



TOMORROW SHAPING TODAY







Tomorrow Shaping Today

People's Leasing has a long history of leveraging emerging global trends to inform and shape a lucrative future for its stakeholders and the Company. Our core ethos embodies the qualities of innovation and a forward looking mindset in service to the stakeholder community. Thus, “tomorrow” plays a big role “today” as we pursue enterprise that will settle for nothing less than ever increasing levels of customer satisfaction and the delivery of optimal value to stakeholders as we help them secure and consolidate their future.

Annual Report – 2017/18

Tomorrow Shaping Today

People's Leasing & Finance PLC

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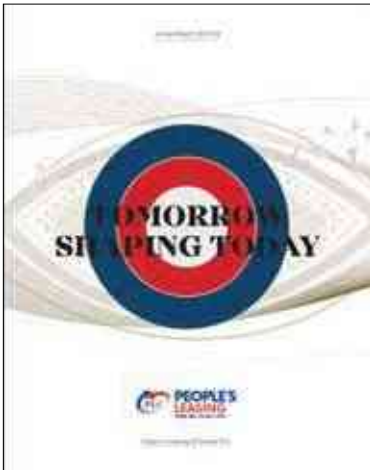
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About the Report



An annual report is a comprehensive report on a company's activities throughout the year under review and the results achieved.

People's Leasing & Finance PLC (People's Leasing) presents its fifth consecutive Integrated Annual Report that sets out its performance within the framework of the economy and its relationship to the social and environmental aspects of operation.

The Report presents its approach to management of its capital inputs and the value creation processes that propel the Company towards its goals and objectives. The Report strives to give the reader a well-rounded appreciation of the state of operations and instil confidence in the reader on prospects for future growth and sustainability.

HOW TO READ THIS REPORT

This Report is presented in two sections.

The first part relates to the Integrated Annual Report which addresses the Company's activities, its achievements, progress made in expanding its products and operations, contributions to the socio-economic needs of the community and its relationship with the environment in which it functions. Thus the readers will be able to obtain complete understanding on the Company's performance during the year by referring to the first part of the Report.

The second part contains more detailed information including the audited and complete Annual Financial Statements for the year ended 31 March 2018. The Statements portray the financial performance of the Company and the Group during the year and provides a snapshot of its financial position as at 31 March 2018. In addition second part of the report also contains detailed reports on corporate governance and risk management as well as supplementary information.

The Report has been structured in this manner to comply with the Standards issued by Global Reporting Initiative, an international organisation that helps businesses, Governments and other organisations understand and communicate the impact they have made on issues such as climate change, human rights and governance.

The Financial Statements are included to provide full disclosure on the financial aspects relating to the organisation and to adhere to the statutory and legislative requirements of reporting.

QUALITATIVE FACTORS UNDERLYING THE REPORT

In addition to complying with statutory requirements, the presentation of comprehensive material information in this Annual Report is in keeping with the Company's commitment to transparency in all aspects of its operations.

The Company has strived to not only disclose complete and material information but also to present it in such a way as to add clarity to the interpretation of that information. In many instances, charts and diagrams were found to convey the importance of the data more effectively than descriptive prose.

It is hoped that the reader will be able to accumulate a comprehensive understanding with ease, of the performance of the Company and its future outlook.

FRAMEWORKS AND CODES

GRI 102-12 GRI 102-54

The following frameworks and codes were followed or complied with in this Annual Report:

- International <IR> Framework of the International Integrated Reporting Council
- Sustainability Reporting Standards prepared by the Global Reporting Initiative (GRI), GRI Standard: Comprehensive Option
- A Preparer's Guide to Integrated Corporate Reporting issued by The Institute of Chartered Accountants of Sri Lanka
- The Code of Best Practice on Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka and the Securities & Exchange Commission of Sri Lanka and Finance Companies (Corporate Governance) Direction No. 3 of 2008 issued by the Central Bank of Sri Lanka
- Requirements of the Content of the Annual Report in Rule 7.6 of the Listing Rules of the Colombo Stock Exchange
- Sustainable Development Goals (SDGs) – The UN initiative with 17 aspirational "Global Goals"

FINANCIAL STATEMENTS AND EXTERNAL ASSURANCE

Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka have been applied in the preparation of the Financial Statements contained in this Annual Report. Guidelines issued under the following legislation, rules and directions have also been complied with in compiling the financial information:

- Finance Business Act No. 42 of 2011
- Finance Leasing Act No. 56 of 2000
- Companies Act No. 07 of 2007
- Listing Rules of the Colombo Stock Exchange and
- Finance Companies (Corporate Governance) Direction No. 3 of 2008 issued by the Central Bank of Sri Lanka

About the Report

GRI 102-48 GRI 102-56

The Financial Statements and Notes to the Financial Statements were audited by Messrs Ernst & Young, Chartered Accountants, Sri Lanka and the corresponding Assurance Report is given on pages 251 to 253 of this Report.

Messrs Ernst & Young, Chartered Accountants issued the External Assurance for Corporate Governance which has been submitted to the Central Bank of Sri Lanka. The Auditors have reviewed the Directors' Statement on Internal Control over Financial Reporting.

External Assurance obtained from Messrs Ernst & Young, Chartered Accountants for the sustainability reporting is shown on pages 382 of this Report.

Being a carbon conscious Company and voluntarily complying with the Company's environmental stewardship, People's Leasing calculated the annual carbon footprint and the tracked GHG inventory was independently verified by the Sri Lanka Standards Institute in accordance with the ISO 14064-1: 2006 standard.

There were no restatements applicable to the information provided in these reports.

SCOPE AND BOUNDARY

GRI 102-4 GRI 102-45 GRI 102-50

GRI 102-51 GRI 102-52

This Annual Report contains a comprehensive review of all of the operations for the period 1 April 2017 to 31 March 2018, the most recent report was dated 31 March 2017. This report covers the business operations of People's Leasing in both Sri Lanka and Bangladesh.

The Company has under its management, six subsidiaries. As such, this report

provides summary information relating to these companies in respect of the year ended 31 March 2018. The subsidiaries are as follows:

- People's Insurance PLC
- People's Microfinance Limited
- People's Leasing Fleet Management Limited
- People's Leasing Property Development Limited
- People's Leasing Havelock Properties Limited and
- Lankan Alliance Finance Limited

Materiality in disclosure has been considered in presenting information in this Report so as not to overburden the reader in minutiae.

FORWARD LOOKING STATEMENTS

The statements relating to future events and the financial projections, are based on the current available information. People's Leasing does not give any assurance on the probabilities of achieving these future events. 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. The readers are also advised to conduct their own research prior to reaching their conclusions. The Company has not updated this information to reflect any changes that may be warranted, post-publication of this Report.

PRESENTATION


Given the commitment of People's Leasing to reduce its carbon footprint, the full Annual Report is made available on a CD-ROM and will be mailed to all shareholders of the Company. The report is also available in PDF form on our corporate website www.plc.lk. Printed copies will be made available to those who have requested for it in writing.

STATEMENT FROM THE BOARD OF DIRECTORS OF THE COMPANY

The Board recognises and acknowledges its responsibility to present accurate information in this Integrated Annual Report. The Report addresses all material issues and matters relating to the Company and its operations. It also presents a fair view of the Company's integrated performance for the period under review.



Hemasiri Fernando
Chairman



M P Amirthanayagam
Deputy Chairman

17 May 2018
Colombo

CONTACT

GRI 102-53

Any questions and queries on this Integrated Annual Report 2017/18 and the information presented therein are to be directed to –

The Chief Financial Officer

People's Leasing & Finance PLC
1161, Maradana Road,
Colombo 08,
Sri Lanka.

Postal Code: 00800
Tel: +94 11 2631631

Investors may also communicate with the Company via email on, investor.relations@plc.lk and by completing the Stakeholder Feedback Form, enclosed with this Report.

About People's Leasing

GRI 102-1 GRI 102-2 GRI 102-5

Since its inception in 1995, People's Leasing & Finance PLC has been at the forefront in providing value-added financial services to Sri Lankans. The Company was registered in 2012 as a licensed finance company under the Finance Business Act No. 42 of 2011. People's Leasing now has over 200 customer touchpoints island-wide serviced by a strong team of dedicated employees. Our range of products and services cover leasing, loans, Islamic finance, deposits, margin trading and factoring.

The Company is 75% owned by People's Bank, a premier bank in the country and is backed by its credibility in the market place, its capital and liquidity. To enable the efficient coverage of the requirements of the stakeholders, the Company limits its services to those that would not be perceived as duplicating the activities of its major shareholder.

People's Leasing is one of the largest Non-Bank Financial Institutions (NBFI), due not only to its pioneering position in its field, but also as a result of the sustainability of its operations. People's Leasing is the highest rated non-bank financial institution in the country with two international ratings: "B" a rating one notch below Sovereign from Fitch Rating International, and "B+/B" a rating equal to the Sovereign from Standard and Poor's. The Company also possesses a local rating of "AA-(lka)" from Fitch Ratings Lanka Limited.

Accessibility to the products and services offered by People's Leasing has been enhanced by the positioning of its extensive branch network. This presence, along with its range of products and services, strongly support the Vision of the Company as "a provider of customer-friendly, creative and innovative total solutions".

OUR ORGANISATIONAL STRUCTURE

GRI 102-16



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



Our Key Differentiators

- Committed and skilled workforce
- Our diversified portfolio
- Ability to respond to changing trends of external environment

ORGANISATIONAL CULTURE, ETHICS AND VALUES

Company values are developed by the corporate management and approved by the Board of Directors. Head of HR is the key executive officer who is responsible for inculcating Company values and work ethics among new and existing employees.

The People's Leasing philosophy that governs its operations is to respond to

all stakeholders with deliverable core values of:



Economic Viability



Social Accountability



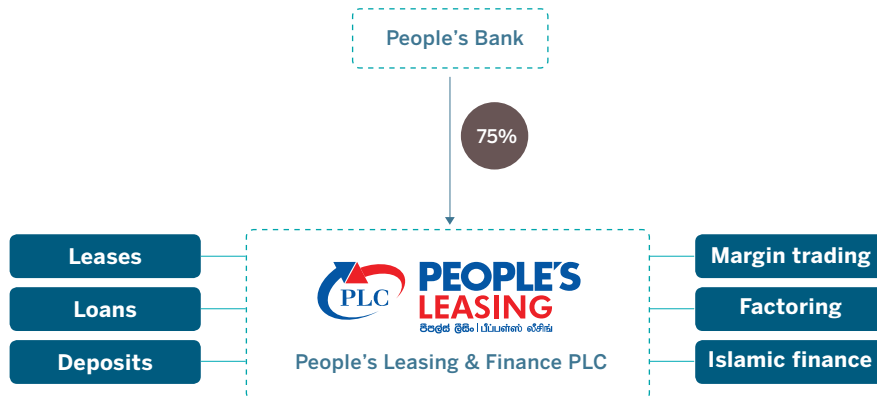
Environmental Responsibility

People's Leasing prides itself in propagating an inclusive ownership process, where stakeholders become the custodians of the sustainability ethos, values and intents. The Company's culture of inclusive finance has created an environment which draws on lessons from the past, creates ambitious yet attainable sustainable goals, values and objectives to deliver a positive impact on our stakeholders.

This approach guides the way we conduct our business and addresses macro issues, to gain both qualitative and quantitative sustainable benefits to each of our stakeholder segments. Given its position of being a leading economic activator in its field, People's Leasing has undertaken the mantle of promoting and encouraging income generating ventures, entrepreneurial skill development projects and community empowerment initiatives that will eventually spur entrepreneurship and an overall upliftment of quality living standards. The activation of economic enhancement cascading to rural and urban development, and its contribution to the national economy is viewed as the ultimate benefit of its organisational culture.

About People's Leasing

GROUP STRUCTURE



Subsidiaries						Associate
People's Insurance PLC	People's Microfinance Limited	People's Leasing Fleet Management Limited	People's Leasing Property Development Limited	People's Leasing Havelock Properties Limited	Lankan Alliance Finance Limited	People's Merchant Finance PLC
Ownership	Ownership	Ownership	Ownership	Ownership	Ownership	Ownership
75%	100%	100%	100%	100%	51%	37.06%

GRI 102-45

People's Insurance PLC (PI)

PI was set up to concentrate in the non-life insurance sector of the country. The company was incorporated on 22 July 2009 and in its eighth year of operation, has emerged as one of the country's leading players in the industry. The company generated over Rs. 4.5 billion annual premium income during the recently concluded financial year with an asset base in excess of Rs. 7.5 billion. Shares of the company which delivers several lifestyle products and business products, are listed on the Main Board of the Colombo Stock Exchange. Subsequent to the successful IPO, People's Leasing now owns 75% of this subsidiary.

People's Microfinance Limited (PML)

PML was incorporated on 3 September 2010 to cater to the needs of the grass root communities (the "unbankable" category of customers). The Company's functions focus on extending funding support to uplift those sections of the community who would otherwise not have access to credit facilities. The company is a 100% owned subsidiary of People's Leasing. The products offered by PML include general loans, loans to small and medium enterprise (SME) and asset-based loans.

People's Leasing Fleet Management Limited (PLFML)

PLFML was incorporated on 6 August 2008, to primarily provide fleet management services to the People's Leasing Group and to People's Bank. These services consist of long and short term hiring and recovery services. PLFML also engages in vehicle valuations through a team of technically skilled valuers.

About People's Leasing

People's Leasing Property Development Limited (PLPDL)

Incorporated on 15 August 2008, PLPDL is involved in property development and the renting properties. The company's primary responsibility is in the implementation of projects and monitoring the construction of branches for People's Bank and People's Leasing.

People's Leasing Havelock Properties Limited (PLHPL)

Incorporated on 12 August 2010 as a construction company, PLHPL completed building a state-of-the-art office complex at Havelock Road, Colombo 5. The new premises is utilised by People's Bank, Havelock branch of People's Leasing and the head office of People's Insurance PLC since 29 June 2017.

Lankan Alliance Finance Limited (LAF)

In December 2017 the Company completed the acquisition of 51% of total issued capital equivalent to 51 million ordinary shares of Alliance Leasing and Finance Company Limited. The company is incorporated in Bangladesh to conduct business under the Financial Institutions Act, 1993 of Bangladesh. Subsequently, the name of the subsidiary company was changed to Lankan Alliance Finance Limited.

People's Merchant Finance PLC (PMF)

PMF is an associate company of People's Leasing with a stake of 37.06%. It's a public limited liability company incorporated on 26 January 1983. Principal activities of the company include leasing, hire purchase, fixed deposits, savings, pawning and margin trading.

MARKET POSITION

People's Leasing & Finance PLC is an undisputed leader in the leasing sector amongst all the Non-Bank Financial Institutions (NBFIs) in Sri Lanka. The past 22 years has seen the Company service customers ranging from individuals to SMEs to blue chip companies in every part of the country. The Company's contribution to the country's economic growth and the quality of life of millions of Sri Lankans is without parallel.

Consequent to its success in the leasing market, People's Leasing has since diversified to include six subsidiaries, united under the People's Leasing name. Customers are now able to obtain insurance, finance, microfinance and fleet management services under one roof.

The Company's wide-ranging product range, reach to customers through the branch network and the presence of talented management and staff, have made the Company extremely profitable. Through the passage of time and its success in operations, the Company has evolved to become a major contributor to the success of the parent company, People's Bank. As a subsidiary of People's Bank, the People's Leasing Group enjoys government stability along with private sector flexibility.

The Company's asset base of over Rs. 160 billion, capital base of Rs. 27 billion and increasing retained earnings year on year, lends credence to the sustainability of its operations. Despite the increased impairment provision during the year on account of certain unsecured loans, the Company continues to operate profitably to record profit after tax of Rs. 4,309 million and increase its Net Worth. People's Leasing Group achieved its highest ever profit in history by surpassing Rs. 5 billion.

The Company enjoys a market share of approximately 12%. It maintained core capital and total risk weighted capital adequacy ratios of 18.38% and 16.46% respectively, which are well above the minimum of 5% and 10% in respect of each, as prescribed by the Central Bank of Sri Lanka.

In addition, People's Leasing was recognised for the fifth time, as one of the Best Ten Corporate Citizens at the Best Corporate Citizen Sustainability Awards – 2017 presented by the Ceylon Chamber of Commerce. Since 2014, People's Leasing was included in the S&P Sri Lanka 20 Index on the Colombo Stock Exchange which constitute of the 20 largest blue chip companies chosen from the universe of all stocks listed on Colombo Stock Exchange.

