financial assets – Fair value through other comprehensive income	27	212	-	-	125,651	125,651
Debt instruments – Amortised cost	28	214	-	8,002,625	-	8,002,625
Other financial assets	35	228	-	143,817	-	143,817
Total financial assets			23,190	166,552,932	125,651	166,701,773

As at 31 March 2019	Note	Page No.	Financial instruments recognised at fair value through profit or loss (FVTPL) Rs. '000	Financial instruments at amortised cost (AC) Rs. '000	Financial instruments at fair value through other comprehensive income (FVOCI) Rs. '000	Total Rs. '000
Liabilities						
Due to banks	36	229	-	27,273,933	-	27,273,933
Due to customers	37	231	-	88,368,656	-	88,368,656
Debt securities issued	38	232	-	21,275,031	-	21,275,031
Other financial liabilities	39	235	-	2,480,377	-	2,480,377
Total financial liabilities			-	139,397,997	-	139,397,997

20.3 Group

As at 31 March 2020	Note	Page No.	Financial instruments recognised at fair value through profit or loss (FVTPL) Rs. '000	Financial instruments at amortised cost (AC) Rs. '000	Financial instruments at fair value through other comprehensive income (FVOCI) Rs. '000	Total Rs. '000
Assets						
Cash and cash equivalents	22	189	-	7,693,032	-	7,693,032
Balances with banks and financial institutions	23	190	-	6,661,407	-	6,661,407
Financial assets – Fair value through profit or loss	24	190	1,198,592	-	-	1,198,592
Loans and receivables – Amortised cost	25	193	-	154,134,934	-	154,134,934
Insurance and reinsurance receivables	26	210	-	1,194,933	-	1,194,933
Financial assets – Fair value through other Comprehensive income	27	212	-	-	1,455,702	1,455,702
Debt instruments – Amortised cost	28	214	-	4,813,439	-	4,813,439
Total financial assets			1,198,592	174,497,745	1,455,702	177,152,039

As at 31 March 2020	Note	Page No.	Financial instruments recognised at fair value through profit or loss (FVTPL) Rs. '000	Financial instruments at amortised cost (AC) Rs. '000	Financial instruments at fair value through other comprehensive income (FVOCI) Rs. '000	Total Rs. '000
Liabilities						
Due to banks	36	229	-	10,978,046	-	10,978,046
Due to customers	37	231	-	107,685,592	-	107,685,592
Debt securities issued	38	232	-	18,338,039	-	18,338,039
Other financial liabilities	39	235	-	2,829,708	-	2,829,708
Insurance liabilities and reinsurance payable	40	236	-	5,065,220	-	5,065,220
Lease liabilities	41	238	-	1,594,245	-	1,594,245
Total financial liabilities			-	146,490,850	-	146,490,850

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20.4 Group

As at 31 March 2019	Note	Page No.	Financial instruments recognised at fair value through profit or loss (FVTPL) Rs. '000	Financial instruments at amortised cost (AC) Rs. '000	Financial instruments at fair value through other comprehensive income (FVOCI) Rs. '000	Total Rs. '000
Assets						
Cash and cash equivalents	22	189	-	4,310,595	-	4,310,595
Balances with banks and financial institutions	23	190	-	7,375,423	-	7,375,423
Financial assets – Fair value through profit or loss	24	190	72,386	-	-	72,386
Loans and receivables – Amortised cost	25	193	-	156,955,837	-	156,955,837
Insurance and reinsurance receivables	26	210	-	885,395	-	885,395
Financial assets – Fair value through other comprehensive income	27	212	-	-	125,651	125,651
Debt instruments – Amortised cost	28	214	-	9,091,945	-	9,091,945
Total financial assets			72,386	178,619,195	125,651	178,817,232

As at 31 March 2019	Note	Page No.	Financial instruments recognised at fair value through profit or loss (FVTPL) Rs. '000	Financial instruments at amortised cost (AC) Rs. '000	Financial instruments at fair value through other comprehensive income (FVOCI) Rs. '000	Total Rs. '000
Liabilities						
Due to banks	36	229	-	30,475,326	-	30,475,326
Due to customers	37	231	-	88,923,196	-	88,923,196
Debt securities issued	38	232	-	21,134,040	-	21,134,040
Other financial liabilities	39	235	-	2,464,936	-	2,464,936
Insurance liabilities and reinsurance payable	40	236	-	4,880,873	-	4,880,873
Total financial liabilities			-	147,878,371	-	147,878,371

21 – Fair value of assets and liabilities

ACCOUNTING POLICY

The following is a description of how fair values are determined for financial and non-financial assets and liabilities that are recorded at fair value using valuation techniques. These incorporate the Group's/Company's estimate of assumptions that a market participant would make when valuing the instruments.

21.1 Financial assets – Fair value through other comprehensive income

Financial assets – Fair Value through other comprehensive income valued using valuation techniques or pricing models primarily consist of quoted investment securities. These quoted investment securities are valued using quoted market price in an active market of each securities.

21.2 Financial assets – Fair value through profit or loss

Financial assets – Fair value through profit or loss valued using valuation techniques primarily consist of quoted investments. These quoted assets are valued using quoted market price in an active market of each securities.

21.3 Financial assets and liabilities carried at amortised cost

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated based on the discounted cash flow approach. This approach employs the current market interest rates of similar financial instruments as a significant unobservable input in measuring the fair value and hence it is categorised under level 3 in the fair value hierarchy.

21.4 Property, plant and equipment disclosed at fair value

Freehold land and buildings are disclosed at revalued amount, being their fair value at the revaluation date less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

21.5 Valuation model

For all financial instruments where fair values are determined by referring to externally quoted prices or observable pricing inputs to models, independent price determination or validation is obtained. In an inactive market, direct observation of a traded price may not be possible. In these circumstances, the Company uses alternative market information to validate the financial instrument's fair value, with greater weight given to information that is considered to be more relevant and reliable.

Valuation framework

The Company has an established control framework with respect to the measurement of fair values of trading and investment operations and all other significant assets and liabilities. Specific controls include:

- – Periodic (daily, monthly or quarterly) reviewing of fair value measurements against observable market data.
- – Periodic (at least annually) reviewing of fair value measurement models against changes in market conditions, significant judgements, and assumptions.

21.6 Determination of fair value and fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1** quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2** other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3** techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

The following table shows an analysis of assets and liabilities recorded/disclosed at fair value by level of the fair value hierarchy:

As at 31 March 2020	Company						
	Note	Page No.	Date of Valuation	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000
Financial assets							
Financial assets – Fair value other comprehensive income							
Quoted investments	27	212	21.03.2020	324,381	–	–	324,381
Subtotal				324,381	–	–	324,381
Financial assets – Fair value through profit or loss							
Quoted investments	24	190	21.03.2020	13,547	–	–	13,547
Investment in unit trust	24	190	31.03.2020	–	1,018,172	–	1,018,172
Subtotal				13,547	1,018,172	–	1,031,719
Total				337,928	1,018,172	–	1,356,100
Non-financial assets disclosed at fair value							
Freehold land and buildings (Included under property, plant and equipment)	32.4	224	–	–	–	864,058	864,058
Total				–	–	864,058	864,058

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As at 31 March 2019		Note		Page No.		Company			
						Date of Valuation	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000
Financial assets									
Financial assets – Fair value through other comprehensive income									
Quoted investments		27	212	31.03.2019	125,651	–	–	–	125,651
Subtotal					125,651	–	–	–	125,651
Financial assets – Fair value through profit or loss									
Quoted investments		24	190	31.03.2019	23,190	–	–	–	23,190
Subtotal					23,190	–	–	–	23,190
Total					148,841	–	–	–	148,841
Non-financial assets disclosed at fair value									
Freehold lands and buildings (Included under property, plant and equipment)		32.4	224		–	–	795,585	–	795,585
Total					–	–	795,585	–	795,585

The following table shows an analysis of assets and liabilities recorded/disclosed at fair value by level of the fair value hierarchy:

As at 31 March 2020		Note		Page No.		Group			
						Date of Valuation	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000
Financial assets									
Financial assets – Fair value through other comprehensive income									
Quoted investments		27	212	21.3.2020	324,381	–	–	–	324,381
Treasury bills		27	212	27.3.2020	–	1,131,321	–	–	1,131,321
Subtotal					324,381	1,131,321	–	–	1,455,702
Financial assets – Fair value through profit or loss									
Quoted investments		24	190	21.3.2020	27,134	–	–	–	27,134
Investment in unit trust		24	190	31.3.2020	–	1,171,458	–	–	1,171,458
Subtotal					27,134	1,171,458	–	–	1,198,592
Non-financial assets – Investment property									
Land and building		31	218		–	–	1,131,652	–	1,131,652
Subtotal					–	–	1,131,652	–	1,131,652
Total					351,515	2,302,779	1,131,652	–	3,785,946
Non-financial assets disclosed at fair value									
Freehold land and buildings (Included under property, plant and equipment)		32.4	224		–	–	5,914,058	–	5,914,058
Total					–	–	5,914,058	–	5,914,058

As at 31 March 2019	Note	Page No.	Group				Total Rs. '000
			Date of Valuation	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	
Financial assets							
Financial assets – Fair value through other comprehensive income							
Quoted investments	27	212	31.3.2019	125,651	–	–	125,651
Subtotal				125,651	–	–	125,651
Financial assets – Fair value through profit or loss							
Quoted investments	24	190	31.3.2019	72,386	–	–	72,386
Subtotal				72,386	–	–	72,386
Non-financial assets – Investment property							
Land and building	31	218		–	–	1,131,596	1,131,596
Subtotal				–	–	1,131,596	1,131,596
Total				198,037	–	1,131,596	1,329,633
Non-financial assets disclosed at fair value							
Freehold lands and buildings (Included under property, plant and equipment)	32.4	224		–	–	5,695,585	5,695,585
Total				–	–	5,695,585	5,695,585

There were no material transfers between level 1 and level 2 during the 2018/19 and 2019/20. Valuation was carried out for lands and buildings by professionally qualified independent valuer in compliance with Sri Lanka Accounting Standard – SLFRS 13 – “Fair Value Measurement”.

The following table show total fair value gains/losses recognised in Statement of Profit or Loss during the year relating to assets and liabilities held at the respective year ended.

For the year ended 31 March	Company		Group	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Financial assets				
Financial assets – Fair value through profit or loss				
Quoted investments	11,017	(27,887)	19,586	(44,351)
Total	11,017	(27,887)	19,586	(44,351)

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Level 3 fair value measurement

Reconciliation

The following note shows a reconciliation from the beginning balances to the ending balances of fair value measurements in level 3 of the fair value hierarchy:

	Note	Page No.	Company			Group		
			Investment property Rs. '000	Freehold land and buildings Rs. '000	Total Rs. '000	Investment property Rs. '000	Freehold land and buildings Rs. '000	Total Rs. '000
Balance as at 1 April 2018			134,400	845,585	979,985	1,265,996	4,402,489	5,668,485
Additions			-	-	-	-	-	-
Disposals/transfers			(134,400)	(52,000)	(186,400)	(134,400)	(52,000)	(186,400)
Total gains/(losses) recognised in profit or loss:								
Depreciation of buildings			-	(430)	(430)	-	(60,368)	(60,368)
Fair value disclosed during the year			-	2,430	2,430	-	273,868	273,868
Balance as at 31 March 2019	32.4	224	-	795,585	795,585	1,131,596	4,563,989	5,695,585
Balance as at 1 April 2019			-	795,585	795,585	1,131,596	4,563,989	5,695,585
Additions			-	6,659	6,659	-	12,455	12,455
Disposals/transfers			-	-	-	56	-	56
Total gains/(losses) recognised in profit or loss:								
Depreciation of buildings			-	(361)	(361)	-	(60,521)	(60,521)
Fair value disclosed during the year			-	62,175	62,175	-	266,483	266,483
Balance as at 31 March 2020	32.4	224	-	864,058	864,058	1,131,652	4,782,406	5,914,058

Unobservable inputs used in measuring fair value

The table below sets out information about significant unobservable inputs used at 31 March 2020 and 31 March 2019 in measuring non-financial instruments categorised as level 3 in the fair value hierarchy:

Type of instrument	Date of valuation	Fair value Rs. '000	Valuation technique	Significant unobservable inputs	Weighted average range of estimates for unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Company						
As at 31 March 2020						
Property, plant and equipment						
Freehold lands	31.12.2019	821,458	MCM	Estimated price per perch	Rs. 60,000 – 6,000,000	*
Freehold buildings	31.12.2019	42,600	MCM	Estimated price per sq. ft.	Rs. 1,000 – 4,000	*
			Income basis	Estimated rental value per sq. ft.	Rs. 20 – 60	*
As at 31 March 2019						
Property, plant and equipment						
Freehold lands	31.12.2016	752,731	MCM	Estimated price per perch	Rs. 50,000 – 4,300,000	*
Freehold buildings	31.12.2016	42,854	MCM	Estimated price per sq. ft.	Rs. 500 – 4,000	*
			Income basis	Estimated rental value per sq. ft.	Rs. 20 – 60	*

Type of instrument	Date of valuation	Fair value Rs. '000	Valuation technique	Significant unobservable inputs	Weighted average range of estimates for unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Group						
As at 31 March 2020						
Investment property						
Freehold lands	31.12.2019	360,014	MCM	Estimated price per perch	Rs. 600,000 – 13,000,000	*
Freehold buildings	31.12.2019	771,638	MCM	Estimated price per sq. ft.	Rs. 200 – 300	*
			Income basis	Estimated rental value per sq. ft.	Rs. 14,500	*
Property, plant and equipment						
Freehold lands	31.12.2019	2,876,444	MCM	Estimated price per perch	Rs. 50,000 – 13,000,000	*
Freehold buildings	31.12.2019	1,905,962	MCM	Estimated price per sq. ft.	Rs. 500 – 11,000	*
			Income basis	Estimated rental value per sq. ft.	Rs. 15 – 250	*
As at 31 March 2019						
Investment property						
Freehold lands	31.3.2018	359,958	MCM	Estimated price per perch	Rs. 600,000 – 13,000,000	*
Freehold buildings	31.3.2018	771,638	MCM	Estimated price per sq. ft.	Rs. 200 – 300	*
			Income basis	Estimated rental value per sq. ft.	Rs. 14,500	*
Property, plant and equipment						
Freehold land	31.12.2018	3,177,773	MCM	Estimated price per perch	Rs. 50,000 – 10,000,000	*
Freehold buildings	31.12.2018	1,386,216	MCM	Estimated price per sq. ft.	Rs. 500 – 11,000	*
			Income basis	Estimated rental value per sq. ft.	Rs. 15 – 250	*

MCM: Market comparable method.

* Significant increases/(decreases) in any of these inputs in isolation would result in a significantly higher/(lower) fair value.

21.7 Fair value of assets and liabilities not carried at fair value

Set out below is a comparison, by class, of the carrying amount and fair values of the Group's/Company's financial instruments that are not carried at fair value in the Financial Statements. This table does not include the fair value of non-financial assets and non-financial liabilities.

Company	2020					2019				
	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total fair value Rs. '000	Carrying amount Rs. '000	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total fair value Rs. '000	Carrying amount Rs. '000
As at 31 March										
Financial assets										
Cash and cash equivalents	-	7,164,139	-	7,164,139	7,164,139	-	3,294,055	-	3,294,055	3,294,055
Balances with banks and financial institutions	-	3,205,140	-	3,205,140	3,207,440	-	3,399,296	-	3,399,296	3,404,533
Loans and receivables – Amortised cost (gross)	-	155,825,013	-	155,825,013	156,497,746	-	155,935,731	-	155,935,731	156,652,241
Debt instruments – Amortised cost	-	4,114,978	-	4,114,978	4,106,963	-	8,007,001	-	8,007,001	8,002,625
Other financial assets	-	232,692	-	232,692	232,692	-	143,817	-	143,817	143,817
Total	-	170,541,962	-	170,541,962	171,208,980	-	170,779,900	-	170,779,900	171,497,271
Financial liabilities										
Due to banks	-	8,057,554	-	8,057,554	7,938,185	-	27,260,329	-	27,260,329	27,273,933
Due to customers	-	106,798,094	-	106,798,094	106,701,027	-	87,918,010	-	87,918,010	88,368,656
Debt securities issued	-	18,759,201	-	18,759,201	18,479,260	-	20,824,768	-	20,824,768	21,275,031
Other financial liabilities	-	3,014,117	-	3,014,117	3,014,117	-	2,480,377	-	2,480,377	2,480,377
Lease liabilities	-	1,904,947	-	1,904,947	1,909,098	-	-	-	-	-
Total	-	138,533,913	-	138,533,913	138,041,687	-	138,483,484	-	138,483,484	139,397,997

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Group	2020					2019				
	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total fair value Rs. '000	Carrying amount Rs. '000	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total fair value Rs. '000	Carrying amount Rs. '000
As at 31 March										
Financial assets										
Cash and cash equivalents	-	7,693,032	-	7,693,032	7,693,032	-	4,310,595	-	4,310,595	4,310,595
Balances with banks and financial institutions	-	6,593,797	-	6,593,797	6,661,407	-	6,824,241	-	6,824,241	7,375,423
Loans and receivables – Amortised cost (gross)	-	158,483,419	-	158,483,419	163,304,880	-	159,843,406	-	159,843,406	162,232,865
Insurance and reinsurance receivables	-	1,194,933	-	1,194,933	1,194,933	-	885,395	-	885,395	885,395
Debt instruments – Amortised cost	-	4,821,454	-	4,821,454	4,813,439	-	8,007,001	-	8,007,001	9,091,945
Total	-	178,786,635	-	178,786,635	183,667,691	-	179,870,638	-	179,870,638	183,896,223
Financial liabilities										
Due to banks	-	11,097,415	-	11,097,415	10,978,046	-	30,118,093	-	30,118,093	30,475,326
Due to customers	-	106,796,726	-	106,796,726	107,685,592	-	87,486,543	-	87,486,543	88,923,196
Debt securities issued	-	18,616,227	-	18,616,227	18,338,039	-	20,683,777	-	20,683,777	21,134,040
Other financial liabilities	-	2,829,708	-	2,829,708	2,829,708	-	2,464,936	-	2,464,936	2,464,936
Insurance liabilities and reinsurance payable	-	5,065,220	-	5,065,220	5,065,220	-	4,880,873	-	4,880,873	4,880,873
Lease liabilities	-	1,590,805	-	1,590,805	1,594,245	-	-	-	-	-
Total	-	145,996,101	-	145,996,101	146,490,850	-	145,634,222	-	145,634,222	147,878,371

Fair value of financial assets and liabilities not carried at fair value

Relief granted by the CBSL has not being considered for the fair value.

The valuation techniques used to establish the Group's fair values are consistent with those used to calculate the fair values of financial instruments carried at fair value. The fair values calculated are for disclosure purposes only and do not have any impact on the Group's reported financial performance or position. The fair values calculated by the Group may be different from the actual amount that will be received/paid on the settlement or maturity of the financial instrument. As certain categories of financial instruments are not traded there is a significant level of management judgment involved in calculating the fair values.

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the Financial Statements:

Balances with banks and financial institutions

For financial assets and financial liabilities that have a short-term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to demand deposits, and savings accounts without a specific maturity.

Loans and receivables

The fair value of loans and advances to customers with a maturity of less than one year generally approximates the carrying value, subject to any significant movement in credit spreads. The estimated fair value of loans and advances with maturity of more than one year represents the discounted amount of future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

Due to customers

The estimated fair value of deposits with no maturity period (savings deposits) is the amount repayable on demand. The estimated fair value of fixed interest bearing deposits (fixed deposits) without quoted market prices is based on discounting cash flows using the prevailing market rates for debts with a similar risk and remaining maturity.

Due to banks and debt securities issued

Variable rate is a fair measure which reflects market movements. Hence the carrying value represents the fair value of the variable rate instruments.

The fair value of fixed rate borrowings with a maturity of less than one year generally approximates the carrying value, subject to any significant movement in credit spreads. The estimated fair value of fixed rates borrowing with maturity of more than one year represents the discounted amount of future cash flows expected to be paid. Expected cash flows are discounted at current market rates to determine fair value.

22 – Cash and cash equivalents

ACCOUNTING POLICY

Cash and cash equivalents include cash in hand, placements with banks and loans at call and at short notice that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. They are brought to Financial Statements at their face values or the gross values, where appropriate. There were no cash and cash equivalents held by the Group companies that were not available for use by the Group.

Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position.

Securities purchased under reverse repurchase agreements

Securities purchased under agreements to re-sell at a specified future date are recognised in the Statement of Financial Position. The consideration paid, including accrued interest, is recorded in the Statement of Financial Position, within “cash and cash equivalents”, reflecting the transaction’s economic substance as a loan by the Group. The difference between the purchase and resale prices is recorded in “interest income” and is accrued over the life of the agreement using the EIR.

As at 31 March	Note	Page No.	Company		Group	
			2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Cash in hand			656,002	861,562	669,272	890,748
Balance with banks	22.1	189	1,172,669	2,065,523	1,675,364	2,760,312
Savings account with banks			206,434	60,563	214,422	60,639
Savings deposits in foreign currency			19	4,859	19	4,859
Securities under reverse repurchase agreements			5,129,015	301,548	5,133,955	594,037
Total			7,164,139	3,294,055	7,693,032	4,310,595
Fair value			7,164,139	3,294,055	7,693,032	4,310,595

22.1 Balance with banks

As at 31 March	Company		Group	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Local banks	1,172,669	2,065,523	1,675,364	2,760,312
Total	1,172,669	2,065,523	1,675,364	2,760,312

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23 – Balances with banks and financial institutions

ACCOUNTING POLICY

Balances with banks and financial institutions include fixed deposits and deposits in foreign currency. Balances with banks and financial institutions are carried at amortised cost in the Statement of Financial Position.

As at 31 March	Company		Group	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Fixed deposits				
Local currency	3,207,440	3,404,533	6,644,819	7,365,148
Foreign currency	-	-	16,588	10,275
Total	3,207,440	3,404,533	6,661,407	7,375,423
Fair value	3,205,140	3,399,296	6,593,797	6,824,241

24 – Financial assets – Fair value through profit or loss

ACCOUNTING POLICY

The Group classifies financial assets as financial assets recognised through profit or loss (FATPL) when they have been purchased primarily for short-term profit making through trading activities. FATPL are recorded and measured at fair value and changes in fair value are recognised in the Net gains/(losses) on financial assets – FVTPL in the Statement of Profit or Loss.

SLFRS 9 requires financial instruments to be classified based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. FATPL include quoted equity securities that have been acquired principally for short-term profit making and are recorded at fair value using the market prices published by the Colombo Stock Exchange.

Further as per SLFRS 9, financial assets recognised through profit or loss includes all financial assets other than those classified under FVOCI and amortised cost.

Dividend income or expense is recorded in "Net trading income" according to the terms of the contract, or when the right to receive the payment has been established.

The Group evaluates its portfolio of assets FVOCI, to determine if the intention to sell them in the near future is still appropriate. When the Group cannot sell these financial assets due to inactive markets and the management intention to sell them in the foreseeable future significant changes, the Group may choose to reclassify these financial assets. Financial assets FVOCI measure the fair value using the prices obtained from Colombo Stock Exchanges.

As at 31 March	Note	Page No.	Company		Group	
			2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Investment in unit trust	24.3	192	1,018,172	-	1,171,458	-
Quoted equity securities	24.1	191	13,547	23,190	27,134	72,386
Total			1,031,719	23,190	1,198,592	72,386
Fair value			1,031,719	23,190	1,198,592	72,386

24.1 Quoted equity securities

As at 31 March	Company					
	2020			2019		
	Number of shares	Total cost Rs. '000	Market value Rs. '000	Number of shares	Total cost Rs. '000	Market value Rs. '000
Bank, Finance and Insurance						
Commercial Bank of Ceylon PLC – Non-voting	114,885	9,877	6,721	111,984	9,653	9,407
Seylan Bank PLC – Voting	109,406	7,449	3,665	80,381	6,236	5,048
Seylan Bank PLC – Non-voting	143,028	4,403	3,161	103,909	3,554	3,730
Subtotal		21,729	13,547		19,443	18,185
Diversified holdings						
Vallibel One PLC		–	–	350,000	8,769	5,005
Subtotal		–	–		8,769	5,005
Total		21,729	13,547		28,212	23,190
Mark to market gains/(losses)		(8,182)			(5,022)	
Market value of equity securities		13,547			23,190	

As at 31 March	Group					
	2020			2019		
	Number of shares	Total cost Rs. '000	Market value Rs. '000	Number of shares	Total cost Rs. '000	Market value Rs. '000
Shares listed in Sri Lanka						
Bank, finance and insurance						
Commercial Bank of Ceylon PLC – Voting	120,000	12,083	7,212	–	–	–
Commercial Bank of Ceylon PLC – Non-voting	114,885	9,877	6,721	194,604	16,619	16,347
Seylan Bank PLC – Voting	109,406	7,449	3,665	80,381	6,236	5,048
Seylan Bank PLC – Non-voting	143,028	4,403	3,161	103,909	3,554	3,730
Subtotal		33,812	20,759		26,409	25,125
Beverage food and tobacco						
Ceylon Tobacco Company PLC	5,000	5,400	5,000	–	–	–
Distilleries Company of Sri Lanka PLC	–	–	–	14,814	110	215
Subtotal		5,400	5,000		110	215
Diversified holdings						
John Keells Holdings PLC	–	–	–	237,500	37,363	37,050
Melstacorp PLC	–	–	–	50,000	1,693	1,800
Vallibel One PLC	–	–	–	350,000	8,769	5,005
Sunshine Holdings PLC	–	–	–	50,921	2,825	2,393
Subtotal		–	–		50,650	46,248
Manufacturing						
Kelani Cables PLC	–	–	–	11,833	1,492	798
Subtotal		–	–		1,492	798
Shares listed in Bangladesh						
Indo-Bangla Pharmaceuticals	3,530	65	151	–	–	–
Silva Pharmaceuticals	9,653	204	399	–	–	–
Silco Pharmaceuticals	8,022	162	399	–	–	–
VFS Tread Ltd.	8,515	156	426	–	–	–
Subtotal		587	1,375		–	–
Total		39,799	27,134		78,661	72,386
Mark to market gains/(losses)		(12,665)			(6,275)	
Market value of equity securities		27,134			72,386	

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24.2 Industry/sector composition of equity securities – Company and Group

Company

Industry/Sector

As at 31 March	2020			2019		
	Total cost	Market value		Total cost	Market value	
	Rs. '000	Rs. '000	%	Rs. '000	Rs. '000	%
Bank, finance and insurance	21,729	13,547	100.00	19,443	18,185	78.42
Diversified holdings	–	–	–	8,769	5,005	21.58
Subtotal	21,729	13,547	100.00	28,212	23,190	100.00
Mark to market gains/(losses)	(8,182)			(5,022)		
Market value of equity securities	13,547			23,190		

Group

As at 31 March	2020			2019		
	Total cost	Market value		Total cost	Market value	
	Rs. '000	Rs. '000	%	Rs. '000	Rs. '000	%
Bank, finance and insurance	33,812	20,759	76.51	26,409	25,125	34.71
Beverage food and tobacco	5,400	5,000	18.43	110	215	0.30
Pharmaceuticals, biotechnology and life sciences	431	949	3.50	–	–	–
Diversified holdings	156	426	1.57	50,650	46,248	63.89
Manufacturing	–	–	–	1,492	798	1.10
Subtotal	39,799	27,134	100.00	78,661	72,386	100.00
Mark to market gains/(losses)	(12,665)			(6,275)		
Market value of equity securities	27,134			72,386		

Sensitivity analysis of financial assets – FVTPL is given in Note 59.4.3 on page 284.

24.3 Investment in unit trust

As at 31 March	Company			Group		
	Number of units	2020 Rs. '000	2019 Rs. '000	Number of units	2020 Rs. '000	2019 Rs. '000
	NDB Wealth Money Market Plus Fund	34,521,366	760,585	–	34,521,366	760,585
Guardian Money Market Fund	13,256,217	257,587	–	13,264,201	410,873	–
Total		1,018,172	–		1,171,458	–

25 – Loans and receivables – Amortised cost

ACCOUNTING POLICY

Financial assets classified as loans and receivables include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the Group and the Company intend to sell immediately or in the near term and those that upon initial recognition, designates as at fair value through profit or loss;
- Those that the Group and Company, upon initial recognition, designates as FVOCI
- Those for which the Group and Company may not recover substantially all of its initial investment, other than because of credit deterioration

“Loans and receivables” are measured at amortised cost using the EIR, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in “interest income” in the Statement of Profit or Loss. The losses arising from impairment are recognised in the Statement of Profit or Loss in “impairment charges for loans and receivables and other losses”.

Lease

The determination of whether an arrangement is a lease or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right-of-use the asset.

Group/Company as a lessee

Leases that do not transfer to the Group/Company substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the Statement of Profit or Loss on a straight line basis over the lease term. Contingent rental payable is recognised as an expense in the period in which they are incurred.

Company/Group as a lessor

Leases where the Group/Company does not transfer substantially all of the risk and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Receivables on lease, hire purchase and islamic finance

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right-of-use the asset.

“Day 1” difference for staff loans

All staff loans granted at below market interest rates were recognised at fair value. The difference between the fair value and the amount disbursed were treated as “day 1” difference and amortised as staff cost over the loan period by using effective interest rate (EIR). The staff loans were subsequently measured at amortised costs. Refer Note 35.2 on page 228.

Renegotiated loans and receivables

Where possible, the Group/Company seeks to restructure loans and receivables rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans and receivables to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to any criteria are met and that future payments are likely to occur. The loans and receivables continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR.

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Reversals of impairment

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the excess is written back by reducing the loan impairment allowance account accordingly. The write-back is recognised in the Statement of Profit or Loss.

Written off of loans and receivables

Loans and receivables are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

As at 31 March	Note	Page No.	Company		Group	
			2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Loans and receivables	25.1.2	195	156,497,746	156,652,241	163,304,880	162,232,865
Less: Individual impairment	25.8	207	1,316,238	476,668	1,428,968	476,668
Less: Collective impairment	25.8	207	7,433,997	4,467,671	7,740,978	4,800,360
Net loans and receivables			147,747,511	151,707,902	154,134,934	156,955,837
Fair value			155,825,013	155,935,731	158,483,419	159,843,406

25.1 Analysis

25.1.1 Analysis by stage wise

As at 31 March	Company			
	2020			
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Loans and receivables	85,842,549	38,427,764	32,227,433	156,497,746
Less: Individual impairment	-	-	1,316,238	1,316,238
Less: Collective impairment	675,172	1,183,272	5,575,553	7,433,997
Net loans and receivables	85,167,377	37,244,492	25,335,642	147,747,511

As at 31 March	Company			
	2019			
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Loans and receivables	114,902,936	26,640,116	15,109,189	156,652,241
Less: Individual impairment	-	-	476,668	476,668
Less: Collective impairment	694,115	683,712	3,089,844	4,467,671
Net loans and receivables	114,208,821	25,956,404	11,542,677	151,707,902

As at 31 March	Group			
	2020			
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Loans and receivables	88,207,562	41,813,456	33,283,862	163,304,880
Less: Individual impairment	-	-	1,428,968	1,428,968
Less: Collective impairment	749,718	1,333,159	5,658,101	7,740,978
Net loans and receivables	87,457,844	40,480,297	26,196,793	154,134,934

As at 31 March	Group			
	2019			
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Loans and receivables	118,132,252	28,664,656	15,435,957	162,232,865
Less: Individual impairment	-	-	476,668	476,668
Less: Collective impairment	739,818	730,193	3,330,349	4,800,360
Net loans and receivables	117,392,434	27,934,463	11,628,940	156,955,837

25.1.2 Analysis by product

As at 31 March	Note	Page No.	Company		Group	
			2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
			By product			
Lease/Ijarah receivables	25.5/25.6	199/202	85,815,366	87,421,571	85,815,366	87,421,571
Hire purchase/Murabah receivables	25.5/25.6	199/202	336,375	658,758	3,355,778	2,872,618
Term loans and receivables	25.5/25.6	199/202	68,728,321	67,237,439	71,615,697	69,849,575
Related party receivables	25.2	196	1,617,684	1,334,473	-	-
Debentures	25.3	197	-	-	2,518,039	2,089,101
Gross total			156,497,746	156,652,241	163,304,880	162,232,865
Fair value			155,825,013	155,935,731	158,483,419	159,843,406

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25.1.3 Analysis by currency

As at 31 March	Company		Group	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Sri Lankan Rupee	156,497,746	156,652,241	160,611,510	159,697,153
Bangladesh Taka	-	-	2,693,370	2,535,712
Gross total	156,497,746	156,652,241	163,304,880	162,232,865

25.1.4 Analysis by industry

As at 31 March	Company		Group	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Agriculture, forestry and fishing	30,535,229	23,499,008	31,148,829	23,949,702
Arts, entertainment and recreation	1,198,406	580,392	1,198,406	580,392
Construction and infrastructure development	11,861,226	12,008,983	10,905,103	11,204,000
Consumption	8,982,853	9,085,088	9,017,339	9,090,948
Education	1,790,145	1,671,124	1,790,145	1,671,124
Financial services	4,881,761	4,360,893	7,836,750	6,192,526
Health care, social services and support services	18,588,699	33,836,250	20,017,178	33,836,250
Information technology and communication	1,419,850	1,193,537	1,419,850	1,193,537
Manufacturing	9,267,973	8,172,219	11,378,906	10,665,019
Professional, scientific and technical activities	8,042,772	3,926,506	8,042,772	4,896,861
Tourism	4,337,271	3,727,500	4,352,849	3,735,748
Transportation and storage	35,230,788	31,528,810	35,265,304	31,553,217
Wholesale and retail trade	18,168,984	18,754,628	18,606,628	19,183,358
Others	2,191,789	4,307,303	2,324,821	4,480,183
Gross total	156,497,746	156,652,241	163,304,880	162,232,865

25.2 Related party receivables

As at 31 March	Company		Group	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
People's Leasing Property Development Limited	614,680	553,289	-	-
People's Leasing Fleet Management Limited	17,654	7,244	-	-
People's Leasing Havelock Properties Limited	809,822	710,399	-	-
People's Micro-commerce Ltd.	112,505	11,039	-	-
People's Insurance PLC	35,868	25,347	-	-
Lankan Alliance Finance Limited	27,155	27,155	-	-
Total	1,617,684	1,334,473	-	-

25.3 Debentures

	Rate %	Maturity date	Group			
			2020		2019	
			Number of debentures	Carrying value Rs. '000	Number of debentures Rs. '000	Carrying value Rs. '000
Sampath Bank PLC	8.25	14 December 2019	-	-	1,250,000	127,471
	9.90	18 November 2019	500,000	51,802	500,000	51,787
	12.50	20 March 2023	1,000,000	106,634	1,000,000	100,401
	13.90	24 February 2024	1,000,000	101,138	1,000,000	101,111
Siyapatha Finance PLC	13.33	08 August 2024	1,500,000	162,626	-	-
National Savings Bank	11.00	10 September 2022	1,000,000	105,970	-	-
National Development Bank PLC	9.40	24 June 2020	282,800	26,057	282,800	24,122
	13.95	30 March 2024	2,000,000	227,961	2,000,000	200,000
DFCC Bank PLC	9.40	10 June 2020	332,100	35,764	332,100	35,758
	12.75	09 November 2023	1,000,000	104,996	1,000,000	104,961
	13.00	29 March 2025	844,500	95,536	844,500	95,477
	13.50	28 March 2024	1,000,000	113,627	1,000,000	100,107
Seylan Bank PLC	12.85	29 March 2023	750,000	79,883	750,000	79,856
MTD Walkers PLC	11.75	30 September 2019	254,784	26,954	254,784	26,954
Commercial Credit and Finance PLC	10.40	10 December 2020	1,000,000	103,189	1,000,000	103,160
Sanasa Development Bank PLC	10.30	31 December 2020	500,000	51,280	500,000	51,266
Commercial Bank PLC	10.75	08 March 2021	2,000,000	212,104	2,000,000	201,324
	12.00	27 October 2021	421,900	44,345	421,900	44,331
	12.00	22 July 2023	881,700	90,135	881,700	90,106
Hatton National Bank PLC	11.25	28 March 2021	2,000,000	222,954	2,000,000	222,529
	13.00	01 November 2023	193,300	20,339	193,300	20,332
	12.30	22 September 2024	413,300	43,914	-	-
Nations Trust Bank PLC	12.65	08 November 2021	2,000,000	209,619	2,000,000	209,921
	12.80	23 December 2024	2,000,000	206,634	-	-
Hayleys PLC	12.50	31 July 2023	1,000,000	102,012	1,000,000	101,978
Subtotal				2,545,473		2,092,952
Less: Allowance for expected credit losses				(27,434)		(3,851)
Total				2,518,039		2,089,101

Total allowance for expected credit loss stemmed from 12 months ECL since all investments under this category are investment grade instruments.

