

People's Leasing & Finance PLC

(A Subsidiary of People's Bank)

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

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF PEOPLE'S LEASING & FINANCE PLC

Report on the Financial Statements

We have audited the accompanying financial statements of People's Leasing & Finance PLC ("the Company"), and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2016, and the statement of profit or loss and statement of comprehensive income, statements of changes in equity and, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information set out on pages 243 to 331 of the annual report.

Board's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the

effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

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

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

(b) In our opinion:

- We have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.
- The financial statements of the Company give a true and fair view of its financial position as at 31st March 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.
- The financial statements of the Company and the Group comply with the requirements of Sections 151 and 153 of the Companies Act No. 07 of 2007.

18 May 2016

Colombo

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

A member firm of Ernst & Young Global Limited

STATEMENT OF PROFIT OR LOSS

For the year ended 31st March

	Company			Group		
	2016 Rs. '000	2015 Rs. '000	Change %	2016 Rs. '000	2015 Rs. '000	Change %
Income	19,186,228	20,541,628	(6.60)	22,579,702	23,578,871	(4.24)
Interest income	17,876,083	19,247,619	(7.13)	18,301,167	19,595,091	(6.60)
Interest expenses	7,941,063	9,247,594	(14.13)	8,006,050	9,350,272	(14.38)
Net interest income	9,935,020	10,000,025	(0.65)	10,295,117	10,244,819	0.49
Net earned premiums	-	-	-	3,283,171	2,949,902	11.30
Fee and commission income	952,351	874,034	8.96	528,304	576,592	(8.37)
Net trading income	(40,355)	57,985	(169.60)	(71,903)	120,741	(159.55)
Other operating income	398,149	361,990	9.99	538,963	336,545	60.15
Total operating income	11,245,165	11,294,034	(0.43)	14,573,652	14,228,599	2.43
Less: Impairment charges for loans and other losses	258,350	1,644,876	(84.29)	290,703	1,670,681	(82.60)
Net operating income	10,986,815	9,649,158	13.86	14,282,949	12,557,918	13.74
Less:						
Personnel expenses	1,807,017	1,565,226	15.45	2,070,552	1,802,013	14.90
Depreciation of property, plant and equipment	197,097	201,261	(2.07)	280,493	280,116	0.13
Amortisation of intangible assets	13,127	15,807	(16.95)	17,817	18,804	(5.25)

	Company			Group		
	2016 Rs. '000	2015 Rs. '000	Change %	2016 Rs. '000	2015 Rs. '000	Change %
Benefits, claims and underwriting expenditure	-	-	-	2,249,778	2,120,331	6.11
Other operating expenses	2,280,450	2,129,180	7.10	2,361,268	2,077,112	13.68
Total operating expenses	4,297,691	3,911,474	9.87	6,979,908	6,298,376	10.82
Operating profit before value added tax (VAT) on financial services	6,689,124	5,737,684	16.58	7,303,041	6,259,542	16.67
Less :Value added tax (VAT) on financial services	546,036	362,571	50.60	559,964	372,121	50.48
Operating profit after value added tax (VAT) on financial services	6,143,088	5,375,113	14.29	6,743,077	5,887,421	14.53
Share of profit/(loss) of an associate (net of tax)	-	-	-	(36,170)	-	
Profit before income tax	6,143,088	5,375,113	14.29	6,706,907	5,887,421	13.92
Less : Income tax expense	1,795,734	1,622,153	10.70	1,965,361	1,785,879	10.05
Profit for the year	4,347,354	3,752,960	15.84	4,741,546	4,101,542	15.60
Profit attributable to						
Equity holders of the company	4,347,354	3,752,960	15.84	4,708,130	4,101,542	14.79
Non Controlling Interests	-	-	-	33,416	-	
Profit for the year	4,347,354	3,752,960	15.84	4,741,546	4,101,542	15.60
Earnings per Share						
Basic earnings per share (Rs.)				2.98	2.60	14.79
Dividend per Ordinary share (Rs.)	1.25	1.25	-			