About People's Leasing

OUR JOURNEY GRI 102-07



Number of Branches



Number of Employees



Capital



Deposit Base



Subsidiaries/ Associates



Product Range

Beginning

1st Branch
in Kandy

3
Employees

Rs. 10 million

Did not accept deposits

No Subsidiaries

Two products—Lease and Hire purchase

First twenty years

89
Branches

1,666
Employees

Grew to
Rs. 21 billion

Reached
Rs. 34 billion

5
Subsidiaries

Expand with Loans, Islamic finance, Margin trading, Factoring and Deposits

Today

103
Branches

2,085
Employees

Grew to
Rs. 27 billion

Rs. 70 billion

6 Subsidiaries
1 Associate

Added two new products to our portfolio



Balance sheet crossed
Rs. 160 billion



Owens the largest saving base in
NBFI sector



Commenced
Bangladesh Operations



Launched new products
Gold loans and Musharakah



Launched
"PLC Online" app

One of the 10 Best
Corporate citizens

No. 1 Brand
in Non-Bank Financial services by Brand Finance PLC

ARC Awards, Grand Award
for Best Annual Report of Sri Lanka

Future Focus

Expect to launch window offices for Islamic products

Over 300 new recruits

Continue to adhere to the regulatory capital adequacy requirements

Promote the existing products to expand the deposit base

Further expand subsidiary operations

Launch Housing Loan, Education Loan, Wakala, Variable Rate Lending

Highlights

	Page No.	2017/18	2016/17	Change %
Financial Capital				
Income (Rs. million)	255	28,569.53	23,859.04	19.74
Profit before tax (PBT) (Rs. million)	255	5,769.67	5,475.89	5.36
Cost to income ratio (%)	63	38.43	45.01	(6.57)
Total assets (Rs. million)	257	161,488.09	150,456.76	7.33
Return on assets (ROA) (%)	64	3.70	3.99	(0.29)
Manufactured Capital				
Branches (Number)	70	103	103	-
Service centres (Number)	70	101	101	-
Investment on ICT (Rs. million)	69	183.99	246.88	(25.47)
Intellectual Capital				
Goodwill (Group) (Rs. million)	313	417.10	308.54	35.19
Brand value (Rs. million)	77	6,486.00	7,588.00	(14.52)
Market share (%)	78	11.59	12.42	(0.83)
Human Capital				
Staff remuneration and benefits (Rs. million)	86	2,574.98	2,556.24	0.73
Employees (Number)	84	2,085	2,085	-
Investment in training (Rs. million)	94	17.21	28.33	(39.25)
Social and Relationship Capital				
Customers (Number)	97	329,857	306,358	7.67
Supplier base (Number)	112	27,436	23,982	14.40
Payment to suppliers (Rs. million)	112	54,395.87	51,805.29	5.00
Earnings per share (Rs.)	283	3.05	2.69	13.38
Dividend per share (Rs.)	283	1.25	1.25	-
Market capitalisation (Rs. million)	117	24,961.83	24,645.85	1.28
Return on equity (ROE) (%)	116	16.66	16.89	(0.23)
Investment on CSR (Rs. million)	128	101.53	187.64	(45.89)
Community-based initiatives (Number)	128	167	105	59.05
Number of staff volunteered hours (Number)	128	5,800.00	8,496.50	(31.74)
Core capital ratio (required minimum – 5%) (%)	67	18.38	17.56	0.82
Total risk-weighted capital ratio (required minimum – 10%) (%)	67	16.46	16.37	0.09
Natural Capital				
Carbon footprint (tCO ₂ eq)	135	7,011,01	7,206.91	(3.04)
Trees planted and maintained for carbon credits (Number)	135	6,637	5,780	14.83
Number of staff volunteered hours (Number)	135	268	1,276	(79.00)
Investment on natural environment (Rs. million)	135	2.19	3.37	(35.01)
Environment-based initiatives (Number)	135	8	8	-

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Resources in place

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Management
Approach

Chairman's Report



BACKED BY A STRONG CAPITAL POSITION, THE BLESSINGS OF OUR PARENT,
DISCIPLINED RISK MANAGEMENT, GOOD GOVERNANCE, AND A TALENTED TEAM,
PEOPLE'S LEASING IS GEARED TO FACE THE FUTURE WITH CONFIDENCE.

Chairman's Report

We are living in a very interesting era in history when the future is shaping today as envisaged by the theme on the cover of this report. As I write this message, certain developments are taking place at breakneck speed, promising to make the future unprecedented and unparalleled. In the context, what we do, how we do it, and when we do it will determine our position in the industry in the years to come.

Year 2017/18 saw People's Leasing & Finance PLC (People's Leasing) moving forward with new initiatives which the CEO will address in more detail in his review. We restructured several key functions in the organisational structure such as operations, risk management, recoveries and marketing to prepare the Company for its next phase of growth. Importantly, these measures are helping us to strengthen our position in the market and secure our asset quality, profitability, and stability.

Our financial performance for the year has been excellent – all the more so, given the challenging conditions under which it was achieved. Shrinking motor vehicle leasing business consequent to imposition of LTV ratios and intense competition from banks, floods and droughts in some parts of the country, communal riots that occurred towards the latter part of the year, lower economic growth, deteriorating asset quality etc. posed serious challenges to us. However, through appropriate strategies including restructuring of key functions and the introduction of new products, we were able to position ourselves well to face the future with confidence. Accordingly, we have taken effective steps to meet the headwinds that could have affected us more adversely than they did.

We have been able to record significant growth in all key aspects of our business during the financial year ended 31 March 2018. Our focus areas during the year were on increasing the margins and managing the interest spread, maintaining operational efficiency and strengthening our position in the market. Judicious management of funding sources

enabled us to improve the net interest margin. Growth in income coupled with operational efficiencies improved the cost to income ratio. These are positive elements in an environment which has seen the quality of our portfolio deteriorate due to above average defaults on an unsecured loan product, resulting in us having to substantially increase our impairment provision.

In addition to discontinuing this unsecured product, the Company responded positively in meeting these challenges by expanding our attention to place greater emphasis on risk management and recoveries.

People's Leasing recorded a profit after tax of Rs. 4,309.33 million with a 7.48% YoY growth. Despite the higher impairment provision, significant growth in interest income, deposits, improved margins and operational efficiencies contributed to this performance. ROA and ROE at 3.70% and 16.66% respectively are ahead of industry average. People's Leasing Group reached a new milestone with profit after tax crossing Rs. 5 billion mark and recorded Rs. 5,017.71 million. Asset base of People's Leasing and the Group grew to Rs. 161,488.09 million and Rs. 170,953.40 million respectively as at 31 March 2018.

Backed by a strong capital position, the blessings of our Parent, disciplined risk management, good governance, and a talented team, People's Leasing is geared to face the future with confidence.

Achieving another milestone, we expanded our operations and spread our wings overseas with the commencement of operations in Bangladesh. We are excited by this move and immensely encouraged by seeing the operations turnover a profit in its third month of operation. While it is a relatively small operation at present, we believe it has great potential for growth.

People's Leasing continued to uphold good governance and industry best practice and ensured that it is in compliance with all relevant rules and regulations prescribed by the regulators.

Our commitment to sustainability of operations is paramount and it is reassuring to note the progress we have made in this regard in the year under review.

I take this opportunity to thank the Board of Directors for their commitment and direction of the Company, the CEO Mr A S Ibrahim for taking the Organisation forward under difficult conditions in his first full year of operation, the Corporate Management and all the staff for their dedication in maintaining levels of service and dealing with all matters competently and with understanding.

The collective efforts of each person in the Organisation have contributed in no small measure in People's Leasing maintaining its solid position in the Non-banking Financial Institution (NBFI) sector.



Hemasiri Fernando
Chairman

17 May 2018

Chief Executive Officer's Review

GRI 102-14



GIVEN UNPRECEDENTED LEVEL OF CHANGES THAT ARE TAKING PLACE IN THE OPERATING ENVIRONMENT, WE BELIEVE THAT THE FUTURE IS SHAPING TODAY. ACCORDINGLY, ENABLING US TO EFFECTIVELY MEET TOMORROW'S CHALLENGES AND ALSO AFFORDING THE SPECIALISED ATTENTION THEY DESERVE, WE RESTRUCTURED FOUR PRIMARY FUNCTIONS OF THE COMPANY DURING THE YEAR.

Chief Executive Officer's Review

Restructure and consolidate were the key areas of focus in the year under review.

People's Leasing & Finance PLC (People's Leasing) has grown rapidly since its inception and the events of 2017/18 signalled that it was time to draw a deep breath and review the operations.

With the mainstream banks aggressively entering its business domain, the NBFIs sector was adversely impacted. Banks are able to offer more attractive terms to prospective customers as their cost of funds is lower than those of finance companies. Imposition of LTV ratios on certain categories of motor vehicles by the CBSL and the consequent improvement in the product risk profile, making leasing business very attractive to banks aggravated the situation. An industry-wide deterioration of asset quality was also observed. These developments coupled with intense competition among the industry players meant that we had to adopt new strategies and other business opportunities for growth.

It was time to take action to address these issues.

Given unprecedented level of changes that are taking place in the operating environment, we believe that the future is shaping today. Accordingly, enabling us to effectively meet tomorrow's challenges and also affording the specialised attention they deserve, we restructured four primary functions of the Company during the year. Accordingly, Risk Management, Recoveries and Marketing were brought under dedicated Deputy General Managers. Operations including the branch network which was hitherto divided into four zones was restructured under two zones coming under two Senior Deputy General Managers. Consequently, the credit evaluation and the approval processes were streamlined. Credit Risk Assessment training is being conducted throughout the branches in order to improve overall credit quality.

CHALLENGES GENERALLY INSPIRE INNOVATION

This is exactly what happened. We launched several new products last year. Among them are "Gold Loans" in which the Gold is pledged as security against a loan, thereby greatly mitigating the potential for suffering a loss due to default while providing customers with an easy to access means of short-term financing. We also introduced another product – "Musharakah" – through the Al-Safa Islamic Finance Division and are expecting to introduce "Wakala" in the ensuing year. A few more products such as mortgage financing and leases and loans on variable interest rates are on the cards and will be launched shortly. Variable interest rate lending that will track the fluctuation in interest rates against an agreed benchmark and adjust the interest rate charged as required, will help the Company mitigate its interest rate risk. We will continue to develop our portfolio to reflect new consumer tastes and lifestyles.

UNPRECEDENTED CONVENIENCE THROUGH THE WIDEST REACH

Currently we have 103 branches and 101 service centres. We intend opening low cost service centres in People's Bank branches throughout the country. We will consequently have the widest coverage amongst the NBFIs. This initiative also enhances the customer experience as their leasing enquiries can be handled in the same premises that meet their banking needs. Revamped People's Leasing Online, the Company's online portal was also launched during the year with added features and functionalities enabling customers access to the Company's products and services.

OUR SCORECARD IN THE YEAR UNDER REVIEW

Amidst all the challenges, People's Leasing was able to record a Profit after Tax of Rs. 4,309.33 million for the year, a growth of 7.48% compared to 2016/17. Loans and advances growth of 5.15%, deposits growth of 55.99% and Net Interest Margin improving to 8.36% from 7.89% last

year enabled us to grow our net interest income by 19.52% to Rs. 12,204.48 million which accounted for 86.74% of the total operating income. Growth in income coupled with careful management of operating expenses saw the cost to income ratio substantially improve to 38.43% from 45.01%. Deterioration of the asset quality as reflected by the gross Non-performing advances (NPA) ratio increasing to 2.70% caused the impairment charge for the year to increase to Rs. 1,406.26 million from Rs. 68.78 million last year. Yet, our NPA ratio is well below the industry average of 5.9%.

As a result of assets and equity growth being higher than the growth in profit after tax, our profitability in terms of ROA and ROE decreased marginally to 3.70% and 16.66% respectively compared to the previous year, but remained ahead of the industry average. Growth in the deposit base to Rs. 69.76 billion with the largest savings deposits base of Rs. 4.33 billion among all the NBFIs, within a relatively short-time span and without much marketing effort warrants special mention.

Reflecting strong stability and adequate leeway for future business expansion, People's Leasing maintained capital adequacy ratios at 18.38% and 16.46% for Core Capital and Total Risk Weighted Capital respectively well ahead of the regulatory minimum requirements of 5% and 10%.

Recording a profit after taxation of Rs. 5,017.71 million for the year, People's Leasing Group reached a new milestone when it crossed Rs. 5 billion mark for the first time. People's Leasing and the Group had a strong asset base of Rs. 161,488.09 million and Rs. 170,953.40 million respectively as at 31 March 2018.

GEOGRAPHICAL DIVERSIFICATION AS A STRATEGY

Lankan Alliance Finance Limited, the Company's subsidiary established in Bangladesh commenced commercial operations in December 2017. Within a

Chief Executive Officer's Review

short span of three months, the Company started to report a monthly profit from February 2018. This is extremely encouraging in a market that is restrictive and small but has great potential for growth.

AWARDS

In acknowledgment and appreciation of People's Leasing's standing and commitment to innovation and good governance, People's Leasing received several awards and accolades during the year. Among others, these included the No. 1 rank non-banking financial services brand by Brand Finance PLC. APICTA Gold Award awarded for a finance company after 17 years for Selfecash product beating 16 countries, ranking among ten best corporate citizens of the country for the fifth time and recognition received for People's Leasing Annual Report 2016/17 at both local and international levels.

SUSTAINABILITY MATTERS TO US

Sustainability of operations is one of the key imperatives for the Company. In this regard People's Leasing has proactively responded in meeting and responding to the challenges. In doing so, we have provided more fortitude and rigour to the way business is conducted in the future.

Our sustainability initiatives are centred on entrepreneurship and financial literacy building, uplifting education, environmental stewardship, road safety, and empowering local communities. We have provided training for entrepreneurs in business planning, budgeting, taxation and record keeping. People's Leasing continues its commitment to early childhood development through the training of pre-school teachers and upgrading early childhood development centres. People's Leasing launched its flagship long-term scholarship scheme in October 2017. Our commitment to social responsibility has seen the Company invest Rs. 101.53 million through 167 initiatives island wide with the active participation of our branch network contributing over 5,000 volunteer hours.

The Company's direction in minimising the negative impact on the environment continues unabated. Our journey towards a paperless business while promoting environmentally ethical and socially responsible lending, promoting green finance, practising responsible procurement and committing to long-term reforestation are some of our current initiatives.

OUR PEOPLE, OUR UNIQUE VALUE PROPOSITION

If there is one element that sets People's Leasing apart from the others in the NBF sector, it is our people. The quality of our staff is reflected in the quality of service offered by the Company. I believe it is appropriate to make special mention of all our employees and thank them for the contribution they continue to make in People's Leasing maintaining its solid position in the sector. Their commitment is all the more important since we have to now compete on the relationships and the ability to turnaround our services faster than the competition. Our people have proved themselves at it. Therefore we continue to engage them, respect their independence, build capacity, develop their careers and ensure their well-being.

FUTURE

Besides intense competition within as well as from outside the industry, fluctuating interest rates and the like, future will be characterised by certain global developments currently taking place in the operating environment, such as in information and communication technology (ICT) and the consequent risks, changing demographics, increasing customer and employee expectations, and heightened concerns for sustainable practices. We are cognisant of these developments and will continue to proactively fine-tune our value proposition in terms of products and services, reach, service standards and internal processes, to sustain our value creation process. We envisage ICT infrastructure to play a pivotal role in this regard.

We believe this will enable us to mitigate both conventional and emerging risks of our business resulting in better alignment of the funding mix, mitigating interest rate risk, enhancing interest margins and improving operational efficiency, leading to People's Leasing becoming a more profitable and stable finance company.

THANK YOU

I wish to thank the Chairman and the Board of Directors for their support, all our customers for the confidence they have displayed in our products, our suppliers for their contribution, investors and strategic partners for their continued trust and officials of the Central Bank of Sri Lanka and the Department of Supervision of Non-Bank Financial Institutions for regulatory guidance. I also wish to extend my appreciation to the former Chief Executive Officer, Mr D P Kumaraage for his dedicated service that brought the Company to what it is today.

We face the new year with added resilience and confidence to continue growing our brand and improving our sustainability.



A S Ibrahim
Chief Executive Officer
17 May 2018

Business Model for Value Creation and Capital Formation

OVERVIEW

It is an organisation's business model that helps it create or transform value or may even unintentionally lead to destroying value at times. Hence, the need to have a robust business model for the sustainability of a business cannot be overemphasised. The business model of People's Leasing captures the entire process through which inputs from the capitals are processed through its business activities and interactions to produce outputs and outcomes for all stakeholders. The capitals represent stores of value used as inputs at the outset of the business cycle which the Company enhances through its business activities, leading to broader positive outcomes for stakeholders. The process, however, may at times generate negative outcomes for some individuals or collectively on some capitals. People's Leasing is aware of this situation and makes every endeavour to minimise such consequential impacts.

The pre-eminent position that the Company occupies in the NBFIs sector today and the remarkable performance the Company has been able to report for the year under review amply demonstrates the robustness of its business model. Yet, we are aware of the unprecedented developments that are taking place in the operating environment – from brick and mortar to online and changing demographics in particular – and will continue to innovate our business model to remain relevant and sustain value creation.