25.4 Movement in gross loan and receivables during the year (Under SLFRS 9)

Movement in gross loan and receivables 2019/20

	Company			
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Gross carrying amount as at 1 April 2019	114,902,936	26,640,117	15,109,188	156,652,241
New assets originated or purchased	45,583,126	16,938,239	7,026,238	69,547,603
Assets derecognised or repaid (excluding write-offs)	(49,915,849)	(13,501,435)	(6,284,814)	(69,702,098)
Transfers to Stage 1	(26,572,169)	16,957,385	9,614,784	-
Transfers to Stage 2	1,608,186	(9,125,199)	7,517,013	-
Transfers to Stage 3	236,319	518,658	(754,977)	-
Amounts written-off	-	-	-	-
Gross carrying amount as at 31 March 2020	85,842,549	38,427,765	32,227,432	156,497,746

Movement in gross loan and receivables 2018/19

	Company			
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Gross carrying amount as at 1 April 2018	110,019,522	23,482,126	9,608,168	143,109,816
New assets originated or purchased	65,685,458	10,985,274	4,308,201	80,978,933
Assets derecognised or repaid (excluding write-offs)	(47,840,377)	(13,738,418)	(5,623,070)	(67,201,865)
Transfers to Stage 1	5,455,678	(4,855,785)	(599,893)	-
Transfers to Stage 2	(13,313,887)	14,013,387	(699,500)	-
Transfers to Stage 3	(5,103,458)	(3,246,467)	8,349,925	-
Amounts written-off	-	-	(234,643)	(234,643)
Gross carrying amount as at 31 March 2019	114,902,936	26,640,117	15,109,188	156,652,241

Movement in gross loan and receivables 2019/20

	Group			
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Gross carrying amount as at 1 April 2019	118,132,249	28,664,658	15,435,958	162,232,865
New assets originated or purchased	51,127,542	19,378,635	7,714,983	78,221,160
Assets derecognised or repaid (excluding write-offs)	(55,248,912)	(14,943,943)	(6,956,290)	(77,149,145)
Transfers to Stage 1	(27,728,058)	17,695,031	10,033,027	-
Transfers to Stage 2	1,678,142	(9,522,145)	7,844,003	-
Transfers to Stage 3	246,599	541,220	(787,819)	-
Amounts written-off	-	-	-	-
Gross carrying amount as at 31 March 2020	88,207,562	41,813,456	33,283,862	163,304,880

Movement in gross loan and receivables 2018/19

	Group			
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Gross carrying amount as at 1 April 2018	111,408,727	23,776,549	9,848,209	145,033,485
New assets originated or purchased	68,379,992	12,782,885	4,336,959	85,499,836
Assets derecognised or repaid (excluding write-offs)	(48,430,522)	(13,931,656)	(5,702,630)	(68,064,808)
Transfers to Stage 1	5,531,116	(4,928,543)	(602,573)	-
Transfers to Stage 2	(13,573,641)	14,277,396	(703,755)	-
Transfers to Stage 3	(5,183,423)	(3,311,973)	8,495,396	-
Amounts written-off	-	-	(235,648)	(235,648)
Gross carrying amount as at 31 March 2019	118,132,249	28,664,658	15,435,958	162,232,865

25.5 Remaining contractual maturity analysis – Company

25.5.1 Lease/Ijarah receivable

As at 31 March	Company							
	2020				2019			
	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Gross rentals receivable	49,584,958	59,717,444	19,500	109,321,902	48,270,858	66,192,475	13,460	114,476,793
Less: Unearned income	12,002,025	11,498,996	1,241	23,502,262	13,679,885	13,367,602	1,085	27,048,572
Net rentals receivable	37,582,933	48,218,448	18,259	85,819,640	34,590,973	52,824,873	12,375	87,428,221
Less: Rentals received in advance				4,274				6,650
Lease/Ijarah receivable before impairment provision				85,815,366				87,421,571
Less: Allowance for impairment losses								
Individual Impairment								
Stage 1				-				-
Stage 2				-				-
Stage 3				61,413				18,262
Total individual impairment				61,413				18,262
Collective Impairment								
Stage 1				324,980				321,797
Stage 2				632,661				423,058
Stage 3				2,394,313				955,927
Total collective impairment				3,351,954				1,700,782
Total net rentals receivable	37,582,933	48,218,448	18,259	82,401,999	34,590,973	52,824,873	12,375	85,702,527

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25.5.2 Hire purchase/Murabah receivable

As at 31 March	Company							
	2020				2019			
	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Gross rentals receivable	310,678	34,553	-	345,231	563,361	155,331	-	718,692
Less: Unearned income	6,612	1,783	-	8,395	49,702	9,668	-	59,370
Net rentals receivable	304,066	32,770	-	336,836	513,659	145,663	-	659,322
Less: Rentals received in advance				461				564
Hire purchase/Murabah receivable before impairment provision				336,375				658,758
Less: Allowance for impairment losses								
Individual impairment								
Stage 1				-				-
Stage 2				-				-
Stage 3				-				-
Total individual impairment				-				-
Collective impairment								
Stage 1				200				465
Stage 2				1,034				1,707
Stage 3				123,874				74,307
Total collective impairment				125,108				76,479
Total net rentals receivable	304,066	32,770	-	211,267	513,659	145,663	-	582,279

25.5.3 Term loan and receivables

As at 31 March	Company							
	2020				2019			
	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Motor loans	13,395,016	21,440,497	-	34,835,513	8,690,223	17,023,423	182,818	25,896,464
Short and medium loans	6,534,786	7,511,149	64,677	14,110,612	6,543,609	8,817,709	18,859	15,380,177
Clean basis loan stock	780,035	185,292	-	965,327	816,318	187,574	-	1,003,892
Self e-cash loan	1,914,075	900,925	-	2,815,000	1,842,811	703,154	-	2,545,965
Fast track loan	5,190,508	824,658	181,583	6,196,749	9,480,471	4,074,708	181,583	13,736,762
Trading Murabah	647,923	129,116	-	777,039	1,030,619	244,884	-	1,275,503
Musharakah	611,187	1,008,473	1,033	1,620,693	298,416	751,343	1,033	1,050,792
Factoring receivable	3,142,703	-	-	3,142,703	2,755,550	-	-	2,755,550
Margin trading	2,265,923	-	-	2,265,923	2,066,214	-	-	2,066,214
Staff loans	171,683	506,130	28,429	706,242	169,139	485,051	32,615	686,805
Sundry loans	1,295,043	-	-	1,295,043	841,892	-	-	841,892
Less: Prepaid rentals	2,523	-	-	2,523	2,577	-	-	2,577
Loan receivable before impairment provision	35,946,359	32,506,240	275,722	68,728,321	34,532,685	32,287,846	416,908	67,237,439
Less: Allowance for impairment losses								
Individual impairment								
Stage 1				-				-
Stage 2				-				-
Stage 3				1,254,825				458,406
Total individual impairment				1,254,825				458,406
Collective impairment								
Stage 1				349,992				371,853
Stage 2				549,577				258,945
Stage 3				3,057,366				2,059,612
Total collective impairment				3,956,935				2,690,410
Total net rentals receivable	35,946,359	32,506,240	275,722	63,516,561	34,532,685	32,287,846	416,908	64,088,623

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25.6 Remaining Contractual maturity analysis – Group

25.6.1 Lease/Ijarah receivable

As at 31 March	Group							
	2020				2019			
	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Gross rentals receivable	49,584,958	59,717,444	19,500	109,321,902	48,270,858	66,192,475	13,460	114,476,793
Less: Unearned income	12,002,025	11,498,996	1,241	23,502,262	13,679,885	13,367,602	1,085	27,048,572
Net rentals receivable	37,582,933	48,218,448	18,259	85,819,640	34,590,973	52,824,873	12,375	87,428,221
Less: Rentals received in advance				4,274				6,650
Lease/Ijarah receivable before impairment provision				85,815,366				87,421,571
Less: Allowance for impairment losses								
Individual impairment								
Stage 1				-				-
Stage 2				-				-
Stage 3				61,413				18,262
Total individual impairment				61,413				18,262
Collective impairment								
Stage 1				324,980				321,797
Stage 2				632,661				423,058
Stage 3				2,394,313				955,927
Total collective impairment				3,351,954				1,700,782
Total net rentals receivable	37,582,933	48,218,448	18,259	82,401,999	34,590,973	52,824,873	12,375	85,702,527

25.6.2 Hire purchase/Murabah receivable

As at 31 March	Group							
	2020				2019			
	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Gross rentals receivable	2,244,239	2,342,823	-	4,587,062	3,627,512	155,331	-	3,782,843
Less: Unearned income	636,855	593,968	-	1,230,823	899,993	9,668	-	909,661
Net rentals receivable	1,607,384	1,748,855	-	3,356,239	2,727,519	145,663	-	2,873,182
Less: Rentals received in advance				461				564
Hire purchase/Murabah receivable before impairment provision				3,355,778				2,872,618
Less: Allowance for impairment losses								
Individual impairment								
Stage 1				-				-
Stage 2				-				-
Stage 3				33,824				-
Total individual impairment				33,824				-
Collective impairment								
Stage 1				45,524				34,114
Stage 2				126,381				31,194
Stage 3				203,824				138,675
Total collective impairment				375,729				203,983
Total net rentals receivable	1,607,384	1,748,855	-	2,946,225	2,727,519	145,663	-	2,668,635

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25.6.3 Term-loan and receivables

As at 31 March	Group							
	2020				2019			
	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Motor loans	13,395,016	21,440,497	-	34,835,513	8,690,223	17,023,423	182,818	25,896,464
Short and medium loans	9,422,162	7,511,149	64,677	16,997,988	9,236,664	8,817,709	18,859	18,073,232
Clean basis loan stock	780,035	185,292	-	965,327	816,318	187,574	-	1,003,892
Self e-cash loan	1,914,075	900,925	-	2,815,000	1,842,811	703,154	-	2,545,965
Fast track loan	5,190,508	824,658	181,583	6,196,749	9,480,471	4,074,708	181,583	13,736,762
Trading Murabah	647,923	129,116	-	777,039	1,030,619	244,884	-	1,275,503
Musharakah	611,187	1,008,473	1,033	1,620,693	298,416	751,343	1,033	1,050,792
Factoring receivable	3,142,703	-	-	3,142,703	2,755,551	-	-	2,755,551
Margin trading	2,265,923	-	-	2,265,923	2,066,214	-	-	2,066,214
Staff loans	171,683	506,130	28,429	706,242	88,219	485,051	32,615	605,885
Sundry loans	1,295,043	-	-	1,295,043	841,892	-	-	841,892
Less: Prepaid rentals	2,523	-	-	2,523	2,577	-	-	2,577
Loan receivable before impairment provision	38,833,735	32,506,240	275,722	71,615,697	37,144,821	32,287,846	416,908	69,849,575
Less: Allowance for impairment losses								
Individual impairment								
Stage 1				-				-
Stage 2				-				-
Stage 3				1,333,731				458,406
Total individual impairment				1,333,731				458,406
Collective impairment								
Stage 1				379,214				383,906
Stage 2				574,117				275,939
Stage 3				3,059,964				2,235,750
Total collective impairment				4,013,295				2,895,595
Total net receivable	38,833,735	32,506,240	275,722	66,268,671	37,144,821	32,287,846	416,908	66,495,574

25.7 Impairment allowance for loans and receivable to customers

ACCOUNTING POLICY

As per SLFRS 9, the Group records an allowance for expected credit losses for loans and advances.

Individual impairment

The Group will separately assess significant customer exposure to determine where there are any signs of impairment. Loans with objective evidence of loss have been classified as Stage 3. Loans with a individually significant amount but not impaired will be collectively assessed for impairment in stage 1 or stage 2 according to the below specified criteria to determine whether significant credit deterioration has occurred since its inception.

Basis of calculating individual impairment is not changed with the adoption of SLFRS 9.

Collective impairment

A collective impairment provision is established for –

- – groups of homogeneous loans and advances that are not considered individually significant; and
- – groups of assets that are individually significant but that were not found to be individually impaired.

As per SLFRS 9, the Group's expected credit loss (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include –

- – The Group's criteria for qualitatively assessing whether there has been a significant increase in credit risk and if so allowances for financial assets measured on a life time expected credit loss (LTECL) basis;
- – The segmentation of financial assets when their ECL is assessed on a collective basis;
- – Development of ECL models, including the various statistical formulas and the choice of inputs;
- – Determination of associations between macroeconomic inputs, such as GDP growth, inflation, interest rates, exchange rates and unemployment and the effect on probability of default (PDs), exposure at default (EAD) and loss given default (LGD);
- – Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

The Group has established a policy to perform an assessment of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. SLFRS 9 outlines a "three-stage" model for impairment based on changes in credit quality since initial recognition.

Stage 1

Loans and receivables that is not originally credit-impaired on initial recognition is classified in Stage 1. Financial instruments in Stage 1 have their ECL measured at an amount equal to the proportion of lifetime expected credit losses (LTECL) that result from default events possible within next 12 months (12M ECL).

Stage 2

If a significant increase in credit risk (SICR) since origination is identified, it is moved to Stage 2 and the Group records an allowance for LTECL.

Stage 3

If a loan is credit impaired, it is moved to Stage 3 and the Group recognises an allowance for LTECL, with probability of default at 100%.

Significant increase in credit risk

When determining whether the risk of default on financial instruments has increased significantly since the initial recognition, the Group will consider reasonable and supportable information that is relevant and available without excessive cost or effort. This includes quantitative and qualitative information analysis based on the Group's historical experience and expert credit assessment, including forward-looking information.

The Group considers an exposure to have significantly increased credit risk when contractual payments of a customer are more than 30 days past due in accordance with the rebuttable presumption in SLFRS 9.

The Group individually reviews at each reporting date, loans and advances above a predefined threshold to identify whether the credit risk has increased significantly since origination, before an exposure is in default.

Definition of default and credit impaired assets

The Group considers loans and advances to other customers be defaulted when:

1. The borrower is unlikely to pay its obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
2. The borrower becomes 90 days past due on its contractual payments.

The Group computes ECL using three main components: a probability of default (PD), a loss given default (LGD), and the exposure at default (EAD) under the collective assessment. These parameters are generally derived from internally developed statistical models and historical data are then adjusted to reflect forward-looking information.

1. PD – The probability of default represents the likelihood of a borrower defaulting on its financial obligation (as per “definition of default and credit impaired” above) either over the next 12 months (12mPD) or over the remaining lifetime (Lifetime PD) of the obligation.

Two types of PDs are used for calculating ECLs:

- – 12 months PDs – This is the estimated probability of default occurring within the next 12 months (or over the remaining life of the financial instrument if that is less than 12 months). This is used to calculate 12 months ECLs.
 - – Lifetime PDs – This is the estimated probability of a default occurring over the remaining life of the financial instrument. This is used to calculate lifetime ECLs for “Stage 2” and “Stage 3” exposures
2. Loss given default (“LGD”) – This is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD.
 3. Exposure at default (“EAD”) – This is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.
 4. Discount rate – This is used to discount an expected loss to a present value at the reporting date using the effective interest rate (EIR) at initial recognition.
 5. Economic factor adjustment (EFA) – When incorporate forward looking information, an entity should consider forecasted macroeconomic factors to assessing the expected credit loss.

Forward-looking information

The Group incorporates forward-looking information into both its assessment as to whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Group also obtained experienced credit judgement to formulate a base case and a worst case scenario. The base case represents a most-likely outcome and is aligned with information used by the Group for strategic planning and budgeting. The Group has identified and documented key drivers of credit risk both quantitative and qualitative for various portfolio segments. Quantitative economic factors are based on economic data and forecasts published by CBSL and supranational organisations such as IMF.

Quantitative drivers of credit risk	Qualitative drivers of credit risk
Interest rate (AWPLR)	Status of industry business
GDP growth	Regulatory impact
Rate of inflation	Government policies
Unemployment rate	
Exchange rate	

Revolving facilities

The Company offers a revolving facilities such as fast track, and calculates only the 12-month ECL (12mECL) allowance on these facilities. The EAD is arrived by taking the maximum of either sanction limit adjusted for Credit Conversion Factor (CCF) and the gross carrying amount of the loan (utilised amount). EAD of Stage 3 contracts are limited to the gross carrying amount which is the utilised amount since the Group freeze the limits of those contracts up to the utilised amount. The expected 12-month default probabilities are applied to EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

25.8 Movement in individual and collective impairment charges during the year

A reconciliation of the allowance for impairment losses for loans and receivables, by class, is as follows:

	Company								Total Rs. '000
	Lease Rs. '000	Hire purchase Rs. '000	Ijarah Rs. '000	Term loans Rs. '000	Refinance loans Rs. '000	Murabah Rs. '000	Trading Murabah Rs. '000	Factoring Rs. '000	
As at 1 April 2018	887,390	111,417	21,261	1,856,880	23,787	6,735	78,655	69,435	3,055,560
Recognition of SLFRS 9 ECL	357,817	(1,223)	68,290	354,583	4,198	8,582	30,513	72,699	895,459
As at 1 April 2018 - Restated	1,245,207	110,194	89,551	2,211,463	27,985	15,317	109,168	142,134	3,951,019
Charge/(Reversal) for the year	381,372	(37,581)	2,914	603,803	(13,779)	(11,451)	20,440	47,602	993,320
At 31 March 2019	1,626,579	72,613	92,465	2,815,266	14,206	3,866	129,608	189,736	4,944,339
Individual impairment									
Stage 1	-	-	-	-	-	-	-	-	-
Stage 2	-	-	-	-	-	-	-	-	-
Stage 3	18,262	-	-	458,032	374	-	-	-	476,668
Total individual impairment	18,262	-	-	458,032	374	-	-	-	476,668
Collective impairment									
Stage 1	309,694	226	12,103	175,176	102	239	6,839	189,736	694,115
Stage 2	399,124	1,109	23,934	254,802	25	598	4,118	-	683,710
Stage 3	899,499	71,278	56,428	1,927,256	13,705	3,029	118,651	-	3,089,846
Total collective impairment	1,608,317	72,613	92,465	2,357,234	13,832	3,866	129,608	189,736	4,467,671
Total	1,626,579	72,613	92,465	2,815,266	14,206	3,866	129,608	189,736	4,944,339

	Company								Total Rs. '000
	Lease Rs. '000	Hire purchase Rs. '000	Ijarah Rs. '000	Term loans Rs. '000	Refinance loans Rs. '000	Murabah Rs. '000	Trading Murabah Rs. '000	Factoring Rs. '000	
As at 1 April 2019	1,626,579	72,613	92,465	2,815,266	14,206	3,866	129,608	189,736	4,944,339
Charge/(Reversal) for the year	1,543,806	40,320	150,517	1,401,813	1,416	8,309	15,931	643,784	3,805,896
Amounts written off	-	-	-	-	-	-	-	-	-
As at 31 March 2020	3,170,385	112,933	242,982	4,217,079	15,622	12,175	145,539	833,520	8,750,235
Individual impairment									
Stage 1	-	-	-	-	-	-	-	-	-
Stage 2	-	-	-	-	-	-	-	-	-
Stage 3	61,413	-	-	494,801	2,403	-	-	757,621	1,316,238
Total individual impairment	61,413	-	-	494,801	2,403	-	-	757,621	1,316,238
Collective impairment									
Stage 1	301,497	88	23,483	268,660	110	112	5,323	75,899	675,172
Stage 2	583,738	788	48,923	535,113	4,426	246	10,038	-	1,183,272
Stage 3	2,223,737	112,057	170,576	2,918,505	8,683	11,817	130,178	-	5,575,553
Total collective impairment	3,108,972	112,933	242,982	3,722,278	13,219	12,175	145,539	75,899	7,433,997
Total	3,170,385	112,933	242,982	4,217,079	15,622	12,175	145,539	833,520	8,750,235

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	Group								
	Lease Rs. '000	Hire purchase Rs. '000	Ijarah Rs. '000	Term loans Rs. '000	Refinance loans Rs. '000	Murabah Rs. '000	Trading Murabah Rs. '000	Factoring Rs. '000	Total Rs. '000
As at 1 April 2018	887,390	155,034	21,261	1,991,032	23,787	6,735	78,655	69,435	3,233,329
Recognition of SLFRS 9 ECL	357,817	19,012	68,290	382,955	4,198	8,582	30,513	72,699	944,066
As at 1 April 2018 – Restated	1,245,207	174,046	89,551	2,373,987	27,985	15,317	109,168	142,134	4,177,395
Charge/(Reversal) for the year	381,372	26,071	2,914	646,464	(13,779)	(11,451)	20,440	47,602	1,099,633
At 31 March 2019	1,626,579	200,117	92,465	3,020,451	14,206	3,866	129,608	189,736	5,277,028
Individual impairment									
Stage 1	-	-	-	-	-	-	-	-	-
Stage 2	-	-	-	-	-	-	-	-	-
Stage 3	18,262	-	-	458,032	374	-	-	-	476,668
Total individual impairment	18,262	-	-	458,032	374	-	-	-	476,668
Collective impairment									
Stage 1	309,694	33,875	12,103	187,229	102	239	6,839	189,736	739,817
Stage 2	399,124	30,596	23,934	271,796	25	598	4,118	-	730,191
Stage 3	899,499	135,646	56,428	2,103,394	13,705	3,029	118,651	-	3,330,352
Total collective impairment	1,608,317	200,117	92,465	2,562,419	13,832	3,866	129,608	189,736	4,800,360
Total	1,626,579	200,117	92,465	3,020,451	14,206	3,866	129,608	189,736	5,277,028

	Group								
	Lease Rs. '000	Hire purchase Rs. '000	Ijarah Rs. '000	Term loans Rs. '000	Refinance loans Rs. '000	Murabah Rs. '000	Trading Murabah Rs. '000	Factoring Rs. '000	Total Rs. '000
As at 1 April 2019	1,626,579	200,117	92,465	3,020,451	14,206	3,866	129,608	189,736	5,277,028
Charge/(Reversal) for the year	1,543,806	197,261	150,517	1,331,894	1,416	8,309	15,931	643,784	3,892,918
Amounts written-off	-	-	-	-	-	-	-	-	-
As at 31 March 2020	3,170,385	397,378	242,982	4,352,345	15,622	12,175	145,539	833,520	9,169,946
Individual impairment									
Stage 1	-	-	-	-	-	-	-	-	-
Stage 2	-	-	-	-	-	-	-	-	-
Stage 3	61,413	33,824	-	573,707	2,403	-	-	757,621	1,428,968
Total individual impairment	61,413	33,824	-	573,707	2,403	-	-	757,621	1,428,968
Collective impairment									
Stage 1	301,497	45,412	23,483	297,882	110	112	5,323	75,899	749,718
Stage 2	583,738	126,135	48,923	559,653	4,426	246	10,038	-	1,333,159
Stage 3	2,223,737	192,007	170,576	2,921,103	8,683	11,817	130,178	-	5,658,101
Total collective impairment	3,108,972	363,554	242,982	3,778,638	13,219	12,175	145,539	75,899	7,740,978
Total	3,170,385	397,378	242,982	4,352,345	15,622	12,175	145,539	833,520	9,169,946

25.9 Movement in provision for impairment during the year (Under SLFRS 9)

Movement in impairment 2019/20

	Company			
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
ECL allowance as at 1 April 2019 under SLFRS 9	694,115	683,710	3,566,514	4,944,339
New assets originated or purchased	331,309	612,170	1,115,561	2,059,040
Assets derecognised or repaid (excluding write-offs)	(155,897)	(195,393)	(1,008,966)	(1,360,256)
Transfers to Stage 1	(1,767,220)	444,409	1,322,811	-
Transfers to Stage 2	15,466	(1,069,877)	1,054,411	-
Transfers to Stage 3	4,385	23,816	(28,201)	-
Impact on year-end ECL of exposures transferred between stages during the year	1,259,054	253,065	790,015	2,302,134
Changes to models and inputs used for ECL calculations	293,960	431,372	79,646	804,978
Amounts written-off	-	-	-	-
Balance as at 31 March 2020	675,172	1,183,272	6,891,791	8,750,235

Movement in impairment 2018/19

	Company			
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
ECL allowance as at 1 April 2018 under SLFRS 9	701,532	504,372	2,745,115	3,951,019
New assets originated or purchased	310,260	339,228	523,652	1,173,140
Assets derecognised or repaid (excluding write-offs)	(197,681)	(255,547)	(995,542)	(1,448,770)
Transfers to Stage 1	181,385	(92,245)	(89,140)	-
Transfers to Stage 2	(87,319)	182,440	(95,121)	-
Transfers to Stage 3	(51,192)	(102,055)	153,247	-
Impact on year-end ECL of exposures transferred between stages during the year	(166,445)	102,047	1,516,426	1,452,028
Changes to models and inputs used for ECL calculations	3,575	5,470	33,910	42,955
Amounts written-off	-	-	(226,033)	(226,033)
Balance as at 31 March 2019	694,115	683,710	3,566,514	4,944,339

Movement in impairment 2019/20

	Group			
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
ECL allowance as at 1 April 2019 under SLFRS 9	739,817	730,191	3,807,020	5,277,028
New assets originated or purchased	339,960	643,192	1,006,966	1,990,118
Assets derecognised or repaid (excluding write-offs)	(161,955)	(238,824)	(989,970)	(1,390,749)
Transfers to Stage 1	(1,869,471)	470,122	1,399,349	-
Transfers to Stage 2	16,361	(1,131,780)	1,115,419	-
Transfers to Stage 3	4,639	25,194	(29,833)	-
Impact on year-end ECL of exposures transferred between stages during the year	1,375,954	388,352	600,612	2,364,918
Changes to models and inputs used for ECL calculations	304,413	446,712	82,478	833,603
Amounts written-off	-	-	95,028	95,028
Balance as at 31 March 2020	749,718	1,333,159	7,087,069	9,169,946

Movement in impairment 2018/19

	Group			
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
ECL allowance as at 1 April 2018 under SLFRS 9	716,351	523,368	2,937,676	4,177,395
New assets originated or purchased	334,787	354,479	534,604	1,223,870
Assets derecognised or repaid (excluding write-offs)	(195,508)	(247,795)	(1,024,462)	(1,467,765)
Transfers to Stage 1	186,909	(97,029)	(89,880)	-
Transfers to Stage 2	(91,306)	187,659	(96,353)	-
Transfers to Stage 3	(54,187)	(107,441)	161,628	-
Impact on year-end ECL of exposures transferred between stages during the year	(149,220)	119,072	1,579,576	1,549,428
Changes to models and inputs used for ECL calculations	(8,009)	(2,122)	30,264	20,133
Amounts written-off	-	-	(226,033)	(226,033)
Balance as at 31 March 2019	739,817	730,191	3,807,020	5,277,028

26 Insurance and reinsurance receivables

ACCOUNTING POLICY

The Group cedes insurance risk to reinsurers in the normal course of business. Reinsurance receivables represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

According to the characteristics relating to reinsurance receivables, the instruments qualify the contractual cash flow characteristic test (SPPI test) as the return solely represent capital and interest. Even though there were no interest charge for reinsurance receivables, they satisfy the SPPI test as they are considered to be short term and credit risk doesn't exist to charge interest. Upon completion of the SPPI test, the management elected the business model of hold to collect the contractual cash flows and measure the instrument at amortised cost as these are short term in nature. Since these are short-term balances without a financing component, the amortised cost will be equal to carrying value.

Assessment of impairment of reinsurance receivables

The Group recognises loss allowances on reinsurance receivables measured at amortised cost. The Group measures loss allowance at an amount equal to lifetime, except financial investments that are determined to have low credit risk at the reporting date.

Insurance receivables

Insurance receivables satisfy the contractual cash flow characteristic test (SPPI test) as the return solely represent capital and interest. Even though there were no interest charge for insurance receivables, they satisfy the SPPI test as they are considered to be short term and credit risk doesn't exist to charge interest. Upon completion of the SPPI test, the management elected the business model of hold to collect the contractual cash flows and measure the instrument at amortised cost as these are short term in nature. Since these are short-term balances without a financing component, amortised cost will be equal to carrying value.

Insurance receivables are derecognised when the derecognition criteria for financial assets have been met.

Assessment of impairment of insurance receivables

The Group assessed the impairment provision based on the ECL method. The analysis of the impairment provision under three categories provided below:

Insurance – Product classification

Insurance contracts are those contracts when the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders, if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable, if the insured event did not occur. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

Reinsurance

The Group cedes insurance risk in the normal course of business of People's Insurance PLC. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in the Statement of Profit or Loss.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Premiums and claims are presented on a gross basis for ceded reinsurance.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expired or when the contract is transferred to another party.

Reinsurance receivables

Reinsurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the Statement of Profit or Loss.

Insurance receivables

Premium receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the Statement of Profit or Loss.

Deferred expenses

Deferred acquisition costs (DAC)

The costs of acquiring new businesses including commission, underwriting, marketing and policy issue expenses, which vary with and directly related to production of new businesses, are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred. Subsequent to initial recognition, deferred acquisition costs (DAC) for non-life insurance is amortised over the period on the basis unearned premium reserve (UPR) is amortised.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period and are treated as a change in an accounting estimate.

DAC are derecognised when the related contracts are either expired or cancelled.

Reinsurance commissions

Commissions receivable on outwards reinsurance contracts are deferred and amortised on a straight line basis over the term of the expected premiums payable.

As at 31 March	Company		Group	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Reinsurance receivables	-	-	518,059	481,559
Insurance receivables	-	-	676,874	403,836
Total	-	-	1,194,933	885,395
Fair value	-	-	1,194,933	885,395

27 Financial assets - Fair value through other comprehensive income

ACCOUNTING POLICY

Upon initial recognition, the Company elects to classify irrevocably some of its equity investments held for strategic purpose, as equity instruments at FVOCI when they meet the definition of equity under SLFRS 9 - "Financial Instruments" and are not FVTPL. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit or loss instead directly transferred to retained earnings at the time of derecognition. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established. Equity instruments at FVOCI are not subject to an impairment assessment.

Unrealised gains and losses were recognised in Equity through OCI in the "Fair value reserve". When these financial investments were disposed, the cumulative gain or loss previously recognised in fair value reserve transferred to retained earnings. Dividend earned while holding financial assets - FVOCI were recognised in the Income Statement as "Operating income" when the right to receive the payment had been established.

As at 31 March	Note	Page No.	Company		Group	
			2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Equity securities	27.1	213	324,381	125,651	324,381	125,651
Treasury bills			-	-	1,131,321	-
Total			324,381	125,651	1,455,702	125,651
Fair value			324,381	125,651	1,455,702	125,651

27.1 Equity securities – Company and Group

As at 31 March	Note	Page No.	2020			2019		
			Number of shares	Cost of investment Rs. '000	Market value Rs. '000	Number of shares	Cost of investment Rs. '000	Market value Rs. '000
Quoted investments								
People's Merchant Finance PLC	30.1	217	25,014,002	237,633	217,622	-	-	-
Sanasa Development Bank PLC			2,271,260	213,853	106,749	2,094,012	203,382	125,641
				451,486	324,371		203,382	125,641
Unquoted investments								
Credit Information Bureau of Sri Lanka	27.2	213	100	10	10	100	10	10
City Finance Corporation Limited	27.3	213	50,000,000	50,000	-	50,000,000	50,000	-
Total				501,496	324,381		253,392	125,651

27.2 Reconciliation of fair value measurement for unquoted equity securities under level 3 hierarchy

As at 31 March	Company		Group	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Balance as at 1 April	10	10	10	10
Remeasurement recognised in OCI	-	-	-	-
Balance as at 31 March	10	10	10	10

27.3 City Finance Corporation Limited

As at 31 March	Company		Group	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Investment in City Finance Corporation Limited	50,000	50,000	50,000	50,000
Less: Impairment provision	50,000	50,000	50,000	50,000
Balance as at 31 March	-	-	-	-

28 – Debt instruments – Amortised cost

ACCOUNTING POLICY

As per SLFRS 9 – “Financial Investments” are measured at amortised cost if it meets both of the following conditions and is not designated at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, these are subsequently measured at amortised cost (gross carrying amount using the EIR, less provision for impairment). Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in “interest income” while the losses arising from impairment are recognised in “impairment charges for loans and other losses” in the Income Statement.

As at 31 March	Company		Group	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Treasury bills	4,106,963	7,976,782	4,106,963	9,066,102
Treasury bonds	–	25,843	–	25,843
Unquoted preference shares	–	–	706,476	–
Total	4,106,963	8,002,625	4,813,439	9,091,945
Fair value	4,114,978	8,007,001	4,821,454	8,007,001

29 – Investments in subsidiaries

ACCOUNTING POLICY

Investments in subsidiaries are stated at cost, net of any impairment losses which are charged to the Statement of Profit or Loss in the Company's Financial Statements and it is in accordance with the Sri Lanka Accounting Standard – LKAS 27 on “Consolidated and Separate Financial Statements”.

Subsidiaries are entities that are controlled by the Group/Company. Subsidiaries are consolidated from the date on which control is transferred to the Company and continue to be consolidated until the date when such control ceases. The Company is presumed to control an investee when it is exposed, or has right, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Intra-group balances and transactions, income, expenses and any unrealised gains arising from intra-group transactions are eliminated in full in preparing the Consolidated Financial Statements.

Non-controlling interests represent the portion of profit or loss and net assets of subsidiaries not owned, directly or indirectly, by the Company.

Non-controlling interests are presented separately in the Consolidated Statement of Profit or Loss and within equity in the Consolidated Statement of Financial Position, but separate from parent shareholders' equity. Any losses applicable to the non-controlling interests are allocated against the interests of the non-controlling interest even if this results in a deficit balance. Acquisitions of non-controlling interests are accounted for using the parent entity extension method, whereby the difference between the consideration and the fair value of the share of the net assets acquired is recognised as equity.

All subsidiaries of the Company have been incorporated in Sri Lanka other than Lankan Alliance Finance Limited which is incorporated in Bangladesh. A list of subsidiaries with their principal activities are given in the Note 1.2.