SELECTED PERFORMANCE INDICATORS

	Company	
	As at 31.03.2016 Rs. '000	As at 31.03.2015 Rs. '000
Regulatory Capital Adequacy		
Core Capital (Tier1 Capital) – (Rs. 000)	22,222,893	20,609,895
Total Capital Base - Rs. '000	20,616,472	19,401,709
Core Capital to Risk Weighted Assets Ratio (Minimum 5%)	19.56%	20.22%
Total Capital to Risk Weighted Assets Ratio (Minimum 10%)	18.14%	19.04%
Capital Funds to Total Deposit Liabilities Ratio	144.44%	157.39%
Asset Quality (Rs. '000)		
Gross Non- Performing Advances (Rs. '000)	2,184,935	2,652,675
Gross Non-Performing Advances Ratio (%)	1.96	2.63
Net Non-Performing Advances Ratio (%)	1.40	2.69
Profitability		
Interest Margin	8.92%	8.30%
Return on Average Assets (before Tax)	5.19%	4.75%
Return on Average Equity	19.80%	18.61%

	Company	
	As at 31.03.2016 Rs. '000	As at 31.03.2015 Rs. '000
Regulatory Liquidity (Rs. '000)		
Required Minimum Amount of Liquid Assets	5,531,469	4,729,521
Available Amount of Liquid Assets	8,169,670	8,372,989
Required Minimum Amount of Government Securities	4,005,926	4,228,987
Available Amount of Government Securities	6,417,788	6,792,321
Memorandum information		
Number of employees	1,834	1,666
Number of branches	92	89
Number of service centers	110	109
Number of pawning centers	-	-

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

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March 2016

	Company			Group		
	2016 Rs. '000	2015 Rs. '000	Change %	2016 Rs. '000	2015 Rs. '000	Change %
Profit for the year	4,347,354	3,752,960	15.84	4,741,546	4,101,542	15.60
Other comprehensive income/(expenses)						
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):</i>						
Cash flow hedges						
Gains/(losses) on derivative financial investments	(6,971)	6,318	(210.34)	(6,971)	6,318	(210.34)
Available-for-sale financial assets						
Gains/(losses) on re-measuring	50,316	155,131	(67.57)	32,855	154,040	(78.67)
Recycling to Statement of Profit or Loss	(24,565)	-		(24,565)	-	(100.00)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	18,780	161,449	(88.37)	1,319	160,358	(99.18)
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax):</i>						
Actuarial gains /(losses) on defined benefit obligations	(26,951)	375	(7,286.93)	(26,893)	(23)	116,826.09
Deferred tax effect on above	7,546	(105)	(7,286.67)	6,968	69	9,998.55
Deemed cost adjustment on transfers	7,302	-		-	-	-

	Company			Group		
	2016 Rs. '000	2015 Rs. '000	Change %	2016 Rs. '000	2015 Rs. '000	Change %
Deferred tax effect on above	(2,045)	-		-	-	-
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	(14,148)	270	(5,340.00)	(19,925)	46	(43,415.22)
Other comprehensive income for the year, net of tax	4,632	161,719	(97.14)	(18,606)	160,404	(111.60)
Total comprehensive income for the year	4,351,986	3,914,679	11.17	4,722,940	4,261,946	10.82
Attributable to:						
Equity holders of the company	4,351,986	3,914,679	11.17	4,727,319	4,261,946	10.92
Non Controlling Interests	-	-	-	(4,379)	-	(100.00)
	4,351,986	3,914,679	11.17	4,722,940	4,261,946	10.82