Inputs we used, processes we carried out, outputs we generated and the impact by way of outcomes are explained in detail below:

INPUTS WE USED

Peoples Leasing draws on inputs from a number of sources and we regard them as "capitals" since they facilitate our value creation process. These inputs include internal sources such as financial capital

contributed by the investors as well as built over the years through retained earnings, manufactured capital procured deploying financial capital and intellectual capital and external sources such as employees, customers, business partners, regulators, society and environment. Besides the backing of the People's Bank as the Parent and the public confidence that comes with it, People's Leasing has built up certain competitive advantages over the past 21 years of its existence. These include the wide network of delivery channels and customer touch points, institutionalised knowledge of its employees, strong brand name as a group, group synergy etc. These competitive advantages have given us an edge over the competition in sourcing capital inputs for our operations.

All these capital inputs, without exception, are necessary to create the value desired in achieving the outputs and outcomes of People's Leasing. However, by virtue of People's Leasing being a financial services provider and the role it played in the establishment and perpetuation of the business, financial capital is a dominant component of the Company's value creation process.

Along with the value placed on employees, recognition and the importance of customers in the value chain are acknowledged. They are vital for the ongoing operation of the Company. The relationships built with them and all other stakeholders are a crucial element in the total configuration leading to the success of People's Leasing.

We operate this Company in an age where there is a predominant emphasis on the responsible use of the environment. People's Leasing as a company takes this responsibility extremely seriously. The importance of this aspect of the operation is underlined by the inclusion of "Natural Capital" as one of the inputs to the value creation process.

PROCESSES WE CARRIED OUT

Like in the case of any other financial services provider, People's Leasing's value creation process centres around financial intermediation and maturity transformation. As a financial intermediary, Company acts in between various parties who are desirous of underwriting financial products and services, enabling them to realise their economic, social and environmental goals. In the process, the Company transforms the maturities of its short-term sources of funding to medium and long-term lending. It is these two services that enable the Company to deliver value to and derive value from the stakeholders and generate its primary sources of income in the form of interest & fees and commissions.

A number of other functions support the two primary activities. It is these functions that maintained relationships with the stakeholders, secured and made available the inputs we used, and provided the "second line of defence" to ensure that we carried out our activities within the applicable rules and regulations – both internal and regulator driven.

The primary activities and the roles of support functions are undertaken within a framework of good governance and prudent risk management which provided the "third line of defence".

The capital inputs are thus converted into products and services through the ingenuity of the Company's Intellectual and Human capital and made available to the community via its Manufactured and Social and Relationship capital in an environmentally responsible manner.

The Company's Vision and Mission guide the entire value creation process through its operations while the Value statement encompassing economic viability, social accountability and environmental responsibility provides a platform for our value creation process.

Contd. to page 20.

People's Leasing & Finance PLC

INPUTS WE USED



Financial Capital (Over Rs. 150 billion)

Shareholders' funds from over 8,500 shareholders
 Customer deposits from over 200,000 depositors
 Borrowed funds from around 25 banks and lenders
 Financial covenants



Intellectual Capital

Brand value and brand equity
 Strength of the parent company
 Institutionalised knowledge
 Core competencies
 System of internal control
 Computer software
 Good governance
 Data base and insights
 Awards and accolades
 Culture and organisational structure
 Credit ratings



Manufactured Capital (Rs. 1,852.72 million on average)

Property, plant and equipment (excluding land)
 Widespread network of channels and outlets



Human Capital (2,085 employees)

11,038 years of cumulative service
 Core competencies
 Creativity



Social and Relationship Capital

Longstanding relationships and alliances
 204,125 deposit and 116,612 borrowing customers
 Total business partners 27,436
 Five pillared focused CSR framework
 Utilities



Natural Capital

Resource efficiency pledge
 Commitment towards paperless finance
 Four pillared approach towards environmental stewardship



PROCESSES WE CARRIED OUT



VISION

MISSION

VALUES

GOALS



Political

Economic

Social

Technological

Environmental

Legal

Regulatory

Given the higher outputs we were able to generate during the year under review, the positive impact such output could make by way of outcomes on all the stakeholders and the underlying solid governance and risk management framework which would become "inputs" for the value creation process next year, we are confident of sustainable value creation.

(External forces which may positively or negatively impact People's Leasing's business operations)

OUTPUTS WE GENERATED



Indicator	2017/18	2016/17	Growth %
Total assets (Rs. million)	161,488.09	150,456.76	7.33
Lending portfolio (Rs. million)	140,962.94	134,054.70	5.15
Deposits portfolio (Rs. million)	69,763.22	44,722.55	55.99
Net interest income (Rs. million)	12,204.48	10,211.66	19.52
Total operating income (Rs. million)	14,069.38	12,029.44	16.96
Profit after tax (Rs. million)	4,309.33	4,009.25	7.48
Number of new products introduced	2	2	-
New products in the pipeline	4	3	33.33
Brand Value	6,486	7,588	(14.52)
Credit rating			
Fitch Ratings Lanka	AA-(lka)	AA-(lka)	
Fitch Ratings International	B	B	
Standard & Poors'	B+/B	B+/B	
Employees trained	1,727	1,942	(11.07)
Number of branches	103	103	-
Service Centres	101	101	-
ICT Investment (Rs. million)	183.99	246.88	(25.47)
Fixed Assets Investment (Rs. million)	170.35	310.06	(45.06)
Salaries and benefits (Rs. million)	2,574.98	2,556.24	0.73
Investment in training and development (Rs. million)	17.21	28.33	(39.25)
Investment on CSR activities (Rs. million)	101.53	187.64	(45.91)
Number of customers	320,737	306,358	4.69
Core capital ratio (%)	18.38	17.56	0.82
Total risk weighted capital ratio (%)	16.46	16.37	0.09
Carbon footprint (tCO ₂ eq)	7,011.01	7,206.91	(3.04)
Number of trees planted/maintained	6,637	5,780	14.83
Green facilities	904	1,032	(12.4)
Investment on environmental initiatives (Rs. million)	2.20	3.37	(34.72)



THE IMPACT (OUTCOMES)

Investors

Dividends and interest
Share price appreciation leading to capital gains
A loyal investor base with a long-term view
Optimum risk return trade-off

Customers

Realised growth opportunities
Safety and security for savings
Unparalleled convenience and unprecedented choice
A satisfied and growing customer base
Improved cross sell ratio

Employees

Remuneration and benefits
Career development
Job satisfaction
Work life balance

Suppliers and Business Partners

An integrated supplier chain
Supplier success and growth
Long-term relationships

Government

Tax revenue and tax collection on behalf
Contribution to economic growth
Financial sector stability
Economic opportunities
Employment generation
Compliance

Community and Environment

Responsible financial services
Financial inclusion
Community development
Social License to operate
Contribution to Sustainable Development Goals
Digital products and services
Environment conscious value chain
Development of green products and services

Monetary Policy

Fiscal Policy

Opportunities

Threats

Demographics

Competition

Contd. from page 17.

Company has also set short, medium, and long-term goals to provide direction and enable periodic measurement of performance to identify progress in the journey to achieving the purpose of operating the Company. Interlinked with the process is adherence to principles of governance and risk management which are designed to provide transparency and controls that enable delivery of products and services while mitigating the potential for indiscretions.

OUTPUTS WE GENERATED

The value so delivered to and derived from stakeholders generates outputs, enabling both the Company and its stakeholders reap economic benefits in the form of profits, and several other tangible results. Accordingly, we were able to record remarkable growth, leading to outputs that augmented and/or helped preserve the capital inputs for the benefit of all the stakeholders. The outputs were visible in terms of increased business volumes and operating results, employee development and well-being, mutually beneficial interactions and relationships with the business partners, the society and the environment etc. This augurs well for the sustainability of the Company since these augmented outputs will feed into the business model the following year in the form of capital inputs.

THE IMPACT (OUTCOMES)

The "Raison d'etre" for the existence and functioning of a company is to add value in the space in which it operates. The generation of outcomes as a result of its activities, must cover not only the propagation of profits and economic benefits to the Organisation, but must also benefit the overall environment in which it operates.

The beneficiaries of the activities of People's Leasing, the responsible and sustainable management of its resources, spanned all the stakeholders – investors, customers, employees, business partners, Government, and community and the

environment. Our profitable and prudent growth enabled payment of reasonable dividends and afforded opportunities for capital gains for the shareholders. We have been able to build a loyal shareholder base who will provide capital funds for future expansion, if the need arises. We have seen our customer base grow, 53.30% of them doing repeat business and an improvement in the cross sell ratio. Our employees are satisfied with the remuneration packages we pay them and the career development opportunities we afford them. We have a long-standing supplier base with mutually rewarding relationships. We have been able to help the Government with tax revenue and revenue collection on behalf. By conducting our business in accordance with the letter as well as the spirit of the law, we have assisted the regulators to maintain financial sector stability. We always offer our services responsibly and our target customer base includes those currently unbanked as well, thereby promoting financial inclusion. We are aware that leasing of motor vehicles, one of our core products has a negative impact on the environment as a result of the air pollution motor vehicles cause. In addition to actively promoting leasing of electric vehicles, we carry out certain green initiatives to mitigate such impact as detailed in the section on Natural Capital on pages 133 to 140.

Accordingly, People's Leasing is confident that, through its operation, it has made a valid and valuable contribution to the economy as a whole, the employees and other relationships, the community and the environment.

Operating Environment

GLOBAL CONTEXT

Global economic activity grew from 3.2% in 2016 to 3.7% in 2017 with projections of growth in 2018 estimated at 3.9%.

Sluggish growth in the USA and the UK was more than offset by the advances in Europe, Japan, emerging Asia and Russia.

The relatively low fuel price in 2017 resulted in a downturn in foreign earnings for oil exporting countries. However, crude oil prices in the global market followed an increasing trend since June 2017, owing to ongoing supply cuts and stronger demand. The prices of stocks on the New York Stock Exchange continued its upward swing, during the year under review, unperturbed by the perceived uncertainty with the election of the new administration in the USA.

Wages growth in most advanced economies has remained lower than it was before the recession in 2008/09. A key cyclical factor explaining this pattern is labour market slack i.e. the excess supply of labour, over and above that which firms are willing to employ. Other factors contributing to the lack of wages growth could be the threat of relocating plants across borders to take advantage of worldwide supply of less costly labour.

FUTURE GLOBAL ECONOMIC OUTLOOK

It has been reported that the medium-term outlook for global economic growth is flat and global output growth through 2021 is estimated to be about 3.7%. Stronger growth however is expected in a limited number of developed and emerging markets.

Politics is expected to influence these growth figures consequent to the greater polarising of the nations. It is likely that the political variables that are being propagated in the larger economies, which accounted for 71% of total global output in 2016, will act as severe impediments to the potential for growth.

A tightening of monetary conditions in China, to contain the risks posed by its rapid increase in debt over the past ten years is expected to decelerate their pace of growth from 6.8% to 6.4%.

Populism and protectionism in the USA and EU member States, unconventional monetary policies to stimulate domestic growth in Japan and the eurozone, regulatory reforms in India to deal with rising volatility in the world, are all factors that will impact global advancement.



In addition, the following influences could have a flow through effect on the Sri Lankan economy:

- Forecasted increases in commodity prices including energy and precious metals
- Reduced trade and cross border investments
- Tightening global financial conditions
- Interest rate hikes in advanced economies

THE SRI LANKAN ECONOMY

Sri Lankan economy recorded a lower growth of 3.1% in 2017 compared to 4.5% recorded in 2016. This was as a result of the agricultural sector contracting by 0.8% due to weather related issues while both industrial and service sectors too experienced a slow down.

Tourist arrivals and earnings from tourism continued to increase cushioning the impact of the widening trade deficit. Workers' remittances however continued to decline.

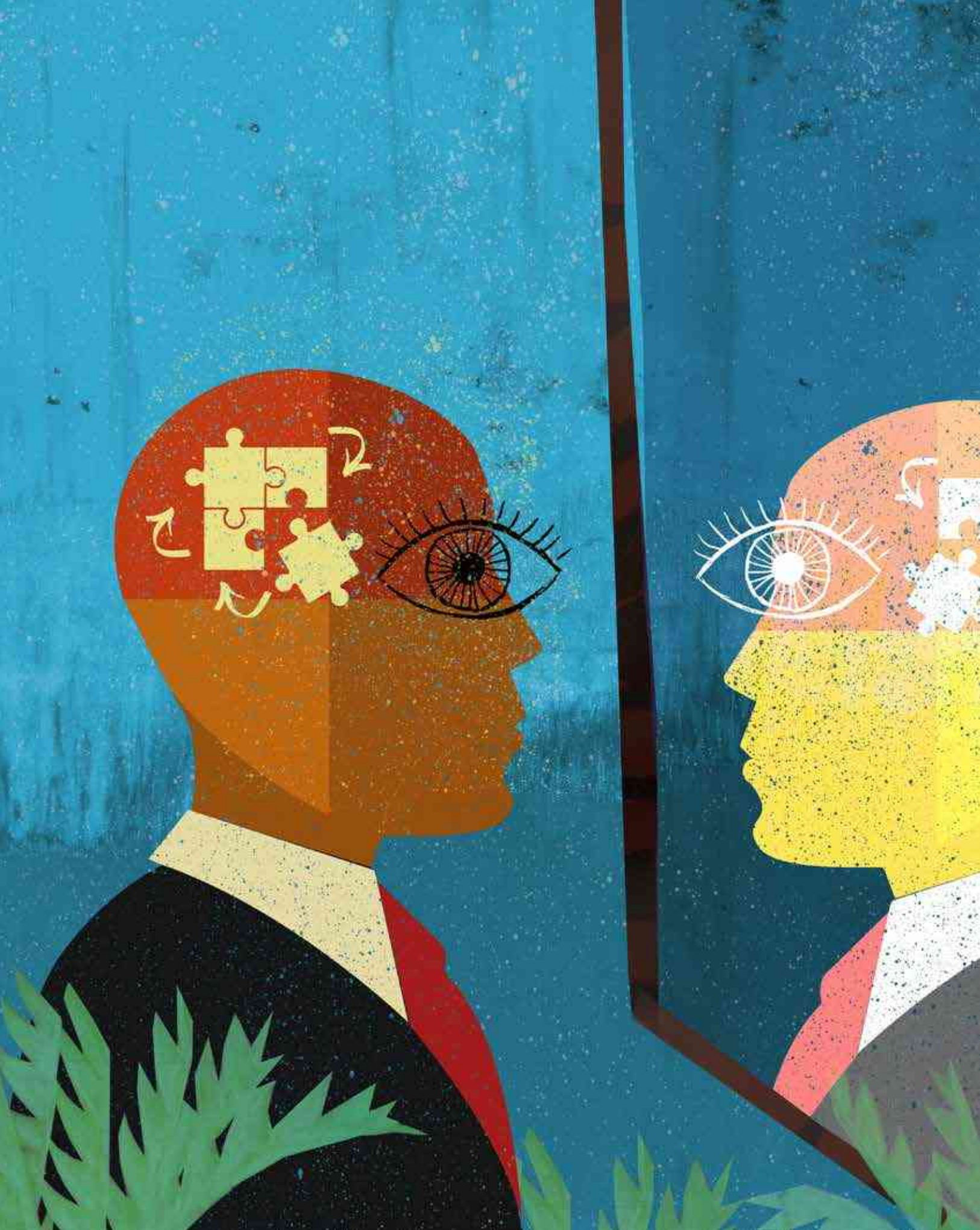
Consequent to measures taken to develop the domestic foreign exchange market that enabled the Central Bank to purchase a substantial amount of foreign exchange, Sri Lanka's gross official Reserves increased to USD 8.0 billion. The Sri Lankan Rupee recorded only a modest depreciation against the US Dollar of 2.0% during the year 2017.

Central Bank continued to tighten the monetary policy by raising the key policy rates, leading the market interest rates to go up. However, excess liquidity in the market helped the interest rates to stabilise towards the end of the year.

WORLD ECONOMIC OUTLOOK PROJECTIONS

	2016	2017	2018 (Forecast)
World Output	3.2	3.7	3.9
Advanced Economies	1.7	2.3	2.3
United States	1.5	2.3	2.7
Euro Area	1.8	2.4	2.2
Japan	0.9	1.8	1.2
United Kingdom	1.9	1.7	1.5
Emerging market and Developing Economies	4.4	4.7	4.9
Russia	(0.2)	1.8	1.7
China	6.7	6.8	6.6
India	7.1	6.7	7.4
ASEAN-5	4.9	5.3	5.3

Source: World Economic Outlook January 2018



Connecting customers with perfect solutions

At People's Leasing, we take the "know your customer" concept to a different level. To us, knowing our customers means understanding their hopes and dreams as well as their business needs. We are keenly aware that it is only this type of deep knowledge that will help us find solutions which truly fit the problems our customers are looking to solve.

Year on year inflation measured by the CCPI was 7.1% at December 2017.