As at 31 March	2020			2019		
	Holding	Cost	Directors'/ market valuation	Holding	Cost	Directors'/ market valuation
	%	Rs. '000	Rs. '000	%	Rs. '000	Rs. '000
Company						
People's Leasing Fleet Management Limited	100.00	175,000	291,323	100.00	175,000	300,728
People's Leasing Property Development Limited	100.00	550,000	982,118	100.00	550,000	991,679
People's Leasing Havelock Properties Limited	100.00	600,000	545,806	100.00	600,000	492,817
People's Micro-commerce Ltd.	100.00	150,000	235,446	100.00	150,000	212,983
People's Insurance PLC	75.00	600,000	2,955,000	75.00	600,000	2,955,000
Lankan Alliance Finance Limited	51.00	1,138,788	1,336,346	51.00	1,138,788	1,213,996
Total		3,213,788	6,346,039		3,213,788	6,167,203

Subsidiaries are not quoted in the Colombo Stock Exchange except People's Insurance PLC. The Directors' valuation of investment in subsidiaries has been carried out on net asset basis. People's Insurance PLC has been valued at market value basis.

The following table summaries the on formation relating to the Company's subsidiary that has a material non-controlling interest (NCI).

For the year ended 31 March	2020			2019		
	People's Insurance PLC	Lankan Alliance Finance Limited	Total	People's Insurance PLC	Lankan Alliance Finance Limited	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Non-controlling interest (NCI) percentage (%)	25	49		25	49	
Net operating income	6,227,937	339,360	6,567,297	5,609,003	278,774	5,887,777
Less: Operating expenses	5,174,313	184,165	5,358,478	4,803,207	190,662	4,993,869
Profit before income tax	1,053,624	155,195	1,208,819	805,796	88,112	893,908
Less: Income tax expense	304,876	71,707	376,583	148,287	20,125	168,412
Profit after tax	748,748	83,488	832,236	657,509	67,987	725,496
Profit allocated to non-controlling interest (NCI)	187,186	40,909	228,095	164,376	33,314	197,690

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	2020			2019		
	People's Insurance PLC Rs. '000	Lankan Alliance Finance Limited Rs. '000	Total Rs. '000	People's Insurance PLC Rs. '000	Lankan Alliance Finance Limited Rs. '000	Total Rs. '000
Cash and cash equivalents	350,478	43,773	394,251	946,851	23,759	970,610
Balances with banks and financial institutions	3,162,759	702,633	3,865,392	3,269,112	1,084,919	4,354,031
Loans and receivables – Amortised cost	2,728,813	2,732,523	5,461,336	2,282,413	2,572,618	4,855,031
Insurance and reinsurance receivables	1,840,239	-	1,840,239	1,491,238	-	1,491,238
Financial assets – Fair value other comprehensive income	1,131,321	-	1,131,321	1,089,320	-	1,089,320
Debt instruments – Amortised cost	-	666,840	666,840	-	-	-
Property, plant and equipment and intangible assets	224,164	184,843	409,007	83,660	28,335	111,995
Other assets	661,596	153,468	815,064	462,525	106,558	569,083
Total assets	10,099,370	4,484,080	14,583,450	9,625,119	3,816,189	13,441,308
Due to banks	359,447	-	359,447	611,013	343,629	954,642
Due to customers	-	1,487,573	1,487,573	-	1,014,310	1,014,310
Other financial liabilities	714,002	284,807	998,809	617,231	77,866	695,097
Other liabilities	242,858	91,413	334,271	156,933	-	156,933
Insurance liabilities and reinsurance payable	5,132,753	-	5,132,753	4,944,373	-	4,944,373
Total liabilities	6,449,060	1,863,793	8,312,853	6,329,550	1,435,805	7,765,355
Net assets value	3,650,310	2,620,287	6,270,597	3,295,569	2,380,384	5,675,953
Carrying amount of non-controlling interest (NCI)	912,578	1,283,941	2,196,518	823,892	1,166,389	1,990,281
Cash flows from operating activities	249,203	55,222	304,425	309,713	(1,417,299)	(1,107,586)
Cash flows from investing activities	197,202	(1,912)	195,290	(426,258)	(20,243)	(446,501)
Cash flows from financing activities	53,078	85,248	138,326	(21,023)	1,012,138	991,115
Net increase in cash and cash equivalents	499,483	138,558	638,041	(137,568)	(425,404)	(562,972)

30 – Investment in associate

ACCOUNTING POLICY

Investment in associate is accounted for at cost in the Company's Financial Statements and under the equity method in the Consolidated Financial Statements.

Under the equity method, the investment in associate is initially accounted for at cost and the carrying amount is adjusted for post-acquisition changes in the Company's share of net assets of the associate, less any impairment in the Company's net investment in associate.

Associate is an entity in which the Company has significant influence, but no control over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20% or more of the voting power of another entity.

Investment in associate is accounted for using the equity method and is recognised initially at cost in terms of the Sri Lanka Accounting Standard – LKAS 28 – "Investment in Associates and Joint Ventures". Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised but is subjected to impairment test. The Company's investments include goodwill identified on acquisition, net of any accumulated impairment losses.

The Consolidated Financial Statements include the Company's share of the income and expenses and equity movements of the Associate, after adjustments being made to align the accounting policies with those of the Group from the date that significant influence effectively commences until the date that significant influence effectively ceases.

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 SLFRS 9 – "Financial Instruments".

30.1 Details of associate

As at 31 March	Holding		Company		Group	
	2020 %	2019 %	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Quoted equity securities						
People's Merchant Finance PLC (25,014,002 ordinary shares)	11.86	37.06	-	237,633	-	237,633
Total			-	237,633	-	237,633

As at 31 March	Company		Group	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Reconciliation of summarised financial information				
Cost of investment	237,633	586,427	237,633	586,427
Share of loss applicable to the Group				
Share of (loss) up to 1 April	-	-	-	(162,988)
Total share recognised during the year				
Share of profit/(loss) of an associate (net of tax)	-	-	-	(33,234)
Impairment for the year recognised in Statement of Profit or Loss	-	(348,794)	-	(152,572)
Transferred to financial assets – Fair value through other comprehensive income	(237,633)	-	(237,633)	-
Total	-	237,633	-	237,633

People's Merchant Finance PLC

The resolutions pertaining to the "Private Placement of Ordinary Shares" and the "Right issue of Ordinary Shares" of People's Merchant Finance PLC were duly approved and passed by the shareholders of the Company at the Extraordinary General Meeting held on 27 March 2019. Subsequent to the said private placement and rights issue, People's Leasing & Finance PLC's stake is reduced to 11.86%. Accordingly status of associate changed as financial investments – Fair value through comprehensive income (FVOCI) of PLC after April 2019.

Impairment loss on People's Merchant Finance PLC

During 2018/19, the Company recognised an impairment loss of Rs. 348,793,939 pertaining to its investment in People's Merchant Finance PLC on the basis of its carrying value exceeding the estimated recoverable amount. The recoverable amount being the higher of its fair value less cost of disposal and value in use. In this context, it must be pointed out that the fair value of the said investment was derived based on the purchase consideration per share as agreed to with the prospective investor.

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30.2 Summarised financial information of associate

Summarised financial information to carrying amount of the interest in associate recognised in the Consolidated Financial Statements is as follows:

For the year ended 31 March	People's Merchant Finance PLC – (2019 - 37.06%)	
	2020 Rs. '000	2019 Rs. '000
Ownership interest		
Net operating income	-	191,294
Less: Operating expenses	-	280,976
Loss before tax	-	(89,682)
Less: Income tax expense	-	-
Loss after tax	-	(89,682)
Share of results of equity accounted investee recognised in Statement of Profit or Loss	-	(33,234)

As at 31 March	People's Merchant Finance PLC – (2019 - 37.06%)	
	2020 Rs. '000	2019 Rs. '000
Ownership interest		
Total assets	-	2,901,471
Total liabilities	-	2,750,028
Net assets	-	151,443
Group's share of net assets	-	56,120

31 – Investment property

ACCOUNTING POLICY

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are initially recognised at cost. Subsequent to initial recognition the investment properties are stated at fair values, which reflect market conditions at the Statement of Financial Position date. Gains or losses arising from changes in fair value are included in the Statement of Profit or Loss in the year in which they arise.

Where Group companies occupy a significant portion of the investment property of a subsidiary, such investment properties are treated as property, plant and equipment in the Consolidated Financial Statements, and accounted for as per Sri Lanka Accounting Standard – LKAS 16 – “Property, Plant and Equipment”.

Derecognition

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the Statement of Profit or Loss in the year of retirement or disposal.

Subsequent transfers to/from investment property

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party or completion of construction or development.

Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

For a transfer from investment property to owner-occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Company as an owner-occupied property becomes an investment property, the Company, accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the Statement of Profit or Loss. When the Company completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the Statement of Profit or Loss.

Fair value of investment property

Investment property of the Group and the 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 the Company determines within a reasonable fair value estimates, amounts that can be attributed as fair values, taking into consideration of the discounted cash flow projections based on the estimates, derived from the evidence such as current market rents for similar properties and using discount rates that reflect uncertainty in the amount and timing of cash flows.

Determining fair value

External and independent valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the investment property portfolio every year. In financial periods within that period the fair value is determined by the Board of Directors.

The fair values are based on market values, being the estimated amount for which a property could be sold in an orderly transaction between market participants at the measurement date.

Investment property leased within the Group

Any property leased out to parent or subsidiary is considered as owner-occupied from the perspective of the Group and adjustments are made for consolidation purposes.

Owner-occupied properties and investment property

In determining if a property qualifies as investment property the Group/Company makes a judgement whether the property generates independent cash flows rather than cash flows that are attributable not only to the property but also other assets. Judgement is also applied in determining if ancillary services are significant, so that a property does not qualify as investment property.

As at 31 March	Company		Group	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Balance as at 1 April	-	134,400	1,131,596	1,265,996
Addition during the year	-	-	56	-
Sale of investment property	-	(134,400)	-	(134,400)
Transfer during the year	-	-	-	-
Balance as at 31 March	-	-	1,131,652	1,131,596

Land and building at Nos. 7 and 9, Havelock Road, Colombo 7 is rented to People's Bank, People's Insurance PLC and People's Leasing and Finance PLC by the People's Leasing Havelock Properties Limited during the year. In the Group Financial Statements, such property have separated and part rented to People's Bank has been classified as investment property to the Group. Basis for the separation is based on the number of Sq.ft. rented.

The Company carries investment property at market value. Market valuation of the above investment property was carried out as at 31 December 2019 by Mr K T D Tissera, FRICS (Eng), who is independent valuer not connected with the Company.

Rent income recognised in respect to the above investment property is disclosed in Note 10 on page 168.

Direct operational expenses recognised in respect to the above investment property is disclosed in Note 15 on page 174.

32 – Property, plant and equipment

ACCOUNTING POLICY

Basis of recognition

Property, plant and equipment are tangible items that are held for servicing or for administrative purposes and are expected to be used during more than one year.

Property, plant and equipment is recognised if it is probable that future economic benefits associated with the asset will flow to the Group and cost of the asset can be measured reliably.

Basis of measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and cost incurred subsequently to add to or replace a part of it. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring at the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as a part of computer equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The Company and the Group apply the cost model to property, plant and equipment and records at cost of purchase or construction together with any incidental expenses thereon less accumulated depreciation and any accumulated impairment losses.

Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The cost of day-to-day servicing of property, plant and equipment are charged to the Statement of Profit or Loss as incurred.

Repairs and maintenance

Repairs and maintenance are charged to the Statement of Profit or Loss during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the assets, when it is probable that future economic benefits in excess of the most recently assessed standard of performance of the existing assets will flow to the Company and the Group and the renovation replaces an identifiable part of the asset. Major renovations are depreciated during the remaining useful life of the related asset.

Derecognition

Property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in "other operating income" in the Statement of Profit or Loss in the year the asset is derecognised.

Depreciation

Depreciation is recognised in Statement of Profit or Loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment since this method most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Land is not depreciated.

The estimated useful lives are as follows:

Class of asset	% per annum	Period
Freehold buildings	2	50 years
Improvement of leasehold property	25	4 years
Motor vehicles	12.5-20	5-8 years
Computer hardware	20	5 years
Office equipment	10-20	5-10 years
Furnitures and fittings	20	5 years

The above rates are consistently used by all the Group entities. The depreciation rates are determined separately for each significant part of an item of property, plant and equipment and commence to depreciate when it is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is derecognised. Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

Useful lives of property, plant and equipment

The Group and Company depreciates the property, plant and equipment, using the straight-line method, over their estimated useful lives after taking into account of their estimated residual values. The estimated useful life reflects Management's estimate of the period that the Group and Company intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual value reflects Management's estimated amount that the Group/Company would currently obtain from the disposal of the asset, after deducting the estimated costs of disposal, as if the asset were already of the age and in the condition expected at the end of its useful life. Changes in the expected level of usage and technological developments could affect the economics, useful lives and the residual values of these assets which could then consequentially impact future depreciation charges.

32.1 Property, plant and equipment – Company

	Freehold land and buildings Rs. '000	Improvement of leasehold properties Rs. '000	Motor vehicles Rs. '000	Computer hardware Rs. '000	Office equipment Rs. '000	Furniture and fittings Rs. '000	Total Rs. '000
Cost							
Balance as at 1 April 2019	567,181	56,872	209,509	709,456	655,397	435,471	2,633,886
Additions	6,659	-	75,277	59,573	56,334	16,085	213,928
Disposals	-	-	(6,623)	(2,817)	(7,061)	(1,110)	(17,611)
Balance as at 31 March 2020	573,840	56,872	278,163	766,212	704,670	450,446	2,830,203
Less: Accumulated depreciation							
Balance as at 1 April 2019	2,402	56,774	74,507	525,167	502,580	374,170	1,535,600
Charge for the year	361	20	14,859	63,928	60,081	25,243	164,492
Disposals	-	-	(3,905)	(2,817)	(6,159)	(937)	(13,818)
Balance as at 31 March 2020	2,763	56,794	85,461	586,278	556,502	398,476	1,686,274
Net book value as at 31 March 2020	571,077	78	192,702	179,934	148,168	51,970	1,143,929

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	Freehold land and buildings Rs. '000	Improvement of leasehold properties Rs. '000	Motor vehicles Rs. '000	Computer hardware Rs. '000	Office equipment Rs. '000	Furniture and fittings Rs. '000	Total Rs. '000
Cost							
Balance as at 1 April 2018	619,181	56,872	209,752	629,512	611,767	420,360	2,547,444
Additions	-	-	1,321	81,996	47,971	16,379	147,667
Disposals	(52,000)	-	(1,564)	(2,052)	(4,341)	(1,268)	(61,225)
Balance as at 31 March 2019	567,181	56,872	209,509	709,456	655,397	435,471	2,633,886
Less: Accumulated depreciation							
Balance as at 1 April 2018	3,232	56,754	62,548	470,057	441,729	346,241	1,380,561
Charge for the year	430	20	12,897	58,417	65,154	29,088	166,006
Disposals	(1,260)	-	(938)	(3,307)	(4,303)	(1,159)	(10,967)
Balance as at 31 March 2019	2,402	56,774	74,507	525,167	502,580	374,170	1,535,600
Net book value as at 31 March 2019	564,779	98	135,002	184,289	152,817	61,301	1,098,286

32.2 Property, plant and equipment - Group

	Freehold land and buildings Rs. '000	Improvement of leasehold properties Rs. '000	Motor vehicles Rs. '000	Computer hardware Rs. '000	Office equipment Rs. '000	Furniture and fittings Rs. '000	Total Rs. '000
Cost							
Balance as at 1 April 2019	3,213,999	58,583	610,767	812,177	940,383	507,409	6,143,318
Additions	12,455	-	108,867	72,378	67,848	22,667	284,215
Disposals	-	-	(26,277)	(3,959)	(9,051)	(1,110)	(40,397)
Transfers	-	-	-	-	-	-	-
Exchange rate variance	-	-	-	1,159	478	1,073	2,710
Balance as at 31 March 2020	3,226,454	58,583	693,357	881,755	999,658	530,039	6,389,846
Less: Accumulated depreciation							
Balance as at 1 April 2019	257,391	57,251	176,593	585,965	644,807	404,010	2,126,017
Charge for the year	60,521	20	44,843	75,584	69,209	42,227	292,404
Disposals	-	-	(15,794)	(3,959)	(8,105)	(1,110)	(28,968)
Transfers	-	-	-	-	-	-	-
Exchange rate variance	-	-	-	1,003	438	582	2,023
Balance as at 31 March 2020	317,912	57,271	205,642	658,593	706,349	445,709	2,391,476
Net book value as at 31 March 2020	2,908,542	1,312	487,715	223,162	293,309	84,330	3,998,370

	Freehold land and buildings Rs. '000	Improvement of leasehold properties Rs. '000	Motor vehicles Rs. '000	Computer hardware Rs. '000	Office equipment Rs. '000	Furniture and fittings Rs. '000	Total Rs. '000
Cost							
Balance as at 1 April 2018	3,259,486	58,583	587,694	700,364	881,733	497,551	5,985,411
Additions	–	–	71,849	106,661	57,345	21,516	257,371
Disposals	(52,000)	–	(48,776)	(2,052)	(5,598)	(1,268)	(109,694)
Transfers/adjustments	6,513	–	–	6,185	6,105	(12,290)	6,513
Exchange rate variance	–	–	–	1,019	798	1,900	3,717
Balance as at 31 March 2019	3,213,999	58,583	610,767	812,177	940,383	507,409	6,143,318
Less: Accumulated depreciation							
Balance as at 1 April 2018	198,283	57,231	157,911	517,911	574,236	367,124	1,872,696
Charge for the year	60,368	20	41,105	70,030	74,375	40,295	286,193
Disposals	(1,260)	–	(22,423)	(3,307)	(5,560)	(1,140)	(33,690)
Transfers	–	–	–	1,133	1,512	(2,645)	–
Exchange rate variance	–	–	–	198	244	376	818
Balance as at 31 March 2019	257,391	57,251	176,593	585,965	644,807	404,010	2,126,017
Net book value as at 31 March 2019	2,956,608	1,332	434,174	226,212	295,576	103,399	4,017,301

32.3 Fully-depreciated property, plant and equipment

The initial cost of fully-depreciated property, plant and equipment, which are still in use as at reporting date is as follows:

As at 31 March	Company		Group	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Improvement of leasehold properties	53,282	53,282	53,282	53,282
Motor vehicles	37,971	37,444	37,971	38,520
Computer hardware	440,942	400,378	482,058	434,734
Office equipment	397,383	285,671	428,485	312,322
Furniture and fittings	327,178	308,748	338,371	320,293
Total	1,256,756	1,085,523	1,340,167	1,159,151

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32.4 Group freehold land and buildings

Location	Address	Date of valuation	Method of valuation	Land extent (perches)	Number of building	Building area (Sq.Ft.)	2020 Cost Rs. '000	2020 Revaluation Rs. '000	2019 Revaluation Rs. '000
People's Leasing & Finance PLC									
Vehicle yards									
Makola	No. 496, Makola North, Makola	31.12.2019	MCM	90	1	11,600	7,632	49,000	45,000
Mabima	No. 225/D, Nayagala Road, Heiyantuduwa, Mabima	31.12.2019	MCM	330.75	1	820	22,532	75,000	68,000
Meegahamulla	Kandepalla, Beligamuwa, Galewala	31.12.2019	MCM	260	1	1,836	27,558	24,000	13,754
Monaragala	No. 10, Pothuvil Road, Monaragala	31.12.2019	MCM	125.9	1	1,376	46,905	50,000	45,000
Administrative purpose									
Bandarawela	No. 35/2D, Welimada Road, Bandarawela	31.12.2019	MCM	8.3	1	5,194	31,257	45,000	40,000
Jaffna	No. 10, Mahathma Gandhi Road, Jaffna	31.12.2019	MCM	44.72	-	-	45,764	155,063	155,063
Matara	No. 367, Anagarika Dharmapala Mawatha, Matara	31.12.2019	MCM	40	-	-	93,599	100,000	100,000
Kandy	No. 296, Senanayaka Road, Kandy	31.12.2019	MCM	47.1	-	-	142,711	183,700	154,575
Anuradhapura	No. 50, Maithripala Senanayake Road, Anuradhapura	31.12.2019	MCM	40.51	-	-	155,882	182,295	174,193
Subtotal					5		573,840	864,058	795,585
People's Leasing Property Development Limited									
Borella	No. 1161, Maradana Road, Colombo 08	31.12.2019	MCM	104.9	2	127,621	1,532,414	2,450,000	2,300,000
Subtotal					2		1,532,414	2,450,000	2,300,000
People's Leasing Havelock Properties Limited									
Colombo 05*	No. 07, Havelock Road, Colombo 05	31.12.2019	MCM	111.45	1	84,024	1,984,746	2,600,000	2,600,000
Subtotal					1		1,984,746	2,600,000	2,600,000
Total					8		4,091,000	5,914,058	5,695,585

MCM: Market Comparable Method

* Land and building value of Rs. 864,545,440.00 is classified as investment property and Rs. 1,120,200,240.00 is classified as property, plant and equipment in the Group Financial Statements.

Market valuation of the above land and buildings was carried out by Mr K T D Tissera, FRICS (Eng), who is independent valuer not connected with the Company. Investment Method, Contractor's Test Method and Comparison Method have been used for the valuation. Freehold land and buildings of the Company are considered under Level 3 of fair value hierarchy.

Temporarily idle property, plant and equipment

There were no property, plant and equipment of the Group/Company idle as at 31 March 2020 and 31 March 2019.

Property, plant and equipment retired from active use

There were no property, plant and equipment of the Group/Company retired from active use as at 31 March 2020 and 31 March 2019.

Title restriction on property, plant and equipment

There were no restriction on the title of property, plant and equipment of the Group/Company as at 31 March 2020 and 31 March 2019.

Property, plant and equipment pledged as security for liabilities

There were no items of property, plant and equipment of the Group/Company pledged as securities for liabilities other than disclosed in Note 57 (asset pledged) to the Financial Statements.

Compensation from third parties for items of property, plant and equipment

There were no compensation received during the year from third parties for items of property, plant and equipment of the Group/Company that were impaired, lost or given up (2019: Nil).

Unobservable inputs used in measuring fair value

Significant unobservable input used in measuring non-financial assets categorised as Level 3 in fair value hierarchy disclosed into Note 21.6 to the Financial Statements.

33 – Goodwill and intangible assets

ACCOUNTING POLICY

The Group's intangible assets include the goodwill and customer list which were acquired in business combination and value of computer software.

Basis of recognition

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Group/Company in accordance with the Sri Lanka Accounting Standard – LKAS 38 – “Intangible Assets”.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are stated in the Statement of Financial Position at cost less any accumulated amortisation and any accumulated impairment losses if any.

Subsequent expenditure

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Useful economic lives, amortisation and impairment

The useful economic lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and they are treated as changes in accounting estimates in accordance with LKAS 8. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Profit or Loss in the expense category consistent with the function of the intangible asset.

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful economic lives at the rates as specified below:

Class of asset	% per annum	Period
Computer software	20	5 years

The unamortised balances of intangible assets with finite lives are reviewed for impairment annually and whenever there is an indication for impairment and recognised in Statement of Profit or Loss to the extent that they are no longer probable of being recovered from the expected future benefits.

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Goodwill that arises upon the acquisition of subsidiary is included in intangible assets. Goodwill is initially measured at cost. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss in such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted investee.

Goodwill with infinite useful lives are assessed for impairment annually. The assessment of infinite life is reviewed annually to determine whether the infinite life continues to be supportable.

Derecognition

Intangible assets are derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the Statement of Profit or Loss in the year the asset is derecognised.

	Company			Group		
	Computer software Rs. '000	Goodwill Rs. '000	Total Rs. '000	Computer software Rs. '000	Goodwill Rs. '000	Total Rs. '000
Cost						
Balance as at 1 April 2019	184,794	308,545	493,339	206,765	417,099	623,864
Additions	15,120	–	15,120	15,120	–	15,120
Exchange rate variance	–	–	–	336	–	336
Balance as at 31 March 2020	199,914	308,545	508,459	222,221	417,099	639,320
Less: Accumulated amortisation						
Balance as at 1 April 2019	148,854	19,580	168,434	171,944	19,580	191,524
Amortisation	14,299	–	14,299	10,764	–	10,764
Impairment	–	68,145	68,145	–	68,145	68,145
Exchange rate variance	–	–	–	313	–	313
Balance as at 31 March 2020	163,153	87,725	250,878	183,021	87,725	270,746
Net book value as at 31 March 2020	36,761	220,820	257,581	39,200	329,374	368,574

	Company			Group		
	Computer software Rs. '000	Goodwill Rs. '000	Total Rs. '000	Computer software Rs. '000	Goodwill Rs. '000	Total Rs. '000
Cost						
Balance as at 1 April 2018	176,170	308,545	484,715	194,533	417,099	611,632
Additions	8,624	–	8,624	12,195	–	12,195
Exchange rate variance	–	–	–	37	–	37
Balance as at 31 March 2019	184,794	308,545	493,339	206,765	417,099	623,864
Less: Accumulated amortisation						
Balance as at 1 April 2018	138,320	–	138,320	158,749	–	158,749
Amortisation	10,534	–	10,534	13,101	–	13,101
Impairment	–	19,580	19,580	–	19,580	19,580
Exchange rate variance	–	–	–	94	–	94
Balance as at 31 March 2019	148,854	19,580	168,434	171,944	19,580	191,524
Net book value as at 31 March 2019	35,940	288,965	324,905	34,821	397,519	432,340

Intangible assets include fully amortised software amounting to Rs. 136,106,914.00 for the company and Rs. 136,401,914.00 for the Group as at 31 March 2020 (Rs. 127,667,967.00 for Company and Rs. 127,962,967.00 for Group as at 31 March 2019), which are still in use as at the reporting date.

Impairment tests for goodwill

The Group undertakes an annual test for impairment, based on value in use computation using cash flow projections based on financial budgets approved by the senior management. The discount rate of 17.86% and the projected growth rate based on GDP are the key assumptions used for this purpose. The discount rate was estimated based on an average percentage of cost of equity of the Company. Management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of the units to exceed their recoverable amount.

There were no restrictions existed on the title of the intangible assets of the Group/Company as at the reporting date. Further, there were no items pledged as securities for liabilities. There were no capitalised borrowing costs related to the acquisition of intangible assets during the year 2019/20.

34 – Right-of-use assets

ACCOUNTING POLICY

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has several lease contracts for branches/head office that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination option. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation of the leased asset).

Prepaid lease rentals paid to acquire land use rights are amortised over the lease term in accordance with the pattern of benefits provided. Leasehold property comprising of land use rights and is amortised on a straight line basis over the remaining lease term.

As at 31 March	Company		Group	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Cost				
Balance as at 1 April	91,985	91,985	91,985	91,985
Effect of adoption of SLFRS 16 as at 1 April 2019	2,080,315	-	1,547,546	-
Transfer from other asset (prepaid rentals)	143,322	-	170,723	-
Balance as at 1 April – Adjusted	2,315,622	91,985	1,810,254	91,985
Additions	206,943	-	206,943	-
Balance as at 31 March	2,522,565	91,985	2,017,197	91,985
(Less): Accumulated amortisation				
Balance as at 1 April	7,920	4,854	7,920	4,854
Effect of adoption of SLFRS 16 as at 1 April 2019	-	-	-	-
Balance as at 1 April – Adjusted	7,920	4,854	7,920	4,854
Amortisation	538,230	3,066	332,830	3,066
Impairment	36,965	-	36,965	-
Balance as at 31 March	583,115	7,920	377,715	7,920
Net book value at 31 March	1,939,450	84,065	1,639,482	84,065

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35 – Other assets

ACCOUNTING POLICY

The Company and the Group classify all their other assets as other financial assets and other non-financial assets. Other non-financial assets mainly comprises of advance payments, VAT recoverable, inventory and sundry receivables. Advance payments are carried at historical cost.

As at 31 March	Note	Page No.	Company		Group	
			2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Other financial assets – Insurance commission			232,692	143,817	–	–
Non-financial assets	35.1	228	914,309	880,827	1,235,329	1,164,884
Total			1,147,001	1,024,644	1,235,329	1,164,884

35.1 Non-financial assets

As at 31 March	Note	Page No.	Company		Group	
			2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Advance payments			145,383	242,023	124,859	213,488
Dividend receivable			310,000	142,102	–	–
Inventories			49,596	26,881	57,920	37,125
Prepaid expense			67,914	110,847	76,409	123,577
Unamortised cost on staff loans (Day 1 difference)	35.2	228	123,264	128,906	123,264	129,509
Differed expenses			–	–	244,874	221,842
Other receivables			218,152	230,068	608,003	439,343
Total			914,309	880,827	1,235,329	1,164,884

35.2 Unamortised cost on staff loans (Day 1 difference)

As at 31 March	Company		Group	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Balance as at 1 April	128,906	81,441	129,509	83,165
Charge for the year	(5,642)	47,465	(6,245)	46,344
Balance as at 31 March	123,264	128,906	123,264	129,509

36 – Due to banks

ACCOUNTING POLICY

Due to banks include bank overdrafts and long-term and short-term loans obtained from banks. Subsequent to initial recognition, these are measured at their amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. The EIR amortisation is included in “interest expenses” in the Statement of Profit or Loss. Gains and losses are recognised in the Statement of Profit or Loss when the liabilities are derecognise as well as through the EIR amortisation process.

As at 31 March	Company		Group	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Overdraft	24,683	353,074	694,954	1,274,127
Short-term loans	500,127	11,344,182	500,127	11,687,811
Long-term loans	456,546	6,401,039	2,826,136	8,337,750
Asset-backed securities	6,956,829	9,175,638	6,956,829	9,175,638
Total	7,938,185	27,273,933	10,978,046	30,475,326
Fair value	8,057,554	27,260,329	11,097,415	30,118,093

36.1 Movement of due to banks

As at 31 March	Company		Group	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Balance as at 1 April	27,273,933	39,921,789	30,475,326	41,834,394
Amount borrowed during the year	12,950,000	59,966,000	12,950,000	59,966,000
Repayments during the year	(34,046,652)	(77,536,350)	(35,209,177)	(77,456,806)
Interest expenses during the year	1,736,221	4,569,420	2,066,943	4,857,611
Subtotal	7,913,502	26,920,859	10,283,092	29,201,199
Overdrafts	24,683	353,074	694,954	1,274,127
Balance as at 31 March	7,938,185	27,273,933	10,978,046	30,475,326

36.2 Long-term loan details

Name of the borrower	Granted date	Facility amount Rs. '000	Period	Interest rate %	Security status
Commercial Bank of Ceylon PLC	14.07.2015	2,000,000	4 years	7.25-10.5	Secured
Commercial Bank of Ceylon PLC	08.09.2016	1,000,000	4 years	14.00	Secured
Sampath Bank PLC	31.12.2014	2,000,000	5 years	7.00-8.5	Secured
Axis Bank	27.03.2017	150,000	4 years	AWPLR + 1.25	Secured
Axis Bank	27.03.2017	250,000	4 years	AWPLR + 1.25	Secured
People's Bank	26.05.2015	4,250,000	4 years	8.50	Secured
People's Bank	27.11.2015	2,000,000	4 years	10.00	Secured
People's Bank	15.03.2016	2,000,000	4 years	AWPLR + 1.75	Secured
People's Bank	02.06.2016	2,500,000	4 years	6 months SLIBOR + 1.75	Secured
Bank of Ceylon	07.07.2016	3,000,000	4 years	11.50	Secured
RAK Bank/Standard Chartered Bank	27.04.2017	5,355,000	3 years	13.50	Secured
MCB Bank	26.09.2017	500,000	4 years	AWPLR+1.5	Secured

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Asset-backed securities

Name of the borrower	Granted date	Facility amount Rs. '000	Period	Interest rate* %	Security status
Bank of Ceylon	30.09.2016	2,146,200	4 years	13.81	Secured
Deutsche Bank	03.07.2015	3,000,000	4 years	8.82	Secured
Deutsche Bank	28.10.2016	1,769,900	4 years	14.47	Secured
Deutsche Bank	25.02.2016	4,250,700	4 years	11.75	Secured
Hatton National Bank PLC	29.06.2018	2,000,000	5 years	12.27	Secured
Hatton National Bank PLC	13.03.2019	2,000,000	5 years	13.08	Secured
People's Bank	18.08.2016	3,000,000	4 years	13.32	Secured
People's Bank	09.02.2018	1,000,000	2 years	11.71	Secured
People's Bank	10.09.2018	2,000,000	2 years	13.15	Secured
People's Bank	23.05.2019	1,000,000	3 years	11.16	Secured

* The interest rate for each securitisation is given as the weighted average interest rate.

Details of the securities disclosed in Note 57 – “Asset pledged” on page 257 to the Financial Statements.

36.3 Contractual maturity analysis

36.3.1 Contractual maturity analysis of dues to bank – Company

As at 31 March	2020			
	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Overdrafts	24,683	–	–	24,683
Short-term loans	500,127	–	–	500,127
Long-term loans	456,546	–	–	456,546
Asset backed securities	2,588,636	4,368,193	–	6,956,829
Total	3,569,992	4,368,193	–	7,938,185

As at 31 March	2019			
	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Overdrafts	353,074	–	–	353,074
Short-term loans	11,344,182	–	–	11,344,182
Long-term loans	5,137,102	1,263,937	–	6,401,039
Asset backed securities	4,246,088	4,929,550	–	9,175,638
Total	21,080,446	6,193,487	–	27,273,933

36.3.2 Contractual maturity analysis of dues to bank – Group

As at 31 March	2020			
	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Overdrafts	694,954	-	-	694,954
Short-term loans	500,127	-	-	500,127
Long-term loans	1,479,347	1,346,789	-	2,826,136
Asset backed securities	2,588,636	4,368,193	-	6,956,829
Total	5,263,064	5,714,982	-	10,978,046

As at 31 March	2019			
	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Overdrafts	1,274,127	-	-	1,274,127
Short-term loans	11,687,811	-	-	11,687,811
Long-term loans	4,211,827	4,125,923	-	8,337,750
Asset backed securities	4,246,088	4,929,550	-	9,175,638
Total	21,419,853	9,055,473	-	30,475,326

37 Due to customers

ACCOUNTING POLICY

Due to customers include fixed deposits and savings deposits. Subsequent to initial recognition, these are measured at their amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. The EIR amortisation is included in "interest expenses" in the Statement of Profit or Loss. Gains and losses are recognised in the Statement of Profit or Loss when the liabilities are derecognised.

As at 31 March	Company		Group	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Fixed deposits	99,930,391	83,033,465	100,929,548	83,608,860
Savings deposits	6,770,636	5,335,191	6,756,044	5,314,336
Total	106,701,027	88,368,656	107,685,592	88,923,196
Fair value	106,798,094	87,918,010	106,796,726	87,486,543

37.1 Remaining contractual maturity analysis of dues to customers – Company

As at 31 March	2020			
	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Fixed deposits	74,874,182	25,056,209	-	99,930,391
Savings deposits	6,573,515	53,391	143,730	6,770,636
Total	81,447,697	25,109,600	143,730	106,701,027

As at 31 March	2019			
	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Fixed deposits	62,819,140	20,214,325	-	83,033,465
Savings deposits	5,166,435	49,237	119,519	5,335,191
Total	67,985,575	20,263,562	119,519	88,368,656

37.2 Remaining contractual maturity analysis of dues to customers – Group

As at 31 March	2020			
	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Fixed deposits	75,873,339	25,056,209	-	100,929,548
Savings deposits	6,558,923	53,391	143,730	6,756,044
Total	82,432,262	25,109,600	143,730	107,685,592

As at 31 March	2019			
	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Fixed deposits	63,394,535	20,214,325	-	83,608,860
Savings deposits	5,145,580	49,237	119,519	5,314,336
Total	68,540,115	20,263,562	119,519	88,923,196

38 – Debt securities issued

ACCOUNTING POLICY

Debt securities issued represent the funds borrowed by the Company and Group for long-term and short-term liquidity fund requirements. Subsequent to initial recognition, these are measured at their amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. The EIR amortisation is included in “interest expenses” in the Statement of Profit or Loss. Gains and losses are recognised in the Statement of Profit or Loss when the liabilities are derecognised.