STATEMENT OF FINANCIAL POSITION

As at 31st March

	Company			Group		
	2016 Rs. '000	2015 Rs. '000	Change %	2016 Rs. '000	2015 Rs. '000	Change %
Assets						
Cash and cash equivalents	3,206,733	3,139,139	2.15	3,555,643	3,413,951	4.15
Balances with banks & financial institutions	847,448	326,321	159.70	2,543,016	1,830,668	38.91
Financial investments - Held-for-trading	211,651	196,193	7.88	527,438	503,268	4.80
Loans and receivables	109,872,415	98,411,195	11.65	111,156,437	97,996,856	13.43
Insurance and reinsurance receivables	-	-	-	206,303		

	Company			Group		
	2016 Rs. '000	2015 Rs. '000	Change %	2016 Rs. '000	2015 Rs. '000	Change %
					187,300	10.15
Financial investments - Available-for-sale	500,357	939,199	(46.73)	1,739,956	2,043,342	(14.85)
Financial investments - Held-to-maturity	4,930,236	5,266,407	(6.38)	4,930,236	5,266,407	(6.38)
Investments in subsidiaries	1,875,000	1,875,000	-	-	-	-
Investments in associates	586,427	-	-	550,257	-	-
Investment property	90,752	-	-	-	-	-
Property, plant and equipment	1,120,600	1,108,681	1.08	4,209,533	3,804,706	10.64
Goodwill and intangible assets	329,963	337,647	(2.28)	333,175	345,641	(3.61)
Other assets	764,066	723,197	5.65	1,334,274	1,768,840	(24.57)
Total assets	124,335,648	112,322,979	10.69	131,086,268	117,160,979	11.89
Liabilities						
Due to banks	26,431,628	21,228,600	24.51	28,059,677	22,391,144	25.32
Due to customers	33,836,428	34,093,762	(0.75)	33,677,260	34,001,411	(0.95)
Debt Securities issued	34,387,677	28,619,004	20.16	34,283,621	28,514,996	20.23
Other Financial liabilities	2,730,484	3,234,445	(15.58)	2,888,399	3,165,912	(8.77)
Derivative financial instruments	-	92,193	(100.00)	-	92,193	(100.00)
Insurance liabilities and reinsurance payable	-	-	-	3,181,588	2,894,358	9.92
Current tax liabilities	937,999	550,042	70.53	1,017,694	618,198	64.62
Deferred tax liabilities	1,821,897	1,949,490	(6.54)	1,840,724	1,976,418	(6.87)

	Company			Group		
	2016 Rs. '000	2015 Rs. '000	Change %	2016 Rs. '000	2015 Rs. '000	Change %
Other liabilities	1,417,667	1,419,655	(0.14)	1,467,033	1,453,490	0.93
Total liabilities	101,563,780	91,187,191	11.38	106,415,996	95,108,120	11.89
Equity						
Capital	13,136,073	12,936,073	1.55	13,136,073	12,936,073	1.55
Statutory reserve fund	1,421,483	1,204,116	18.05	1,421,483	1,204,116	18.05
Retained earnings	7,682,230	6,489,599	18.38	8,600,098	7,403,781	16.16
Other reserves	532,082	506,000	5.15	509,575	508,889	0.13
Total shareholders' equity	22,771,868	21,135,788	7.74	23,667,229	22,052,859	7.32
Non -controlling interest	-	-	-	1,003,043	-	-
Total equity	22,771,868	21,135,788	7.74	24,670,272	22,052,859	11.87
Total liabilities and equity	124,335,648	112,322,979	10.69	131,086,268	117,160,979	11.89
Contingent liabilities and commitments						
	2,351,810	4,400,063	(46.55)	2,950,490	5,308,209	(44.42)
Net asset value per share (Rs.)	14.41	13.38	7.70	14.98	13.96	7.31

Certification

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

(sgd.)

Sanjeewa Bandaranayake

Chief Financial Officer

(sgd.)

D.P. Kumarage

Chief Executive Officer

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

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

(sgd.)

Hemasiri Fernando

Chairman

(sgd.)

M.P. Amirthanayagam

Deputy Chairman

18th May, 2016

Colombo