Liquidity ratio (Liquid Assets as a percentage of Deposits and Borrowings) improved from 9.3% to 11.7% at December 2017 due to improved surplus.

Future Outlook for Sri Lanka's economy

- — The economy is projected to grow by 5 - 5.5% in 2018;
- — The Government is committed to medium-term reform agendas to improve competitiveness, governance and public financial management;
- — Confidence in the Government has increased through their readiness to promote stability with appropriate monetary policies;
- — Lower than expected growth in countries that generate foreign exchange inflows to Sri Lanka poses a risk to the economy;
- — The commencement of the Hambantota Industrial Zone and the continuation of the Colombo Port City Project are expected to bring significant FDI flows from 2018 onwards;
- — The Central Bank will continue to focus more on non-debt creating methods of financing, in building the country's reserves;
- — The possibility of increased commodity prices and instability in international politics could expose the economy to undue strain;
- — Delays in implementing reforms and potential natural disasters locally, adds another element of uncertainty to economic development in the country.

Operating Environment



During the year under review the following influences had a direct impact on the Sri Lankan NBFIs Sector:

- GDP Growth rate of the country
- Volatile interest rates
- Rising inflation
- New tax rules introduced
- Exchange rate depreciation

THE NON-BANKING FINANCIAL INSTITUTIONS (NBFIs) SECTOR IN SRI LANKA

Finance companies fall under a particular niche in Sri Lankan financial services, serving the unbanked population through a higher interest rate regime.

The sector grew by 11.8% during the year and recorded Rs. 1,355.0 billion in total assets as at 31 December 2017. Deposits grew by 29.4% to account for 63.4% of the funding mix, far outweighing the loans growth of (9.8)% due to slow down in credit growth. Policy measures taken to curtail importation of vehicles and lending towards them, lower economic growth and higher interest rate impacted credit growth. Asset quality too witnessed significant deterioration during the second half of the year increasing gross NPA ratio by 59% which is mainly due to slow credit growth and impact of natural disasters but with provision cover of 64.0%, net NPA ratio was 1.5% only.

Pressure from the banking sector and the rising funding costs brought the Net Interest Margin of the sector marginally down to 7.7% in 2017 from 7.9% in 2016. This coupled with the increasing impairment charges caused the sector profitability to come down. Accordingly, ROA and ROE dropped to 3.2% and 16.1% for the year from 4.0% and 23.1% last year.

A new Finance Business Act was passed in 2011. It was believed that fresh legislation would bring awareness to the players within the industry that greater regulations were being enacted to prevent the collapses of some organisations in the 1980s, 1990s and more recently in 2008.

Lending undertaken by Finance companies is subject to higher risk as they do not always require complete and comprehensive documentation. Dealing with higher risk requires superior models that companies must use to mitigate the potential to incur losses. The capacity to interact closely with their customers and identify any possible "red flags" is essential to take corrective action as early as possible.

In recent times, banks interest towards the field of leasing increased rapidly, thereby infiltrating the field that was previously the exclusive domain of the finance companies. The Banks' ability to attract deposits at lower rates has put them at a competitive advantage in being able to offer more attractive leasing packages than the finance companies. Consequently, there is now pressure on finance companies to compete with the banks for low cost deposits to be able to stay in the market. This situation has entailed the finance companies having to take more risk to attract business.

As a result, finance companies have turned to other businesses, such as, microcredit, gold loans and working capital loans.

Microfinance is a growing business for many NBFIs, though it remains unregulated by the Central Bank. In the absence of a credit reference system for the micro, small and medium-sized enterprises sector, consumers can take out multiple loans from different institutions and quickly become overburdened. The industry has recognised the need for a credit information database to assist them in this regard.



The key factors that impact People's Leasing are as follows:

- Pressure on interest margins due to increased competition from banks
- LTV ratios imposed on vehicle financing
- Increase in NPAs
- Adverse weather conditions affected agricultural harvests and consequently affected the disposable income of our customers
- Volatility in interest rates

Operating Environment

A summary comparison of KPIs (Industry Vs People's Leasing)

Indicator	Industry*	People's Leasing
Loans and advances (Rs. billion)	1,057.1	141.0
Investments (Rs. billion)	118.1	13.8
Deposits (Rs. billion)	686.7	69.8
Borrowings (Rs. billion)	396.0	55.7
Capital (Rs. billion)	169.7	27.0
Total assets/liabilities (Rs. billion)	1,355.0	161.5
Profitability		
Return on assets (ROA) (%)	3.2	3.7
Return on equity (ROE) (%)	16.1	16.7
Net interest margin (NIM) (%)	7.7	8.4
Core capital ratio (%)	12.4	18.4
Total risk weighted capital ratio (%)	13.1	16.5
Source of Funds		
Total deposits (%)	54.83	45.7
Total borrowings (%)	31.62	36.6
Capital elements (%)	13.55	17.7
Use of Funds		
Loans and advances (%)	78.0	87.3
Investments (%)	8.7	8.5
Other assets (%)	13.3	4.2
Asset growth (%)	11.8	7.3
Loans and advances (YoY growth) (%)	9.8	5.2
Asset Quality		
Gross NPA ratio (%)	5.9	2.7
Net NPA ratio (%)	1.5	0.7

*Source: Central Bank of Sri Lanka Annual Report 2017 (figures as at 31 December 2017).

People's Leasing, through the application of its Intellectual and Human Capital has responded positively to these challenges. New products such as loans granted against Gold as collateral and Musharakah and adopting measures such as increasing deposits to fund loans as against sourcing high cost short-term loans, have placed the Company in a relatively strong position to maintain its sound financial position.

OUTLOOK

LFCs and SLCs will continue to play a vital role in serving the needs of the SME and micro sectors and those who are currently unbanked, thereby promoting financial inclusion in the country. Yet, as we have experienced in the past, the extent upto which they can make an impact will depend on a number of sector specific risks as well

as external factors. Sector specific risks include competition among the players in the sector as well as from the banking industry which will intensify further, technological developments challenging the conventional business model, and concentration risks such as increasing exposure to microfinance lending. External factors include macroeconomic conditions, political stability, regulatory developments, fiscal policy changes, technological advancements, climatic conditions, and market-related factors.

Implementation of SLFRS 9 (equivalent of IFRS 9) with effect from 1 January 2018 which requires adoption of the "expected loss model" instead of the "incurred loss model" for impairment testing is expected to increase the impairment provision of financial institutions substantially and impact internal generation of capital which will in turn affect leeway for business expansion.

On the positive side, the Capital Adequacy Ratios in the sector increased during the year. The Core Capital Ratio grew from 11.3% to 12.4% while the Total Risk-Weighted Capital Adequacy Ratio improved from 11.7% to 13.1%. However, with the implementation of Basel III regulations, the regulatory minimum ratios with effect from 1 July 2018 are set to increase to 6% and 11% respectively. This coupled with the increasing tax liabilities may curtail business expansion of the sector in future.

Goals of the Company and Strategies & Resources in place

“Continue to be the most admired and socially-responsible finance company”

The above goal of the Company does not entail the accomplishment of it by a defined date. Rather, it reflects the journey that People’s Leasing has embarked on, that strives to justify its position as a leading player in the industry and strengthens its image as a responsible participant in the commercial landscape, whilst rendering an essential service that satisfies the needs of its customers in particular and the market place in general.

Goals are defined as the results or achievements towards which effort is directed. The goals are derived in ways that are congruent with the overall intention of the Company. In this instance, People’s Leasing believes that by achieving the goals set out in the Table below, it is able to measure the extent of its progress towards being “the most admired and socially-responsible finance company”.

To facilitate the activities of the Company, People’s Leasing has set short, medium and long-term goals. It is believed that having these milestones gives the

Company direction, specific objectives to strive towards and assists the Organisation in working towards continued sustainability of its operations.

OUR KEY STRATEGIES

People’s Leasing’s approach to conducting its business encompasses three key strategies:

- Competitive Strategy
- Product Market Strategy
- Growth Strategy



Competitive Strategy

To be a leader in any industry requires a factor or factors that differentiate us from the rest. We believe that the distinguishing feature in People’s Leasing business lies in the quality of service and the innovative range of products that are offered to our customers. While our knowledge of the SME sector remains strong, our Intellectual and Human Capital provides expert knowledge of the industry and its requirements. In addition, we enjoy strong ties with our Parent organisation, People’s Bank. Its brand is the foundation that triggers trust and confidence in our Organisation and the services and products we offer.



Product Market Strategy

The demands of the market are such that the range of products offered require constant review and evaluation as to whether they are serving the needs of the customer. People’s Leasing has become very adept at recognising our customers’ desires and necessities. This is achieved through the strong relationships we have developed with our customer base. Our regular interaction with them through our extensive branch network promotes a two-way communication link that keeps People’s Leasing aware of the beat of the market. This opens the door, to not only keeping abreast of the needs of the market, but to also anticipate the future needs, leading to the design and launch of new products.



Growth Strategy

Our conventional growth strategy centres around using the existing and expanding infrastructure (branches) to fuel increases in coverage, which in turn escalates the number of people who are made aware of the Company’s products and services. This year has seen People’s Leasing stepping beyond this conventional framework to commence operations in Bangladesh. This move has seen the introduction of new products to the market, such as, “Gold Loans”, and “Musharakah”.

Goals of the Company and Strategies & Resources in place

SHORT-TERM GOALS

People's Leasing has set short-term goals against each of its Capitals to ensure that the Company is directed towards achieving its ultimate mission and vision.

FINANCIAL CAPITAL

These goals are directed towards achieving financial sustainability. Achieving annual Profit after Tax (PAT) growth in excess of 10% contributes to increasing the net worth of the Company. Assisting this growth target are the goals of maintaining interest margins and a high-quality asset portfolio.

Progress without innovation is difficult in today's economic environment. Customers continue to demand responses to new trends and the Company needs to keep one step ahead of the competition to maintain and strengthen its position in the NBFi sector. To this end, the Company introduced two new products during the year – Gold Loans and Musharakah. In addition, the introduction of variable rate products will be an appropriate response to the fluctuating interest rate environment.

MANUFACTURED CAPITAL

Having a range of products to satisfy the markets' needs is of no use if they cannot be brought to the attention of the customers. People's Leasing has a branch network of over one hundred and it has access to the larger network of People's Bank branches.

People's Leasing has increased its presence throughout the country by establishing "service centres" at the Bank's branches where leasing enquiries by the Bank's customers can be directed to People's Leasing without the customer having to leave the branch.

In addition, development of its IT network structure has led to enquiries which transcend physical boundaries.

INTELLECTUAL CAPITAL

People's Leasing believes that by improving the brand value of the Company, it will continue to project itself as a major player in the industry and boost its image at international level. To achieve this, it will strive towards retaining its customers and enticing them to satisfy their needs through repeated use of its products. In the year under review, 53.30% of its customers were those who had used one or more of our products previously. This statistic gives assurance to the Company that while it has a sound base of loyal customers, it is also able to attract new customers which lend to its goal of growing the Company.

It has also maintained its international credit ratings of "B" (Fitch) and "B+/B" (Standard & Poor's). These are the highest ratings achieved by a finance company and instils confidence in the international market.

HUMAN CAPITAL

People's Leasing recognises the importance of part played by the human resources employed by them. It has a fundamental commitment to provide suitable training and continuously develop skills and competencies, to enable the employees give their best in their jobs. It also prides itself in attracting and recruiting the best of the available talent, identifying and motivating the resources to perform and retain their employment with the Company. In 2017/18, the Company recorded a retention rate of 88.49% with 612 employees being promoted internally.

SOCIAL AND RELATIONSHIP CAPITAL

The successful functioning of any company is dependent on the relationships it builds in the course of operations. Nurturing and improving those relationships provide the intangible yet essential framework that binds the workings of the many disciplines

that are required to operate. The goals in this input are framed around improving customer convenience, cultivating relationships with customers, suppliers and other institutions, responding in a timely manner to not only enquiries but also in respect of compliance requirements and being an integral part of contributing to national development.

The goals set out in this section assist in building these imperatives into the culture of the Organisation.

NATURAL CAPITAL

There is a growing responsibility on, particularly the commercial sector, to assume a significant role in conducting their businesses in an environmentally responsible manner.

To respond to this need, People's Leasing has made commitments to reduce carbon footprint, develop green consciousness across the value chain and enhance our commitment towards reforestation.

The inclusion of this focus as one of the six pillars of capital input bears testimony to the pledge made by the Company to make sure of its increasing role in being an environmentally-friendly financial solutions provider.

The setting of annual goals in all capital inputs, focuses the attention of the Company on various milestones that will measure its achievements, as it travels on the road to responsible and sustainable growth and progress, and the enhancement of its position as a leader.

The following short-term goals relate to the priorities that need particular attention each financial year.

Goals of the Company and Strategies & Resources in place



Short term goals

Maintain the Company's leadership position in the NBFi sector

Achieve Profit after Tax growth of over 10% on an year on year basis

Maintain interest margins to sustain growth

Maintain a high-quality asset portfolio

Strategic priorities	Strategies
<p>Diversifying the funding sources further to ensure availability of funding at lower rates.</p>	<ul style="list-style-type: none"> Determine optimal mix between long-term funds and short-term funds to eliminate maturity mismatch. Explore opportunities to raise foreign funding as an alternative. Adopt new mechanisms, new products and allocate appropriate resources to prioritise and build up the savings and fixed deposit base. Reduce reliance on high cost local bank borrowings.
<p>Increasing business volumes by focusing on untapped markets to improve market share.</p>	<ul style="list-style-type: none"> Implement a mass media campaign to enhance the corporate image. Expand service centres to enhance capacity and reach. Revisit existing customer service practices with the intention of enhancing service levels.
<p>Intensify recovery steps together with strong monitoring of customer portfolio.</p>	<ul style="list-style-type: none"> Emphasise on the need for quality in the granting of loans. Initiate stringent controls to facilitate recovery action, if required. Enhance awareness and knowledge on credit evaluation methods and relevant documentation. Align the performance based rewarding system with corporate objectives.
<p>Introducing products with higher yields to improve margins.</p>	<ul style="list-style-type: none"> Introduce variable rate products which are more suitable for the volatile interest rate environment. Develop new products with high interest spread and with longer maturities to expand product bundle. Increase fee-based income.

KEY PERFORMANCE INDICATORS	Profit growth	Asset growth	Deposit base	Borrowings	Market share	Total disbursement	Non-performing advances ratio	Products
2016/17	(7.78%)	21.01%	Rs. 44,722.53 million	Rs. 74,257.69 million	12.42%	Rs. 91,607 million	1.33% against industry average of 4.89%	2 new Products
2017/18	7.48%	7.33%	Rs. 69,763.22 million	Rs. 55,705.29 million	11.92%	Rs. 87,854.72 million	2.70% against industry average of 5.94%	2 new Products
2018/19 Target	10%	Over 10%	Over Rs. 80,000 million	Less than Rs. 40,000 million	Over 13%	Over Rs. 100,000 million	Less than 3%	4 new Products

Goals of the Company and Strategies & Resources in place



Short term goals

Ensure the Company's presence in all populated areas across the country

Strive for an eco-friendly manufacturing capital establishment

Strategic priorities	Increase presence in the island-wide branch network.	Provide convenient financial solutions to customers.	Leverage on technological innovations.	Improve operational processes.
Strategies	<ul style="list-style-type: none"> Investing on technologies to strengthen connectivity. 	<ul style="list-style-type: none"> Revamping the People's Leasing website. Develop a comprehensive customer feedback mechanism. Reach out to untouched markets. Improve the mobility of the marketing staff. Replace existing manual processes by developing on-line processes. 	<ul style="list-style-type: none"> Improve training on ICT for employees to update their skills and knowledge. Update the Company's products with technological features to ensure customer convenience. Investing in latest technologies and introducing mechanisms to share knowledge within the Company. Revamp our core IT system. 	<ul style="list-style-type: none"> Decentralise some functional areas and give branches more autonomy to provide speedy service to customers. Promote environment friendly measures in the establishment and maintenance of the branch network. Be responsible when utilising manufactured capital.

KEY PERFORMANCE INDICATORS	Number of branches	Service centres	New modules and systems	ICT Investment
2016/17	103	101	Developed Selfecash module, Online application module for factoring system	Rs. 214 million
2017/18	103	101	Launched "PLC online" app	Rs. 184 million
2018/19 Target	Rolling out products (Islamic/Margin Trading/Factoring) to branch network		"E-memo system"	Rs. 450 million

Goals of the Company and Strategies & Resources in place



Short term goals

Improve the brand value to remain among top listed companies of the country

Boost the Company's image at international level

Strategic priorities	Distinct positioning and building corporate brand image.	Consistently maintain and improve international ratings.	Optimise group synergies.	Nurture a knowledge culture within the organisation.
Strategies	<ul style="list-style-type: none"> Extend the brand reputation by enhancing our reach Capturing emerging segments; Youth markets and SMEs Execute Above the Line (ATL), Below the Line (BTL) and Through the Line (TTL) promotional campaigns. 	<ul style="list-style-type: none"> Continue innovation and improve risk management in keeping on par with emerging trends. Strengthen governance practices, sustainable reporting, and compliance. 	<ul style="list-style-type: none"> Expand the capacity of our subsidiaries thus exploring opportunities for collaboration. Establish an island-wide presence through the parent network. Enhance cross selling and product bundling among subsidiaries to improve the Group perception as a "One stop solution" for customers. 	<ul style="list-style-type: none"> Create means for greater employee participation in decision-making. Encourage unorthodox thinking, innovation and knowledge sharing. Provide employees with specific training in relation to product features, credit risk mitigation, customer service, recovery etc.