As at 31 March	Note	Page No.	Company		Group	
			2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Promissory notes			17,087	14,928	17,087	14,928
Listed debentures	38.2	233	18,462,173	21,260,103	18,320,952	21,119,112
Total			18,479,260	21,275,031	18,338,039	21,134,040
Fair value			18,759,201	20,824,768	18,616,227	20,683,777

38.1 Movement of debt securities issued

As at 31 March	Company		Group	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Balance as at 1 April	21,275,031	15,783,502	21,134,040	15,783,502
Amount borrowed during the year	-	6,000,000	-	5,874,220
Redemption of debt securities issued	(3,338,413)	(1,164,060)	(3,338,413)	(1,164,060)
Interest expenses on debt securities issued	2,281,180	2,394,127	2,264,940	2,378,916
Interest paid on debt securities issued	(1,738,538)	(1,738,538)	(1,722,528)	(1,738,538)
Balance as at 31 March	18,479,260	21,275,031	18,338,039	21,134,040

38.2 Listed debentures

In 2015 the Company issued Rs. 6,000 million worth of senior, unsecured, redeemable, AA(-) rated four-year (2015/2019) and five-year (2015/2020) debentures of Rs. 100.00 each. In 2016 the Company issued Rs. 8,000 million worth of senior, unsecured, redeemable, AA(-) rated three-year (2016/2019), four-year (2016/2020) and five-year (2016/2021) debentures of Rs. 100.00 each.

In 2018 the Company issued Rs. 6,000 million worth of senior, unsecured, redeemable, AA(-) rated four-year (2018/2022) and five-year (2018/2023) debentures of Rs. 100.00 each.

As at 31 March	Face value Rs. '000	Interest rate %	Repayment term	Issued date	Maturity date	Company		Group	
						2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Senior, unsecured, redeemable, AA(-) rated									
Type A	2,175,780	9.60	Semi annually	13-Nov-2015	12-Nov-2019	-	2,249,381	-	2,249,381
Type B	3,824,220	9.95	Annually	13-Nov-2015	12-Nov-2020	3,961,709	3,958,778	3,961,709	3,958,778
Type A	542,040	11.90	Semi annually	16-Nov-2016	16-Nov-2019	-	564,286	-	564,286
Type B	659,350	12.25	Semi annually	16-Nov-2016	16-Nov-2020	686,167	686,985	686,167	686,985
Type C	6,798,610	12.60	Semi annually	16-Nov-2016	16-Nov-2021	7,104,422	7,093,615	7,104,422	7,093,615
Type A	704,600	12.40	Annually	18-Apr-2018	18-Apr-2022	783,316	783,895	783,316	783,895
Type B	5,295,400	12.80	Annually	18-Apr-2018	18-Apr-2023	5,926,559	5,923,163	5,785,338	5,782,172
Total	20,000,000					18,462,173	21,260,103	18,320,952	21,119,112

38.2.1 Utilisation of funds raised via capital market

Objective as per prospectus	Amount allocated as per prospectus in Rs. '000	Proposed date of utilisation as per prospectus	Amount allocated from proceeds in Rs. '000 (A)	Percentage of total proceeds	Amounts utilised in Rs. '000 (B)	Percentage of utilisation against allocation (B/A)	Clarification if not fully-utilised including where the funds are invested
Issue of listed, senior, unsecured, redeemable, rated debentures during the year 2015/16							
The funds raised through this debenture issue will be utilised to finance working capital requirements to match the medium to long-term lending of PLC and to minimise the interest rate risk.	6,000,000	Within the next 12 months from the date of allotment	6,000,000	100	6,000,000	100	N/A
Issue of listed, senior, unsecured, redeemable, rated debentures during the year 2016/17							
The funds raised through this debenture issue will be utilised to finance the budgeted lending portfolio and working capital requirements	8,000,000	Within the next 12 months from the date of allotment	8,000,000	100	8,000,000	100	N/A
Issue of listed, senior, unsecured, redeemable, rated debentures during the year 2018/19							
The funds raised through this debenture issue utilised to repay the short-term facilities obtained to settle the debentures matured on the 26 March 2018 and for Company's working capital requirements.	6,000,000	Within the next 12 months from the date of allotment	6,000,000	100	6,000,000	100	N/A

Remaining contractual maturity analysis of debt security – Company

As at 31 March	2020			
	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Promissory notes	17,087	-	-	17,087
Listed debentures	5,696,827	12,765,346	-	18,462,173
Total	5,713,914	12,765,346	-	18,479,260

As at 31 March	2019			
	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Promissory notes	14,928	-	-	14,928
Listed debentures	4,031,808	17,228,295	-	21,260,103
Total	4,046,736	17,228,295	-	21,275,031

Remaining contractual maturity analysis of debt security – Group

As at 31 March	2020			
	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Promissory notes	17,087	–	–	17,087
Listed debentures	5,696,828	12,624,124	–	18,320,952
Total	5,713,915	12,624,124	–	18,338,039

As at 31 March	2019			
	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Promissory notes	14,928	–	–	14,928
Listed debentures	4,031,808	17,087,304	–	21,119,112
Total	4,046,736	17,087,304	–	21,134,040

39 – Other financial liabilities

ACCOUNTING POLICY

Other financial liabilities include amounts payable to suppliers, insurance payable, dividend payable and other payables.

Dividends payable

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are recommended by and declared by the Board of Directors and approved by the shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Group.

Withholding tax on dividends, distributed by the Company and subsidiaries

Withholding tax that arises from the distribution of dividends by the Group is recognised at the time the liability to pay the related dividend is recognised. Withholding tax on dividends distributed by the subsidiaries and associates dividends received by the Group from its subsidiaries and associates, have attracted a 14% deduction at source in the year 2020 (14% – 2019). WHT has been abolished with effect from 1 January 2020.

As at 31 March	Company		Group	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Amount payable to suppliers	2,079,540	1,650,408	2,378,782	1,804,026
Insurance payable	645,306	605,843	–	–
Dividend payable	23,272	21,788	23,272	21,788
Other payables	265,999	202,338	427,654	639,122
Total	3,014,117	2,480,377	2,829,708	2,464,936

40 – Insurance liabilities and reinsurance payable

ACCOUNTING POLICY

Provision for net unearned premium

Provision for unearned premiums represents premiums received for risks that have not yet expired. Generally, the reserve is released over the term of the contract and is recognised as premium income. At each reporting date, the Group reviews its unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non-life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums is inadequate, the deficiency is recognised in the Statement of Profit or Loss by setting up a provision for liability adequacy.

As required by SLFRS 4 – “Insurance Contracts”, the Group performs a liability adequacy test (LAT) in respect of non-life contract liabilities with the assistance of an external actuary.

Provision for gross outstanding claims

Non-life insurance contract liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are known as the outstanding claims provision, which are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries.

The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

Provision for gross incurred but not reported claims

Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation.

For non-life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form the majority of the liability in the Statement of Financial Position.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder Method, Bornheutter-Ferguson Method and Frequency/Severity Method.

The main assumption underlying these techniques is that a company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based.

Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (for example to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Similar judgements, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium.

Insurance contract liabilities

Non-life insurance contract liabilities

Non-life insurance contract liabilities are recognised when contracts are entered and premiums are charged. These liabilities are known as the outstanding claims provision, which are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contract expires, is discharged or is 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.

Derecognition of insurance payable

Insurance payables are derecognised when the obligation under the liability is discharged, cancelled or expired.

Unexpired risk reserve

The calculation of premium liability requires a comparison between the Company's held unearned premium reserves less deferred acquisition cost with the expected amount decided based on the significant management judgement. In estimating the unexpired risk liability, assumptions are made on the expected net claim ratio for each of business and claim management expenses incurred whilst these policies remain exposed for claims.

Non-life insurance contract liabilities

For non-life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson Methods and Frequency/Severity Method.

The main assumption underlying these techniques is that a company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident periods and significant business lines, but can also be further analysed by geographical area and claim types. Large claims may be separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based.

Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (for example to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Similar judgements, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium. Judgement is also required in determining whether the pattern of insurance service provided by a contract requires amortisation of unearned premium on a basis other than time apportionment.

All general insurance contracts are subject to a liability adequacy test (LAT). The LAT was carried out by M/s NMG Financial Services Consulting Pte Limited, Singapore.

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Reinsurance liabilities represent balances due to insurance companies. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expired or when the contract is transferred to another party.

As at 31 March	Note	Page No.	Company		Group	
			2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Insurance liabilities	40.1	238	-	-	5,026,503	4,799,808
Reinsurance payables			-	-	38,717	81,065
Total			-	-	5,065,220	4,880,873

40.1 Insurance liabilities

As at 31 March	Company		Group	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Outstanding claims provision	-	-	1,462,009	1,353,366
Provision for unearned premiums (net)	-	-	3,564,494	3,446,442
Total	-	-	5,026,503	4,799,808

41 Lease liabilities

ACCOUNTING POLICY

The Company recognises lease liabilities measured at present value of lease payments to be made over the lease term at the commencement date of the lease.

The present value of lease commitments as at 1 April 2019 has been calculated using weighted average incremental borrowing rate of 12.45%.

The Group applied modified retrospective approach in accordance with SLFRS 16 when accounting for right-of-use assets and lease liabilities.

As at 31 March	Note	Page No.	Company		Group	
			2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Balance as at 1 April			-	-	-	-
Effect of adoption of SLFRS 16 as at 1 April 2019			2,080,315	-	1,547,546	-
			2,080,315	-	1,547,546	-
Additions/renewal of lease agreements during the year			206,943	-	206,943	-
Accretion of interest	6.2	165	238,581	-	183,724	-
Payments to lease creditors			(616,741)	-	(343,968)	-
Expiration of lease agreements during the year			-	-	-	-
Balance as at 31 March			1,909,098	-	1,594,245	-

42 – Current tax liabilities

ACCOUNTING POLICY

The Group and the Company is subject to income taxes and other taxes including VAT and NBT on financial services. Significant judgement is required to determine the total provision for current, deferred and other taxes. Uncertainties exist, with respect to the interpretation of the applicability of tax laws, at the time of the preparation of these Financial Statements.

The Group and the Company recognised assets and liabilities for current, deferred and other taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters are different from the amounts that were initially recorded, such differences will impact the income tax, deferred tax amounts in the period in which the determination is made.

As at 31 March	Note	Page No.	Company		Group	
			2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Current tax payable	42.1	239	1,803,309	2,238,257	2,077,418	2,323,647
Total			1,803,309	2,238,257	2,077,418	2,323,647

42.1 Current tax liabilities

As at 31 March	Company		Group	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Balance as at 1 April	2,238,257	(89,849)	2,323,647	62,673
Provision for the year	2,822,836	3,442,009	3,259,538	3,601,824
Under/(over) provision in respect of previous year	–	(90,583)	(781)	(90,046)
Payment of income tax	(3,071,709)	(805,705)	(3,339,472)	(907,945)
Tax credits				
WHT/Other credit	(18,416)	(21,552)	(18,416)	(106,898)
Economic service charge	(141,084)	(196,063)	(147,098)	(235,961)
Balance as at 31 March	1,803,309	2,238,257	2,077,418	2,323,647

42.2 Economic service charge (ESC)

As per the provisions of the economic service charge (ESC) Act No. 13 of 2006, and subsequent amendments thereto, the ESC is payable at 0.5% on “exempt turnover” and is deductible from the income tax payments. Unclaimed ESC, if any, can be carried forward and set-off against the income tax payable in the three subsequent years. ESC abolished with effect from 1 January 2020 amendment to the Act yet to be enacted as of reporting date.

42.3 Withholding tax (WHT) on fixed deposits and savings accounts

As per Section 137 of the Inland Revenue Act No. 10 of 2006 and amendments thereto, a company made fixed deposit and savings accounts interest income on which WHT had been deducted at 10% per annum at the time of payment or credited to the account. This tax deduction can be claimed as tax credit to the income tax payments. As per Section 84 of the Inland Revenue Act No. 24 of 2017, WHT on interest or discount paid to a person rate was reduced to 5% with effect from 1 April 2018.

43 – Deferred tax liabilities/(assets)

ACCOUNTING POLICY

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax relating to items recognised directly in equity are also recognised in equity and not in the Statement of Profit or Loss.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

As at 31 March	Note	Page No.	Company		Group	
			2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Recognised under assets	43.1	241	(376,291)	–	(471,841)	(47,584)
Recognised under liabilities	43.1	241	–	837,179	418,132	1,141,973
Deferred tax liabilities/(Assets)	43.1	241	(376,291)	837,179	(53,709)	1,094,389

Net deferred tax assets/liabilities of one entity cannot set-off against another entity's assets/liabilities since there is no legally enforceable right to set-off. Therefore net deferred tax assets and liabilities of different entities are separately recognised in the Statement of Financial Position.

43.1 Movement in deferred tax

As at 31 March	Company		Group	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Balance as at 1 April	837,179	2,275,868	1,094,389	2,310,652
Deferred tax on transitional adjustment	-	(250,729)	-	(266,494)
Charge for the year	(1,213,519)	(1,182,290)	(1,148,189)	(935,741)
Deferred tax charge relating to components of Statement of Comprehensive Income	49	(5,670)	91	(14,028)
Balance as at 31 March	(376,291)	837,179	(53,709)	1,094,389

As at 31 March 2020	Company					Group				
	Deferred tax assets Rs. '000	Deferred tax liabilities Rs. '000	Statement of Profit or Loss Rs. '000	Statement of Comprehensive Income Rs. '000	Statement of Changes in Equity Rs. '000	Deferred tax assets Rs. '000	Deferred tax liabilities Rs. '000	Statement of Profit or Loss Rs. '000	Statement of Comprehensive Income Rs. '000	Statement of Changes in Equity Rs. '000
Retirement benefit obligation	166,020	-	(28,087)	(49)	-	176,625	-	(36,483)	(91)	-
Carry forward tax losses	-	-	-	-	-	227	-	13,158	-	-
Impairment allowances for loans and receivables	1,933,299	439,714	(589,257)	-	-	1,998,246	440,392	(660,265)	-	-
Deferred tax on transitional adjustment	250,729	-	-	-	250,729	266,494	-	-	-	266,494
Accelerated depreciation allowance for tax purpose (Lease)	-	1,487,393	(596,118)	-	-	-	1,487,393	(596,118)	-	-
Accelerated depreciation allowance for tax purpose (PPE)	-	4,488	(57)	-	-	-	131,656	11,659	-	-
Deferred tax on SLFRS 16	-	42,162	-	-	-	5,763	42,162	36,399	-	-
Fair value gains/losses - freehold buildings	-	-	-	-	-	-	-	42,155	-	-
Fair value gains/losses - investment property	-	-	-	-	-	41,073	333,116	41,306	-	-
Total	2,350,048	1,973,757	(1,213,519)	(49)	250,729	2,488,428	2,434,719	(1,148,189)	(91)	266,494
Deferred tax effect on profit or loss and other comprehensive income for the year	-	-	(1,213,519)	(49)	-	-	-	(1,148,189)	(91)	-
Recognised under equity	-	-	-	-	250,729	-	-	-	-	266,494
Recognised under assets	-	(376,291)	-	-	-	-	(471,841)	-	-	-
Recognised under liabilities	-	-	-	-	-	-	418,132	-	-	-
Net deferred tax liability as at 31 March	-	(376,291)	-	-	-	-	(53,709)	-	-	-

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As at 31 March 2019	Company					Group				
	Deferred tax assets Rs. '000	Deferred tax liabilities Rs. '000	Statement of Profit or Loss Rs. '000	Statement of Comprehensive Income Rs. '000	Statement of Changes in Equity Rs. '000	Deferred tax assets Rs. '000	Deferred tax liabilities Rs. '000	Statement of Profit or Loss Rs. '000	Statement of Comprehensive Income Rs. '000	Statement of Changes in Equity Rs. '000
Retirement benefit obligation	137,884	-	(22,160)	(5,670)	-	140,042	-	(6,583)	14,028	-
Carry forward tax losses	-	-	-	-	-	13,385	-	13,238	-	-
Impairment allowances for loans and receivables	868,209	5,945	(430,436)	-	-	903,724	5,945	(444,376)	-	-
Deferred tax on transitional adjustment	250,729	-	-	-	250,729	266,494	-	-	-	266,494
Accelerated depreciation allowance for tax purpose (Lease)	-	2,083,511	(635,299)	-	-	-	2,083,511	(635,299)	-	-
Accelerated depreciation allowance for tax purpose (PPE)	-	4,545	(76,684)	-	-	-	119,997	(53,591)	-	-
Fair value gains/losses - freehold buildings	-	-	-	-	-	-	-	(17,711)	-	-
Fair value gains/losses - investment property	-	-	(17,711)	-	-	42,155	250,736	208,581	-	-
Total	1,256,822	2,094,001	(1,182,290)	(5,670)	250,729	1,365,800	2,460,189	(935,741)	14,028	266,494
Deferred tax effect on profit or loss and other comprehensive income for the year	-	-	(1,182,290)	-	-	-	-	(935,741)	14,028	-
Recognised under equity	-	-	-	-	250,729	-	-	-	-	266,494
Recognised under assets	-	-	-	-	-	-	(47,584)	-	-	-
Recognised under liabilities	-	837,179	-	-	-	-	1,141,973	-	-	-
Net deferred tax liability as at 31 March	-	837,179	-	-	-	-	1,094,389	-	-	-

Deferred tax assets/liabilities have been calculated at the rate specific to each company.

44 – Other liabilities

ACCOUNTING POLICY

Other liabilities include VAT on financial services payable, retirement benefit obligation, value added tax (VAT) payable, debt repayment levy payable, other tax payables and other payables. These liabilities are recorded at amounts expected to be payable at the reporting date.

Employee benefits

Retirement benefit obligation – Gratuity

The Group/Company measures the present value of the promised retirement benefits for gratuity, which is a retirement benefit plan with the advice of an independent professional actuary using the "Projected Unit Credit method" (PUC) as required by the Sri Lanka Accounting Standard – LKAS 19 – "Employee Benefits".

Recognition of actuarial gains and losses

The Group/Company recognises the total actuarial gains and losses that arise in calculating the Company's obligation in respect of the plan in Statement of Comprehensive Income during the period in which it occurs.

Funding arrangements

The gratuity liability is not externally funded.

Defined contribution plans – employees' provident fund and defined contribution plans – employees' trust fund

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods as defined in the Sri Lanka Accounting Standard – LKAS 19 – "Employee Benefits".

The contribution payable to a defined contribution plan is in proportion to the services rendered to the Company by the employees and is recorded as an expense when they become due. Unpaid contributions are recorded as a liability.

The Group/Company and employees contribute to the Employees' Provident Fund managed by the Central Bank of Sri Lanka at 12% and 8% respectively on the gross salary of each employee.

The Group/Company contributes to the Employees' Trust Fund at 3% on the gross salary of each employee.

Retirement benefit obligation

The cost of the retirement benefit obligation is determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future gratuity increases. Due to the long-term nature of such obligation, these estimates are subjected to significant uncertainty. All assumptions are reviewed at each reporting date.

As at 31 March	Note	Page No.	Company		Group	
			2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Vat on financial services payable			-	259,787	-	262,007
Debt repayment levy payable			-	110,055	-	110,055
Value added tax (VAT) payable			10,502	11,922	62,173	40,977
WHT payable			123,135	32,349	123,355	52,857
NBT payable			-	20,008	-	31,912
Crop insurance levy payable			-	10,970	-	10,970
Retirement benefit obligation	44.1	244	592,871	492,444	647,929	536,753
Amount payable to customers			401,960	161,210	409,602	162,060
Stamp duty payable			53,008	50,135	55,087	52,011
Other payable			387,089	315,609	402,539	347,084
Total			1,568,565	1,464,489	1,700,685	1,606,686

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44.1 Retirement benefit obligation

As at 31 March	Note	Page No.	Company		Group	
			2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Balance as at 1 April			492,444	393,048	536,753	423,788
Amount recognised in Statement of Profit or Loss	44.1.1	244	111,325	90,594	124,504	101,335
Actuarial gain/(Loss) recognise in Statement of Comprehensive Income	44.1.2	244	(172)	17,909	(1,225)	20,872
Benefits paid during the year			(10,726)	(9,107)	(12,103)	(9,242)
Balance as at 31 March			592,871	492,444	647,929	536,753

44.1.1 Amount recognised in Statement of Profit or Loss

As at 31 March	Company		Group	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Current service cost	57,157	50,109	70,335	65,570
Net interest on the net defined benefit liability	54,168	40,485	54,169	35,765
Total amount recognised in Statement of Profit or Loss	111,325	90,594	124,504	101,335

44.1.2 Amount recognise in Statement of Comprehensive Income

As at 31 March	Company		Group	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Losses/(Gains) due to changes in assumptions	(2,410)	14,034	(1,716)	15,268
Experience losses/(gains) arising during the year	2,238	3,875	491	5,604
Total actuarial (losses)/gain recognised in Statement of Comprehensive Income	(172)	17,909	(1,225)	20,872

An actuarial valuation of the retirement benefit obligations was carried out as at 31 March 2020 by Messrs Smiles Global (Private) Limited, a firm of professional actuaries. The valuation method used by the actuaries to value the liability is the Projected Unit Credit (PUC), the method recommended by the Sri Lanka Accounting Standard – LKAS 19 – “Employee Benefits”.

As at 31 March	Company/Group	
	2020	2019
Actuarial assumptions		
Discount rate	10.00%	11.30%
Future salary increment rate	9.00%	10.00%
Mortality	A1967/70 ultimate mortality	A1967/70 ultimate mortality
Disability	Standard RI rates	Standard RI rates
Retirement age	55 years	55 years

Expected average working life of the active participants is 8.87 years for the year ended 31 March 2020. (8.67 – 2019).

44.1.3 Sensitivity of assumptions employed in actuarial valuation

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measures.

The sensitivity of the Statement of Comprehensive Income and the Statement of Financial Position is the effect of the assumed changes in discount rate and salary increment rate on the employment benefit obligation for the year.

	%	2020		2019	
		Effect on Statement of Comprehensive Income increase/(reduction) in results for the year Rs. '000	Effect on employee benefit obligation increase/(reduction) in the liability Rs. '000	Effect on Statement of Comprehensive Income increase/(reduction) in results for the year Rs. '000	Effect on employee benefit obligation increase/(reduction) in the liability Rs. '000
Increase/(decrease) in discount rate	1	33,376	(33,376)	27,381	(27,381)
	-1	(37,348)	37,348	(30,587)	30,587
Increase/(decrease) in salary increment	1	(38,666)	38,666	(31,675)	31,675
	-1	35,140	(35,140)	28,831	(28,831)

44.1.4 Analysis of retirement benefit obligation by maturity profile

Following note analysed the defined benefit obligation by expected future working life time of each individual employee. The expected future working life considers the probability of an exit due to withdrawal, death or disability prior to retirement date.

As at 31 March	Company		Group	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Within the next 12 months	48,003	31,932	51,911	35,840
Between 1-5 years	67,487	50,535	83,388	60,683
Over 5 years	477,381	409,977	512,630	440,230
Total	592,871	492,444	647,929	536,753

45 – Stated capital

As at 31 March	Company/Group			
	2020		2019	
	Number	Rs. '000	Number	Rs. '000
Balance as at 1 April 2019	1,579,862,482	13,236,073	1,579,862,482	13,236,073
Scrip dividend	47,840,906	679,341	–	–
Balance as at 31 March 2020	1,627,703,388	13,915,414	1,579,862,482	13,236,073

Issued for scrip dividend – Shares 47,840,906 of Rs. 14.20

Rights, preferences and restrictions of classes of capital

The ordinary shares of the Company are quoted in the Colombo Stock Exchange. The holders of ordinary shares have the right to receive dividend as declared from time to time and are entitled to one vote per share at the Annual General Meeting of the Company.

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Capital management

The primary objectives of the Company's capital management policy are to ensure that the Company complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholder value.

The Company manages its capital structure and makes adjustments according to changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities.

Regulatory capital

As at 31 March	2020		2019	
	Actual	Required	Actual	Required
Tier 1 capital/core capital (Rs. '000)	29,269,430	2,000,000	26,517,785	1,500,000
Tier 1 capital ratio (%)	15.12	7.00	14.36	6.00
Total capital ratio (%)	15.99	11.00	15.20	10.00

As per Finance Business Act Direction No. 3 of 2018, regulatory capital consists of Tier 1 capital, which comprises stated capital, statutory reserve fund, retained earnings including current year profit, general and other reserves less goodwill, other intangible assets, other comprehensive income/(loss), shortfall of the cumulative impairment to total provisions and interest in suspense and 50% of investment in banking and financial companies.

Even though Finance Business Act Direction No. 2 of 2017 required every Licensed Finance Company to maintain minimum core capital at not less than Rs. 2 billion by 1 January 2020, through the letter dated 31 March 2020 issued by the Central Bank of Sri Lanka with the subject of "Regulatory measures taken by the Central Bank of Sri Lanka to provide flexibility to Licensed Finance Companies to support business and individual affected by the outbreak of Coronavirus Disease (COVID-19)", concessions were granted to defer the enhancement of minimum core capital requirement of Rs. 2 billion until 31 December 2020.

46 Statutory reserve fund

As at 31 March	Company		Group	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Balance as at 1 April	2,058,219	1,837,413	2,070,667	1,837,413
Transfer during the year	147,125	220,806	164,410	233,254
Balance as at 31 March	2,205,344	2,058,219	2,235,077	2,070,667

People's Leasing & Finance PLC

According to the Paragraph 3 (a) of Finance Companies (Capital Funds) Direction No. 1 of 2003, every finance company shall maintain reserve fund and as per Paragraph 3 (b) (i) of the said direction, so long the capital funds are not less than twenty five (25) percent of total deposit liabilities, a sum equal to not less than five (5) percent of the net profits shall be transferred to reserve fund each year.

Since the capital funds are not less than twenty-five (25) percent of total deposit liabilities, company has transferred five (5) percent of the net profits to reserve fund.

Lankan Alliance Finance Limited

As per Financial regulation 1994, every non-banking financial institution is required to transfer at least 20% of its current years profit to the fund until such reserve fund equal to its paid up share capital and share premium (if any). In conformity with the above requirement the Company transferred 20% of net profit to statutory reserve before declaration of dividend.

47 Retained earnings

As at 31 March	Company		Group	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Balance as at 1 April	13,361,805	11,502,165	15,198,424	13,167,172
Recognition of SLFRS 9 expected credit loss those measured at amortised cost	-	(1,006,640)	-	(1,066,686)
Deferred tax on transitional adjustment	-	250,729	-	266,494
Capital gain tax	-	-	14	(167,949)
Profit for the year	2,942,508	4,416,121	3,408,670	4,813,578
Comprehensive income	123	(4,937)	4,449	(6,104)
Transfers to reserves	(147,125)	(220,806)	(164,410)	(233,254)
Transfers from reserves	-	400,000	-	400,000
Dividend paid	(1,929,323)	(1,974,827)	(1,929,323)	(1,974,827)
Balance as at 31 March	14,227,988	13,361,805	16,517,824	15,198,424

48 Other reserves

Equity reserves

The reserves recorded in equity (Statement of Comprehensive Income) on the Statement of Financial Position include:

- "Available-for-sale" reserve, which comprises changes in fair value of available-for-sale financial assets (Refer Note 48.3 on page 248).
- "Fair value reserve" comprises the cumulative net change in fair value of financial assets measured at fair value through other comprehensive income (Refer Note 48.4 on page 248).
- "General reserve" represents the amounts set aside by the Directors for general application. The purpose of setting up the General reserve is to meet the potential future unknown liabilities.
- "Tax equalisation reserve" comprises an amount set aside by the Directors to meet any tax liabilities that may arise in the future.
- "Revaluation reserve" relates to revaluation adjustment of investment property transferred from property, plant and equipment.
- "Foreign currency translation reserve"

As at the reporting date, the assets and liabilities of the Lankan Alliance Finance Limited a subsidiary of the Company was translated into the presentation currency (Sri Lankan Rupee) at the exchange rate ruling at the reporting date and the Statement of Profit or Loss and Statement of Other Comprehensive Income was translated at the average exchange rate for the period. The exchange differences arising on the translation of these Financial Statement is taken to foreign currency translation reserve through Statement of Other Comprehensive Income (Refer Note 48.5 on page 249).

48.1 Movement of other reserve - 31 March 2020

	Note	Page No.	Company			Group		
			Opening balance as at 1 April 2019 Rs. '000	Movement/ transfers Rs. '000	Closing balance as at 31 March 2020 Rs. '000	Opening balance as at 1 April 2019 Rs. '000	Movement/ transfers Rs. '000	Closing balance as at 31 March 2020 Rs. '000
Fair value reserve	48.4	248	(52,742)	(49,372)	(102,114)	(54,705)	(61,300)	(116,005)
Foreign currency translation reserve	48.5	249	-	-	-	261,979	139,129	401,108
Total			(52,742)	(49,372)	(102,114)	207,274	77,829	285,103

48.2 Movement of other reserve – 31 March 2019

	Note	Page No.	Company			Group		
			Opening balance as at 1 April 2018 Rs. '000	Movement/ transfers Rs. '000	Closing balance as at 31 March 2019 Rs. '000	Opening balance as at 1 April 2018 Rs. '000	Movement/ transfers Rs. '000	Closing balance as at 31 March 2019 Rs. '000
General reserve			300,000	(300,000)	–	300,000	(300,000)	–
Tax equalisation reserve			100,000	(100,000)	–	100,000	(100,000)	–
Available-for-sale reserve	48.3	248	46,869	(46,869)	–	45,585	(45,585)	–
Fair value reserve			–	(52,742)	(52,742)	–	(54,705)	(54,705)
Revaluation reserve			7,302	(7,302)	–	–	–	–
Foreign currency translation reserve	48.5	249	–	–	–	2,828	259,151	261,979
Total			454,171	(506,913)	(52,742)	448,413	(241,139)	207,274

48.3 Available-for-sale reserve

The available-for-sale reserve is comprised the cumulative net change in fair value of financial investments available for sale until such investments are derecognised or impaired.

As at 31 March	Company		Group	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Balance as at 1 April	–	46,869	–	45,585
Impact of adopting SLFRS 9	–	(46,869)	–	(45,585)
Balance as at 1 April – Adjusted	–	–	–	–
Net fair value gains/(losses) on remeasuring financial investments available for sale	–	–	–	–
Balance as at 31 March	–	–	–	–

48.4 Fair value reserve

The fair value reserve comprises the cumulative net change in fair value of financial assets measured at fair value through other comprehensive income until such investments are derecognised or impaired.

As at 31 March	Company		Group	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Balance as at 1 April	(52,742)	–	(54,705)	–
Impact of adopting SLFRS 9	–	46,869	–	45,585
Balance as at 1 April – Adjusted	(52,742)	46,869	(54,705)	45,585
Net fair value gains/(losses) on remeasuring financial investments	(49,372)	(99,611)	(61,300)	(100,290)
Balance as at 31 March	(102,114)	(52,742)	(116,005)	(54,705)

48.5 Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the Financial Statements of foreign subsidiary.

As at 31 March	Group	
	2020 Rs. '000	2019 Rs. '000
Balance as at 1 April	261,979	2,828
Net gains/(losses) arising from translating the Financial Statements	139,129	259,151
Balance as at 31 March	401,108	261,979

49 – Non-controlling interest

Non-controlling interest are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Non-controlling interest represents 25% of net assets of the Subsidiary, People's Insurance PLC and 49% of net assets of the subsidiary, Lankan Alliance Finance Limited.

As at 31 March	Group	
	2020 Rs. '000	2019 Rs. '000
Balance as at 1 April	2,269,520	2,165,070
Profit for the year	183,079	197,690
Other comprehensive income	(3,315)	(740)
Dividend paid for the year	(92,500)	(92,500)
Balance as at 31 March	2,356,784	2,269,520

50 – Non-cash items included in profit before income tax

As at 31 March	Note	Page No.	Company		Group	
			2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Depreciation of property, plant and equipment	13	172	164,492	166,006	292,404	286,193
Amortisation of right-of-use assets	13	172	538,230	3,066	332,830	3,066
Amortisation of intangible assets	13	172	14,299	10,535	10,764	13,101
Impairment charges for right-of-use assets	34	227	36,965	-	36,965	-
Impairment charges for goodwill	33	225	68,145	19,580	68,145	19,580
Impairment losses of loans and receivables	11	169	4,759,682	1,721,779	4,983,577	1,828,091
Impairment losses of investment in associate	30	216	-	348,794	-	152,572
Charge for retirement benefit obligation	12	172	111,325	90,594	124,504	101,335
Gain/(Loss) on sale of property, plant and equipment	10	168	(6,183)	(19,645)	(6,183)	(26,625)
Net trading income from sale of vehicles	10	168	(301)	(2,704)	(301)	(3,575)
Net gain/(Loss) on financial assets – FVTPL	9	168	(11,017)	27,887	(19,586)	44,351
Gain/(Loss) on sale of investment properties	10	168	-	(6,980)	-	(6,980)
Total			5,675,637	2,358,912	5,823,119	2,411,109

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51 – Change in operating assets

As at 31 March	Company		Group	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Net (increase)/decrease in other balances with bank and financial institutions	197,093	965,940	714,016	1,383,292
Net (increase)/decrease in financial assets – FVTPL	(997,512)	123,659	(1,106,620)	198,748
Net (increase)/decrease in loans and receivables – Amortised cost	(798,990)	(14,268,180)	(2,162,373)	(17,931,962)
Net (increase)/decrease in insurance and reinsurance receivables	–	–	(309,538)	(478,708)
Net (increase)/decrease in financial assets – FVOCI	(248,102)	(6,130)	(1,391,351)	(6,809)
Net (increase)/decrease in debt instruments – Amortised cost	3,895,662	(3,112,984)	4,278,506	(3,077,982)
Net (increase)/decrease in other assets	187,643	(49,000)	(104,791)	120,886
Total	2,235,794	(16,346,695)	(82,151)	(19,792,535)

52 – Change in operating liabilities

As at 31 March	Company		Group	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Net increase/(decrease) in due to customers	18,332,371	18,605,437	18,762,396	19,545,402
Net increase/(decrease) in other financial liabilities	535,224	(2,160,928)	366,256	(2,004,103)
Net increase/(decrease) in insurance liabilities and reinsurance payables	–	–	184,347	826,287
Net increase/(decrease) in other liabilities	566,140	1,142,196	1,031,696	1,306,814
Total	19,433,735	17,586,705	20,344,695	19,674,400

53 – Contingent liabilities and commitments

Commitments and contingencies

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be readily measured as defined in the Sri Lanka Accounting Standard – LKAS 37 – “Provisions, Contingent Liabilities and Contingent Assets”. Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless its occurrence is remote.

Legal claims

Litigation is a common occurrence in the finance industry due to the nature of the business undertaken. The Group and Company have formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Group and Company makes adjustments to account for any adverse effects which the claims may have on its financial standing. At the reporting date the Company and Group had several unresolved legal claims. The significant unresolved legal claims against the Group and Company for which legal advisor of the Company advised as the loss is possible, but not probable, that the action will succeed. Accordingly, no provision for any claims has been made in these Financial Statements.

Contingent liabilities, commitments of other group entities

The Group's/Company's share of any contingencies and capital commitments of a subsidiary and an associate for which the Company is also liable severally or otherwise is included with appropriate disclosures.