KEY PERFORMANCE INDICATORS	Brand value	Repeat Customers	International ratings	Most respected entities ranking (LMD magazine)
	2016/17	Rs. 7,588 million	47%	Fitch – B Standard & Poors' – B+/B
2017/18	Rs. 6,486 million	53%	Fitch – B Standard & Poors' – B+/B	25
2018/19 Target	Enhance brand value	Over 50%	Maintain/upgrade	Improvement in the position

Goals of the Company and Strategies & Resources in place



Short term goals

Improve the customer base of the Company

Maintain higher price to book value ratio

Sustain healthy business relationships

Continue to be ethical and socially responsible company

Strategic priorities	Improve customer convenience by simplifying processes.	Improve relationships with customers and customer satisfaction levels.	Advocate prompt reporting and compliance.	Improve contribution to national development.
Strategies	<ul style="list-style-type: none"> Extend versatile soft skill development training opportunities for staff in delivering exceptional customer service. Develop on-the-spot loan origination processes. Setup online credit approval system Upgrade the complaint management system. 	<ul style="list-style-type: none"> Organise periodic get-togethers and invest in business promotion activities. Introduce a product loyalty card. Establish supplier "tie-ups" to gain a win-win situation. Conduct stakeholder engagements and satisfaction surveys periodically to identify concerns and address them. 	<ul style="list-style-type: none"> Ensure timely reporting. Comply with regulations to eliminate money laundering, terrorism related activities and fraudulent practices. Educate employees on corporate governance and code of best practice. 	<ul style="list-style-type: none"> Prioritise local and SME suppliers. Implement a five pillared focused CSR framework

KEY PERFORMANCE INDICATORS	Customer base	ROCE	Price to book value	Number of business partners	Investment in community
	2016/17	306,358	12.04%	1.00 Time	23,982
2017/18	320,737	13.29%	0.92 Times	27,436	Rs. 101.53 million
2018/19 Target	Over 330,000	Over 13%	1.00 Time	30,000	Rs. 110 million

Goals of the Company and Strategies & Resources in place



Short term goals

Strengthen the workforce to meet rising competition

Maintain right mix of marketing & back office staff to meet business requirements

Improve the efficiency of staff

Strategic priorities	Attract and recruit the best suited talent.	Continuously develop skills and competencies.	Identifying, retaining and motivating the existing talent.	Leverage on the performance management system.
Strategies	<ul style="list-style-type: none"> Use extensively available options to strategically promote job openings. Identify required talent based on the proposed operational changes, such as new product launches, network expansion, giving priority to expertise. Recruit trained employees from the market with product knowledge experience and a client base. 	<ul style="list-style-type: none"> Introduce a job rotation policy and cross-functional training functions to develop a multi-skilled work force for the Company. Identify future Leaders within the Organisation and groom them for future expansion and business needs through comprehensive training. 	<ul style="list-style-type: none"> Offer potential for advancement and competitive benefits for improving working environment. Promote work life balance while achieving the Company's objectives through training programmes, territorial recruitments and welfare measures. 	<ul style="list-style-type: none"> Conduct systematic reviews of performance of employees and reward them accordingly while introducing new mechanisms to develop the under performers of the Company. Conduct a salary survey to identify any anomalies in the present rewarding system and introduce a succession plan.

KEY PERFORMANCE INDICATORS	Number of new recruits	Staff turnover	Investment in training	Training hours
	2016/17	410	7.9%	Rs. 28.3 million
2017/18	240	11.5%	Rs. 17.21 million	33,942
2018/19 Target	Over 300	8%	Rs. 35 million	Above 47,000

Goals of the Company and Strategies & Resources in place



Short term goals

Be an environmentally friendly financial solutions provider

Strategic priorities	Promoting green consciousness across our value chain	Managing and optimising our direct positive impact on the environment	Optimising the green impact of products and services offered by People's Leasing	Conserving the environment
Strategies	<ul style="list-style-type: none"> Guided by the Board and spearheaded by the CEO, undertake awareness/ capacity building among all levels of staff and other stakeholders. 	<ul style="list-style-type: none"> Promote green practices, efficiency improvements, leveraging on green/smart technology in servicing our stakeholders. Continue system-based tracking of group-wide resource consumption to calculate our carbon footprint. 	<ul style="list-style-type: none"> Guided by the Board and spearheaded by the CEO, review policies/guidelines, asses credit quality, introduce more green products and services to instil environmentally responsible finance practices and sensitise all staff accordingly. 	<ul style="list-style-type: none"> Invest more on reforestation, support/related academic research, identify strategic partnerships, encourage staff volunteerism in managing green initiatives.

KEY PERFORMANCE INDICATORS	2016/17			
	Carbon footprint (Group)	Number of green training programmes	Environment related investment	Volume of green disbursement
2016/17	7,206.91 tCO ₂ eq	31	Rs. 3.37 million	Rs. 2.95 billion
2017/18	7,011.01 tCO ₂ eq	21	Rs. 2.19 million	Rs. 2.38 billion
2018/19 Target	System based tracking for monitoring resource consumption	25	Rs. 3 million	Over Rs. 5 billion

An Overview of Risk Management

GRI 102-15

This write-up provides an overview of risks the Company is faced with - both conventional and emerging - to demonstrate that effective risk management is in place which will ensure execution of the Company strategy as envisaged while overcoming challenges and facilitating identification of opportunities, enabling value creation for all its stakeholders in the short, medium and long term.

The risk management of the Company involves a coordinated and economical application of resources to minimise, monitor and control the probability and impact of undesirable or unfortunate events or to maximise the realisation of opportunities.

The Company believes that a well-established risk management framework makes the Company capable of identifying the future probability of losses arising out of the business risks before it comes into surface and combat beforehand it actually causes losses to the Company.

People's Leasing operates in a highly competitive environment. Aggressive pricing, regulatory restrictions in terms of loan-to-value (LTV) ratio, and the entry of mainstream banks into the exclusive domain of Non-Bank Financial Institutions (NBFIs), brought extra pressure on its operations during the year. From a business volume perspective, reduction of LTV ratio for motor vehicles had a significant adverse impact on the industry as a whole. Yet, from a risk management perspective, due to the higher equity contribution in a lease, it had a positive impact to enhance the asset quality. These developments exerted pressure on the lending rates of the Company which had to be adjusted to remain competitive in the market. As a result, maintaining interest spread proved challenging. However, the impact was partly offset since the Company managed to reduce its cost of funds with the strategic move to build up a low cost savings deposit base.

The strategies employed by the Company during the year involved differentiating its lending products, enhancing service standards and concentrating on building a low-cost funding base.

The Company believes that strong risk management and monitoring is the key to sustain growth and profitability. Consequently, the Company continued to strengthen its Risk Management Framework.

There has been an increase in the NPA ratio in recent times, not only at People's Leasing but across the NBFi sector. This required a response to maintain NPA levels within the risk tolerance limits and the following changes were introduced to the processes employed.

- The Risk and Control Department was authorised to evaluate independently, credit proposals above prescribed limits and make recommendations to the next approval level;
- The Risk and Control Department commenced comprehensive credit training to impart adequate knowledge and awareness on Credit Evaluation and Collateral Inspection and valuation amongst staff at the branches.

During the year under review, the Central Bank of Sri Lanka (CBSL) issued consultation papers to all Licensed Finance Companies (LFCs) and Specialised Leasing Companies (SLCs) with a view to implement a new Capital Adequacy Framework. This new framework is intended to be more risk sensitive covering credit and operational risk based on principles of Basel accord. This framework is yet to come into effect upon the final Direction by the CBSL.

An Overview of Risk Management

Risk category	Risk indicator	Unit	Maximum risk tolerance limit	Position as at 31.03.2018
Credit risk	Non-performing loans ratio (gross)	%	< 5	2.70
	Three months overdue ratio (gross)	%	<10	4.43
	Profit and loss charge ratio	%	<5	1.17
Credit concentration risk	Single/group borrower limit		As per CBSL	Complied
	HHI score	Points	<0.40	0.23
Liquidity risk	Liquid asset ratio	%	>100	117.89
	Maturity mismatch ratio (up to one year)	%	>-45	-21.55
	Facilities granted from stable sources	%	<150	110.49
	Liquid assets to short-term liability ratio	%	>30	74.86
	Maximum single depositor concentration	%	<5	1.53
	Exposure to bulk deposits (over Rs. 50 million)	%	<20	19.78
Market risk	Interest rate sensitivity	%	<6	0.66
	Repricing gap ratio (up to three months)	%	>-20	-11.92
Operational risk	Frauds detected (value as a percentage of operational expenses) – FY 2017/18	%	<0.5	Nil
	Unsatisfactory audits (as a percentage of total audit reviews) – FY 2017/18	%	<15	Nil
	Cost to income ratio	%	<50	38.43
	Staff turnover ratio	%	<15	11.51
Regulatory risk	Capital adequacy ratio			
	• — Core capital	%	>5	18.38
	• — Total risk weighted capital	%	>10	16.46
	Capital funds ratio	%	>12.5	38.44
Strategic Risk	Return on equity ratio	%	>15	16.66
	Return on assets ratio	%	>3.5	3.70
	Net interest margin	%	>7.5	8.36
	Gearing ratio	Times	<7	4.88

PRINCIPAL RISKS AND STRATEGIC RESPONSES IN 2017/18

PROCESS TO IDENTIFY RISKS AND OPPORTUNITIES

Timely identification of risks that could affect the execution of strategies is critical to ensure the achievement of the planned goals and objectives. Accordingly, as the first step, our approach to risk management requires identification of risks and opportunities.

The Company regularly reviews changes in the operating and regulatory environment to identify risks and opportunities that could influence its strategic objectives.

Risk identification is performed through brainstorming sessions focusing on changes in the external environment using tools such as political, economic, social, and technological (PEST) analysis, Scenario analysis, etc.

The Company's strategic plan and the budget for three years details the Company's current issues/challenges and maps out the strategies to be executed in pursuing its strategic objectives. These strategies are formulated in line with the Company's corporate governance practices, internal policies, risk appetite and tolerance levels etc.

The strategic plan is reviewed and the actual performance against planned outcomes and budgeted KPIs are measured on a quarterly basis. Any below-standard performance is analysed and the causes of adverse results are determined. The Company then, immediately takes steps to devise strategies to mitigate risks or overcome issues that have an adverse material impact on margins and profits.

The Company's strategies are discussed under Goals of the Company and strategies & resources on pages 28 to 33.

An Overview of Risk Management

PRINCIPAL RISKS

Businesses in the finance industry face many types of risks. The principal risks generally relate to the following:

- Credit risk generated by lending activities
- Market risk caused by fluctuations in market driven parameters
- Liquidity risk arising from mismatches in assets and liabilities
- Operational risk caused by errors, omissions and break downs in core systems and processes
- Reputational risk that can arise from many factors including IT as well as those listed above and damage the reputation and affect sustainability of the Company
- Strategic risk arising from poor strategic planning and faulty execution of strategies

PRINCIPAL RISKS AND MITIGATING ACTIONS/PROACTIVE MEASURES TAKEN

Risk category	Performance and impact	Mitigation strategies/proactive measures
Credit risk	Increasing trend in NPL accommodations and the NPL ratio was maintained within the risk tolerance limits. The ratio is well within the industry averages.	<ul style="list-style-type: none"> •— Initiated on-going credit training to further enhance the knowledge on Credit Evaluation, Collateral Valuation and Management •— Streamlined the credit procedures and lending guidelines in line with the updated Credit Policy and created awareness among staff through trainings •— Risk and Control Department was authorised to independently review credit proposals above prescribed limits •— Stringent recovery strategies implemented, limiting the exposure to the selected products and asset categories •— Reviewed all new lending products from risk management perspective •— Initiated post-approval reviews
Market risk	Volatile interest rate environment prevailed during the year. Cost of funding reduced, thereby improved the interest spread	<ul style="list-style-type: none"> •— Interest rate movements closely monitored identifying interest rate repricing gaps in the immediate future •— Introduction of short-term lending products and initiated offering lending products at variable rates •— The Company reduced its dependency on borrowing as a funding source and devised strategies to build up savings base as a source of low cost funding •— Timely adjustments to the internal transfer pricing were appropriately brought in with a view to maintain interest spread
Liquidity risk	Liquid assets maintained well above the regulatory requirement	<ul style="list-style-type: none"> •— Continued to explore opportunities to raise long-term funding at favourable rates •— Contingent funding lines were adequately maintained •— Scenario based stress testing carried out quarterly to assess the Company's ability to withstand stressed liquidity conditions •— Constant monitoring of liquidity ratios •— Adoption of updated Treasury manual that explains operational guidelines in Treasury operations

An Overview of Risk Management

Risk category	Performance and impact	Mitigation strategies/proactive measures
Operational risk	<p>Strengthened the internal control framework</p> <p>Staff turnover ratio was at 11.51%, below the risk tolerance level</p> <p>Comprehensive BCP plan developed along with recovery plans</p>	<ul style="list-style-type: none"> — Risk and Control Department initiated reviewing operational risk events/conditions highlighted by the internal audit and emphasised on the operational guidelines to the respective staff to avoid future occurrences
Strategic risk	<p>Company's ROA is 3.70% and ROE is 16.66% well above the industry averages</p> <p>NIM increased from 7.89% to 8.36%</p>	<ul style="list-style-type: none"> — Making necessary changes to pricing and business strategies — Conducting strategic plan review quarterly
Business risk	<p>The Company's total disbursement reached Rs. 87.9 billion in the reporting year</p> <p>Loans and advances growth is 5.15%</p>	<ul style="list-style-type: none"> — Strategic tie-ups with vehicle suppliers — Development of new products to cater to the changing needs of the customers — Devised strategies to increase market penetration
Compliance/Regulatory risk	<p>Complied with the directions issued by the Central Bank and other applicable regulations issued by the SEC</p> <p>Complied with general laws, the Companies Act, tax laws and employment laws</p>	<ul style="list-style-type: none"> — Regular assessments on the Company's compliance with laws, regulations, directions, rules, guidelines, internal controls and approved policies

EMERGING RISKS

Apart from the conventional risks identified above, finance industry has to face certain emerging risks as a result of various developments in its operating

⋮
environment such as in information and
communications technology, digitalisation,
changing demographics, competition from
non-industry players etc. Among others,
⋮ these risks include the following:

Key emerging risks identified	Mitigating action taken/planned actions
Outer industry competition on NBFIs' conventional product "Leasing"	<ul style="list-style-type: none"> — Offering flexible product terms to attract customers — Simplifying internal processes and procedures to provide fast service — Reduce cost of funding by focusing on low cost funding avenues in order to be competitive in pricing
Attracting right talent and their retention	<ul style="list-style-type: none"> — Encouraging employees to obtain educational/professional qualifications and recognising them — Providing career guidance
Cyber risks and phishing attacks	<ul style="list-style-type: none"> — Enhanced awareness among the staff — Shared an analysis of known attacks with the staff — Invested in systems and processes
Digitalisation	<ul style="list-style-type: none"> — Focus on mobile based technology — Improve IT infrastructure — Revamp core-operating system — Introduction of online approval processes



Building strategies that are future fit

We focus on building strategies that have our customers' best interest at heart. But that's only part of the story.

Our strategy also takes into account the business landscape within which we operate, with all its peaks and valleys. Rather than being fixed in stone, our strategy is agile and alive, allowing us to easily adapt it to the changing business needs of both our customers and our operating environment.

Leasing is considered a conventional product offered by NBFIs. Given the low funding cost structure, other industry players such as banks now aggressively canvas leasing at much lower rates. However, with the expert knowledge of the SME sector built over the years, the Company is in a better position to overcome such challenges. The Company will simplify its processes to provide a speedy service to the customer. The Company will also make every effort to reduce the cost of funding to be competitive in pricing while maintaining the desired margin.

Given the changing demographics and competition, attracting right talent to fill vacancies and retaining them has become a challenge. Company has developed strategies to overcome this issue by recognising high performing, qualified, and experienced employees and providing career guidance together with subject specific trainings.

During the year under review, forms, frequency and intensity of cyberattacks continued to increase, affecting many organisations worldwide. Financial services industry has become a popular target of these attacks while phishing is the most common form of attacks. In order to reduce vulnerability for such attacks and protect the "capitals" of the Company including customer data and privacy, the Company enhanced awareness among the staff about potential future cyberattacks and the steps that should be taken for protection. In addition to conducting training programmes where the lessons learned through analyses of known attacks are shared, the Company continued to invest in systems and processes to protect customer databases and ICT infrastructure from such cyberattacks.

An Overview of Risk Management

Since of late, finance companies are investing heavily on digital platforms to improve their value proposition and operational efficiency while leveraging it as a competitive tool as well. The Company will continue to invest on IT infrastructure to build the required capacity. The Company launched mobile-based application on its products enabling easy access to customer accounts to process transactions in a cost-effective manner. The Company will revamp its core-operating system with advanced features to expedite transaction processing. Also, the Company is in the process of studying its manual approval processes with a view to introduce an online approval process to provide speedy service to the customer.

CHALLENGES

The finance industry faces interest rate risk due to mismatch of interest rates as a result of funding medium to long-term lending products at fixed rates through short-term sources. Hence, there is a constant search for longer term interest rate stability on funding and lending. The closer the borrowing and lending periods are, the lesser the exposure the Company has to disparities in interest rates.

On the other hand, innovative solutions to address this constant risk exposure must also be sought. Accordingly, People's Leasing introduced as a short-term products variable rate loans with a view to mitigating interest rate risk. "Gold loans" is another product that has been introduced as a short-term product where gold is pledged as security for loans obtained. This is very similar to "Pawning", but requires monthly repayment of instalments comprising part of principal and interest, as opposed to a bullet payment at the end of an agreed period of time in the case of the latter. While this makes the product less risky compared to pawning, the risk to the Company is further mitigated by adopting a prudent loan-to-value ratio, which is periodically revised based on market prices of gold.

RISK MANAGEMENT CULTURE EMBEDDING RISK MANAGEMENT CULTURE WITHIN THE ORGANISATION

A strong risk culture includes several elements that buttress the capacity of the Company in facing those factors that can have a detrimental impact on its operations. These elements are –

- A risk strategy that is unambiguous and disseminated to all staff;
- An uncompromising commitment to analytical rigour and the sharing of information across the Company;
- Rapid communication through the hierarchy of threats or concerns;
- The visible application of risk management practices by senior managers;
- Incentives which encourage people to do the right thing and consider the overall health of the Company; and
- Constant and constructive challenging of actions and preconceptions at all levels of the organisation.

The parameter of success in introducing a risk culture within the Company is measured by the accountability of all meaningful interactions within the Company at all levels and its inclusion in the strategic decision-making process.

Consequently, a fully functional risk management culture opens the door to an ethically strong and financially secure foundation for the long-term sustainability of the Company.

In this regard, the Board reviewed and adopted a Risk Management Policy which sets out the roles and responsibilities for managing risk, monitoring and reviewing of functions and decisions. Further, the Company developed a Business Continuity

Plan (BCP) with a view to strengthening its preparedness to deal with unexpected disasters and facilitate the recovery to normal business conditions in the shortest possible time. The Company is now in the process of implementing the BCP with a view to engendering preparedness within the Company.

STRENGTHENING GUIDANCE ON CREDIT EVALUATION

The Company's updated Credit Policy which is reflective of the changes to the operating and regulatory environment has been communicated to all staff. The Risk and Control Department has conducted the requisite training.

The Risk and Control Department has also evaluated credit proposals that were above the prescribed limit. All lending officers at the respective branches have been given feedback on the findings. Also, Risk and Control Department carries out post-approval reviews to identify any lapses in terms of the application of Credit Policy.

NEW LENDING PRODUCT EVALUATIONS

The Risk and Control Department independently evaluated all new lending products to understand the level of risk to the Company. Product papers are then submitted to the Integrated Risk Management Committee for approval.

STRESS TESTING

The Risk and Control Department conducted stress tests quarterly, on credit, market and liquidity risks under different scenarios. The stress test results revealed that the Company could adequately maintain the capital levels even under severe stressed conditions.

An Overview of Risk Management

NEW CAPITAL ADEQUACY FRAMEWORK

The Central Bank of Sri Lanka (CBSL) issued consultation papers introducing a new capital adequacy framework for the LFCs and SLCs. 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.

According to this proposal, the Company will be required to allocate capital for both credit and operational risks. It also proposes to increase the Tier 1 and total Capital Adequacy Ratios to 6% and 11% respectively from 1 July 2018. The Company complies comfortably with the proposed capital adequacy requirements. However, the final direction is yet to be issued by the CBSL.

OPPORTUNITIES

The advent of risk also presents opportunities for an organisation. As adversity promotes increased vigour in finding solutions, innovation to circumvent the restrictions in the market arises.

The Company's introduction of "Gold Loans" and Variable Interest Loans are two such products that have been introduced. In addition, the following are opportunities that have presented themselves through new government policy. Since the imposition of a lower LTV in respect of motor vehicles and the entry of mainstream banks into the field of leasing, the Company's activities were curtailed. However, the regulator relaxed the LTV ratios on electric vehicles towards the end of the year, creating opportunities for business growth.

Further details on People's Leasing Risk Management is given on pages 227 to 244.

Key opportunities identified	Action taken/planned action
Government's policy on promoting electric vehicles	<ul style="list-style-type: none"> •— Entered into commercial relationships with vehicle suppliers •— Actively engaged with the car sales segment •— Simplified credit processes to attract customers
Growth in the construction sector and development of condominiums	<ul style="list-style-type: none"> •— New product "Housing Loan" to be launched to tap into this segment

Commitment to Sustainability

At a historic United Nations Summit in 2015, world leaders pledged to uphold the 17 Sustainable Development Goals (SDGs) in a bid to usher in a brighter future for everyone by 2030. These Goals aim to steer countries towards ending poverty through the implementation of strategies that build economic growth and address social needs such as education, health, and social well-being while protecting the planet.

Though not legally binding, the SDGs provide governments with the opportunity to take ownership for the achievement of the 17 Goals. As a responsible corporate entity we, at People's Leasing, are proud to have taken up this banner since 2016/17.

We have developed guidelines that aim to meet current needs while guaranteeing future success. Our strategies are designed to maintain sustainable growth that underpins the creation of value in a just and equitable manner for the business and our stakeholders. While our efforts to meet the 17 SDGs are illustrated overleaf on pages 43 to 46, we provide below an overview of our attempts to enhance the positive and mitigate the negative in our impact on the world around us.

ENHANCING THE POSITIVE

There are many areas in which our influence – either directly or indirectly – has had a profound and positive impact on society and the environment. These will be areas that we will continue to focus on.

Our direct influence on society and the environment is easily discernible, for instance, through our continued commitment to provide financing largely for income generation purposes. We also lead the non-bank finance sector in employment opportunities, providing 2,085 jobs across 103 territories during the year under review. We also invested in green technologies that provide access to information through telecommunications (ICT). In fact, as illustrated on pages 69 to 75 under Manufactured Capital we are constantly innovating in order to be future ready.

Other areas in which we have a moderate direct impact include, our investments in the health and well-being of our employees, customers and community; the training and skills development we provide to our staff, customers and community; and the safe and decent working environment we maintain for our people. Through robust regulation we also ensure that our suppliers respect human and workplace rights.

Areas where we have had an indirect impact include agriculture – with 10.80% of our disbursements focused on this sector during the period under review. We have also continued to operate responsibly towards business sustainability in terms of the guidance we provide customers, suppliers and business partners.

MITIGATING THE NEGATIVE

Keenly aware of the negative impact that corporates can have on society and the environment, we are constantly exploring new avenues through which to mitigate any negative impact on either.

For this purpose we continue to finance corporate social responsibility (CSR) initiatives and awareness programmes for our people, customers and community. In an era where social strife appears to be a global pandemic we strive to be inclusive, ensuring that our employee cadre reflects the diversity of the communities within which we operate. We also ensure that our employee guidelines are clear and robust, constantly upgrading them to suit the evolving social backdrop and ensuring that all employees have access to such information as elaborated in detail on pages 84 to 94 under Human Capital.

Utilising green ICT we are making swift progress towards paperless services. We also continue to track our carbon footprint, adopt responsible waste management processes and promote a circular economy where we use resources for as long as possible, extract the maximum value from them whilst in use, and then recycle or regenerate products and materials at the end of each service

life. We collaborate with our stakeholders to lead change for a more sustainable tomorrow. We also promote green vehicles and invest in long-term reforestation to combat climate change.

Our indirect impact on the environment includes the promotion of affordable clean energy through green lending. We invest 2.5% of our annual pre-tax profit on the environment and society through strategic CSR and charitable initiatives. We also promote the sustainable use of land through responsible lending, and the support of reforestation.

Indirectly, we influence the conservation of Sri Lanka's biodiversity and scenic beauty. Being an island nation, beaches are a key tourist attraction and People's Leasing is mindful when lending for marine vehicles. We also invest in many CSR initiatives to protect marine resources.

Following section presents how SDGs are embedded in creating shared value for our stakeholders. Our Strategic Priorities, Key Achievements and Goals for 2018/19 are described in detail under the respective capitals.

Commitment to Sustainability

DRIVING DEVELOPMENT

Promoting the development of the nation is the duty of every responsible corporate and one we take very seriously at People's Leasing.

Challenges around the world	Our strategic priorities	Our key achievements in 2017/18	Our goals for 2018/19
<ul style="list-style-type: none"> Corruption, bribery, theft and tax evasion cost close to USD 1.26 trillion for developing countries per year 	<ul style="list-style-type: none"> Conduct ethical business with our stakeholders and comply with all regulatory and statutory requirements 	<ul style="list-style-type: none"> No incidents of corruption or non-compliance were reported during the year 	<ul style="list-style-type: none"> Reiterate a strong ethical corporate culture to sustain growth and profitability
<ul style="list-style-type: none"> 30% of the world's youth are digital natives, having already been active online for at least five years 	<ul style="list-style-type: none"> Leverage innovation to drive progress 	<ul style="list-style-type: none"> People's Leasing invested Rs. 183.99 million on ICT development, leveraging technology to provide better services to our customers and other stakeholders 	<ul style="list-style-type: none"> Invest over Rs. 450 million on ICT to provide more value added services to customers.
<ul style="list-style-type: none"> We need everyone to come together – governments, civil society, scientists, academia and the private sector – to achieve the sustainable development goals 	<ul style="list-style-type: none"> Welcome ethical partnerships for dynamic business progress 	<ul style="list-style-type: none"> Company entered into five strategic partnerships with vehicle dealers during the year 	<ul style="list-style-type: none"> Commit further with like-minded partner organisations and the Government to progress as a company and as one country

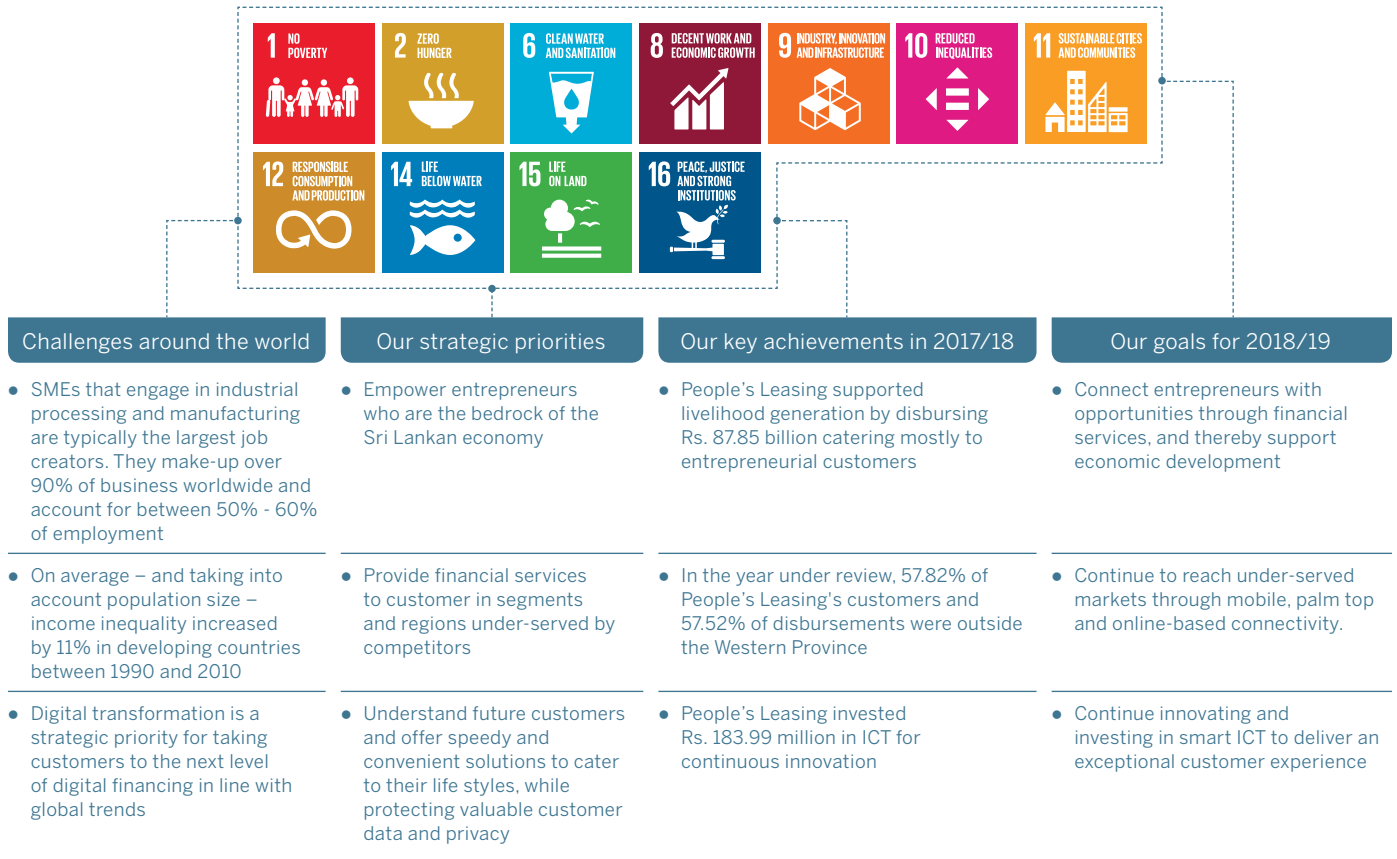
STRONG TEAMS

Challenges around the world	Our strategic priorities	Our key achievements in 2017/18	Our goals for 2018/19
<ul style="list-style-type: none"> Global unemployment increased from 170 million in 2007 to nearly 202 million in 2012, of which about 75 million are young women and men 	<ul style="list-style-type: none"> Attract and recruit the best suited talent and regardless of gender, ethnicity or sexuality and retain their services 	<ul style="list-style-type: none"> People's Leasing recruited 240 new employees during the year and staff retention was at 88% Total employee benefits increased to Rs. 2,574.98 million 	<ul style="list-style-type: none"> Create more employment opportunities as an expanding Group while maintaining a staff retention ratio of over 90%
<ul style="list-style-type: none"> Ensuring healthy lives and promoting well-being for all at all ages is important for building prosperous societies 	<ul style="list-style-type: none"> Create a safe and decent workplace that nurtures staff well-being 	<ul style="list-style-type: none"> Employee medical benefits for the year amounted to Rs. 126.74 million 	<ul style="list-style-type: none"> Invest in physical and mental well-being of People's Leasing employees and promote work life balance
<ul style="list-style-type: none"> On average, women in the labour market still earn 24% less than men globally 	<ul style="list-style-type: none"> Promote equal pay 	<ul style="list-style-type: none"> 55 women were recruited during the year and the number of female staff members increased to 485 during the year 	<ul style="list-style-type: none"> Strengthen our efforts in practicing equal treatment in recruitment, salaries and career progression

Commitment to Sustainability

UNDERSTANDING CUSTOMERS

Our journey would be static if not for our customers – whose loyalty we strive to earn every single day.



Commitment to Sustainability

NURTURING COMMUNITIES

Sharing our success with the communities within which we operate means doing our utmost to ensure their well-being.