Provisions for liabilities and contingencies

The Group/Company receives legal claims against it in the normal course of business. Management has made judgements as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depend on the due process in respective legal jurisdictions.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies other than those stated above that have significant effects on the amounts recognised in the Financial Statements are described as follows:

As at 31 March	Note	Page No.	Company		Group	
			2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Contingent liabilities	53.1	251	689,290	514,014	707,179	514,150
Commitments	53.2	252	4,627,602	7,261,850	4,643,436	7,274,558
Total			5,316,892	7,775,864	5,350,615	7,788,708

53.1 Contingent liabilities

In the normal course of business, the Group and Company makes various irrecoverable commitments and incur certain contingent liabilities with legal recourse to its customers and would be a party to litigation due to its operations. Even though these obligations may not be recognised in the Statement of Financial Position, they do contain operational risk and therefore form a part of the overall risk profile of the Group and Company. However, no material losses are anticipated as a result of these transactions.

As at 31 March	Note	Page No.	Company		Group	
			2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Litigation against the Company	53.3	252	287,415	115,051	287,415	115,187
Guarantees – Related parties			300,000	300,000	300,000	300,000
Guarantees – Others			32,798	31,025	32,798	31,025
Assessment received from Inland Revenue Department	53.1.1	251	67,938	67,938	85,827	67,938
Pending bill retirements			1,139	–	1,139	–
Total			689,290	514,014	707,179	514,150

53.1.1 Assessment received from Inland Revenue Department

Assessment (VATFS/BFSU/2014/579 and 580) received by the Company from the Inland Revenue Department for Year of Assessment 2010/11 is Rs. 67,937,854.00 heard and concluded in favour of Inland Revenue Department. This decision has been appealed by the Company at the Court of Appeal with reasonable grounds. The tax consultants appearing for and on behalf of the Company.

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53.2 Commitments

The Group/Company has commitments for acquisition of property, plant and equipment, intangible assets and unutilised facilities incidental to the ordinary course of business as at 31 March as follows:

As at 31 March	Company		Group	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Capital commitments				
Approved and contracted for	-	-	4,534	12,708
Approved but not contracted for	-	1,125,000	11,300	1,125,000
Subtotal	-	1,125,000	15,834	1,137,708
Unutilised facilities				
Margin trading	1,106,598	1,631,356	1,106,598	1,631,356
Fast track	2,132,016	3,760,438	2,132,016	3,760,438
Factoring	1,388,988	745,056	1,388,988	745,056
Subtotal	4,627,602	6,136,850	4,627,602	6,136,850
Total	4,627,602	7,261,850	4,643,436	7,274,558

53.3 Litigation against the Company

Litigation is a common occurrence in the finance industry due to the nature of the business undertaken. The Company has formal controls and policies for managing legal claims. Pending legal claims where the Company had already made provisions for possible losses in its Financial Statements or has a reasonable security to cover the damages are not included below as the Company does not expect cash outflows from such claims.

As of the date of the Statement of Financial Position, forty-six (46) clients have filed cases against the Company. The Company's legal counsel is of the opinion that litigation which is currently pending will not have a material impact on the reported financial results or future operations of the Company.

54 – Net assets value per ordinary share

As at 31 March	Company		Group	
	2020	2019	2020	2019
Total equity attributable to equity holders of the Company (Rs. '000)	30,246,632	28,603,355	32,953,418	30,712,438
Total number of shares	1,627,703,388	1,579,862,482	1,627,703,388	1,579,862,482
Net assets value per share (Rs.)	18.58	18.10	20.25	19.44

55 – Current/non-current analysis

	Company					
	2020			2019		
	Within 12 months Rs. '000	After 12 months Rs. '000	Total Rs. '000	Within 12 months Rs. '000	After 12 months Rs. '000	Total Rs. '000
Assets						
Cash and cash equivalents	7,164,139	–	7,164,139	3,294,055	–	3,294,055
Balances with banks and financial institutions	3,207,440	–	3,207,440	3,404,533	–	3,404,533
Financial assets – Fair value through profit or loss	1,031,719	–	1,031,719	23,190	–	23,190
Loans and receivables – Amortised cost	65,360,573	82,386,938	147,747,511	65,875,884	85,832,018	151,707,902
Financial assets – Fair value through other comprehensive income	324,371	10	324,381	125,641	10	125,651
Debt instruments – Amortised cost	4,106,963	–	4,106,963	8,002,625	–	8,002,625
Investments in subsidiaries	–	3,213,788	3,213,788	–	3,213,788	3,213,788
Investment in associate	–	–	–	–	237,633	237,633
Property, plant and equipment	–	1,143,929	1,143,929	–	1,098,286	1,098,286
Goodwill and intangible assets	–	257,581	257,581	–	324,905	324,905
Right-of-use assets	–	1,939,450	1,939,450	–	84,065	84,065
Deferred tax assets	–	376,291	376,291	–	–	–
Other assets	981,430	165,571	1,147,001	769,174	255,470	1,024,644
Total assets	82,176,635	89,483,558	171,660,193	81,495,102	91,046,175	172,541,277
Liabilities						
Due to banks	3,569,992	4,368,193	7,938,185	21,080,446	6,193,487	27,273,933
Due to customers	81,447,697	25,253,330	106,701,027	67,985,575	20,383,081	88,368,656
Debt securities issued	5,713,914	12,765,346	18,479,260	4,046,736	17,228,295	21,275,031
Other financial liabilities	3,014,117	–	3,014,117	2,480,377	–	2,480,377
Lease liabilities	1,909,098	–	1,909,098	–	–	–
Current tax liabilities	1,803,309	–	1,803,309	2,238,257	–	2,238,257
Deferred tax liabilities	–	–	–	–	837,179	837,179
Other liabilities	1,568,565	–	1,568,565	1,464,489	–	1,464,489
Total liabilities	99,026,692	42,386,869	141,413,561	99,295,880	44,642,042	143,937,922
Net assets	(16,850,057)	47,096,689	30,246,632	(17,800,778)	46,404,133	28,603,355

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	Group					
	2020			2019		
	Within 12 months Rs. '000	After 12 months Rs. '000	Total Rs. '000	Within 12 months Rs. '000	After 12 months Rs. '000	Total Rs. '000
Assets						
Cash and cash equivalents	7,693,032	-	7,693,032	4,310,595	-	4,310,595
Balances with banks and financial institutions	6,661,407	-	6,661,407	7,375,423	-	7,375,423
Financial assets – Fair value through profit or loss	1,198,592	-	1,198,592	72,386	-	72,386
Loans and receivables – Amortised cost	66,973,007	87,161,927	154,134,934	67,042,635	89,913,202	156,955,837
Insurance and reinsurance receivables	1,194,933	-	1,194,933	885,395	-	885,395
Financial assets – Fair value through other comprehensive income	1,455,692	10	1,455,702	125,641	10	125,651
Debt instruments – Amortised cost	4,157,713	655,726	4,813,439	9,091,945	-	9,091,945
Investment in associate	-	-	-	-	237,633	237,633
Investment properties	-	1,131,652	1,131,652	-	1,131,596	1,131,596
Property, plant and equipment	-	3,998,370	3,998,370	-	4,017,301	4,017,301
Goodwill and intangible assets	-	368,574	368,574	-	432,340	432,340
Right-of-use assets	-	1,639,482	1,639,482	-	84,065	84,065
Deferred tax assets	-	471,841	471,841	-	47,584	47,584
Other assets	1,069,758	165,571	1,235,329	909,414	255,470	1,164,884
Total assets	90,404,190	95,593,097	185,997,287	89,813,434	96,119,201	185,932,635
Liabilities						
Due to banks	5,263,064	5,714,982	10,978,046	21,419,853	9,055,473	30,475,326
Due to customers	82,432,262	25,253,330	107,685,592	68,540,115	20,383,081	88,923,196
Debt securities issued	5,713,915	12,624,124	18,338,039	4,046,736	17,087,304	21,134,040
Other financial liabilities	2,829,708	-	2,829,708	2,464,936	-	2,464,936
Insurance liabilities and reinsurance payable	-	5,065,220	5,065,220	-	4,880,873	4,880,873
Lease liabilities	-	1,594,245	1,594,245	-	-	-
Current tax liabilities	2,077,418	-	2,077,418	2,323,647	-	2,323,647
Deferred tax liabilities	-	418,132	418,132	-	1,141,973	1,141,973
Other liabilities	1,700,685	-	1,700,685	1,606,686	-	1,606,686
Total liabilities	100,017,052	50,670,033	150,687,085	100,401,973	52,548,704	152,950,677
Net assets	(9,612,862)	44,923,064	35,310,202	(10,588,539)	43,570,497	32,981,958

56 – Financial reporting by segment

ACCOUNTING POLICY

The Group's segmental reporting is based on the following operating segments.

A segment is a distinguishable component of the Group that is engaged in providing products and services. (Business segment, which is subject to risks and rewards that are different from those of other segment.)

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The accounting policies adopted for segment reporting are those accounting policies adopted for preparing the Financial Statements of the Group.

Inter-segment transfers are accounted for at competitive fair market prices charged to intercompany counterparts for similar services. Such services are eliminated on consolidation.

As per the provision of Sri Lanka Reporting Standard – SLFRS 8, the operating segment of the Group has been identify based on the product and services offered by the Group of which level of risk and rewards are significantly differ from one another.

Top management of the Group consider the operating results and condition of its business segments in their decision making process and performance evaluation. Types of products and services from which each operating segment derives its revenues described as follows:

Lease and hire purchase

This segment includes leasing and hire purchase products offered to the customers.

Loans

This segment includes loan products offered to the customers.

Islamic

This segment includes Ijarah, Murabah, Musharakah and Trading Murabah products offered to the customers.

Insurance business

Insurance business segment includes general insurance.

Other business

This segment includes all other business activities that Group engaged other than above segments.

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For the year ended 31 March	Lease and hire purchase		Loans		Islamic		Insurance		Other		Eliminations		Group	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Interest income	17,074,973	17,157,233	12,902,498	12,120,975	1,477,951	1,487,121	782,716	670,357	1,308,340	1,073,124	(263,599)	(274,470)	33,282,879	32,234,340
Net earned premium	-	-	-	-	-	-	5,357,949	4,877,621	-	-	(155,919)	(149,048)	5,202,030	4,728,573
Net fee and commission income	1,082,308	985,849	817,833	696,467	93,681	85,449	-	-	191,201	184,108	(1,019,391)	(947,576)	1,165,632	1,004,297
Net trading income	-	-	-	-	-	-	8,622	(19,011)	10,964	(25,340)	-	-	19,586	(44,351)
Other operating income	237,426	232,293	179,408	164,107	20,551	20,134	78,649	80,036	352,332	395,944	(483,663)	(459,168)	384,703	433,346
Gross income	18,394,707	18,375,375	13,899,739	12,981,549	1,592,183	1,592,704	6,227,936	5,609,003	1,862,837	1,627,836	(1,922,572)	(1,830,262)	40,054,830	38,356,205
Interest expenses	8,425,432	8,590,915	6,366,577	6,069,175	729,277	744,626	-	-	853,246	761,051	(263,597)	(274,469)	16,110,935	15,891,298
Total operating income	9,969,275	9,784,460	7,533,162	6,912,374	862,906	848,078	6,227,936	5,609,003	1,009,591	866,785	(1,658,975)	(1,555,793)	23,943,895	22,464,907
Credit loss expenses	2,768,746	1,060,462	1,929,504	579,390	169,306	5,364	-	-	34,346	62,987	-	-	4,901,902	1,708,203
Net operating income	7,200,529	8,723,998	5,603,658	6,332,984	693,600	842,714	6,227,936	5,609,003	975,245	803,798	(1,658,975)	(1,555,793)	19,041,993	20,756,704
Depreciation	354,765	124,711	292,987	72,584	27,591	19,103	90,245	24,030	39,359	18,018	(168,949)	43,914	635,998	302,360
Segment result	3,648,381	4,874,052	2,756,857	3,443,345	315,792	422,463	1,053,624	805,796	369,475	431,784	(411,280)	(238,991)	7,732,849	9,738,449
Less : Taxes on financial services													2,030,532	2,117,910
Share of (loss) of an associate (net of tax)													-	(33,234)
Income tax expense													2,110,568	2,576,037
Profit attributable to equity holders													3,591,749	5,011,268
As at 31 March														
Segment assets	90,379,077	89,272,030	74,640,489	65,974,886	7,029,126	13,674,721	10,099,370	9,625,118	10,026,879	12,898,087	(6,177,654)	(5,512,207)	185,997,287	185,932,635
Total assets	90,379,077	89,272,030	74,640,489	65,974,886	7,029,126	13,674,721	10,099,370	9,625,118	10,026,879	12,898,087	(6,177,654)	(5,512,207)	185,997,287	185,932,635
Segment liabilities	73,522,577	73,583,999	60,719,375	54,380,929	5,718,132	11,271,623	6,449,060	6,329,550	8,156,777	10,631,469	(3,878,836)	(3,246,893)	150,687,085	152,950,677
Total liabilities	73,522,577	73,583,999	60,719,375	54,380,929	5,718,132	11,271,623	6,449,060	6,329,550	8,156,777	10,631,469	(3,878,836)	(3,246,893)	150,687,085	152,950,677

57 – 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 2020 Rs. '000	31 March 2019 Rs. '000	31 March 2020 Rs. '000	31 March 2019 Rs. '000	
Rentals receivables on lease	Securitisation	13,674,060	11,917,923	13,674,060	11,917,923	Loans and receivables
	Term loan	-	9,238,434	-	9,238,434	Loans and receivables
	Short-term loans	14,644,573	15,850,462	14,644,573	15,850,462	Loans and receivables
Rentals receivables on hire purchase	Securitisation	-	37,648	-	37,648	Loans and receivables
	Term loan	-	52,359	1,037,255	52,359	Loans and receivables
	Short-term loans	12,362	17,012	59,067	17,012	Loans and receivables
Rentals receivables on loans	Securitisation	3,920,262	4,730,027	3,920,262	4,730,027	Loans and receivables
	Short-term loans	6,866,971	1,036,545	6,866,971	1,036,545	Loans and receivables
Fixed deposits	Bank guarantee for assessment	-	87,504	-	87,504	Contingent liabilities and commitments
Fixed deposits	Overdrafts	-	-	75,000	12,000	Balances with banks and financial institutions
Freehold lands and buildings	Term loans	-	-	3,818,007	3,812,272	Property, plant and equipment

58 – Related party disclosure

The Company and the Group carried out transactions in the ordinary course of business with the parties who are defined as related parties in the Sri Lanka Accounting Standards – LKAS 24 – “Related Party Disclosure”, the details of which are reported below:

58.1 Parent and ultimate controlling party

The immediate Parent of the Company is People's Bank which is a Government-owned entity.

58.2 Transactions with key management personnel (KMP) and their family members

As per the Sri Lanka Accounting Standard – (LKAS 24) – “Related Party Disclosures”, the KMPs include those who are having authority and responsibility for planning, directing and controlling the activities of the Company. Accordingly, the Board of Directors of the Company, Immediate Parent Company and members of the Corporate Management of the Company have been classified as KMPs of the Company.

The Company carried out transactions with KMPs and their close family members in the ordinary course of its business on an arms length basis at commercial rates.

Close family members of KMPs are those family members who may be expected to influence, or be influenced by, those KMPs in their dealing with the entity.

58.2.1 Transactions with key management personnel and their close family members

Remuneration to key management personnel

For the year ended 31 March	Company		Group	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
(a) Remuneration to Board of Directors				
Short-term employees benefits	6,269	9,315	13,143	16,564
Total	6,269	9,315	13,143	16,564

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For the year ended 31 March	Company		Group	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
(b) Remuneration to Corporate Management				
Short-term employees benefits	181,362	175,624	199,122	196,855
Post employment benefits	8,051	14,770	8,051	14,770
Total	189,413	190,394	207,173	211,625

In addition to the above, the Company has also provided non-cash benefits such as Company maintained vehicles to KMPs in line with the approved employment terms of the Company.

58.2.2 Share transactions with key management personnel

For the year ended 31 March	Company		Group	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Number of ordinary shares held	945,947	500,798	1,285,009	563,798
Cash dividend paid (Rs. '000)	607	711	820	766
Scrip dividend (Number of shares)	28,001	-	28,001	-

58.2.3 Transactions, arrangements and agreements involving key management personnel (KMPs), their close family members (CFMs) and other related entities

	Board of Directors		Corporate Management		Total	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
(a) Items in Statement of Profit or Loss						
Interest income	-	120	502	707	502	827
Interest expense	9,492	2,963	32,295	27,257	41,787	30,220
(b) Items in Statement of Financial Position						
Assets						
Loans and receivables – Amortised cost	-	-	7,497	2,272	7,497	2,272
Total	-	-	7,497	2,272	7,497	2,272
Liabilities						
Due to customers	89,788	16,613	267,780	238,722	357,568	255,335
Total	89,788	16,613	267,780	238,722	357,568	255,335

58.3 Net accommodation and net accommodation as a percentage of capital funds

	2020 Rs. '000	2019 Rs. '000	2020 %	2019 %
People's Bank	-	-	-	-
People's Leasing Property Development Limited	614,680	553,289	2.03	1.93
People's Leasing Fleet Management Limited	24,630	15,473	0.08	0.05
People's Leasing Havelock Properties Limited	905,663	792,369	2.99	2.77
People's Micro-commerce Ltd.	152,095	249,288	1.00	0.87
People's Insurance PLC	35,868	25,347	0.12	0.09
Lankan Alliance Finance Limited	39,152	36,907	0.13	0.13
Board of Directors	-	-	-	-
Corporate Management	7,497	2,272	0.02	0.01
Total net accommodation	1,779,585	1,674,945	6.37	5.85

58.4 Transactions with related entities

Transactions with Government of Sri Lanka and Government-related entities

The immediate parent of the Company is People's Bank which is Government-owned entity. The Company enters into transactions, arrangements and agreements with Government of Sri Lanka and its related entities. The significant financial dealings during the year and as at the Statement of Financial Position date are as follows:

	Company		Group	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
(a) Items in Statement of Profit or Loss				
Interest income	5,433	9,615	5,433	9,615
Interest expenses	528,544	1,483,228	528,544	1,483,228
(b) Items in Statement of Financial Position				
Assets				
Loans and receivables – Amortised cost	29,024	31,789	29,024	31,789
Total	29,024	31,789	29,024	31,789
Liabilities				
Due to banks	1,892,687	5,900,647	1,892,687	2,782,080
Total	1,892,687	5,900,647	1,892,686	2,782,080

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 – EPF, ETF
- – Payment of incidentals such as RMV charges and CRIB fees that are paid based on standard rates.

(c) Individual Significant Transactions

There were no individual significant transactions with the Government of Sri Lanka and Government-related entities, other than on normal day-to-day business operations.

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58.4.1 Company

The Company had the undermentioned financial dealings during the financial year with the following related entities:

	Immediate parent		Subsidiaries		Associate	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
(a) Items in Statement of Profit or Loss						
Interest income	1,132,518	861,046	188,265	202,763	-	-
Interest expense	391,216	1,061,632	75,333	71,706	-	-
Fee and commission income	-	-	680,264	609,575	-	-
Other operating income	-	-	475,829	490,724	-	-
Benefits, claims and underwriting expenditure	-	-	137,224	129,245	-	-
Other operating expenses	43,403	40,542	307,666	307,118	-	-
(b) Items in Statement of Financial Position						
Assets						
Cash and cash equivalents	6,290,427	2,267,088	-	-	-	-
Balances with banks and financial institutions	2,801,890	3,035,576	-	-	-	-
Loans and receivables – Amortised cost	-	-	1,772,088	1,672,674	-	-
Debt instruments – Amortised cost	4,106,963	7,976,782	-	-	-	-
Investments in subsidiaries/associate (net of impairment)	-	-	3,213,788	3,213,788	-	237,633
Other assets	-	-	262,509	185,670	-	-
Total	13,199,280	13,279,446	5,248,385	5,072,132	-	237,633
Liabilities						
Due to banks	1,654,194	4,441,332	-	-	-	-
Due to customers	-	-	503,009	459,770	-	-
Debt securities issued	-	-	141,222	140,991	-	-
Other financial liabilities	-	-	703,566	660,248	-	-
Other liabilities	5,923	3,179	9,260	7,535	-	-
Total	1,660,117	4,444,511	1,357,057	1,268,544	-	-
(c) Transactions						
Transaction cost on debenture issue and securitisation	4,850	4,820	-	-	-	-
Cash and cash equivalents – Repo investments	25,122,245	12,866,179	-	-	-	-
Cash and cash equivalents – Repo settlements	23,236,534	12,915,511	-	-	-	-
Balances with banks and financial institutions – FD investments	2,610,079	2,807,018	-	-	-	-
Balances with banks and financial institutions – FD withdrawals	4,060,829	3,773,639	-	-	-	-
Loans and receivables – Grantings	-	-	608,624	773,491	-	-
Loans and receivables – Repayments	-	-	507,911	761,515	-	-
Debt instruments – Amortised cost – Investments	13,164,970	12,671,279	-	-	-	-
Debt instruments – Amortised cost – Settlements	17,787,216	8,456,153	-	-	-	-

	Immediate parent		Subsidiaries		Associate	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Due to banks – Borrowings	4,800,000	24,285,200	-	-	-	-
Due to banks – Repayment	7,625,383	30,627,459	-	-	-	-
Due to customers – Investments	-	-	470,485	421,902	-	-
Due to customers – Settlements	-	-	320,485	354,378	-	-
Dividend paid	1,446,993	1,481,121	-	-	-	-
Insurance premium paid in respect of customers introduced by People's Leasing & Finance PLC	-	-	3,595,939	3,790,763	-	-
Total	99,859,099	109,888,379	5,503,444	6,102,049	-	-
(d) Off-balance sheet items						
Guarantees	-	-	300,000	300,000	-	-
Total	-	-	300,000	300,000	-	-

58.4.2 Group

The Group had the undermentioned financial dealings during the financial year with the following related entities:

	Immediate parent		Associate	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
(a) Items in Statement of Profit or Loss				
Interest income	1,196,187	1,321,593	-	-
Interest expenses	406,388	1,061,632	-	-
Net earned premiums	232,100	219,372	-	-
Fee and commission income	49,207	93,796	-	-
Other operating income	146,318	142,779	-	-
Benefits, claims and underwriting expenditure	162,557	52,812	-	-
Other operating expenses	44,303	41,442	-	-
(b) Items in Statement of Financial Position				
Assets				
Cash and cash equivalents	6,517,002	3,206,927	-	-
Balances with banks and financial institutions	3,555,637	3,097,947	-	-
Loans and receivables – Amortised cost	-	-	-	-
Insurance and reinsurance receivables	273,277	36	-	-
Debt instruments – Amortised cost	4,106,963	7,976,782	-	-
Investments in subsidiaries/associate (net of impairment)	-	-	-	237,633
Other assets	28,528	43,826	-	-
Total	14,481,407	14,325,518	-	237,633
Liabilities				
Due to banks	2,143,641	5,052,345	-	-
Other liabilities	13,103	7,103	-	-
Total	2,156,744	5,059,448	-	-

58.5 Transactions exceeding 10% of the gross income of the Company

Name of the related party	Relationship	Nature of the transaction	Transaction value		Transaction value as a % of gross income		Terms and conditions
			2020 Rs. '000	2019 Rs. '000	2020 %	2019 %	
People's Bank	Immediate Parent	Repo investments	25,122,245	12,866,179	74.77	39.30	Normal terms
		Repo settlements	23,236,534	12,915,511	69.16	39.45	Normal terms
		FD withdrawals	4,060,829	3,773,639	12.09	11.53	Normal terms
		Treasury bill investments	13,164,970	12,671,279	39.18	38.71	Normal terms
		Treasury bill settlements	17,787,216	8,456,153	52.94	25.83	Normal terms
		Borrowings	4,800,000	24,285,200	14.29	74.19	Normal terms
		Repayment of borrowings	7,625,383	30,627,459	22.70	93.56	Normal terms
People's Insurance PLC	Subsidiary	Insurance premium paid in respect of customers introduced by PLC	3,595,939	3,790,763	10.70	11.58	Normal terms

59 – Risk management (Company/Group)

59.1 Introduction

Risk is inherent in the Group's activities, but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability, sustainability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities. The Company is primarily exposed to credit risk, liquidity risk and market risk. It is also subject to various operating risks. Detailed risk analysis is given in risk management section.

Risk management structure

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles.

The Board has appointed a subcommittee, Integrated Risk Management (IRM) Committee, which has the responsibility to monitor the overall risk process within the Company.

The IRM Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. The IRM Committee is responsible for managing risk decisions and monitoring risk levels and reports on a periodical basis to the Board.

The Risk Management and Control Unit is responsible for monitoring compliance with risk principles, policies and limits across the Company.

Assets and Liability Committee (ALCO)

ALCO is chaired by the Chief Executive Officer. Other permanent members of the ALCO include: Senior Deputy General Managers – Operations, Deputy General Manager – Risk and Control, Deputy General Manager – Recoveries and Administration, Deputy General Manager – Marketing, Head of Deposits, Head of Finance, Head of Treasury and the Committee Secretary. The Committee meetings should be held at least once a month to monitor and manage the assets and liabilities of the Company and also overall liquidity position to keep the Company's liquidity at healthy levels, whilst satisfying regulatory requirements. The Chairman of ALCO upon a request of any permanent member may convene a special meeting of the Committee when an issue arises that cannot wait until the next regularly scheduled meeting.

Integrated Risk Management Operating Committee (IRMOC)

Integrated Risk Management Operating Committee ("IRMOC" or "the Committee") has been formed as a management level committee to further strengthen the Risk Governance Structure of the Company and support the Board, Board subcommittees and the Corporate Management in managing the risks associated with the business operations of the Company in an integrated manner.

The TOR of the Committee clearly set out the authority, constitution, meeting frequency, accountability and responsibilities, quorum, reporting and other procedures of the Committee. This TOR has been adopted by the Board in March 2019.

IRMOC is chaired by the Head of Risk. The members of the Committee include the members of Corporate Management, Chief Managers – Operations and Senior Managers (except the Senior Managers attached to Branches). All business managers that involved in the operations of the Company can be recognised as "Risk Owners" as they negotiate to assume risk exposures with potential customers within the Board approved Risk Management policies and Risk Tolerance limits. Accordingly, Members of Senior Management involved in business operations can be considered as Senior Risk Owners. Therefore, At IRMOC, it is mandatory to have a higher level of involvement by the Senior Risk Owners of the Company.

The Committee shall focus on reviewing assumed risks at the front-line, specifically focusing on credit risk, operational risk and compliance risk.

The IRMOC shall meet at least quarterly or more frequently as and when required. The Committee met four (04) times quarterly during the year under review. The IRMOC is accountable to the Integrated Risk Management Committee (IRMC). The Committee submitted the highlights of the Minutes of IRMOC Meetings to the IRMC for seeking the Committee's views, concurrence and or specific directions.

The impact of COVID-19 on the business/operations and risk management of the Company

The outbreak and spread of the coronavirus globally have caused disruption to business and economic activities and had created a widespread uncertainty to the global economy. Further the various quarantine measures adopted by different countries widely affected the global trade.

As the banking and NBFI sectors are the backbone of any economy, any significant economic downturn will directly affect banks and NBFI. Due to difficult operating conditions, the performance of the banking sector and the NBFIs in particular will be more challenging, affecting the quality of the asset and the recovery of profitability. Relief measures for affected businesses and individuals in line with the directions issued by the CBSL. (Up to six-month moratorium) are expected to mitigate the impact on individuals and businesses, but will increase non-performing loans by 2020. Further Fitch Ratings, the outlook for the country, banking and NBFI sector in Sri Lanka is negative for 2020. The liquidity position of the financial sector will be affected by the debt moratorium, although this is counteracted to some extent by the lowering of liquidity requirements for financial institutions. The need to strengthen the capital of NBFIs will be felt even more, as it must have the financial capacity to detect crises like this. Stress testing will also be important because of the uncertainty.

Due to the challenging economic and business circumstances, 2020 budgets and forecasts prepared in 2019 may now be of limited relevance. Therefore, management considered different possible outcomes to assess the possible impact from COVID-19 to the Company's operations and forecast cash flows in order to absorb sudden liquidity shock to comply financial covenant and CBSL Liquidity Requirement. i.e., consider sufficient cash and unused credit lines, deposits renewal ratio, customer collection ratios, availability of negotiate borrowing facilities to meet short-term needs, restructure operations to reduce operating costs and defer capital expenditure. The management is of the view that the negative impact would not pose any additional stress on the Company's ability to fulfill the regulatory capital requirements.

59.2 Credit risk

Credit risk is the risk that the Company will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and group and by monitoring exposures in relation to such limits.

Credit Risk – Impairment provision as per ECL for financial assets

CA Sri Lanka has issued certain temporary practical expedients in the application of certain provisions in SLFRS 9, considering the insufficiency of updated information, uncertainty relating to borrowers repayment ability, resource constraints and various Government relief measures as a result of the outbreak, even though circumstances require reassessment of all the factors for the preparation of Financial Statements for the reporting on 31 March 2020 financial statements and thereon. Accordingly, an entity may continue using the information used for Probability of Default (PD), Loss Given Default (LGD), Economic Factor Adjustment (EFA) and cash flow assumptions in 31 December 2019 during the January to March period subject to appropriate adjustments being incorporated, when the information become available subsequently. In addition, extensive disclosures need to be made in the 2020 reporting on the factors and assumptions used and changes made or not made to the ECL methodology.

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The Company considered February 2020 Days Past Due (DPD) for calculating Probability of Default (PD) as at 31 March 2020, instead of March (DPD), due to March figures have been impacted by the setting of COVID-19 pandemic using under the practical expedient clause of SLFRS 9.

On EFA, weightage assigned to worst case scenario has increased by transferring the weightage from best case scenario to worst case scenario in the 31 March 2020 by Using December 2019 Macroeconomic factors, since March 2020 data not available as at 31 March 2020.

Impairment assessment

For accounting purposes, the Company uses a collective and individual model for the recognition of losses on impaired financial assets.

Individually assessed allowances

The Company determines the allowances appropriate for each individually significant leases, hire purchases and loans on an individual basis, including any overdue payments of interests or credit rating downgrades. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance if it is in a financial difficulty projected receipts and the availability of other financial support, the realisable value of collateral and the timing of the expected cash flows. Impairment allowances are evaluated at each reporting date.

Collectively assessed allowances

Allowances are assessed collectively for losses on leases, hire purchases and loans and for held to maturity debt investments that are not individually significant and for individually significant loans and advances that have been assessed individually and found not to be impaired. Detailed Note on impairment method has disclosed in Note 25 on pages 193 to 210.

59.2.1 Maximum exposure to credit risk

Credit quality by class of financial assets

The Company manages the credit quality of financial assets using internal credit evaluation system. The tables below show the credit quality by the class of asset for all financial assets exposed to credit risk, based on the Company's internal credit evaluation system. The amounts presented are gross of impairment allowances.

Definition of past due

The Company considers that any amounts uncollected one day or more beyond their contractual due date as "past due".

	Company						
	Neither past due nor impaired Rs. '000	Past due but not impaired				Individually impaired Rs. '000	Total Rs. '000
		Less than 3 months Rs. '000	3 to 6 months Rs. '000	6 to 12 months Rs. '000	More than 12 months Rs. '000		
Cash and cash equivalents (excluding cash in hand)	6,508,137	-	-	-	-	-	6,508,137
Balances with banks and financial institutions	3,207,440	-	-	-	-	-	3,207,440
Financial assets – Fair value through profit or loss	1,031,719	-	-	-	-	-	1,031,719
Loans and receivables – Amortised cost	53,535,961	72,124,229	19,872,168	4,324,707	4,943,201	1,697,480	156,497,746
Financial assets – Fair value through other comprehensive income	324,381	-	-	-	-	-	324,381
Debt instruments – Amortised cost	4,106,963	-	-	-	-	-	4,106,963
Other financial assets	232,692	-	-	-	-	-	232,692
Total	68,947,293	72,124,229	19,872,168	4,324,707	4,943,201	1,697,480	171,909,078

As at 31 March 2019	Company						
	Neither past due nor impaired Rs. '000	Past due but not impaired				Individually impaired Rs. '000	Total Rs. '000
		Less than 3 months Rs. '000	3 to 6 months Rs. '000	6 to 12 months Rs. '000	More than 12 months Rs. '000		
Cash and cash equivalents (excluding cash in hand)	2,432,493	-	-	-	-	-	2,432,493
Balances with banks and financial institutions	3,404,533	-	-	-	-	-	3,404,533
Financial assets – Fair value through profit or loss	23,190	-	-	-	-	-	23,190
Loans and receivables – Amortised cost	91,969,035	51,680,382	7,181,345	2,480,131	2,432,294	909,054	156,652,241
Financial assets – Fair value through other comprehensive income	125,651	-	-	-	-	-	125,651
Debt instruments – Amortised cost	8,002,625	-	-	-	-	-	8,002,625
Other financial assets	143,817	-	-	-	-	-	143,817
Total	106,101,344	51,680,382	7,181,345	2,480,131	2,432,294	909,054	170,784,550

As at 31 March 2020	Group						
	Neither past due nor impaired Rs. '000	Past due but not impaired				Individually impaired Rs. '000	Total Rs. '000
		Less than 3 months Rs. '000	3 to 6 months Rs. '000	6 to 12 months Rs. '000	More than 12 months Rs. '000		
Cash and cash equivalents (excluding cash in hand)	7,023,760	-	-	-	-	-	7,023,760
Balances with banks and financial institutions	6,661,407	-	-	-	-	-	6,661,407
Financial assets – Fair value through profit or loss	1,198,592	-	-	-	-	-	1,198,592
Loans and receivables – Amortised cost	59,572,933	72,558,699	20,026,507	4,368,247	4,968,284	1,810,210	163,304,880
Insurance and reinsurance receivables	1,194,933	-	-	-	-	-	1,194,933
Financial assets – Fair value through other comprehensive income	1,455,702	-	-	-	-	-	1,455,702
Debt instruments – Amortised cost	4,813,439	-	-	-	-	-	4,813,439
Total	81,920,766	72,558,699	20,026,507	4,368,247	4,968,284	1,810,210	185,652,713

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	Group						
	Neither past due nor impaired Rs. '000	Past due but not impaired				Individually impaired Rs. '000	Total Rs. '000
		Less than 3 months Rs. '000	3 to 6 months Rs. '000	6 to 12 months Rs. '000	More than 12 months Rs. '000		
Cash and cash equivalents (excluding cash in hand)	3,419,847	-	-	-	-	-	3,419,847
Balances with banks and financial institutions	7,375,423	-	-	-	-	-	7,375,423
Financial assets – Fair value through profit or loss	72,386	-	-	-	-	-	72,386
Loans and receivables – Amortised cost	95,195,827	53,759,046	7,429,329	2,506,116	2,433,493	909,054	162,232,865
Insurance and reinsurance receivables	885,395	-	-	-	-	-	885,395
Financial assets – Fair value through other comprehensive income	125,651	-	-	-	-	-	125,651
Debt instruments – Amortised cost	9,091,945	-	-	-	-	-	9,091,945
Total	116,166,474	53,759,046	7,429,329	2,506,116	2,433,493	909,054	183,203,512

59.2.2 Analysis of risk concentration

The following table shows the risk concentration by industry for the components of the Statement of Financial Position:

Industry analysis

	Company										
	Financial services* Rs. '000	Agriculture Rs. '000	Manufacturing Rs. '000	Tourism Rs. '000	Transport Rs. '000	Construction Rs. '000	Traders Rs. '000	Services Rs. '000	Industry Rs. '000	Others Rs. '000	Total Rs. '000
Cash and cash equivalents	7,164,139	-	-	-	-	-	-	-	-	-	7,164,139
Balances with Banks and financial institutions	3,207,440	-	-	-	-	-	-	-	-	-	3,207,440
Financial assets – Fair value through profit or loss	1,031,719	-	-	-	-	-	-	-	-	-	1,031,719
Loans and receivables – Amortised cost	13,864,614	30,535,229	9,267,973	4,337,271	35,230,788	11,861,226	18,168,984	28,421,616	2,618,256	2,191,789	156,497,746
Less – Impairment charges	-	-	-	-	-	-	-	-	-	-	8,750,235
Net loans and receivables	-	-	-	-	-	-	-	-	-	-	147,747,511
Financial assets – Fair value through other comprehensive income	324,371	-	-	-	-	-	-	10	-	-	324,381
Debt instruments – Amortised cost	4,106,963	-	-	-	-	-	-	-	-	-	4,106,963
Other financial assets	232,692	-	-	-	-	-	-	-	-	-	232,692

As at 31 March 2019	Company										
	Financial services*	Agriculture	Manufacturing	Tourism	Transport	Construction	Traders	Services	Industry	Others	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash and cash equivalents	3,294,055	-	-	-	-	-	-	-	-	-	3,294,055
Balances with Banks and financial institutions	3,404,533	-	-	-	-	-	-	-	-	-	3,404,533
Financial assets – Fair value through profit or loss	18,185	-	-	-	-	-	-	-	-	5,005	23,190
Loans and receivable – Amortised cost	4,537,434	22,967,478	5,389,956	3,142,997	26,898,641	10,252,386	20,151,673	49,473,826	701,409	13,136,441	156,652,241
Less – Impairment charges	-	-	-	-	-	-	-	-	-	-	4,944,339
Net loans and receivables	-	-	-	-	-	-	-	-	-	-	151,707,902
Financial assets – Fair value through other comprehensive income	125,641	-	-	-	-	-	-	10	-	-	125,651
Debt instruments – Amortised cost	8,002,625	-	-	-	-	-	-	-	-	-	8,002,625
Other financial assets	143,817	-	-	-	-	-	-	-	-	-	143,817

* Financial services include banks, finance institutions and insurance companies.

As at 31 March 2020	Group										
	Financial services*	Agriculture	Manufacturing	Tourism	Transport	Construction	Traders	Services	Industry	Others	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash and cash equivalents	7,693,032	-	-	-	-	-	-	-	-	-	7,693,032
Balances with Banks and financial institutions	6,661,407	-	-	-	-	-	-	-	-	-	6,661,407
Financial assets – Fair value through profit or loss	1,198,592	-	-	-	-	-	-	-	-	-	1,198,592
Loans and receivables – Amortised cost	16,854,089	31,148,829	11,378,906	4,352,849	35,265,304	10,905,103	18,606,628	29,850,095	2,618,256	2,324,821	163,304,880
Less – Impairment charges	-	-	-	-	-	-	-	-	-	-	9,169,946
Net loans and receivables	-	-	-	-	-	-	-	-	-	-	154,134,934
Insurance and reinsurance receivable	-	-	-	-	-	-	-	-	-	1,194,933	1,194,933
Financial assets – Fair value through other comprehensive income	1,455,692	-	-	-	-	-	-	10	-	-	1,455,702
Debt instruments – Amortised cost	4,813,439	-	-	-	-	-	-	-	-	-	4,813,439

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As at 31 March 2019	Group										
	Financial services*	Agriculture	Manufacturing	Tourism	Transport	Construction	Traders	Services	Industry	Others	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash and cash equivalents	4,310,595	-	-	-	-	-	-	-	-	-	4,310,595
Balances with Banks and financial institutions	7,375,423	-	-	-	-	-	-	-	-	-	7,375,423
Financial assets – Fair value through profit or loss	25,340	-	2,598	-	-	-	-	37,050	-	7,398	72,386
Loans and receivables – Amortised cost	5,111,329	23,418,172	7,186,594	3,151,245	26,923,048	10,711,001	20,580,403	50,444,181	1,397,571	13,309,321	162,232,865
Less – Impairment charges											5,277,028
Net loans and receivables											156,955,837
Insurance and reinsurance receivable	-	-	-	-	-	-	-	-	-	885,395	885,395
Financial assets – Fair value through other comprehensive income	125,641	-	-	-	-	-	-	10	-	-	125,651
Debt instruments – Amortised cost	9,091,945	-	-	-	-	-	-	-	-	-	9,091,945

* Financial services include banks, finance institutions and insurance companies.

Geographical distribution of loans and receivables

Provincial breakdown for loans and receivable within Sri Lanka is as follows:

As at 31 March 2020	Company				Total
	Lease/Ijarah receivable	Hire-Purchase/Murabah receivable	Term Loan and receivables	Related party receivables	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Central	10,488,737	32,233	4,664,620	-	15,185,590
Eastern	4,660,950	26,090	1,787,178	-	6,474,218
North Central	5,183,078	19,171	2,001,699	-	7,203,948
Northern	2,893,775	7,168	1,358,179	-	4,259,122
North Western	8,283,316	27,345	3,915,850	-	12,226,511
Sabaragamuwa	5,873,327	11,819	2,436,144	-	8,321,290
Southern	12,306,699	23,835	10,064,149	-	22,394,683
Uva	5,717,660	13,738	2,781,660	-	8,513,058
Western	30,407,824	174,976	39,718,842	1,617,684	71,919,326
Total	85,815,366	336,375	68,728,321	1,617,684	156,497,746

As at 31 March 2019

	Company				
	Lease/ Ijarah receivable	Hire- purchase/ Murabah receivable	Term loan and receivables	Related party receivables	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Central	10,531,143	81,252	4,727,536	-	15,339,931
Eastern	5,165,679	73,237	1,737,083	-	6,975,999
North Central	4,954,592	34,479	1,871,533	-	6,860,604
Northern	2,729,265	6,166	1,216,073	-	3,951,504
North Western	7,713,255	61,366	3,617,350	-	11,391,971
Sabaragamuwa	5,405,912	15,816	2,389,395	-	7,811,123
Southern	12,615,344	56,475	10,282,167	-	22,953,986
Uva	5,736,146	19,085	2,777,120	-	8,532,351
Western	32,570,235	310,882	38,619,182	1,334,473	72,834,772
Total	87,421,571	658,758	67,237,439	1,334,473	156,652,241

As at 31 March 2020

	Group				
	Lease/ Ijarah receivable	Hire- purchase/ Murabah receivable	Term loan and receivables	Debentures	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Central	10,488,737	537,826	4,670,984	-	15,697,547
Eastern	4,660,950	385,414	1,797,284	-	6,843,648
North Central	5,183,078	409,598	2,008,258	-	7,600,934
Northern	2,893,775	136,711	1,362,860	-	4,393,346
North Western	8,283,316	317,036	3,925,641	-	12,525,993
Sabaragamuwa	5,873,327	333,004	2,441,301	-	8,647,632
Southern	12,306,699	671,881	10,083,825	-	23,062,405
Uva	5,717,660	389,332	2,813,898	-	8,920,890
Western	30,407,824	174,976	39,818,276	2,518,039	72,919,115
Bangladesh	-	-	2,693,370	-	2,693,370
Total	85,815,366	3,355,778	71,615,697	2,518,039	163,304,880

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	Group				
	Lease/ Ijarah receivable	Hire- purchase/ Murabah receivable	Term loan and receivables	Debentures	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Central	10,531,143	400,620	4,727,536	-	15,659,299
Eastern	5,165,679	357,062	1,737,083	-	7,259,824
North Central	4,954,592	300,106	1,871,533	-	7,126,231
Northern	2,729,265	6,166	1,216,073	-	3,951,504
North Western	7,713,255	165,767	3,617,350	-	11,496,372
Sabaragamuwa	5,405,912	266,934	2,389,395	-	8,062,241
Southern	12,615,344	371,285	10,282,167	-	23,268,796
Uva	5,736,146	574,249	2,777,120	-	9,087,515
Western	32,570,235	430,429	38,695,606	2,089,101	73,785,371
Bangladesh	-	-	2,535,712	-	2,535,712
Total	87,421,571	2,872,618	69,849,575	2,089,101	162,232,865

59.2.3 Fair value of collateral and credit enhancements held

As a general principle, the Company endeavours to obtain adequate collateral to secure its credit portfolios. The Company focuses on quality and responsibility of such collateral to mitigate potential credit losses. Management monitors the market value of collateral, and requests additional collateral in accordance with the underlying agreement. A reasonable margin of safety is maintained in collateral values.

The main types of collateral obtained are as follows:

- For commercial lending, charges over real estate properties, inventory and trade receivables and transfer of ownership over the vehicles
- For retail lending, mortgages over residential properties and transfer of ownership over the vehicles

The general creditworthiness of significant customers tends to be the most relevant indicator of credit quality of a facility extended to those parties. However, collateral provides additional security and the Company generally requests large borrowers to provide same. The Company may take collateral in the form of a first charge over real estate, floating charges over all corporate assets and other liens and guarantees. As Company's focus on corporate customers is mainly based on their creditworthiness, business standing and reputation, Company does not insist on updated valuation of collateral from corporate clients. Such valuations will only be called for from corporate clients only if there is a foreseeable deterioration in credit standing or evidence of possible credit risk. Accordingly, the Company does not routinely update the valuation of collateral held against all facilities to significant customers. For impaired facilities, the Company usually obtains the current market value of the collateral, since it may be an input to the impairment measurement.

The following table shows the fair value of collateral and credit enhancements held by the Company:

	31 March 2020		31 March 2019	
	Maximum exposure to credit risk Rs. '000	Net exposure Rs. '000	Maximum exposure to credit risk Rs. '000	Net exposure Rs. '000
Company				
Cash and cash equivalents (excluding cash in hand)	6,508,137	6,508,137	2,432,493	2,432,493
Balances with banks and financial institutions	3,207,440	3,207,440	3,404,533	3,404,533
Financial assets – Fair value through profit or loss	1,031,719	1,031,719	23,190	23,190
Loans and receivables – Amortised cost	147,747,511	517,217	151,7s07,902	507,129
Financial assets – Fair value through other comprehensive income	324,381	324,381	125,651	125,651
Debt instruments – Amortised cost	4,106,963	4,106,963	8,002,625	8,002,625
Other financial assets	232,692	232,692	143,817	143,817
Total	163,158,843	15,928,549	165,840,211	14,639,438

The following table shows the fair value of collateral and credit enhancements held by the Group:

	31 March 2020		31 March 2019	
	Maximum exposure to credit risk Rs. '000	Net exposure Rs. '000	Maximum exposure to credit risk Rs. '000	Net exposure Rs. '000
Group				
Cash and cash equivalents (excluding cash in hand)	7,023,760	7,023,760	3,419,847	3,419,847
Balances with banks and financial institutions	6,661,407	6,661,407	7,375,423	7,375,423
Financial assets – Fair value through profit or loss	1,198,592	1,198,592	72,386	72,386
Loans and receivables – Amortised cost	154,134,934	517,217	156,955,837	507,129
Insurance and reinsurance receivable	1,194,933	1,194,933	885,395	885,395
Financial assets – Fair value through other comprehensive income	1,455,702	1,455,702	125,651	125,651
Debt instruments – Amortised cost	4,813,439	4,813,439	9,091,945	9,091,945
Total	176,482,767	22,865,050	177,926,484	21,477,776

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59.2.4 Collateral and other credit enhancements

The below tables provide an analysis of the current fair values of collateral held and credit enhancements for Stage 3 assets. Dependent on the level of collateral, some Stage 3 exposures may not have individual ECLs when the expected value of the collateral is greater than the LGD, even in if the future value of collateral is forecast using multiple economic scenarios. However, the Stage 3 ECL can be higher than net exposure show below when the future value of collateral, measured using multiple economic scenarios, is expected to decline.

Type of collateral or credit enhancement	Fair value of collateral and credit enhancements held under the base case scenario					
	Maximum exposure to credit risk Rs. '000	Movable securities Rs. '000	Immovable securities Rs. '000	Total collateral Rs. '000	Net exposure Rs. '000	Associated ECL Rs. '000
Company						
As at 31 March 2020						
Loans and receivables – Amortised cost	32,227,433	16,125,508	22,048,802	38,174,310	(5,946,877)	6,891,791
As at 31 March 2019						
Loans and receivables – Amortised cost	15,109,189	11,147,560	10,066,386	21,213,946	(6,104,757)	3,566,512
Group						
As at 31 March 2020						
Loans and receivables – Amortised cost	33,283,862	18,830,629	22,048,802	40,879,431	(7,595,569)	7,087,069
As at 31 March 2019						
Loans and receivables – Amortised cost	15,435,957	13,010,735	10,066,386	23,077,121	(7,641,164)	3,807,017

59.2.5 Offsetting financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is presented in the Statement of Financial Position when the Group has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

59.2.6 Financial assets and liabilities not subject to offsetting

Amounts that do not qualify for offsetting include netting arrangements that only permit outstanding transactions with the same counterparty to be offset in an event of default or occurrence of other predetermined events. Such netting arrangements include repurchase agreements and other similar secured lending and borrowing arrangements.

The amount of the financial collateral received or pledged subject to netting arrangements but not qualified for offsetting are disclosed below:

As at 31 March	Company and Group					
	2020			2019		
	Gross amount Rs. '000	Amount subject to netting but do not qualify for offsetting Rs. '000	Net amount Rs. '000	Gross amount Rs. '000	Amount subject to netting but do not qualify for offsetting Rs. '000	Net amount Rs. '000
Financial assets						
Loans and receivables – Amortised cost	8,255,369	3,014,640	5,240,729	7,180,183	2,843,487	4,336,696

59.2.7 Sensitivity of impairment provision on loans and receivables

As at 31 March 2020	Company				Sensitivity effect on income Rs. '000
	Sensitivity on ECL sensitivity effect on Statement of Financial Position [increase/(decrease) in impairment provision]				
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000	
PD 1% increase across all age buckets	5,857	10,622	-	16,479	16,479
PD 1% decrease across all age buckets	(5,857)	(10,622)	-	(16,479)	(16,479)
LGD 5% increase	29,285	58,172	258,700	346,157	346,157
LGD 5% decrease	(29,285)	(58,172)	(258,700)	(346,157)	(346,157)
Probability weighted economic scenarios					
- Base case 10% increase, worst case 5% decrease and best case 5% decrease	(657)	(703)	-	(1,360)	(1,360)
- Base case 10% decrease, worst case 5% increase and best case 5% increase	657	703	-	1,360	1,360

As at 31 March 2020	Group				Sensitivity effect on income Rs. '000
	Sensitivity on ECL sensitivity effect on Statement of Financial Position [increase/(decrease) in impairment provision]				
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000	
PD 1% increase across all age buckets	6,194	11,234	-	17,428	17,428
PD 1% decrease across all age buckets	(6,194)	(11,234)	-	(17,428)	(17,428)
LGD 5% increase	31,628	62,826	279,396	373,850	373,850
LGD 5% decrease	(31,628)	(62,826)	(279,396)	(373,850)	(373,850)
Probability weighted economic scenarios					
- Base case 10% increase, worst case 5% decrease and best case 5% decrease	(667)	(714)	-	(1,381)	(1,381)
- Base case 10% decrease, worst case 5% increase and best case 5% increase	667	714	-	1,381	1,381

As at 31 March 2019	Company				Sensitivity effect on income Rs. '000
	Sensitivity on ECL sensitivity effect on Statement of Financial Position [increase/(decrease) in impairment provision]				
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000	
PD 1% increase across all age buckets	4,104	5,581	-	9,685	9,685
PD 1% decrease across all age buckets	(4,104)	(5,581)	-	(9,685)	(9,685)
LGD 5% increase	20,606	30,329	149,977	200,912	200,912
LGD 5% decrease	(20,606)	(30,329)	(149,977)	(200,912)	(200,912)
Probability weighted economic scenarios					
- Base case 10% increase, worst case 5% decrease and best case 5% decrease	(2,146)	(2,549)	-	(4,695)	(4,695)
- Base case 10% decrease, worst case 5% increase and best case 5% increase	2,394	2,634	-	5,028	5,028

As at 31 March 2019	Group				Sensitivity effect on income Rs. '000
	Sensitivity on ECL sensitivity effect on Statement of Financial Position (increase/(decrease) in impairment provision)				
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000	
PD 1% increase across all age buckets	4,104	5,581	-	-	9,685
PD 1% decrease across all age buckets	(4,104)	(5,581)	-	-	(9,685)
LGD 5% increase	20,606	30,329	149,977	200,912	200,912
LGD 5% decrease	(20,606)	(30,329)	(149,977)	(200,912)	(200,912)
Probability weighted economic scenarios					
- Base case 10% increase, worst case 5% decrease and best case 5% decrease	(2,146)	(2,549)	-	(4,695)	(4,695)
- Base case 10% decrease, worst case 5% increase and best case 5% increase	2,394	2,634	-	5,028	5,028

59.3 Liquidity risk and funding management

Liquidity risk is defined as the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company might be unable to meet its payment obligations when they fall due under both normal and stress circumstances. To limit this risk, the management has arranged diversified funding sources in addition to its deposit base, and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis.

Management considered different possible outcomes to assess the possible impact from COVID-19 to the Company's operations and forecast cash flows in order to absorb sudden liquidity shock to comply financial covenant and CBSL liquidity requirement. i.e., consider sufficient cash and unused credit lines, deposits renewal ratio, customer collection ratios, availability of negotiate borrowing facilities to meet short-term needs, restructure operations to reduce operating costs and defer capital expenditure.

The Company maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. The Company also has committed lines of credit that it can access to meet liquidity needs.

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
- 10% of the total outstanding borrowings excluding secured borrowings.

Further, the Company shall maintaining liquid assets in the form of Sri Lankan Government Treasury Bills and Government Securities equivalent to 7.5% of the average of its month end total deposit liabilities and borrowings of the 12 months preceding financial year.

However, due to the COVID-19, Central Bank of Sri Lanka issued Finance Business Act Direction No. 02 of 2020 – "Amendments to Direction on Liquid Assets" for the period of 6 months with effect from 31 March 2020 as follows:

- 6% of the outstanding value of the time deposits and accrued interest payable at the close of the business on such day; and
- 10% 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 borrowings excluding secured borrowings.

Further the Company shall maintaining liquid assets in the form of Sri Lankan Government Treasury Bills and Government Securities equivalent to 5% of the average of its month end total deposit liabilities and borrowings of the 12 months preceding financial year.

The most important of these is to maintain limits on the ratio of net liquid assets to customer liabilities, to reflect market conditions. Net liquid assets consist of cash, balances with banks and financial institutions and investment in Government Securities.

The Company stresses the importance of savings accounts as sources of funds to finance lending to customers. They are monitored using the advances to deposit ratio, which compares loans and advances to customers as a percentage of customer savings accounts and fixed deposits.

The ratios at the end of the year was as follows:

As at 31 March	Company		Group	
	2020	2019	2020	2019
Liquidity ratios				
Advances to deposits ratios (Times)	1.38	1.38	1.43	1.43
Liquidity assets to deposits (%)	14	12	18	16

59.3.1 Analysis of financial assets and liabilities by remaining contractual maturities

The table below summaries the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities as at 31 March 2020.

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.

59.3.2 Remaining contractual maturities of undiscounted cash flows of financial assets and liabilities

As at 31 March 2020	Company						Total Rs. '000
	On demand Rs. '000	Less than 3 months Rs. '000	3 to 12 months Rs. '000	1 to 3 years Rs. '000	3 to 5 years Rs. '000	Over 5 years Rs. '000	
Financial assets							
Cash and cash equivalents	2,034,316	5,129,823	-	-	-	-	7,164,139
Balances with banks and financial institutions	-	2,945,763	298,866	-	-	-	3,244,629
Financial assets – Fair value through profit or loss	-	1,031,719	-	-	-	-	1,031,719
Loans and receivables – Amortised cost	14,878,433	27,421,600	51,465,418	81,262,031	18,863,910	163,703	194,055,095
Financial assets – Fair value through other comprehensive income	-	324,371	-	-	-	10	324,381
Debt instruments – Amortised cost	-	2,187,464	2,005,192	-	-	-	4,192,656
Other financial assets	-	232,692	-	-	-	-	232,692
Total undiscounted financial assets	16,912,749	39,273,432	53,769,476	81,262,031	18,863,910	163,713	210,245,311
Financial liabilities							
Due to banks	24,683	1,823,909	708,180	2,639,718	3,777,203	-	8,973,693
Due to customers	26,333	33,749,133	49,883,951	25,232,970	5,752,380	143,730	114,788,497
Debt securities issued	17,087	1,231,318	5,336,381	9,890,198	5,973,211	-	22,448,195
Other financial liabilities	-	3,014,117	-	-	-	-	3,014,117
Lease liabilities	-	156,667	473,932	1,038,303	517,268	411,070	2,597,240
Total undiscounted financial liabilities	68,103	39,975,144	56,402,444	38,801,189	16,020,062	554,800	151,821,742
Net undiscounted financial assets/(liabilities)	16,844,646	(701,712)	(2,632,968)	42,460,842	2,843,848	(391,087)	58,423,569

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	Company						Total Rs. '000
	On demand Rs. '000	Less than 3 months Rs. '000	3 to 12 months Rs. '000	1 to 3 years Rs. '000	3 to 5 years Rs. '000	Over 5 years Rs. '000	
Financial assets							
Cash and cash equivalents	2,992,445	301,610	-	-	-	-	3,294,055
Balances with banks and financial institutions	-	1,698,971	1,836,466	-	-	-	3,535,437
Financial assets – Fair value through profit or loss	-	23,190	-	-	-	-	23,190
Loans and receivables – Amortised cost	7,990,862	26,640,427	57,210,326	85,466,009	22,308,173	293,024	199,908,821
Financial assets – Fair value through profit or loss	-	125,641	-	-	-	10	125,651
Debt instruments – Amortised cost	-	2,768,180	5,630,481	-	-	-	8,398,661
Other financial assets	-	143,817	-	-	-	-	143,817
Total undiscounted financial assets	10,983,307	31,701,836	64,677,273	85,466,009	22,308,173	293,034	215,429,632
Financial liabilities							
Due to banks	353,074	14,159,491	6,828,631	3,562,915	5,746,634	-	30,650,745
Due to customers	5,192,685	21,803,392	45,296,507	17,453,379	7,335,769	119,519	97,201,251
Debt securities issued	14,928	1,365,592	3,603,396	14,988,116	7,442,993	-	27,415,025
Other financial liabilities	-	2,480,377	-	-	-	-	2,480,377
Total undiscounted financial liabilities	5,560,687	39,808,852	55,728,534	36,004,410	20,525,396	119,519	157,747,398
Net undiscounted financial assets/(liabilities)	5,422,620	(8,107,016)	8,948,739	49,461,599	1,782,777	173,515	57,682,234

As at 31 March 2020

	Group						Total Rs. '000
	On demand Rs. '000	Less than 3 months Rs. '000	3 to 12 months Rs. '000	1 to 3 years Rs. '000	3 to 5 years Rs. '000	Over 5 years Rs. '000	
Financial assets							
Cash and cash equivalents	2,563,209	5,129,823	-	-	-	-	7,693,032
Balances with banks and financial institutions	-	3,384,603	2,416,361	75,632	-	-	5,876,596
Financial assets – Fair value through profit or loss	-	1,198,592	-	-	-	-	1,198,592
Loans and receivables – Amortised cost	14,878,433	27,245,770	52,119,800	81,806,295	20,192,323	259,239	196,501,860
Insurance and reinsurance receivables	-	1,268,209	572,030	-	-	-	1,840,239
Financial assets – Fair value through other comprehensive income	-	1,455,692	-	-	-	10	1,455,702
Debt instruments – Amortised cost	-	2,187,562	2,066,319	361,538	340,866	202,942	5,159,227
Total undiscounted financial assets	17,441,642	41,870,251	57,174,510	82,243,465	20,533,189	462,191	219,725,248
Financial liabilities							
Due to banks	384,130	2,120,541	1,434,440	4,053,119	4,179,169	-	12,171,399
Due to customers	26,333	33,554,416	49,658,988	25,121,858	5,752,380	143,730	114,257,705
Debt securities issued	17,087	1,215,318	5,336,381	9,858,198	5,832,211	-	22,259,195
Other financial liabilities	-	2,829,708	-	-	-	-	2,829,708
Insurance liabilities and reinsurance payable	5,026,503	38,717	-	-	-	-	5,065,220
Lease liabilities	-	93,154	283,394	720,481	517,268	411,070	2,025,367
Total undiscounted financial liabilities	5,454,053	39,851,854	56,713,203	39,753,656	16,281,028	554,800	158,608,594
Net undiscounted financial assets/(liabilities)	11,987,589	2,018,397	461,307	42,489,809	4,252,161	(92,609)	61,116,654

As at 31 March 2019	Group						Total Rs. '000
	On demand Rs. '000	Less than 3 months Rs. '000	3 to 12 months Rs. '000	1 to 3 years Rs. '000	3 to 5 years Rs. '000	Over 5 years Rs. '000	
Financial assets							
Cash and cash equivalents	4,008,985	301,610	-	-	-	-	4,310,595
Balances with banks and financial institutions	-	2,385,902	4,365,793	-	-	-	6,751,695
Financial assets – Fair value through profit or loss	-	72,386	-	-	-	-	72,386
Loans and receivables – Amortised cost	8,284,582	26,979,662	58,160,401	87,956,663	23,606,274	388,453	205,376,035
Insurance and reinsurance receivable	251,348	851,895	-	-	-	-	1,103,243
Financial assets – Fair value through other comprehensive income	-	125,641	-	-	-	10	125,651
Debt instruments – Amortised cost	-	3,481,995	5,819,836	-	-	-	9,301,831
Total undiscounted financial assets	12,544,915	34,199,091	68,346,030	87,956,663	23,606,274	388,463	227,041,436
Financial liabilities							
Due to banks	964,087	14,672,154	7,421,881	4,743,776	5,945,416	30,610	33,777,924
Due to customers	5,192,685	21,642,645	44,986,745	17,453,379	7,335,769	119,519	96,730,742
Debt securities issued	14,928	1,349,592	3,603,396	14,956,116	7,285,993	-	27,210,025
Other financial liabilities	-	2,464,936	-	-	-	-	2,464,936
Insurance liabilities and reinsurance payable	-	4,880,873	-	-	-	-	4,880,873
Total undiscounted financial liabilities	6,171,700	45,010,200	56,012,022	37,153,271	20,567,178	150,129	165,064,500
Net undiscounted financial assets/(liabilities)	6,373,215	(10,811,109)	12,334,008	50,803,392	3,039,096	238,334	61,976,936

59.3.3 Commitments and guarantees

The table below shows the contractual expiry by maturity of the Company's contingent liabilities and commitments.

Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down.

For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

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As at 31 March 2020	Company					Total Rs. '000
	On demand Rs. '000	Less than 3 months Rs. '000	3 to 12 months Rs. '000	1 to 5 years Rs. '000	Over 5 years Rs. '000	
Guarantees	-	5,300	327,498	-	-	332,798
Assessment received from Inland Revenue Department	-	-	-	67,938	-	67,938
Letter of credits	-	1,139	-	-	-	1,139
Accidents of leased out vehicles	-	280,735	6,680	-	-	287,415
Capital commitments	-	4,627,602	-	-	-	4,627,602
Total commitments and guarantees	-	4,914,776	334,178	67,938	-	5,316,892

As at 31 March 2019	Company					Total Rs. '000
	On demand Rs. '000	Less than 3 months Rs. '000	3 to 12 months Rs. '000	1 to 5 years Rs. '000	Over 5 years Rs. '000	
Guarantees	-	3,650	327,375	-	-	331,025
Assessment received from Inland Revenue Department	-	-	-	67,938	-	67,938
Accidents of leased out vehicles	-	98,757	16,294	-	-	115,051
Capital commitments	-	6,418,100	843,750	-	-	7,261,850
Total commitments and guarantees	-	6,520,507	1,187,419	67,938	-	7,775,864

As at 31 March 2020	Group					Total Rs. '000
	On demand Rs. '000	Less than 3 months Rs. '000	3 to 12 months Rs. '000	1 to 5 years Rs. '000	Over 5 years Rs. '000	
Guarantees	-	5,300	327,498	-	-	332,798
Assessment received from Inland Revenue Department	-	-	-	85,827	-	85,827
Pending bill retirements	-	1,139	-	-	-	1,139
Accidents of leased out vehicles	-	280,735	6,680	-	-	287,415
Capital commitments	-	4,627,602	15,834	-	-	4,643,436
Total commitments and guarantees	-	4,914,776	350,012	85,827	-	5,350,615

As at 31 March 2019	Group					Total Rs. '000
	On demand Rs. '000	Less than 3 months Rs. '000	3 to 12 months Rs. '000	1 to 5 years Rs. '000	Over 5 years Rs. '000	
Guarantees	-	3,650	327,375	-	-	331,025
Assessment received from Inland Revenue Department	-	-	-	67,938	-	67,938
Accidents of leased out vehicles	-	98,757	16,430	-	-	115,187
Capital commitments	-	6,418,100	856,458	-	-	7,274,558
Total commitments and guarantees	-	6,520,507	1,200,263	67,938	-	7,788,708

The Company expects that not all of the contingent liabilities or commitments will be drawn before expiry of the commitments.

59.3.4 Total liquid assets

The table below sets out the components of the Company's liquid assets:

As at 31 March	2020 Rs. '000	2019 Rs. '000
Cash in hand	656,002	861,562
Balances in current accounts	1,148,826	658,512
Deposits in commercial banks	3,413,893	3,382,418
Treasury bills (Less than 12 months)	4,111,641	7,988,657
Other approved securities	5,129,015	301,548
Total liquid assets	14,459,377	13,192,697

59.4 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The Company classifies exposures to market risk into either trading or non-trading portfolios and manages each of those portfolios separately.

59.4.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates. The Company policy is to continuously monitor interest rates on regular basis. The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate financial assets and financial liabilities.

The following table demonstrates the sensitivity of the Company's Statement of Profit or Loss for the year ended 31 March 2020 and 31 March 2019 to a reasonably possible change in interest rates, with all other variable constant:

As at 31 March	2020 Rs. '000	2019 Rs. '000
Impact on Statement of Profit or Loss due to interest rate shocks		
0.50%	4,277	(16,080)
1%	8,554	(32,160)
-0.50%	(4,277)	16,080
-1%	(8,554)	32,160

Sensitivity of lease liability to key assumption

Sensitivity to incremental borrowing rates

Increase/(decrease) in incremental borrowing rate as at 31 March 2020 by 1% would have (decreased)/increased the lease liability by approximately Rs. 41 million and Rs. 43 million respectively.

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Interest rate risk exposure on financial assets and liabilities

The table below analyses the Company's interest rate risk exposure on non-trading financial assets and liabilities. The Company's assets and liabilities are included at carrying amount and categorised by the earlier of contractual repricing or maturity dates.

As at 31 March 2020	Company							Non-interest bearing Rs. '000
	Carrying amount Rs. '000	On demand Rs. '000	Less than 3 months Rs. '000	3 to 12 months Rs. '000	1 to 3 years Rs. '000	3 to 5 years Rs. '000	Over 5 years Rs. '000	
Assets								
Cash and cash equivalents	7,164,139	384,414	5,129,015	-	-	-	-	1,650,710
Balances with banks and financial institutions	3,207,440	202,756	2,734,287	270,397	-	-	-	-
Financial assets – Fair value through profit or loss	1,031,719	-	-	-	-	-	-	1,031,719
Loans and receivables – Amortised cost	156,497,746	15,287,682	21,649,373	37,960,938	64,522,858	16,980,219	96,676	-
Less – Impairment charges	8,750,235	-	-	-	-	-	-	-
Net loans and receivables	147,747,511	-	-	-	-	-	-	-
Financial assets – Fair value through other comprehensive income	324,381	-	-	-	-	-	-	324,381
Debt instruments – Amortised cost	4,106,963	28,443	2,141,057	1,937,463	-	-	-	-
Other financial assets	232,692	-	-	-	-	-	-	232,692
Total	163,814,845	15,903,295	31,653,732	40,168,798	64,522,858	16,980,219	96,676	3,239,502
Liabilities								
Due to banks	7,938,185	1,289,463	1,728,144	552,385	2,246,877	2,121,316	-	-
Due to customers	106,701,027	11,753,079	24,697,553	44,997,065	20,285,055	4,824,545	143,730	-
Debt securities issued	18,479,260	1,241,443	-	4,472,471	7,483,709	5,281,637	-	-
Other financial liabilities	3,014,117	-	-	-	-	-	-	3,014,117
Lease liabilities	1,909,098	-	98,137	317,394	773,246	384,316	336,005	-
Total	138,041,687	14,283,985	26,523,834	50,339,315	30,788,887	12,611,814	479,735	3,014,117
Total interest sensitivity gap	25,773,158	1,619,310	5,129,898	(10,170,517)	33,733,971	4,368,405	(383,059)	-

As at 31 March 2019	Company							Non-interest bearing Rs. '000
	Carrying amount Rs. '000	On demand Rs. '000	Less than 3 months Rs. '000	3 to 12 months Rs. '000	1 to 3 years Rs. '000	3 to 5 years Rs. '000	Over 5 years Rs. '000	
Assets								
Cash and cash equivalents	3,294,055	65,422	301,548	-	-	-	-	2,927,085
Balances with banks and financial institutions	3,404,533	219,358	1,546,030	1,639,145	-	-	-	-
Financial assets – Fair value through profit or loss	23,190	-	-	-	-	-	-	23,190
Loans and receivables – Amortised cost	156,652,241	8,008,232	20,944,731	42,275,472	65,998,670	19,344,501	80,635	-
Less – Impairment charges	4,944,339	-	-	-	-	-	-	-
Net loans and receivables	151,707,902	-	-	-	-	-	-	-
Financial assets – Fair value through other comprehensive income	125,651	-	-	-	-	-	-	125,651
Debt instruments – Amortised cost	8,002,625	343,710	2,550,185	5,108,730	-	-	-	-
Other financial assets	143,817	-	-	-	-	-	-	143,817
Total	166,701,773	8,636,722	25,342,494	49,023,347	65,998,670	19,344,501	80,635	3,219,743
Liabilities								
Due to banks	27,273,933	1,665,071	15,924,202	4,269,546	2,106,305	3,308,809	-	-
Due to customers	88,368,656	8,449,606	19,979,499	39,556,470	14,298,434	5,965,128	119,519	-
Debt securities issued	21,275,031	1,337,390	-	2,709,346	11,247,003	5,981,292	-	-
Other financial liabilities	2,480,377	-	-	-	-	-	-	2,480,377
Total	139,397,997	11,452,067	35,903,701	46,535,362	27,651,742	15,255,229	119,519	2,480,377
Total interest sensitivity gap	27,303,776	(2,815,345)	(10,561,207)	2,487,985	38,346,928	4,089,272	(38,884)	-

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The table below analyses the Group's interest rate risk exposure on non-trading financial assets and liabilities. The Group's assets and liabilities are included at carrying amount and categorised by the earlier of contractual repricing or maturity dates.