Challenges around the world	Our strategic priorities	Our key achievements in 2017/18	Our goals for 2018/19		
<ul style="list-style-type: none"> • More than 700 million people still live in extreme poverty • Nearly 2.2 billion people live below the USD 2 poverty line 	<ul style="list-style-type: none"> • Enterprise development and financial literacy building 	<ul style="list-style-type: none"> • Conducted capacity building programmes for 207 entrepreneurs • Piloted a motor mechanic scholarship scheme for three disadvantaged school leavers 	<ul style="list-style-type: none"> • Support entrepreneurship through capacity building 		
<ul style="list-style-type: none"> • About 1.25 million people died from road traffic injuries in 2013, a 13% increase from 2000. Road traffic injuries are the main cause of death for people aged 15-29 years 	<ul style="list-style-type: none"> • Accident prevention and post-accident care 	<ul style="list-style-type: none"> • Conducted awareness programmes among customers, schoolchildren and general public on "responsible road use" • Continued to uplift post accidental care at the National Hospital of Sri Lanka 	<ul style="list-style-type: none"> • Continue to educate our stakeholders on road safety and accident prevention and contribute towards post accident care 		
<ul style="list-style-type: none"> • Around 57 million children deprived from primary education in developing countries 	<ul style="list-style-type: none"> • Promoting school education and early childhood development 	<ul style="list-style-type: none"> • Conducted 98 initiatives on early childhood development • Refurbished 44 preschools to promote quality early learning at an investment of Rs. 6.34 million • Invested Rs. 7.55 million on full term scholarships to disabled school children 	<ul style="list-style-type: none"> • Continue to invest in education and early childhood development 		
<ul style="list-style-type: none"> • On average 9.3% of people spend more than 10% of their household budget on healthcare, which is likely to expose a household to financial hardship • Water scarcity affects more than 40% of the global population 	<ul style="list-style-type: none"> • Local community empowerment 	<ul style="list-style-type: none"> • Invested Rs. 15.82 million to improve public healthcare • Supported inclusive education and well-being of differently-abled investing Rs. 1.45 million • Provided disaster relief for needy communities at a cost of Rs. 8.17 million 	<ul style="list-style-type: none"> • Continue empowering local communities addressing gaps in the community, and engaging our staff to volunteer their time and skills to serve the community 		

Commitment to Sustainability

SMART ENVIRONMENTALISM

Seeking out ways to conduct our business in a way that causes the least impact on the environment is a priority for us.



Stakeholders

People’s Leasing engages regularly with people who have a vested interest in what the Company does and who are in some way connected with its purpose. The quality of the relationships with those stakeholders, such as customers, employees, regulators, shareholders, suppliers and the community, determine how well the Company delivers on its vision. A stakeholder is also a member of the groups without whose support, the Company would cease to exist.

Consequently, the stakeholder is a vital cog in the wheel of operation of the Company.

People’s Leasing recognises this and has a formal stakeholder engagement process.



As the chart above shows, the process involves in identifying the stakeholders, prioritising them in order of importance to the Company’s operations, determining the needs of those “most important” stakeholders and formulating appropriate mutually beneficial responses.

IDENTIFYING STAKEHOLDERS

GRI 102-42

The first step of a stakeholder analysis is to identify the key stakeholders — i.e., those who are affected by the outcome, negatively or positively, or those who can affect the outcomes of the Company.

In this regard, People’s Leasing has recognised its key stakeholders to be as follows:

GRI 102-40



Employees



Customers



Business Partners



Investors



Community



Environment

RANK AND PRIORITISE STAKEHOLDERS, DETERMINE THEIR NEEDS AND RESPOND SATISFACTORILY

The Company has ranked and prioritised its stakeholders as follows:

Employees	full time employees
Customers	individuals and corporate clients
Business Partners	banks, financial advisors, brokers, agents, assurance services providers, financial intermediaries and suppliers of goods and services
Investors	parent, retail shareholders, institutional investors, debenture holders, financial analysts and rating agencies
Community and Environment	Government organisations, non-Governmental organisations, institutions, charities, regulators, international bodies and associations

Since the different stakeholders have varying requirements, People’s Leasing considers it vital that these requirements are met comprehensively and in a timely manner.

In 2015, People’s Leasing engaged with its stakeholders through focus groups, one-on-one interviews with sample representations from each group and the completion of customised questionnaires.

Based on the results of these engagements, systems and processes have been enhanced to allay any stakeholder concerns. Feedback from stakeholders has been an essential input to formulating the Company’s strategy towards sustainable growth.




A monitoring mechanism has been developed as part of the Company’s performance management system to ensure that stakeholder requirements are responded to and met.

Stakeholders



STAKEHOLDER ENGAGEMENT

GRI 102-43

GRI 102-44

Stakeholder	Method	Frequency	Key Expectations and Concerns	Response (Refer)
Customers 	One-to-one meetings	As and when required	Product diversity	Social Capital, Customer Section (pages 96 to 109)
	Customer surveys	Once in two years	Service quality	
	Feedback forms	Periodically	Identifying needs	
	Official website	Regularly	Pricing of products	
	Marketing and propaganda campaigns	As and when required	Efficient and speedy transactions/ processing and responding time	
	Press and electronic media	As and when required	Product information	
	Networking events	Periodically	Legal terms and conditions	
	CSR Projects	Periodically	Confidentiality of information	
Suppliers 	Review meetings	As and when required	Ethical procurement practices	Social Capital, Business Partner Section (Pages 110 to 113)
	Site visits	As and when required	Timely payments	
	Networking events	Annually	Support to develop the supplier chain	
	Self-assessment questionnaire	Annually	Advocacy of best business practices	
Investors 	Annual General Meeting	Annually	Safeguard sustainable earning growth	Social Capital, Investor Section (Pages 114 to 124)
	Annual Report	Annually	Healthy financial returns	
	Interim financial statements	Quarterly	Exploiting growth opportunities	
	Updates	As required	Timely payment of returns/ dividends and capital gains	
	Corporate website	Ongoing	Enhance value creation	
	Corporate disclosures to CSE	As required	Integrity and responsibility	
	Presentations & road shows	As required		
	Investor forums	As required		
	Corporate affairs department	As required		
	Stakeholder survey	Annually		
	Press releases	As required		

Stakeholders

Stakeholder	Method	Frequency	Key Expectations and Concerns	Response (Refer)
Employees 	Operational guidelines	Continuously	Recognition and reward	Social Capital, Employee Section (Pages 84 to 94)
	Code of conduct	Continuously	Focused training	
	Open door policy interactions	As and when required	Career progression	
	Staff meetings	Periodically	Work life balance and wellbeing	
	Intranet	Regularly	Grievance handling mechanism	
	Staff circulars, memos and e-mails	Regularly		
	Company newsletter	Quarterly		
	Training evaluations	Periodically		
	Performance appraisals	Annually		
	Networking events	Periodically		
	Welfare events and activities	Periodically		
Employee satisfaction surveys	Periodically			
Community 	Discussions with local government authorities	As and when required	Staff recognition for community-initiatives	Social Capital, Community Section (Pages 125 to 132)
	Discussions with non-government agencies, associations and societies	As and when required	Social inclusivity	
	Discussions with religious dignitaries	As and when required	Financial literacy	
	'Aruna' Newsletter	Quarterly	Access to finance	
	Community complaints	As and when required	Community service and development	
	Discussions with village and opinion leaders	As and when required	Public/private partnerships	
	Meetings/Conferences	As and when required	Awareness and trainings	
	Networking	As and when required	Continuity of the initiatives	
	Training seminars	As and when required	Stakeholder engagement	
	Strategic CSR	Ongoing		
	Philanthropic initiatives	Periodically		
	Sustainability outreach programmes	Periodically		

Materiality

GRI 102-46

People's Leasing & Finance PLC conducts a stringent materiality assessment to identify issues that are of significant importance to the business and its stakeholders at both internal and external levels. The outcome of this will result in corresponding environmental, social and governance matters being identified. The results are equally used to determine any risks and opportunities that may be of concern to the operations of the Company.

IDENTIFICATION AND ASSESSMENT PROCESS

People's Leasing takes into consideration:

- stakeholder feedback,
- independent employee and customer satisfaction research,
- analysis of its operating environment,
- and industry opportunities and threats to make sound decisions on identifying issues of material importance.

INTERNAL PRIORITIES

The identified issues are weighted against:

- our Vision, Mission and Values,
- the operating environment we conduct our activities in
- our strategy and business model
- risk and capital management initiatives.

RESPONDING, MONITORING AND ASSESSING

Specific programmes are selected to respond to feedback by stakeholders. These, along with Key Performance Indicators (KPIs) measure the progress of undertaken initiatives. Progress is monitored by the Sustainability Governance Steering Committee and the Board on a quarterly basis. The issues that PLC identifies as being of material concern are then placed on a materiality matrix in accordance with GRI guidelines as displayed above. The matrix shows the position of individual issues in relation to stakeholder interest and potential business impact.

GRI 102-47

GRI standard no.	Material GRI topic	Topic Boundary/Stakeholder group 102-46				
		Employee	Customer	Business partner	Community	Environment
201	Economic performance	✓				✓
202	Market Presence	✓				
203	Indirect economic impact	✓	✓		✓	
204	Procurement practices			✓		
205	Anti-corruption	✓	✓			
301	Materials					✓
302	Energy					✓
304	Biodiversity					✓
305	Emissions					✓
306	Effluents and waste					✓
307	Environmental compliance					✓
308	Supplier environmental assessment					✓
401	Employment	✓				
402	Labour/management relations	✓				
403	Occupational health and safety	✓				
404	Training and education	✓				
405	Diversity and equal opportunity	✓				
406	Non-discrimination	✓				
408	Child labour	✓				
409	Forced and compulsory labour	✓				
410	Security Practices	✓				
413	Local communities				✓	
414	Supplier social assessment			✓	✓	
415	Public policy		✓			
417	Marketing and labeling		✓		✓	
418	Customer privacy		✓			
419	Socioeconomic compliance				✓	

GRI 102-49

There is no significant change from previous reporting period in the list of material topics and topic boundaries.

SUSTAINABILITY CONTEXT

The issues displayed in the Materiality Matrix are those that are considered by People's Leasing to be material in relation to the Company's strategic framework. Identifying these issues is essential for People's Leasing to manage risks and opportunities and assist the Company's long-term strategic direction. The materiality analysis gives credence to

the sustainability context in which each capital is reported on in the Strategic Report and the Capital Management Section of this Report.

CREATING SHARED VALUE

People's Leasing's commitment to living by its values is strengthened by measuring the performance of its employees and operations against a set of relevant KPIs. Through this process of measurement and adjustments to bring the operations back on track as may be required, People's Leasing sets the stage to achieving its strategic objectives and creating value for its stakeholders.

Management Approach

GRI standard	Reason/s for materiality	Management approach (commitment, goal/target, responsibility, resources, grievance)	Evaluation	Progress (Refer)
GRI 201 – Economic performance	Being a subsidiary of People's Bank economic value generated and distributed has a large positive impact on economy. Further, being a financial services provider, People's Leasing has a vital role to play in the Sri Lankan economy enabling financial inclusion, mainly for SMEs. We reward our staff based on their performance and understanding implications of climate change, we promote green lending.	Spearheaded by the dynamic team of branch heads, who represent the branch network islandwide, People's Leasing provides access to financial solutions through customer-friendly responsible financial solutions and servicing with "empathy" for genuine customer limitations in repayment, when servicing the customers. Our well-trained, experienced and friendly staff play the advisory role in improving access to finance and customising products and services to suit customer capacity and thereby contribute towards their improved quality of life.	Under the purview of the Board, CEO/GM and the corporate management monthly reviews that the Company is progressing towards achieving the targets set. Our Heads of branches ensure that their specific monthly targets are met. This drive is facilitated by the respective Heads of the Departments at the Head Office facilitating the Branches to achieve their set goals, offering support services and advisory as and when required.	<ul style="list-style-type: none"> • CEO's Message: (pages 14 to 16) • Economic Value Added: (pages 67 and 68)
GRI 202 – Market presence	Employee rewarding scheme including salary determines the quality of staff and retention rate. The practice of sourcing senior management and staff locally improves work-life balance for staff and greater inputs to drive strategic growth of People's Leasing.	In a performance-based culture, our employees are compensated with above the industry average compensation recognising their contribution to People's Leasing. Further, their future economic wealth is secured through our contribution to EPF and ETF. With an island-wide branch network People's Leasing's local sourcing policy helps People's Leasing to be effective in its mission on financial inclusivity backed by a well-trained and experienced team who knows the territory.	This falls under the purview of the Board of Directors, CEO/GM, and AGM – HR.	Human Capital Section (page 86)
GRI 203 – Indirect economic impact	Our investment in infrastructure and services boost economic activity, create new jobs and growth for support businesses. Our operations positively impact the community. We have a greater concern on a wider community and we invest in community through CSR interventions.	People's Leasing empowers local community by investing in infrastructure and services. We support local small businesses, contribute to Government revenues through taxes, provide dividends to our shareholders and empower local community through focused CSR. We also believe that our innovative use of digital communication improves access to financial solutions to help improve people's lives even better.	This falls under the purview of the Board of Directors, CEO/GM, and the Corporate Management.	Social Capital Section (page 95)
GRI 204 – Procurement practices	Sourcing of products and services from our country and where possible regionally result more flexibility, greater control and reduced supply chain costs for People's Leasing. It also retains foreign exchange within country whilst promoting local entrepreneurship and safeguarding environmental considerations.	Guided by the procurement policy the centralised Procurement Department registers suppliers annually after screening them to make sure that their sourcing meets the product/service standards set by the Company. Majority of suppliers being locally sourced People's Leasing provides opportunity for the small scale suppliers to promote and uplift their standards.	Under the purview of CEO/GM, Senior Manager – Administration monitors that suppliers are assessed at registration, as to their suitability not only in terms of their capacity to supply goods, but also in respect of their ethical business practices. Desk reviews of their performance and regular site visits are part of the process employed to make sure suppliers continue to comply with our requirements.	Social Capital Section (page 95)
GRI 205 – Anti-corruption	A Company's involvement with a large number of suppliers and customers could lead to corruption-related activities. Being a finance Company with a large base of suppliers and customers People's Leasing has zero tolerance for corruption.	Guided by policy on anti-corruption, our standards guide ethical business practices and designed to reflect relevant laws and regulations. We follow the Code of Ethics and educate customers and other stakeholders on the policies, standards and procedures to be maintained when conducting business to prevent our stakeholders from any unethical business practices.	The process is under the purview of Head of Administration and overseen by the Board, CEO/GM and the Corporate Management.	Social Capital Section (page 95)

Management Approach

GRI standard	Reason/s for materiality	Management approach (commitment, goal/target, responsibility, resources, grievance)	Evaluation	Progress (Refer)
GRI 206 – Anti-competitive behaviour	Though People's Leasing is operating in a very competitive market environment with a large amount of competitor organisations, as an ethical corporate, People's Leasing does not entertain anti-competitive practices that prevent or reduce industry competition.	Guided by our principle on anti-competitive behaviour, People's Leasing conducts periodic staff education, assessment to identify risks of anticompetitive behaviour followed by, compliance audits to identify unfair trade practices that hamper competition through on-line and audits at our service operations.	The process is under the purview of the Board of Directors, CEO/GM, Senior DGMs and the rest of the corporate management.	Social Capital Section (page 95)
GRI 301 – Materials	Being a finance company, paper is one of the key materials purchased by People's Leasing, used in our service points comprising mainly A4 sheets, paper folders, agreements and promotional material.	Envisioning a paperless office, People's Leasing drives less paper use through new technology, system improvements and staff education.	The process is under the purview of the Board of Directors, CEO/GM, Senior DGMs and the rest of the corporate management.	Natural Capital Section (page 133)
GRI 302 – Energy	With an island-wide presence through our branch network, People's Leasing is dependent on energy to run its fully-automated system. Our business, increasingly becoming more digital would require more electricity.	<p>We understand the business case for energy efficiency as it results improved operational efficiency, cost savings, and increased stakeholder satisfaction. We strive to be energy-efficient by doing more with less-finding ways to grow our business while reducing our environmental impact. As a part of this commitment, People's Leasing tracks its resource consumption across the Group and calculates annually, our carbon footprint.</p> <p>Further as a responsible financier People's Leasing lends for green vehicles and to 'green' the businesses of our customers.</p>	The process is monitored by the Senior Manager – Premises, Senior Manager – Administration and Head of CSR and the respective Heads of Departments and Heads of Branches.	Natural Capital Section (page 133)
GRI 304 – Biodiversity	Being a finance company our direct negative impact to biodiversity is minimal. However, major portion of our disbursement being for motor vehicles which emit emissions, we take environmental stewardship to reduce climate change by investing in reforestation initiatives and thereby contributing towards biodiversity enhancement.	Financing activities to propel our "green commitment" forward involve educating our employees, supply chain, customers and community on conservation of biodiversity. People's Leasing also provides solutions to customers to reduce their climate impact. People's Leasing is a patron member of the Biodiversity Sri Lanka, a national platform established to promote strong engagement of the corporate sector in biodiversity and environmental conservation since 2013.	<p>The process is monitored by:</p> <ul style="list-style-type: none"> – Head of Risk under the purview of the DGM – Risk and Control by reviewing credit files. – Head of CSR under the purview of the DGM – Marketing by overseeing CSR initiatives on environment. 	Natural Capital Section (page 133)
GRI 305 – Emissions	Climate-related impacts are already occurring and will continue all over the world. They have the potential to cause large scale economic disruption. By virtue of the business conducted by People's Leasing relating to leasing of motor vehicles, the Company recognises the indirect negative impact through the emissions.	Guided by our "4 pillared journey" towards carbon neutrality we support the low carbon economy by conserving electricity and reducing travel. We also contribute towards addressing climate-related impacts to business, while supporting the transition to a low-carbon economy through responsible lending, green products and investing in reforestation.	The process is monitored by the Senior Manager – Premises, Senior Manager – Administration, Heads of Branches, Heads of Departments and Head of CSR through effective travel planning and investing in reforestation.	Natural Capital Section (page 133)