As at 31 March 2020	Group							Non-interest bearing Rs. '000
	Carrying amount Rs. '000	On demand Rs. '000	Less than 3 months Rs. '000	3 to 12 months Rs. '000	1 to 3 years Rs. '000	3 to 5 years Rs. '000	Over 5 years Rs. '000	
Assets								
Cash and cash equivalents	7,693,032	397,361	5,129,015	-	-	-	-	2,166,656
Balances with banks and financial institutions	6,661,407	202,756	3,722,590	2,736,061	-	-	-	-
Financial assets – Fair value through profit or loss	1,198,592	-	-	-	-	-	-	1,198,592
Loans and receivables – Amortised cost	163,304,880	15,744,959	21,275,125	39,910,054	66,197,005	19,860,190	317,547	-
Less – Impairment charges	9,169,946	-	-	-	-	-	-	-
Net loans and receivables	154,134,934	-	-	-	-	-	-	-
Insurance and reinsurance receivable	1,194,933	-	-	-	-	-	-	1,194,933
Financial assets – Fair value through other comprehensive income	1,455,702	-	-	234,540	161,440	681,618	53,723	324,381
Debt instruments – Amortised cost	4,813,439	28,443	2,180,693	1,948,577	222,280	255,622	177,824	-
Total	177,152,039	16,373,519	32,307,423	44,829,232	66,580,725	20,797,430	549,094	4,884,562
Liabilities								
Due to banks	10,978,046	1,966,084	1,938,458	1,146,479	3,431,789	2,495,236	-	-
Due to customers	107,685,592	11,732,213	24,991,570	44,814,342	21,166,927	4,836,742	143,798	-
Debt securities issued	18,338,039	1,226,001	-	4,472,472	7,483,709	5,155,857	-	-
Other financial liabilities	2,829,708	-	-	-	-	-	-	2,829,708
Insurance liabilities and reinsurance payable	5,065,220	-	-	-	-	-	-	5,065,220
Lease liabilities	1,594,245	-	55,961	183,262	542,017	433,765	379,240	-
Total	146,490,850	14,924,298	26,985,989	50,616,555	32,624,442	12,921,600	523,038	7,894,928
Total interest sensitivity gap	30,661,189	1,449,221	5,321,434	(5,787,323)	33,956,283	7,875,830	26,056	-

As at 31 March 2019	Group							Non-interest bearing Rs. '000
	Carrying amount Rs. '000	On demand Rs. '000	Less than 3 months Rs. '000	3 to 12 months Rs. '000	1 to 3 years Rs. '000	3 to 5 years Rs. '000	Over 5 years Rs. '000	
Assets								
Cash and cash equivalents	4,310,595	358,072	301,548	-	-	-	-	3,650,975
Balances with banks and financial institutions	7,375,423	219,358	3,150,896	4,005,169	-	-	-	-
Financial assets – Fair value through profit or loss	72,386	-	-	-	-	-	-	72,386
Loans and receivables – Amortised cost	162,232,865	8,288,691	20,711,550	43,727,634	68,000,116	21,338,212	166,662	-
Less – Impairment charges	5,277,028	-	-	-	-	-	-	-
Net loans and receivables	156,955,837	-	-	-	-	-	-	-
Insurance and reinsurance receivable	885,395	-	-	-	-	-	-	885,395
Financial assets – Fair value through other comprehensive income	125,651	-	-	-	-	-	-	125,651
Debt instruments – Amortised cost	9,091,945	1,107,375	2,875,840	5,108,730	-	-	-	-
Total	178,817,232	9,973,496	27,039,834	52,841,533	68,000,116	21,338,212	166,662	4,734,407
Liabilities								
Due to banks	30,475,326	2,586,124	16,413,032	4,690,335	3,247,635	3,507,591	30,609	-
Due to customers	88,923,196	8,449,606	19,831,974	39,275,151	15,269,553	5,977,325	119,587	-
Debt securities issued	21,134,040	1,322,179	-	2,709,346	11,247,003	5,855,512	-	-
Other financial liabilities	2,464,936	-	-	-	-	-	-	2,464,936
Insurance liabilities and reinsurance payables	4,880,873	-	-	-	-	-	-	4,880,873
Total	147,878,371	12,357,909	36,245,006	46,674,832	29,764,191	15,340,428	150,196	7,345,809
Total interest sensitivity gap	30,938,861	(2,384,413)	(9,205,172)	6,166,701	38,235,925	5,997,784	16,466	-

59.4.2 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Since investments in USD deposits were low, the currency risk of the Company/Group is minimal.

The tables below indicate the currencies to which the Company had significant exposures as at 31 March 2020 and the effect to the gains/losses in case of a market exchange rates up/drop by 1%. The analysis calculates the effect of a reasonably possible movement of the currency rate against the LKR, with all other variables held constant, on the Statement of Profit or Loss (due to the fair value of currency sensitive non-trading monetary assets and liabilities).

Impact on Statement of Profit or Loss due to exchange rate shocks

	Change in currency rate in %	Company		Group	
		2020 Effect on profit before tax Rs. '000	2019 Effect on profit before tax Rs. '000	2020 Effect on profit before tax Rs. '000	2019 Effect on profit before tax Rs. '000
USD	1	3	49	509	437
USD	-1	(3)	(49)	(509)	(437)

59.4.3 Equity price risk

The sensitivity analysis for equity price risk reflects how changes in the fair value of equity securities at the reporting date will fluctuate in response to assumed changes in equity market prices. The movements in the fair value of equity securities monitored by assessing the projected changes in the fair value of equity securities held by the portfolios in response to assumed equity price movements of +/- 1%.

1% increase/decrease in equity market prices	2020			2019		
	Effect on net asset value Rs. '000	Effect on profit before tax Rs. '000	Effect on comprehensive income Rs. '000	Effect on Net asset value Rs. '000	Effect on profit before tax Rs. '000	Effect on comprehensive income Rs. '000
Company						
Financial assets – FVTPL	136	136	-	232	232	-
Financial assets – FVOCI	3,244	-	3,244	1,256	-	1,256
Group						
Financial assets – FVTPL	272	272	-	724	724	-
Financial assets – FVOCI	3,244	-	3,244	1,256	-	1,256

59.4.4 Commodity price risk

Commodity price risk refers to the uncertainty of future market value and future income scale caused by commodity price fluctuations. Given the importance of the gold loan to the Group, volatility in gold prices may adversely affect Statement of Profit or Loss. Fluctuations in gold prices lead to market risk, which is the main source of credit risk associated with this product.

Following strategies are used to manages the credit and market risks arising from adverse changes in gold prices by the Group:

- – LTV – The Group implements a process of revising the advance payments for each gold sovereign to reflect market value volatility to maintain an ideal loan-to-value ratio.
- – Product Lifetime – As a credit risk management strategy, the Group deliver services in less time, enabling a faster recovery process.

59.5 Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to operate effectively, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss.

Operational risk of the Company is managed through a Board approved operational risk management policy control framework which consists of monitoring and responding to potential risks.

59.6 Insurance risks

People's Insurance PLC (PI) is a subsidiary of the Company whose principal line of business is carrying out general insurance business. The following are the risks and their management arising from PI for its statutory year ended 31 March 2020.

59.6.1 Regulatory framework

Regulators are primarily interested in protecting the rights of policyholders and monitor them closely to ensure that the PI is satisfactorily managing affairs for policyholders' benefit. At the same time, regulators are also interested in ensuring that the PI maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

As an insurer, the operations of the PI are subject to regulatory supervision of the Insurance Board of Sri Lanka (IBSL). PI has taken necessary action to comply with and complied with applicable regulations throughout the year.

59.6.2 Nature and extent of risks arising from insurance contracts

Objectives, policies and processes for managing risks arising from insurance contracts

PI willingly assumes risks of other organisations as its prime value creation activity. This is the core of the insurance business and there is no perfect way of measuring the potential impact on insured risk. For non-life insurance business, most significant risks arise from climate changes, natural disasters, and terrorist activities.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. PI's risk management framework focuses on strategic risk, assumed risks and the potential risks. PI identifies and categorises risks in terms of their source, their impact on PI and preferred strategies for dealing with them.

Methods used to manage risks

Risk appetite and risk tolerance

PI has made a strategic decision to maintain a risk appetite moderately above the average of the insurance market, since it allows the best potential for creating shareholder value at an acceptable risk level. PI manages the volatility and potential downward risk through diversification.

Identification of shock losses

There are three areas of risk which have the potential to materially damage economic value that PI identified at present as having the greatest potential for shock losses. They are catastrophe, reserving, and equity investment risk. PI manages the risk of shock losses by setting limits on the tolerance for specific risks and on the amount of capital that PI is willing to expose.

The table below sets out the concentration of non-life insurance contract liabilities by type of contract:

	31 March 2020			31 March 2019		
	Gross liabilities Rs. '000	Reinsurance receivable Rs. '000	Net liabilities Rs. '000	Gross liabilities Rs. '000	Reinsurance receivable Rs. '000	Net liabilities Rs. '000
Motor	769,853	46,757	723,096	735,451	19,655	715,796
Marine	1,695	1,160	535	641	481	160
Fire	411,378	334,342	77,036	480,124	399,907	80,217
Miscellaneous	143,830	50	143,780	137,149	-	137,149
Total	1,326,756	382,309	944,447	1,353,365	420,043	933,322

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Claims development table

The following tables show the estimates of cumulative incurred claims for each quarter, together with cumulative payments to date:

Gross non-life insurance outstanding claims provision for 2020

Accident period	Current estimate of cumulative claims incurred										
	2019/20 Rs. '000	2018/19 Rs. '000	2017/18 Rs. '000	2016/17 Rs. '000	2015/16 Rs. '000	2014/15 Rs. '000	2013/14 Rs. '000	2012/13 Rs. '000	2011/12 Rs. '000	2010/11 Rs. '000	Total Rs. '000
2019/20	3,936,702	207,430	133,163	98,883	81,659	74,438	73,857	71,828	101,134	-	4,779,094
2018/19	-	3,165,480	73,912	21,099	(9,647)	4,918	(8,584)	51	11,385	(120)	3,258,494
2017/18	-	-	2,792,805	33,255	21,071	5,704	8,298	(608)	4,738	(844)	2,864,419
2016/17	-	-	-	2,635,203	50,267	5,397	(8,555)	(17,006)	(113)	(945)	2,664,248
2015/16	-	-	-	-	2,182,704	31,044	35,874	(5,165)	6,377	1,703	2,252,537
2014/15	-	-	-	-	-	2,040,473	(15,126)	28,391	1,577	1,465	2,056,780
2013/14	-	-	-	-	-	-	2,042,094	(167,837)	50,297	3,148	1,927,702
2012/13	-	-	-	-	-	-	-	2,042,934	(58,704)	4,224	1,988,454
2011/12	-	-	-	-	-	-	-	-	1,396,938	2,762	1,399,700
2010/11	-	-	-	-	-	-	-	-	-	213,653	213,653
Current estimate of cumulative claims incurred	3,936,702	3,372,910	2,999,880	2,788,440	2,326,054	2,161,974	2,127,858	1,952,588	1,513,629	225,046	23,405,081

Accident period	Cumulative payments to date										
	2019/20 Rs. '000	2018/19 Rs. '000	2017/18 Rs. '000	2016/17 Rs. '000	2015/16 Rs. '000	2014/15 Rs. '000	2013/14 Rs. '000	2012/13 Rs. '000	2011/12 Rs. '000	2010/11 Rs. '000	Total Rs. '000
2019/20	(3,512,356)	(655,462)	(47,288)	(18,977)	(25,253)	(16,417)	(4,872)	(10,954)	(100,722)	-	(4,392,301)
2018/19	-	(2,646,682)	(515,478)	(26,927)	(26,780)	(15,396)	(14,079)	(5,532)	(16,329)	-	(3,267,203)
2017/18	-	-	(2,267,584)	(468,923)	(30,768)	(13,186)	(10,447)	(10,057)	(8,627)	(2,129)	(2,811,721)
2016/17	-	-	-	(2,129,944)	(389,878)	(23,979)	(12,958)	(16,478)	(8,262)	(390)	(2,581,889)
2015/16	-	-	-	-	(1,743,315)	(395,617)	(28,525)	(53,691)	(16,664)	(1,718)	(2,239,530)
2014/15	-	-	-	-	-	(1,586,379)	(329,993)	(29,760)	(19,215)	(2,329)	(1,967,676)
2013/14	-	-	-	-	-	-	(1,621,312)	(252,384)	(57,574)	(3,495)	(1,934,765)
2012/13	-	-	-	-	-	-	-	(1,465,582)	(311,763)	(5,154)	(1,782,499)
2011/12	-	-	-	-	-	-	-	-	(893,615)	(72,227)	(965,842)
2010/11	-	-	-	-	-	-	-	-	-	(134,902)	(134,902)
Cumulative payments to date	(3,512,356)	(3,302,144)	(2,830,350)	(2,644,771)	(2,215,994)	(2,050,974)	(2,022,186)	(1,844,438)	(1,432,771)	(222,344)	(22,078,328)
Total gross claims outstanding	424,346	70,766	169,530	143,669	110,060	111,000	105,672	108,150	80,858	2,702	1,326,753

Net non-life insurance outstanding claims provision for 2020

Accident period	Current estimate of cumulative claims incurred										
	2019/20 Rs. '000	2018/19 Rs. '000	2017/18 Rs. '000	2016/17 Rs. '000	2015/16 Rs. '000	2014/15 Rs. '000	2013/14 Rs. '000	2012/13 Rs. '000	2011/12 Rs. '000	2010/11 Rs. '000	Total Rs. '000
2019/20	4,133,095	97,140	45,809	5,260	3,243	1,233	1,935	6,707	391	-	4,294,813
2018/19	-	3,106,289	77,270	24,501	(3,500)	5,037	(11,575)	51	11,400	(120)	3,209,353
2017/18	-	-	2,692,279	37,716	15,721	5,742	14,290	(608)	9,001	(844)	2,773,297
2016/17	-	-	-	2,549,666	59,287	6,864	(10,511)	(16,949)	(128)	(945)	2,587,284
2015/16	-	-	-	-	2,100,737	16,076	34,203	(3,982)	6,454	1,599	2,155,087
2014/15	-	-	-	-	-	2,023,094	(15,127)	28,151	2,382	1,465	2,039,965
2013/14	-	-	-	-	-	-	2,034,121	(158,485)	51,344	3,157	1,930,137
2012/13	-	-	-	-	-	-	-	1,976,422	(15,515)	4,239	1,965,146
2011/12	-	-	-	-	-	-	-	-	1,224,086	4,621	1,228,707
2010/11	-	-	-	-	-	-	-	-	-	209,132	209,132
Current estimate of cumulative claims incurred	4,133,095	3,203,429	2,815,358	2,617,143	2,175,488	2,058,046	2,047,336	1,831,307	1,289,415	222,304	22,392,921

Accident period	Cumulative payments to date										
	2019/20 Rs. '000	2018/19 Rs. '000	2017/18 Rs. '000	2016/17 Rs. '000	2015/16 Rs. '000	2014/15 Rs. '000	2013/14 Rs. '000	2012/13 Rs. '000	2011/12 Rs. '000	2010/11 Rs. '000	Total Rs. '000
2019/20	(3,458,681)	(622,081)	(38,888)	(19,032)	(25,335)	(16,471)	(4,888)	(10,990)	(15,733)	-	(4,212,099)
2018/19	-	(2,619,040)	(492,761)	(25,385)	(26,799)	(15,396)	(11,079)	(5,532)	(16,329)	-	(3,212,321)
2017/18	-	-	(2,209,836)	(446,918)	(30,608)	(13,132)	(10,432)	(10,057)	(8,627)	(2,129)	(2,731,739)
2016/17	-	-	-	(2,075,965)	(387,579)	(23,866)	(12,833)	(16,282)	(8,244)	(390)	(2,525,159)
2015/16	-	-	-	-	(1,756,890)	(369,486)	(27,883)	(31,860)	(16,664)	(1,614)	(2,204,397)
2014/15	-	-	-	-	-	(1,564,956)	(329,883)	(29,152)	(17,417)	(2,329)	(1,943,737)
2013/14	-	-	-	-	-	-	(1,593,260)	(226,969)	(32,280)	(3,495)	(1,856,004)
2012/13	-	-	-	-	-	-	-	(1,424,239)	(248,760)	(5,123)	(1,678,122)
2011/12	-	-	-	-	-	-	-	-	(881,711)	(71,904)	(953,615)
2010/11	-	-	-	-	-	-	-	-	-	(131,282)	(131,282)
Cumulative payments to date	(3,458,681)	(3,241,121)	(2,741,485)	(2,567,300)	(2,227,211)	(2,003,307)	(1,990,258)	(1,755,081)	(1,245,765)	(218,266)	(21,448,475)
Total gross claims outstanding	674,414	(37,692)	73,873	49,843	(51,723)	54,739	57,078	76,226	43,650	4,038	944,446

60 – Comparative information

ACCOUNTING POLICY

The accounting policies have been consistently applied by the Company and the Group with those of the previous financial year in accordance with the Sri Lanka Accounting Standard – LKAS 01 – “Presentation of Financial Statements”. Comparative information including quantitative, narrative, and descriptive information is disclosed in respect of the previous period in the Financial Statements in order to enhance the understanding of the current period’s Financial Statements and to enhance the inter period comparability. The presentation and classification of the Financial Statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

The presentation and classification of the following items in these Financial Statements are amended to ensure the comparability with the current year.

	Company			Group		
	As disclosed previously Rs. '000	Current year presentation Rs. '000	Adjustment Rs. '000	As disclosed previously Rs. '000	Current year presentation Rs. '000	Adjustment Rs. '000
Right-of-use assets	–	84,065	(84,065)	–	84,065	(84,065)
Leasehold property	84,065	–	84,065	84,065	–	84,065

Leasehold property has been reclassified as right-of-use asset during the financial year.

61 – Events after the reporting period

No circumstances have arisen since the reporting date which would require adjustments to, or disclosure in the Financial Statements, other than those disclosed below:

The COVID-19 epidemic has disrupted business and economic activities and created uncertainty for the global and local economy. Following the triggering of COVID-19 in Sri Lanka, the PLC strictly followed the guidelines and instructions issued by the Government and the Central Bank of Sri Lanka (CBSL) when conducting its commercial operations. As a result, the PLC is currently in the process of evaluating the applications in order to determine eligibility of the customers to provide relief to affected businesses and individuals in accordance with the guidelines issued by the CBSL. These relief measures include the deferrals, restructuring, concessionary interest rates and waive certain fees and charges.

Further, the Company has carried out a preliminary impact assessment and the Management is of the view that the negative impact would not pose any additional stress on the Company’s ability to fulfill the regulatory capital requirements. However, the Company would continue to assess the situation and take mitigating actions to minimise the potential impacts by updating its contingency plans and risk management measures, as the situation evolves. The Company would continue its efforts in providing support to affected customers in line with the CBSL relief schemes.

The process of evaluating the requests for eligibility for these concessions is still underway and once the exercise is complete, we will be able to quantify the impact on the Company’s revenue and profitability more accurately. These relief measures occurred subsequent to the reporting date that is not adjusted in Annual Financial Statements of 2019/2020.

A detailed assessment on risk management relating to COVID-19 is disclosed in Note 59 on pages 262 to 287 of the Financial Statements.

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Our investors and shareholders provide equity capital and approve/reject Company strategic decisions while expecting a reasonable return on their investment. People's Leasing has always maintained mutually-beneficial relationships with our investors and shareholders where collectively we build a sustainable business. We engage with them periodically through various digital and physical channels to keep them informed of the developments of the Company through Annual General Meeting, Annual Report, Interim Financial Statements, and announcements at the Colombo Stock Exchange (CSE), press conferences, and media releases. This has resulted in shareholder retention and attraction of new shareholders to the Company.

We also recognise the value of good corporate governance practices that help improve investor confidence contributing to the long-term success of our business. We manage risks prudently and formulate short to long-term strategies to maximise shareholder wealth and serve all other stakeholders.

With a public holding (free float) of 24.94% in voting shares against the regulatory minimum of 7.5%, the Company's shares are actively traded in the CSE, and investors are provided with a convenient "enter and exit" mechanism.

→ People's Leasing financial performance

	2019/20	2018/19	% Change
Earnings per share – Group (Rs.)	2.11	3.05	(30.82)
Dividend per share (Rs.)	1.20	1.25	(4.00)
Dividend payout (%)	65.57	44.72	20.85
Dividend yield (%)	9.84	9.33	0.51
Dividend cover (times)	1.53	2.24	(31.70)
Net asset value per share (Rs.)	18.58	18.10	2.65
Price earning (times)	6.67	4.79	39.25
Price to book value (times)	0.66	0.74	(10.81)
Return on equity (%)	10.00	15.88	(5.88)
Earnings growth (%)	(33.36)	2.48	(35.84)

→ People's Leasing share

The ordinary shares issued by People's Leasing are listed on the CSE and the code of shares is "PLC.N000".

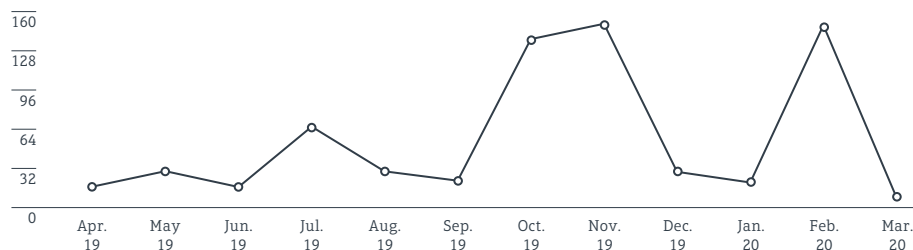
→ People's Leasing share trading

People's Leasing market capitalisation has decreased over the year reflecting the same trend pattern of the total market capitalisation.

Market price of People's Leasing as at 31 March 2020 is Rs. 12.20, showing a decline compared to the price as at 31 March 2019 which was Rs. 13.40. However, in 2019/20 the share recorded the highest market price of Rs. 18.30.

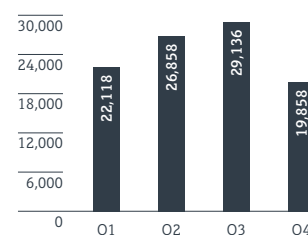
People's leasing share trading (Turnover)

(Rs. million)



Market capitalisation

(Rs. million)



Share information

	2019/20	Q4	Q3	Q2	Q1	2018/19
Share price (Rs.)						
Highest	18.30	18.30	18.20	17.20	14.50	17.30
Lowest	12.00	12.00	14.40	13.90	13.00	12.90
Closing	12.20	12.20	17.90	17.00	14.00	13.40
Number of transactions	7,012	1,376	2,503	1,962	1,171	7,846
Number of shares traded (Rs. million)	41.77	11.10	18.69	7.60	4.39	29.25
PLC turnover (Rs. million)	668.31	175.78	317.08	115.05	60.40	448.47
PLC turnover to total market turnover (%)	0.36	0.33	0.60	0.21	0.23	0.27
Number of days traded	230	48	62	62	58	240
Average daily turnover (Rs. million)	2.91	3.66	5.11	1.86	1.04	1.87
Market capitalisation – CSE (MC) (Rs. billion)	2,128.27	2,128.27	2,851.31	2,709.22	2,523.38	2,605.90
Market capitalisation – PLC (MC) (Rs. billion)	19.86	19.86	29.14	26.86	22.12	21.17
PLC MC to CSE MC (%)	0.93	0.93	1.02	0.99	0.88	0.81
Market turnover (Rs. million)	186,176	52,524	53,097	54,522	26,034	167,420

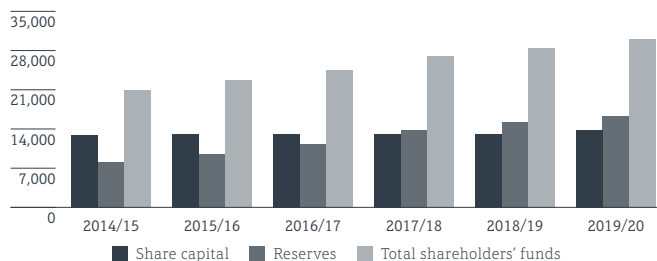
Share capital

	2019/20		2018/19	
	Number	Rs. '000	Number	Rs. '000
Balance as at 1 April 2019	1,579,862,482	13,236,073	1,579,862,482	13,236,073
Scrip dividend	47,840,906	679,341	–	–
Balance as at 31 March 2020	1,627,703,388	13,915,414	1,579,862,482	13,236,073

Share capital of the Company increased to Rs. 13,915 million with scrip dividend of Rs. 679 million. Accordingly, total number of shares increased to 1,627,703,388 through the scrip dividend of 47,840,906 shares.

Composition of equity

(Rs. million)



Information on movement in number of shares represented by stated capital

	Number of shares at the beginning of the financial year		Addition/(redemption) of shares during the financial year		Cumulative shares at the end of the financial year		Issued capital at the end of the financial year (Rs.)
	Ordinary shares	Preference shares	Ordinary shares	Preference shares	Ordinary shares	Preference shares	
1995/96	2	-	-	-	2	-	20
1996/97	2	-	-	-	2	-	20
1997/98	2	-	2,500,000	-	2,500,002	-	25,000,020
1998/99	2,500,002	-	-	-	2,500,002	-	25,000,020
1999/00	2,500,002	-	1,500,000	-	4,000,002	-	40,000,020
2000/01	4,000,002	-	2,000,006	-	6,000,008	-	60,000,080
2001/02	6,000,008	-	4,000,000	-	10,000,008	-	100,000,080
2002/03	10,000,008	-	-	-	10,000,008	-	100,000,080
2003/04	10,000,008	-	10,000,000	50,000,000	20,000,008	50,000,000	700,000,080
2004/05	20,000,008	50,000,000	-	-	20,000,008	50,000,000	700,000,080
2005/06	20,000,008	50,000,000	30,000,000	-	50,000,008	50,000,000	1,000,000,080
2006/07	50,000,008	50,000,000	-	(5,000,000)	50,000,008	45,000,000	950,000,080
2007/08	50,000,008	45,000,000	-	(10,000,000)	50,000,008	35,000,000	850,000,080
2008/09	50,000,008	35,000,000	-	(10,000,000)	50,000,008	125,000,000	1,850,000,080
2009/10	50,000,008	125,000,000	-	(10,000,000)	50,000,008	115,000,000	1,850,000,080
2010/11	50,000,008	115,000,000	-	(10,000,000)	50,000,008	105,000,000	1,850,000,080
2011/12	50,000,008	105,000,000	1,510,000,152	(15,000,000)	1,560,000,160	90,000,000	12,958,000,800
2012/13	1,560,000,160	90,000,000	-	(20,000,000)	1,560,000,160	70,000,000	12,736,073,308
2013/14	1,560,000,160	70,000,000	19,862,322	(20,000,000)	1,579,862,482	50,000,000	12,736,073,308
2014/15	1,579,862,482	50,000,000	-	(20,000,000)	1,579,862,482	30,000,000	12,936,073,308
2015/16	1,579,862,482	30,000,000	-	(20,000,000)	1,579,862,482	10,000,000	13,136,073,308
2016/17	1,579,862,482	10,000,000	-	(10,000,000)	1,579,862,482	-	13,236,073,308
2017/18	1,579,862,482	-	-	-	1,579,862,482	-	13,236,073,308
2018/19	1,579,862,482	-	-	-	1,579,862,482	-	13,236,073,308
2019/20	1,579,862,482	-	47,840,906	-	1,627,703,388	-	13,915,414,175

➔ Analysis of shareholders (distribution of ordinary shareholders/composition of ordinary shareholders)

Distribution of ordinary shareholders

Distribution of ordinary shareholders	31 March 2020				31 March 2019			
	Number of shareholders	Shareholder percentage %	Number of shares	Share percentage %	Number of shareholders	Shareholder percentage %	Number of shares	Share percentage %
Less than or equal to 1,000	2,606	30.15	671,728	0.04	4,361	48.67	2,447,084	0.15
1,001 – 10,000	4,641	53.68	12,032,557	0.74	3,353	37.42	13,320,695	0.85
10,001 – 100,000	1,196	13.84	30,267,156	1.86	1,052	11.74	32,642,795	2.07
100,001 – 1,000,000	171	1.98	46,078,918	2.83	167	1.86	48,534,524	3.07
Over 1,000,000	30	0.35	1,538,653,029	94.53	28	0.31	1,482,917,384	93.86
Total	8,644	100.00	1,627,703,388	100.00	8,961	100.00	1,579,862,482	100.00

Composition of ordinary shareholders

Distribution of ordinary shareholders	31 March 2020				31 March 2019			
	Number of shareholders	Shareholder percentage %	Number of shares	Share percentage %	Number of shareholders	Shareholder percentage %	Number of shares	Share percentage %
Resident – Individuals	8,297	95.99	64,657,829	3.97	8,615	96.14	72,066,324	4.56
Resident – Institutions	294	3.40	1,452,301,490	89.22	288	3.21	1,404,791,918	88.92
Non-resident – Individuals	46	0.53	4,338,891	0.27	48	0.54	4,822,034	0.31
Non-resident – Institutions	7	0.08	106,405,178	6.54	10	0.11	98,182,206	6.21
Total	8,644	100.00	1,627,703,388	100.00	8,961	100.00	1,579,862,482	100.00

Public holding

The Company's public holding stood at 24.94% as at 31 March 2020 and the number of shareholders representing the public holding was 8,635. There was no significant change in the Company's public holding compared to the previous year.

Float adjusted market capitalisation

The float adjusted market capitalisation as at 31 March 2020 – Rs. 4,952,954,792 (as at 31 March 2019 – Rs. 5,284,904,014).

The float adjusted market capitalisation of the Company falls under Option 3 of Rule 7.13.1 (a), of the Listing Rules of the Colombo Stock Exchange and the Company has complied with the minimum public holding requirement applicable under the said option.

→ Twenty largest shareholders

No.	Name of the shareholder	31 March 2020		Comments	31 March 2019	
		Number of shares	percentage %		Number of shares	percentage %
1.	People's Bank	1,220,777,540	75.00	No change	1,184,896,862	75.00
2.	Employees Provident Fund	88,345,465	5.43	No change	85,748,846	5.43
3.	BNYM SA/NV RE-Neon Liberty Lorikeet Master Fund LP	75,297,137	4.63	No change	73,084,030	4.63
4.	National Savings Bank	44,990,502	2.76	No change	43,668,157	2.76
5.	Citibank New York S/A Norges Bank Account 2	27,295,651	1.68	1 Position up	15,775,303	1.00
6.	Rubber Investment Trust Limited A/C No. 01	16,914,702	1.04	1 Position down	16,861,361	1.07
7.	Bank of Ceylon No. 1 Account	11,800,434	0.72	No change	11,453,600	0.72
8.	Sri Lanka Insurance Corporation Ltd. - General Fund	7,235,629	0.44	No change	7,022,962	0.44
9.	Ceylon Investment PLC A/C No. 01	5,104,933	0.31	1 Position up	4,954,891	0.31
10.	AIA Insurance Lanka Limited A/C No. 07	4,969,904	0.31	1 Position down	5,197,515	0.33
11.	Ceylon Guardian Investment Trust PLC A/C No. 02	3,243,679	0.20	1 Position up	3,340,505	0.21
12.	Commercial Bank of Ceylon PLC/Metrocorp (Pvt) Ltd.	3,000,000	0.18	New entrant	-	-
13.	Hatton National Bank PLC A/C No. 4 (HNB Retirement Pension Fund)	2,802,101	0.17	1 Position down	2,719,743	0.17
14.	Perera & Sons Bakers (Pvt) Limited	2,500,000	0.15	New entrant	-	-
15.	Employees Trust Fund Board	2,427,433	0.15	No change	2,356,087	0.15
16.	Union Assurance PLC - Universal Life Fund	2,108,570	0.13	5 Positions down	3,821,672	0.24
17.	Akbar Brothers (Pvt) Ltd. A/C No. 1	2,065,214	0.13	1 Position down	2,004,114	0.13
18.	AIA Insurance Lanka Limited A/C No. 06	2,054,702	0.13	New entrant	-	-
19.	Deutsche Bank AG as Trustee for Guardian Acuity Equity Fund	1,687,473	0.10	No change	1,638,092	0.10
20.	Pershing LLC S/A Averbach Grauson & CO.	1,686,867	0.10	2 Positions down	1,680,000	0.11
	Subtotal	1,526,307,936	93.76		1,466,223,740	92.80
	Other shareholders	101,395,452	6.24		113,638,742	7.20
	Total	1,627,703,388	100.00		1,579,862,482	100.00

→ Directors' and CEO's shareholding

As at 31 March 2020

Name	Position	Appointed date/Resigned date	Number of shares
Mr Sujeewa Rajapakse	Chairman	Appointed w.e.f. 19 February 2020	143,054
Mr Rohan Pathirage	Director	Appointed w.e.f. 10 July 2019	247,267
Mr Azzam A Ahamat	Director	Appointed w.e.f. 30 December 2019	-
Mr S Ahangama	Director	Appointed w.e.f. 19 February 2020	-
Mr K C J C Fonseka	Director	Appointed w.e.f. 19 February 2020	49,968
Mr C J Wijetillake	Director	Appointed w.e.f. 19 February 2020	-
Mr U L A W Bandara	Director	Appointed w.e.f. 19 February 2020	-
Ms M C Pietersz	Director	Appointed w.e.f. 1 March 2020	-
Mr G B R P Gunawardana	Director	Resigned w.e.f. 25 June 2020	-
Mr A S Ibrahim	CEO		-
			440,289

As at 31 March 2019

Name	Position	Resigned date	No of shares
Mr Hemasiri Fernando	Chairman	Resigned w.e.f. 12 October 2019	-
Mr M P Amirthanayagam	Deputy Chairman	Resigned w.e.f. 19 February 2020	10,000
Mr J P Amaratunga	Director	Resigned w.e.f. 30 December 2019	-
Mr M A M Rizwan	Director	Resigned w.e.f. 30 December 2019	-
Mr J A Fernando	Director	Resigned w.e.f. 30 December 2019	-
Mr G B R P Gunawardana	Director	Resigned w.e.f. 25 June 2020	-
Mr N W A M U K K E Weerasinghe	Director	Resigned w.e.f. 30 December 2019	-
Dr K D Gunawardana	Director	Resigned w.e.f. 30 December 2019	-
Mr A S Ibrahim	CEO		-
			10,000

→ Solvency and debt capital

	2019/20	2018/19	Change %
Debt to equity ratio excluding deposits (Times)	0.87	1.70	(48.82)
Tier 1 capital ratio (%)	15.12	14.36	0.76
Total capital ratio (%)	15.99	15.20	0.79
Interest cover (Times)	1.29	1.42	(0.09)
Current ratio (Times)	0.83	0.82	0.01

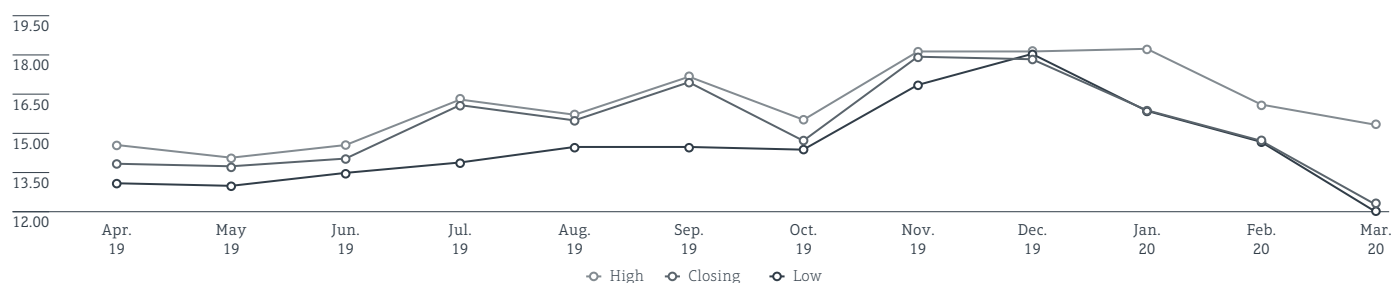
The debt to equity ratio improved by 48.82% as a result of a strategic decision to reduce the Company's dependency on debt financing and instead concentrate on growing deposits to fund the operations.

As per the Finance Business Act Direction No. 03 of 2018 Capital Adequacy Requirements, People's Leasing maintained ratios well above the regulatory requirements of 7% and 11% as at 31 March 2020 (6% and 10% as at 31 March 2019).

This indicates that the Company preserves sufficient capital to act as a cushion against future risks.

Share price movement

(Rs.)



→ Debenture market information with last year

As a financing option People's Leasing issues debentures to raise funds to boost the operation whilst minimising the maturity mismatch faced by the Company. All of the issued debentures are unsecured and are listed on the CSE. As the Company was focused on funding through growing the deposits, there were no debenture issues during the financial year 2019/20.

2019/20

Type	Type B	Type B	Type C	Type A	Type B
Tenure (years)	5 years	4 years	5 years	4 years	5 years
Issue date	2015 November	2016 November	2016 November	2018 April	2018 April
Maturity date	2020 November	2020 November	2021 November	2022 April	2023 April
Interest rate	Fixed	Fixed	Fixed	Fixed	Fixed
Coupon rate (%)	9.95	12.25	12.60	12.40	12.80
Effective annual yield (%)	9.95	12.63	13.00	12.40	12.80
Interest rate of comparable Government security (%)	9.77	9.25	9.77	9.25	9.77
Frequency of interest payable	Annual	Semi-annual	Semi-annual	Annual	Annual
Rating	AA-	AA-	AA-	AA-	AA-
Amount (Rs. million)	3,824	659	6,799	705	5,295
ISIN No.	LKR0399D23237	LKR0399D23740	LKR0399D23757	LKR0399D23997	LKR0399D23989
Market value (Rs.)					
Highest	Not-traded	Not-traded	100.00	Not-traded	Not-traded
Lowest	Not-traded	Not-traded	100.00	Not-traded	Not-traded
Closing	Not-traded	Not-traded	100.00	Not-traded	Not-traded
Current yield (%)	9.95	12.25	12.60	12.40	12.80
YTM (%)	9.95	12.25	12.60	12.40	12.80

2018/19

Type	Type A	Type B	Type A	Type B	Type C	Type A	Type B
Tenure (years)	4 years	5 years	3 years	4 years	5 years	4 years	5 years
Issue date	2015 November	2015 November	2016 November	2016 November	2016 November	2018 April	2018 April
Maturity date	2019 November	2020 November	2019 November	2020 November	2021 November	2022 April	2023 April
Interest rate	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed
Coupon rate (%)	9.60	9.95	11.90	12.25	12.60	12.40	12.80
Effective annual yield (%)	9.83	9.95	12.25	12.63	13.00	12.40	12.80
Interest rate of comparable Government security (%)	11.07	11.62	11.07	11.62	11.37	9.79	10.68
Frequency of interest payable	Semi-annual	Annual	Semi-annual	Semi-annual	Semi-annual	Annual	Annual
Rating	AA-	AA-	AA-	AA-	AA-	AA-	AA-
Amount (Rs. million)	2,176	3,824	542	659	6,799	705	5,295
ISIN No.	LKR0399D23229	LKR0399D23237	LKR0399D23732	LKR0399D23740	LKR0399D23757	LKR0399D23997	LKR0399D23989
Market value (Rs.)							
Highest	Not-traded	Not-traded	100.00	100.00	100.00	Not-traded	Not-traded
Lowest	Not-traded	Not-traded	100.00	100.00	100.00	Not-traded	Not-traded
Closing	Not-traded	Not-traded	100.00	100.00	100.00	Not-traded	Not-traded
Current yield (%)	9.60	9.95	11.90	12.25	12.60	12.40	12.80
YTM (%)	9.60	9.95	11.90	12.25	12.60	12.40	12.80

Quarterly analysis

Income Statement

Rs. million	Company									
	1st Quarter April-June		2nd Quarter July-September		3rd Quarter October-December		4th Quarter January-March		Total	
	2019	2018	2019	2018	2019	2018	2020	2019	2020	2019
Interest income	7,931	7,142	8,012	7,618	8,001	8,050	7,515	8,026	31,459	30,836
Less: Interest expenses	4,117	3,683	3,904	3,825	3,801	4,013	3,965	4,125	15,787	15,646
Net interest income	3,814	3,459	4,108	3,793	4,200	4,037	3,550	3,901	15,672	15,190
Fee and commission income	373	301	460	393	450	397	411	418	1,694	1,509
Net gains/losses on financial assets – FVTPL	(17)	(9)	15	(14)	1	(8)	12	3	11	(28)
Other operating income	4	22	1	116	102	(1)	328	281	435	418
Total operating income	4,174	3,773	4,584	4,288	4,753	4,425	4,301	4,603	17,812	17,089
Less: Impairment charges and other losses for loans and receivables	1,298	590	294	454	607	564	2,448	(21)	4,647	1,587
Impairment charges for investment in associate	-	-	-	-	-	-	-	349	-	349
Impairment charges for right-of-use assets	-	-	-	-	-	-	37	-	37	-
Impairment charges for goodwill	-	-	-	-	-	-	68	20	68	20
Net operating income	2,876	3,183	4,290	3,834	4,146	3,861	1,748	4,255	13,060	15,133
Less:										
Personnel expenses	944	808	923	898	931	945	903	787	3,701	3,438
Depreciation and amortisation	59	46	59	44	61	75	538	15	717	180
Other operating expenses	698	708	784	740	748	749	(143)	646	2,088	2,843
Total operating expenses	1,701	1,562	1,766	1,682	1,740	1,769	1,298	1,448	6,506	6,461
Operating profit before tax on financial services	1,175	1,621	2,524	2,152	2,406	2,092	450	2,807	6,554	8,672
Less: Tax on financial services	442	396	690	382	674	622	196	687	2,002	2,087
Profit before income tax expense	733	1,225	1,834	1,770	1,732	1,470	254	2,120	4,552	6,585
Less: Income tax expense	253	341	633	552	574	547	149	729	1,609	2,169
Profit for the period	480	884	1,201	1,218	1,158	923	105	1,391	2,943	4,416

Quarterly analysis

Statement of Financial Position

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Rs. million	Company							
	1st Quarter As at 30 June		2nd Quarter As at 30 September		3rd Quarter As at 31 December		4th Quarter As at 31 March	
	2019	2018	2019	2018	2019	2018	2020	2019
Assets								
Cash and cash equivalents	2,519	2,180	2,359	2,529	3,147	3,002	7,164	3,294
Balances with banks and financial institutions	3,499	3,016	3,583	3,076	3,683	3,157	3,207	3,404
Financial assets – Fair value through profit or loss	239	166	17	105	20	27	1,032	23
Loans and receivables – Amortised cost	149,263	144,107	148,476	149,221	146,991	154,522	147,748	151,708
Financial assets – Fair value through other comprehensive income	126	197	376	150	399	157	324	126
Debt instruments – Amortised cost	8,172	6,959	8,370	6,883	8,560	7,041	4,107	8,003
Investments in subsidiaries	3,214	3,214	3,214	3,214	3,214	3,214	3,214	3,214
Investment in associate	–	586	–	586	–	586	–	238
Property, plant and equipment	1,069	1,146	1,080	1,078	1,139	1,122	1,144	1,098
Goodwill and intangible assets	308	345	298	342	285	316	258	325
Right-of-use assets	–	–	–	–	–	–	1,939	84
Deferred tax assets	–	–	–	–	–	–	376	–
Leasehold property	83	86	83	86	82	85	–	–
Other assets	891	854	975	981	1,001	1,070	1,147	1,024
Total assets	169,383	162,856	168,831	168,251	168,521	174,299	171,660	172,541
Liabilities								
Due to banks	17,207	25,222	11,897	29,549	11,799	33,998	7,938	27,274
Due to customers	95,792	70,106	99,746	71,518	101,687	74,205	106,701	88,369
Debt securities issued	20,504	32,216	21,097	30,599	17,952	28,793	18,479	21,275
Other financial liabilities	2,282	3,890	2,932	3,673	3,616	3,852	3,014	2,480
Lease liabilities	–	–	–	–	–	–	1,909	–
Current tax liabilities	2,242	49	667	308	838	589	1,803	2,238
Deferred tax liabilities	837	2,276	837	2,276	837	2,276	–	837
Other liabilities	1,436	2,066	1,469	1,992	1,566	2,446	1,570	1,465
Total liabilities	140,300	135,825	138,645	139,915	138,295	146,159	141,414	143,938
Equity								
Capital	13,236	13,236	13,915	13,236	13,915	13,236	13,915	13,236
Statutory reserve fund	2,082	1,876	2,142	1,938	2,200	1,986	2,205	2,058
Retained earnings	13,818	11,493	14,169	13,190	14,127	12,932	14,228	13,362
Other reserves	(53)	426	(40)	(28)	(16)	(14)	(102)	(53)
Total equity	29,083	27,031	30,186	28,336	30,226	28,140	30,246	28,603
Total liabilities and equity	169,383	162,856	168,831	168,251	168,521	174,299	171,660	172,541

Ten year summary

	Company									
	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11
Financial capital										
Operating results										
Income (Rs. million)	33,599	32,736	28,603	23,859	19,186	20,542	20,628	18,205	12,912	9,212
Interest income (Rs. million)	31,459	30,836	26,705	22,041	17,876	19,248	19,534	17,245	12,002	8,263
Interest expenses (Rs. million)	15,787	15,646	14,500	11,830	7,941	9,248	11,266	10,140	6,302	3,542
Net interest income (Rs. million)	15,672	15,190	12,204	10,212	9,935	10,000	8,268	7,105	5,700	4,721
Non-interest income (Rs. million)	2,140	1,899	1,898	1,818	1,310	1,294	1,094	960	910	949
Impairment charges for loans and receivables and other losses (Rs. million)	4,752	1,955	1,430	216	258	1,645	1,218	698	308	18
Other operating expenses (Rs. million) [Note 2]	8,509	8,549	6,903	6,338	4,844	4,274	3,757	3,232	2,522	1,931
Profit before tax (PBT) (Rs. million)	4,552	6,585	5,770	5,476	6,143	5,375	4,387	4,135	3,781	3,721
Income tax expense (Rs. million)	1,609	2,169	1,460	1,467	1,796	1,622	1,263	1,285	1,206	1,142
Profit after tax (PAT) (Rs. million)	2,943	4,416	4,309	4,009	4,347	3,753	3,124	2,850	2,575	2,580
Return on assets (ROA) (%)	2.64	3.95	3.71	3.99	5.19	4.75	4.15	4.70	5.62	8.59
Cost to income ratio (%)	36.53	37.81	39.73	45.01	37.24	34.63	37.01	36.54	32.58	27.49
Financial position										
Cash, balances with banks and reverse repo (Rs. million)	10,372	6,699	8,783	7,681	4,054	3,465	14,783	4,705	1,730	1,529
Loans and receivables (Rs. million)	147,748	151,708	140,165	134,055	109,872	98,411	90,218	88,404	71,289	49,385
Investments in subsidiaries (Rs. million)	3,214	3,214	3,214	2,075	1,875	1,875	1,475	1,475	3,118	1,805
Investments in Government Treasury Bills and Bonds (Rs. million)	4,107	8,003	4,890	2,968	4,930	5,266	4,747	540	-	-
Total assets (Rs. million)	171,660	172,541	160,694	150,457	124,336	112,323	113,776	97,437	78,658	55,849
Borrowings (Rs. million)	26,417	48,549	55,705	74,258	60,819	49,848	48,605	56,232	58,740	39,930
Deposits from customers (Rs. million) [Note 3]	106,701	88,369	69,763	44,723	33,836	34,094	40,921	18,847	-	-
Total equity (Rs. million)	30,247	28,603	27,030	24,697	22,772	21,136	19,196	18,023	16,809	8,442
Total liabilities and shareholders' funds (Rs. million)	171,660	172,541	160,694	150,457	124,336	112,323	113,776	97,437	78,658	55,849
Financial cash inflows/(outflows)										
Operating activities (Rs. million)	32,409	15,944	27,691	(998)	(8,533)	(7,351)	17,218	6,819	(4,956)	(19,535)
Investing activities (Rs. million)	(106)	302	(802)	(159)	(397)	(231)	(170)	(89)	(1,507)	(88)
Financing activities (Rs. million)	(28,104)	(16,452)	(28,716)	2,926	9,156	(738)	(8,927)	(4,007)	6,031	18,977
Net cash flows (Rs. million)	4,199	(206)	(1,827)	1,769	227	(8,320)	8,121	2,723	(432)	(646)
Human capital										
Employees (Numbers)	2,401	2,329	2,085	2,085	1,834	1,666	1,575	1,184	1,050	855
PBT per employee (Rs. million)	1.92	2.98	2.77	2.79	3.51	3.32	3.38	3.70	3.97	5.16
Employees' salaries and benefits (Rs. million)	3,701	3,438	2,974	2,556	1,807	1,565	1,338	1,026	763	593
Natural capital										
Investment (Rs. million)	3.32	1.94	2.19	3.37	3.36	1.17	0.52	7.10	0.67	0.45
Trees planted (Nos.)	4,517	6,114	6,637	5,780	10,395	430	1,130	925	125	117
Carbon footprint (tCO ₂ e) (Note 4)	7,956	6,114	7,011	7,206	3,059	2,770	-	-	-	-
Social and relationship capital										
Shareholders (Numbers)	8,644	8,961	8,801	9,176	9,407	8,880	10,054	9,488	10,113	8
Number of ordinary shares (Nos. million)	1,628	1,580	1,580	1,580	1,580	1,580	1,580	1,560	1,560	50
Earnings per share (EPS) (Company) (Rs.)	1.83	2.80	2.73	2.54	2.75	2.38	1.98	1.83	1.65	51.60
Net assets per share (NAPS) (Rs.)	18.58	18.10	17.11	15.63	14.41	13.38	12.15	11.55	10.78	168.84

Ten year summary

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	Company									
	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11
Market price per share (Rs.) [Note 5]										
Highest	18.30	17.30	19.20	20.10	26.50	28.00	15.70	16.70	18.30	-
Lowest	12.00	12.90	15.50	15.30	15.40	14.20	13.00	10.30	11.00	-
Closing	12.20	13.40	15.80	15.60	16.00	22.10	14.30	13.10	11.60	-
Market capitalisation (Rs. million)	19,858	21,170	24,962	24,646	25,278	34,915	22,592	20,436	18,096	-
Price earnings ratio (PE) (Times)	6.67	4.79	5.79	6.14	5.82	9.29	7.22	7.16	7.03	-
Dividend per share (DPS) (Rs.)	1.20	1.25	1.25	1.25	1.25	1.25	1.25	1.25	0.55	1.50
Dividend paid (Rs. million)	1,929	1,975	1,975	1,975	1,975	1,975	1,975	1,950	855	75
Dividend yield (%)	9.84	9.33	7.91	8.01	7.81	5.66	8.74	9.54	8.62	-
Dividend cover (Times)	1.53	2.24	2.18	2.03	2.20	1.90	1.58	1.46	3.01	34.40
Dividend payout (%)	65.57	44.72	45.83	49.26	45.43	52.62	63.22	68.42	33.20	2.91
Return on equity (ROE) (%)	10.00	15.88	16.66	16.89	19.80	18.61	16.79	16.36	20.40	35.17
Return on capital employed (ROCE) (%)	12.37	13.98	13.69	12.04	11.99	13.92	14.40	15.33	16.27	15.02
Debt to equity (excluding deposits) (Times)	0.87	1.70	2.06	3.01	2.67	2.36	2.53	3.12	3.49	4.73
Debt to equity with contingent liabilities and commitments (Times)	1.13	1.97	2.34	3.25	2.77	2.57	2.80	3.39	3.51	5.12
Current ratio (Times)	0.83	0.82	0.80	0.84	0.85	0.93	0.88	0.85	0.58	0.71
Interest cover (Times)	1.29	1.42	1.40	1.46	1.77	1.58	1.39	1.41	1.60	2.05
Taxes paid to Government (Rs. million)	5,735	2,942	2,109	2,828	2,915	1,793	581	848	1,703	1,098
Taxes collected on behalf of Government (Rs. million)	1,137	1,434	1,151	1,048	1,313	1,250	1,411	908	706	539
Investment on CSR (Rs. million)	55.53	120.29	103.78	187.64	76.25	71.68	55.48	32.90	25.33	21.55
CCCSL – Ten Best Corporate Citizen Award	One of the Ten	One of the Ten	One of the Ten	Second runner-up	Winner	Winner	-	Winner	-	Winner
Capital adequacy ratios										
Tier 1 capital/Core capital ratio [Note 6]	15.12	14.36	18.38	17.56	19.56	20.22	19.12	21.15	25.50	-
Required minimum Tier 1 Capital/Core capital ratio (%) [Note 6]	7.00	6.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	-
Total capital ratio/Total risk weighted capital ratio (%) [Note 6]	15.99	15.20	16.46	16.37	18.14	19.04	18.05	20.06	25.50	-
Required minimum total capital ratio/Total risk weighted capital ratio (%) [Note 6]	11.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	-
Manufactured and intellectual capital										
Branches (Nos.)	103	103	103	103	92	89	85	33	34	30
Credit ratings and key accolades										
Fitch Ratings Lanka	A+(lka)	AA-(lka)	AA-(lka)	AA-(lka)	AA-(lka)	AA-(lka)	AA-(lka)	AA-(lka)	A+(lka)	A(lka)
Fitch Ratings International (Note 7)	B-	B-	B	B	B	B+	B+	B+	-	-
Standard and Poor's	Discontinued	Discontinued	B+/B	B+/B	B+/B	B+/B	B+/B	B+/B	-	-
Business today – Top 30 Listed Corporate Entities	13th Position	13th Position	15th Position	14th Position	17th Position	14th Position	18th Position	-	-	-

Note:

- [1] Prior to 2012, all figures are as per Sri Lanka Accounting Standards (SLASs) prevailed at that time.
- [2] Figures include total operating expenses and tax on financial services (excluding impairment charges for loans and receivables and other losses).
- [3] After receiving the finance license in 2012, the Company started accepting fixed and savings deposits.
- [4] The Company initiated evaluation of carbon emissions from 2014.
- [5] The Company's ordinary shares were quoted on the CSE on 24 November 2011.
- [6] Central Bank of Sri Lanka introduced Finance Business Act Direction No. 3 of 2018 Capital Adequacy Requirements with effect from 1 July 2018.
- [7] Discontinued with effect from 30 April 2020.

Notice of meeting

NOTICE IS HEREBY GIVEN THAT the Twenty Fourth (24) Annual General Meeting of People's Leasing & Finance PLC will be held on 11 September 2020 at 3.00pm at People's Bank Staff Training College Auditorium, 11th Floor, People's Leasing Building, No. 7, Havelock Road, Colombo 5 for the following purposes:

1. To receive and consider the Annual Report of the Board of Directors together with the Financial Statements of the Company for the year ended 31 March 2020 and the Report of the Auditors thereon.
2. To re-elect as a Director, Mr Sujeewa Rajapakse, 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.
3. To re-elect as a Director, Mr Rohan Pathirage, 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 Mohammed Azzam Ali Ahamat, 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 re-elect as a Director, Mr Sudarshan Ahangama, 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.
6. To re-elect as a Director, Mr Kurukulasuriya Canicious Joachim Clive Fonseka, 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.
7. To re-elect as a Director, Mr Chanura Jayanta Wijetillake, 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.
8. To re-elect as a Director, Mr Upul Lakshman Asoka Wickramasinghe Bandara, 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.
9. To re-elect as a Director, Ms Miriam Coralie Pietersz, 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.
10. To authorise the Board of Directors to determine contributions to charities and other donations for the financial year ending 31 March 2021.

Auditors of the Company

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

By order of the Board,



Lakmini Kottegoda
 Company Secretary
 People's Leasing &
 Finance PLC

6 August 2020

Notes

Any member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote in his/her stead. A Form of Proxy is sent herewith for this purpose. A proxy need not be a member of the Company.

The completed form of proxy must be deposited at the office of the Registrars to the Company, SSP Corporate Services (Private) Limited at No. 101, Inner Flower Road, Colombo 3, not less than forty eight (48) hours before the time appointed for the holding of the meeting.

Colombo, on this 6 August 2020.

Corporate information

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Name of Company

People's Leasing & Finance PLC

Legal Form

Public Limited Liability Company (Incorporated and domiciled in Sri Lanka) quoted in the Colombo Stock Exchange

Date of Incorporation

22 August 1995

Company Registration Number

PB 647 PQ

Accounting Year-end

31 March

Stock Exchange Listing

The Ordinary shares of the Company were quoted on the Main Board of the Colombo Stock Exchange (CSE) on 24 November 2011.

Senior, Unsecured, Redeemable, Rated five year (2015/20) Debenture was listed on the Debt Securities Main Board of Colombo Stock Exchange on 20 November 2015.

Senior, Unsecured, Redeemable, Rated four year (2016/20) and five year (2016/21) Debentures were listed on the Debt Securities Main Board of Colombo Stock Exchange on 23 November 2016.

Senior, Unsecured, Redeemable, Rated four year (2018/22) and five year (2018/23) Debentures were listed on the Debt Securities Main Board of Colombo Stock Exchange on 27 April 2018.

Registered Office and Principal Place of Business

1161, Maradana Road, Borella, Colombo 08, Sri Lanka.
 Postal Code: 00800
 Phone: +94 11 263 1631
 Fax: +94 11 263 1980/81
 Email: plclease@plc.lk
 Web address: www.plc.lk

Acting Compliance Officer

Ms N N Zanoon

Company Secretary

Ms Lakmini Kottogoda

Registrars

SSP Corporate Services (Pvt) Ltd.
 No. 101, Inner Flower Road, Colombo 03, Sri Lanka.
 Phone: +94 11 257 3894,
 +94 11 257 6871
 Fax: +94 11 257 3609
 E-mail: sspsec@slt.net.lk

Auditors

Auditor General
 Auditor General's Department,
 No. 306/72, Polduwa Road, Battaramulla.

Bankers

People's Bank
 Sampath Bank PLC
 Bank of Ceylon
 Commercial Bank of Ceylon PLC
 DFCC Bank PLC
 Hatton National Bank PLC
 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
 MCB Bank

Branch Offices

Akuressa, Ambalangoda, Ambalanthota, Ampara, Anuradhapura, Awissawella, Badulla, Balangoda, Bandarawela, Battaramulla, Batticaloa, Benthotota, Chilaw, Chunnakam, Colpetty, Dambulla, Dehiwala, Deniyaya, Digana, Elpitiya, Embilipitiya, Galle, Gampaha, Gampola, Giriulla, Godakawela, Grandpass, Hambantota, Hanwella, Hatton, Havelock, Homagama, Horana, Ja-Ela, Jaffna, Kadawatha, Kaduwela, Kalawanchikudi, Kalawana, Kalmunai, Kalutara, Kamburupitiya, Kandy, Kandy - Alsafa, Kandy II, Kanthale, Kattankudy, Kegalle, Kekirawa, Kelaniya, Kilinochchi, Kinniya, Kirindiwela, Kuliyapitiya, Kurunegala, Mahaiyawa, Maharagama, Mahiyanganaya, Mannar, Matale, Matara, Medawachchiya, Mathugama,

Mawanella, Melsiripura, Merigama, Metropolitan, Minuwangoda, Monaragala, Moratuwa, Mutur, Narammala, Nattandiya, Nawalapitiya, Negombo, Neluwa, Nittambuwa, Nugegoda, Nuwara Eliya, Panadura, Pelmadulla, Pettah, Pilimathalawa, Piliyandala, Polonnaruwa, Puttalam, Ratnapura, Tangalle, Thambuttegama, Thissamaharamaya, Trincomalee, Union Place, Urubokka, Vavuniya, Walasmulla, Ward Place, Warakapola, Wariyapola, Wattala, Welimada, Wellawaya, Wellawatta, Wennappuwa

Board of Directors

Mr S Rajapakse - Chairman
 Mr R Pathirage
 Mr A A Ahamat
 Mr S Ahangama
 Mr K C J C Fonseka
 Mr C J Wijetillake
 Mr U L A W Bandara
 Ms M C Pietersz

Board Subcommittees

Integrated Risk Management Committee

Mr C J Wijetillake - Chairman
 Mr A A Ahamat
 Mr K C J C Fonseka
 Mr A S Ibrahim
 Mr Sanjeeva Bandaranayake
 Mr Lionel Fernando
 Mr Rohan Tennakoon

Board Audit Committee

Ms M C Pietersz - Chairperson
 Mr U L A W Bandara
 Mr A A Ahamat

Remuneration and Nomination Committee

Mr U L A W Bandara - Chairman
 Ms M C Pietersz
 Mr R Pathirage

Related Party Transactions Review Committee

Mr C J Wijetillake - Chairman
 Mr U L A W Bandara
 Mr S Ahangama

Subsidiary Companies

People's Leasing Fleet Management Limited
 People's Leasing Property Development Limited
 People's Leasing Havelock Properties Limited

People's Insurance PLC
 People's Micro-commerce Ltd.
 Lankan Alliance Finance Limited (Bangladesh)

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, Darley 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
 Ketagalolla, Beligamuwa, Galewela, Sri Lanka

Tax Payer Identity Number (TIN)

114 156396

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

A+(lka) from Fitch Ratings Lanka Limited

For any Clarifications on this Report, please write to:

Chief Manager - Finance,
 People's Leasing & Finance PLC
 1161, Maradana Road,
 Colombo 08,
 Sri Lanka.

Postal Code: 00800

Phone: +94 11 263 1631

Fax: +94 11 263 1980

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.) ofwhom failing:

1. Mr Sujeewa Rajapakse
2. Mr Rohan Pathirage
3. Mr Mohamed Azzam Ali Ahamat
4. Mr Sudarshan Ahangama
5. Mr Kurukulasuriya Canicious Joachim Clive Fonseka
6. Mr Chanura Jayanta Wijetillake
7. Mr Upul Lakshman Asoka Wickramasinghe Bandara
8. Ms Miriam Coralie Pietersz

as my/our proxy to represent me/us and vote on my/our behalf at the twenty fourth Annual General Meeting of the Company to be held on 11 September 2020 at 3.00pm at People's Bank Staff Training College Auditorium, 11th Floor, People's Leasing Building, No. 7, Havelock Road, Colombo 5 and at any adjournment thereof and at every poll which may be taken in consequence thereof.

Please indicate your preference by placing a 'X' against the Resolution No. –

	FOR	AGAINST
1. To receive and consider the Annual Report of the Board of Directors together with the Financial Statements of the Company for the year ended 31 March 2020 and the Report of the Auditors thereon.		
2. To re-elect as a Director, Mr Sujeewa Rajapakse, 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.		
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10. To authorise the Board of Directors to determine contributions to charities and other donations for the financial year ending 31 March 2021.		

Auditors of the Company

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

Signed this day of 2020.

.....
Signature

Shareholder's N.I.C./ P. P/ Co. Reg. No.

Notes:

1. Proxy need not be a member of the Company.
2. Instructions as to completion of this Form of Proxy are given overleaf.

Form of proxy

Instructions as to completion

1. As provided for in Article 19 (5) of the Articles of Association of the Company the instrument appointing a proxy should be in writing.
2. The full name and the address of the shareholder appointing the proxy should be legibly entered in the Form of Proxy and duly signed and dated.
3. The Proxy shall –
 - (a) in the case of an individual be signed by the shareholder or by his attorney, and if signed by an attorney, a notarially certified copy of the Power of Attorney should be attached to the completed Proxy, if it has not already been registered with the Company.
 - (b) in the case of a company or corporate body, either be under its Common Seal or signed by its attorney or by an officer on behalf of that company or corporate body in accordance with the Articles of Association or the Constitution of that company or corporate body.
 - (c) in the case of joint holders, be signed by the joint holder whose name appears first in the Register of Members.

4. The completed Form of Proxy and the Power of Attorney or other authority, if any, under which it is signed or a notarially certified copy of that Power of Attorney or other authority must be deposited at the office of the Registrars to the Company, SSP Corporate Services (Private) Limited at No. 101, Inner Flower Road, Colombo 3, not less than forty-eight (48) hours before the time appointed for the holding of the meeting.
5. Every alteration or addition to the Proxy must be duly authenticated by the full signature of the shareholder, signing the Proxy.
6. An extract of Articles 15, 18 and 22 of the Articles of Association of the Company, which deals with meetings of shareholders and voting by shareholders, is produced herein for the information of the shareholders.

Method of holding meetings

A meeting of shareholders (including a meeting where it is intended to propose a resolution as a special resolution) may be held by a number of shareholders who constitute a quorum, being assembled together at the place, date and time appointed for the meeting.

Voting

1. Voting at a meeting of shareholders held under Article 15 above shall, unless a poll is demanded, be by a show of hands.
2. A declaration by the Chairperson of the meeting that a resolution is carried by the requisite majority is conclusive evidence of that fact, unless a poll is demanded in accordance with paragraph (3) of this Article.
3. At a meeting of shareholders, a poll may be demanded by –
 - (a) the Chairperson; or
 - (b) not less than five (5) shareholders having the right to vote at the meeting; or
 - (c) a shareholder or shareholders representing not less than 10% of the total voting rights of all shareholders having the right to vote at the meeting.
4. A poll may be demanded either before or after the vote is taken on a resolution. However, the demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded.

5. If a poll is taken, votes shall be counted according to the votes attached to the shares of each shareholder present and voting.
6. The Chairperson of a shareholders' meeting is not entitled to a casting vote.

Votes of joint holders

"Where two or more persons are registered as the holder of a share, the vote of the person named first in the share register and voting on a matter shall be accepted to the exclusion of the votes of the other joint holders. Where there are several executors or administrators of a deceased shareholder in whose sole name any shares stand, any one of such executors or administrators may vote in respect of such shares unless any other of such executors or administrators is present at the meeting at which such a vote is tendered and objects to the vote."

Feedback form

We welcome your valuable feedback on this Integrated Annual Report 2019/20.

1 Your interest in People's Leasing performance is as a(n)

- Shareholder
- Customer
- Employee
- Supplier
- Investor
- Financial analyst
- Journalist
- Local resident
- Educator/Student
- Special interest group
- Regulatory body
- Other

2 Please rate your answer on the scale from excellent to poor for 2.1 to 2.5

2.1 Meeting your information requirement

- Excellent
- Very Good
- Good
- Average
- Poor

2.2 Openness and transparency

- Excellent
- Very good
- Good
- Average
- Poor

2.3 Clarity and ease of understanding

- Excellent
- Very good
- Good
- Average
- Poor

2.4 Appearance and layout

- Excellent
- Very good
- Good
- Average
- Poor

2.5 Overall impression of the report

- Excellent
- Very good
- Good
- Average
- Poor

3 Which section did you find most useful?

- Business model
- Management Discussion and Analysis
- Stewardship
- Financial reports
- Other

4 Which sections did you find least useful?

- Business model
- Management Discussion and Analysis
- Stewardship
- Financial reports
- Other

5 In your opinion what are the sustainability topics/areas People's Leasing needs to have better focus on?

6 How do you think we could improve?

7 Please provide your overall impressions and comments about the Integrated Annual Report 2019/20.

Your Name:

Your contact No:

Your email:

Please send your feedback to the following address:

Chief Manager – Finance
People's Leasing & Finance PLC
No. 1161, Maradana Road,
Colombo 08.
Sri Lanka.

Phone: +94 11 263 1631
Direct: +94 11 263 1902
Fax: +94 11 263 1980

Circular to shareholders

Dear Shareholder(s),

PEOPLE'S LEASING & FINANCE PLC – ANNUAL REPORT FOR THE YEAR 2019/20

As you may be aware, in terms of the Listing Rules of the Colombo Stock Exchange (CSE) a listed company may issue to its shareholders its Annual Report in mode, other than in printed form, provided that such company complies with the specified requirements listed in the said rules. An extract of these rules has been set out for your information on the reverse of this letter.

Accordingly, the Annual Report of People's Leasing & Finance PLC for 2019/20 will be available on the:

- (1) Corporate Website – <https://plc.lk/images/annual-reports/plc-annual-report-2019-20.pdf>
- (2) The Colombo Stock Exchange – <https://www.cse.lk/home/company-info/PLC.N0000/financial>
- (3) By scanning the following QR code:



However, if a shareholder makes a written request for a printed copy thereof, upon receipt of such written request, a printed copy of the Annual Report will be sent within eight (8) Market Days of such receipt, to any requesting shareholder.

If you should however, require printed copy of the said Annual Report, please provide us with a written request thereof on or before 31 December 2020. You may for this purpose complete and forward to us the attached Request Letter. We shall then, within eight (8) Market Days of the date of receipt of your request forward to you, printed copy of the said Annual Report.

If you have any queries on this matter, you may contact Ms Lakmini Kottegoda on telephone No. +94 11 263 1103 (extension 1103) between 10.00am and 4.00pm on any working day or via email to lakminik@plc.lk.

Shareholders are advised that the Notice convening the Annual General Meeting (AGM) of the Company and related Form of Proxy are also enclosed and if any Shareholder is unable to attend the AGM, please return the duly completed Form of Proxy to reach us not later than 48 hours before the time fixed for the said Meeting.

By order of the Board of People's Leasing & Finance PLC



Lakmini Kottegoda
Company Secretary

6 August 2020
Colombo

Circular to shareholders

Extract of Rule 7.5 of the Revised Listing Rules of the Colombo Stock Exchange in relation to the Circulation of Annual Reports.

7.5 Circulation of Annual Report

- b. In the event the Listed Entity sends the annual report to its Securities holders in a mode, other than in printed form, the Entity shall comply with the following:
- (i) The Listed Entity shall provide a printed copy of the annual report to a Securities holder, upon such Securities holder's request in writing;
 - (ii) The Listed Entity shall designate a person to attend to the Securities holder's requests as stated in subparagraph (a) above;
 - (iii) The Listed Entity shall ensure that a printed copy of the annual report is forwarded to the Securities holder requesting the annual report, within eight (8) Market Days from the date of receipt of the request;
 - (iv) The Listed Entity shall designate a person/s to answer queries from Securities holders relating to the mode of sending the annual report to its Securities holders;
 - (v) Together with the annual report, the Listed Entity shall send a note to the Securities holders containing the following statement/information:
 - 1. that the Listed Entity shall forward a printed copy of the annual report to the Securities holder requesting such printed copy within eight (8) Market Days from the date of receipt of the written request; and
 - 2. the Listed Entity's web site and email address, name/s of designated person/s attending to the Securities holder's requests and queries and contact number/s; and
 - 3. a request form to enable the Securities holders to request for a printed copy of the annual report, with the particulars of the Listed Entity's facsimile number and mailing address.

Request letter

To:
Company Secretary
People's Leasing & Finance PLC,
1161, Maradana Road,
Colombo 8

Dear Sir,

People's Leasing & Finance PLC

Request for a printed copy of the Annual Report – 2019/20

With reference to the circular to Shareholders dated 6 August 2020 I/we hereby request you to please forward to me/us a printed copy of the Annual Report of People's Leasing & Finance PLC for the year 2019/20.

Shareholder Details

Full Name of Shareholder

Shareholder's NIC/Passport/Company
Registration No.

Shareholder's Address

Shareholder's Folio No.
(Please refer to address label)

Contact Telephone number

.....
Signature

.....
Date

Notes:

1. Please complete the Request Letter by filling in legibly the required information, signing in the space provided and filling in the date.
2. Please email or deliver the completed Request Letter to the Company Secretary at the address given above or forward via facsimile to +94 11 248 1104.
3. In the event the shareholder is a company, the Request Letter should be signed under its Common Seal or by a duly authorised officer of the Company.
4. In the case of Joint Holders, the Request Letter may be executed by the Registered Principal holder.
5. If you have any query regarding this Request Letter, please contact Ms Lakmini Kottegoda on telephone No. +94 11 263 1103 (extension 1103) between 10.00am and 4.00pm on any working day or via email to lakminik@plc.lk.



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The Potent Power of a Leader

Annual Report 2019/20