Management Approach

GRI standard	Reason/s for materiality	Management approach (commitment, goal/target, responsibility, resources, grievance)	Evaluation	Progress (Refer)
GRI 306 – Effluents and waste	The waste-generated by People's Leasing, include non-hazardous waste such as waste paper, food waste and hazardous waste such as obsolete ICT accessories.	We track our annual carbon footprint in accordance with ISO 14064-1: 2006 standard and promote resource efficiency within People's Leasing culture. People's Leasing launched Resource Efficiency Pledge as a CEO/GM spearheaded priority towards environmental stewardship and practice "7R" concept in waste management. Waste water generated at People's Leasing is discharged in line with the guidelines of the National Water Supply and Drainage Board.	The process is monitored by the Senior Manager – Premises, Senior Manager – Administration, Heads of Branches under the purview of Corporate Management.	Natural Capital Section (page 133)
GRI 307 – Environmental compliance	Our consideration on environmental responsibility is voluntary and exceeds compliance requirements as a carbon conscious corporate citizen.	We ensure that we do not violate compliance on environment and continue to voluntarily exceed environmental compliance. We have in place an Environmental Management System in place followed-up in all business units spearheaded by sustainability champions representing all our service points backed by Group wide awareness and reporting. This is supported by responsible lending to ensure that our customers taking on financial solutions in an environmentally responsible manner.	The process is monitored by the Senior Manager – Compliance, Senior Manager – Administration, Senior Manager – Premises Management, Heads of Branches under the purview of Corporate Management.	Natural Capital Section (page 133)
GRI 308 – Supplier environmental assessment	To help mitigate the adverse environmental impacts associated with the production of goods and services, it is essential that we work together with suppliers to understand how to build more sustainable and resilient supply chains.	The centralised Procurement Department registers suppliers annually after screening them for environment friendliness of their business practices to make sure that their sourcing meets the product/ service standards set by the Company. Our suppliers are assessed at registration, as to their suitability not only in terms of their ethical sourcing to supply goods, but also in respect of their business practices. Desk reviews of their performance and site visits are part of the process employed to verify that suppliers continue to comply with our requirements.		Natural Capital Section (page 133)
GRI 401 – Employment	As a service organisation, employees are the most critical asset in servicing our customers. Great employees create great workplace and positive energy within workplace. They also immensely contribute towards creating a long-lasting positive perception towards the Company in the minds of stakeholders. They attract new customers, delight customers through exceptional service, develop a close relationship and thereby customer loyalty.	Guided by HR policy, HR function is spearhead by the Central HR Department. People's Leasing offers performance-based rewards, career progression and training for the employees to continue their good performance and minimise the staff turnover rate. Our employees are compensated above the industry average and majority of them are locally sourced. Locally-identified staff are centrally interviewed, recruited, trained and best talent is retained. They are compensated and promoted annually based on performance appraisals.	Under the purview of the Board, AGM-HR spearheads the employment function at People's Leasing.	Human Capital Section (page 84)

Management Approach

GRI standard	Reason/s for materiality	Management approach (commitment, goal/target, responsibility, resources, grievance)	Evaluation	Progress (Refer)
GRI 402 – Labour management relations	Being in a highly dynamic and competitive market, time taken to communicate a change in business operations depends on urgency, type and source of notice, market dynamics and economic considerations determine.	Our team culture, open door policy, close superior – subordinate relations are the effective communication channels between the Head Office and the branch network that enable a well-connected workplace enabling People’s Leasing to effectively communicate notices regarding operational changes despite geographic location fast. People’s Leasing Sports and Welfare Society also provides an ideal platform for the staff to develop and showcase their talents while providing opportunity to interact with members of the People’s Leasing family and their loved ones.	Under the purview of the Board, AGM - HR spearheads the labour management/relations.	Human Capital Section (page 84)
GRI 403 – Occupational health and safety	Achieving the highest standards of health and safety for employees, customers, and other stakeholders is important to prevent injury and harm at our business operations.	People’s Leasing adheres to all relevant labour laws and regulations and health and safety policy. Guided by our HR policy, Our staff are provided with information to ensure that they are not exposed to health and safety risks resulting from work carried out as part of our operations by HR Department. Staff also educated to take steps to ensure that they do not take any action or make any omission that creates a risk, or increases an existing risk to their own health or safety or that of other people at the workplace. Travel insurance, health insurance and critical illness fund are some interventions to compensate staff under occupational health and safety benefits.	Head of Administration, Head of Premises Mgt. Department Heads and Branch Managers monitor workplace conditions and health and safety at work. AGM- HR periodically evaluates records relating to employee health and safety.	Human Capital Section (page 84)
GRI 404 – Training and education	To enhance human capital and compete in a rapidly changing business world, employee training and development is an important factor as it helps to keep employee and organisational goals aligned. Frequent employee training ensures that these employees remain qualified for their jobs and always in compliance, even as the regulations change frequently. As a financial services provider, People’s Leasing is committed to continuously developing the skills of our employees to effectively service our customers including majority of SMEs in the highly competitive finance industry.	Guided by our HR policy, training needs relevant for the finance sector and individuals are identified by HR Department. Trainings are conducted by a panel of experienced external and internal resource persons. Trainings are conducted grouping as clusters of branches, as specialised training for selected groups or as individual training to enable our staff to effectively service in a team-based culture. We empower our staff with periodic training on multiple skills, awareness on products and services, financial literacy, system-based training, managerial training topics and e-learning to increase knowledge, skills or abilities and improve their efficiency and performance providing opportunities for them to reach their full potential.	Under the purview of the AGM – HR, effectiveness of training is measured through feedback questionnaires, pre- and post-tests, face-to-face interviews, behavioural surveys.	Human Capital Section (page 84)
GRI 405 – Diversity and equal opportunity	We view diversity and equal opportunity as a business imperative in today’s global market. Diversity has enabled People’s Leasing to diversify our range of products and strongly establish our presence across Sri Lanka. Equal opportunity at People’s Leasing harness a richer variety of experiences, perspectives and abilities that make our business stronger.	Guided by our HR policy, People’s Leasing recruit, reward, develop and provide career progression to our staff, irrespective of their gender, age or ethnicity to effectively connect with our customers. All employment decisions are based on the ability of the individual to do their job with no regard to personal characteristics that are unrelated to the inherent requirements of the work.	Under the purview of the AGM – HR our performance based culture, annual performance appraisals and local sourcing contribute towards diversity and equal opportunity at People’s Leasing.	Human Capital Section (page 85)

Management Approach

GRI standard	Reason/s for materiality	Management approach (commitment, goal/target, responsibility, resources, grievance)	Evaluation	Progress (Refer)
GRI 406 – Non-discrimination	In today's emerging markets, to build a productive and diverse workforce, elimination of discriminatory practices in the workplace is important as it enables penetration of new markets, improves employee morale, provides a wider pool of talent for recruitment.	Guided by our HR policy, People's Leasing fosters a diverse and dynamic workforce at all levels, be it in terms of race, ethnicity, nationality, gender. Our employees are treated fairly during access to employment and once they are employed. We eliminate discriminatory practices and create the conditions for diversity going beyond what is required of them by national law.	Under the purview of the AGM – HR our performance-based culture, annual performance appraisals and local sourcing contribute towards non-discrimination at workplace.	Human Capital Section (page 84)
GRI 407 – Freedom of association and collective bargaining	People's Leasing promotes freedom of association to strengthen relationships among our staff which in return improves our quality of service and employee satisfaction creating positive energy at workplace.	Guided by our HR policy, the Company practices an open-door policy, encourages and sponsors staff to take part in sports to develop their sporting skills. Further People's Leasing Sports and Welfare Society provides a platform for the staff to interact with members of the People's Leasing family and their loved ones through year round events.	Under the patronage of CEO/GM the Sports and welfare society ensures effective implementation of events.	Human Capital Section (page 84)
GRI 408 – Child labour	People's Leasing is against the use of child labour and advocates the abolition of it to promote economic and human development.	Guided by our HR policy, we do not recruit staff who are below 18 years of age.	Under the purview of the AGM – HR our interview process screen and ensure that the candidates are above 18 years of age.	Human Capital Section (page 84)
GRI 409 – Forced & compulsory labour	We are against forced and compulsory labour, as it tends to breed negative energy, poor work-life balance, and low levels of service and employee dissatisfaction.	Guided by our HR policy, People's Leasing eliminates forced and compulsory labour. Through innovation and popularisation of our online self-manageable products we minimise human intervention.	Under the purview of the AGM – HR and monitored by our Heads of Departments and Branches we eliminate forced labour. Under the purview of the DGM-ICT and DGM – Marketing innovative financial solutions are developed.	Human Capital Section (page 84)
GRI 410 - Security practices	Being a financial institution, stringent levels of security is vital to restrict unauthorised parties and protect business by deterring robbery, and protect life of employees, customers and other stakeholders.	Hired security personnel as a first line of defense are engaged at our business points. In order to maintaining a work environment in which the values of the Company will foster the respect for Human Rights and the treatment with fairness and dignity of all people involved in our activities we ensure that such personnel are trained on the policies relating to the protection of human rights.	Under the purview of the CEO/GM, this function is monitored by the Senior Manager – Administration and Heads of Branch Managers.	Human Capital (page 84)
GRI 412 – Human rights assessment	Human rights are basic rights for individuals. They form the foundations for freedom, justice and peace. They apply equally and universally in all countries, irrespective of the legal framework. At People's Leasing we believe that we have a clear responsibility to support Government and civil society groups in respecting and upholding human rights.	We operate in accordance with the legislation on Human Rights. Our HR Department orients our staff on how we manage our impact across employees, suppliers, local communities and customers. Our credit policy and procurement policy provide internal guidance on how to integrate human rights issues into assessment of financial transactions and in procurement.	Overseen by DGM – Risk and Control and monitored by Heads of branches our Credit Operations are subject to human rights reviews. Overseen by Senior Manager – Administration our procurement operation is subject to human rights reviews.	Human Capital (page 84) Social Capital Section/ Community (page 95)
GRI 413 – Local communities	Healthy relationship with local community through active staff volunteerism enables us to understand the needs of our potential customers, perceive their close ties to the local communities and lend to creditworthy customers in the regions. In return, such lending helps the local economies to become vibrant and growing.	Central CSR Department and the island-wide branch network ensure that we continue to actively engage with our respective local communities, conduct need assessments, plan development programmes following our five focused CSR areas, invest 2.5% of post-tax profit and assess the impact of such programmes achieving social, economic and environmental gains for both People's Leasing and communities.	Our engagement with local communities is reviewed by the Board on a quarterly basis and monitored by the CEO/GM, Senior DGMS, DGM – Marketing and Head of CSR.	Social Capital Section/ Community (page 95)

Management Approach

GRI standard	Reason/s for materiality	Management approach (commitment, goal/target, responsibility, resources, grievance)	Evaluation	Progress (Refer)
GRI 414 - Supplier social assessment	As a responsible buyer, ensuring that the business practices of our suppliers are community-friendly and making sure that their sourcing meets compliance with the requirements of procurement policy are important to us.	The centralised Procurement Department registers suppliers annually after screening according to preset criteria. Desk reviews of their performance and site visits are part of the process employed to verify that suppliers continue to comply with our requirements and delist those who do not comply.	Overseen by the Board and CEO/GM, the Senior Manager – Administration ensures that preset social criteria are met through periodic reviews.	Social Capital Section (page 95)
GRI 415 – Public policy	We engage with policymakers including governments, regulator, ministries and other institutions we have an obligation to contribute on socioeconomic and environment-related policy issues, including sharing insights from trends in our business operations.	People's Leasing in the capacity of a corporate member/organisational stakeholder of regulatory and other institutions, including the Central Bank, Ministry of Finance, Leasing Association, Finance Houses Association, Ceylon Chamber of Commerce, contributes towards policy/guideline development on issues where we have a legitimate interest, i.e., where public policy directly affects our business, customers and other stakeholders in an accurate, factual and meaningful way.	Our Board, CEO/GM, Corporate And Senior Management themselves actively engage in lobbying or ensure that suitable People's Leasing representation is made for such events.	Social Capital Section/Public Policy (page 95)
GRI 417 – Marketing and labelling	In decision-making related to a financial solution, clear communication on the terms and conditions is a must. Majority of our customers being SMEs, seek simple information in preferred language. Further they expect advisory to customise a financial solution that suits their income capacity and other financial obligations.	We offer responsible financial solutions that enrich the lives of our customers. Our communication and promotional material are responsibly designed and communicated complying with our regulatory obligations and internal policies. We make our product and service information readily available in our customer service points in preferred language/s, train our employees to assist customers to access information, explain, welcome customer questions and propose customised solutions, and empower them to make informed decisions.	Overseen by the Board and CEO/GM, the Senior Manager monitors that requirements for product and service information and labelling are met and against non-compliance concerning product and service information and labelling, by providing assistance to product development and marketing teams.	Compliance Report (page 171) Social and Relationship Capital (page 95)
GRI 418 – Customer privacy	A finance company requests and maintains sensitive customer information. In the digital era, security and privacy threats continue to escalate. Therefore it is extremely important to maintain confidentiality in all matters relating to our customers, securely store such information and earn their trust. For financial institutions that rely extensively on technology, the consequences of a breach in data security and privacy are significant.	Guided by ICT policy, we are committed to protecting our customers' privacy through creating awareness among employees to help them understand their vital importance in protecting information, and controlling access to data. Our Heads of Departments and Branch Managers ensure employees take precaution by keeping information safe and secure. We have robust threat and vulnerability assessments and incident tracking against breaches of customer privacy and losses of customer data. Our Information Security Management System is ISO 27001 certified which gives our customers confidence in the quality of our operating systems.	Overseen by the Board and the CEO/GM and DGM – ICT periodically evaluate the processes in place to ensure the security and responsible storage of personal data, and recommend system modifications, enhancements to mitigate technology and information-security risks, applying industry best practices.	Social and Relationship Capital (page 95)
GRI 419 – Socioeconomic compliance	As a responsible corporate citizen it is our duty to comply with relevant laws and regulations in the social and economic areas.	Senior Manager – Compliance ensures that we comply with relevant laws and regulations in the social and economic areas.	This function is overseen by the Board and the CEO/GM.	Compliance Report (page 171)

Capital Management

58

Financial Capital

95

Social and
Relationship
Capital

69

Manufactured
Capital

133

Natural Capital

76

Intellectual Capital

84

Human Capital



Financial Capital

Being a finance company, financial capital plays the focal role in the value creation process of the Company. Financial capital represents the funds contributed by the shareholders and the reserves built up over the years as well as funds sourced from investors in debt securities, borrowings from banks and deposits from customers.

By effectively investing such funds in loans and advances and other investments, the Company generates sustainable returns which are shared among the key stakeholders of the Company.

STRATEGIC PRIORITIES

We have identified four critical strategic priorities as given below in order to achieve the short-term goals of the Company which will also set its long-term growth trajectory.



Funding:
Diversifying the funding sources further to ensure availability of funding at lower rates.



Business volumes:
Increasing business volumes by focusing on untapped markets to improve market share.



Asset quality:
Pre and post sanction monitoring of the lending portfolio and intensifying recovery efforts to enhance credit quality.



New products:
Introducing products with higher yields to improve margins.

Given the significant impact these can have on the financial performance, considerable resources and effort were devoted during the year to execute strategies in relation to these priorities. As you would read in the review that follows, the results were truly encouraging.

PERFORMANCE HIGHLIGHTS

Solid growth
in headline interest income

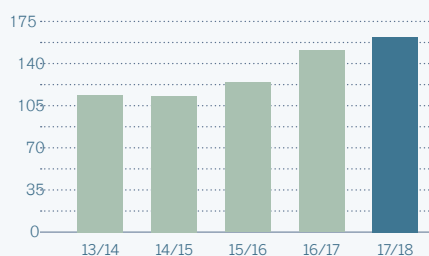
Strong
balance sheet

Enhanced
operational efficiencies

Highest ever
Group profit

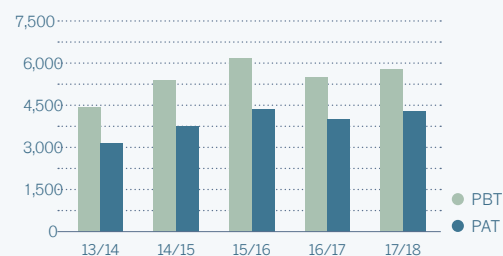
TOTAL ASSETS

[Rs. billion]



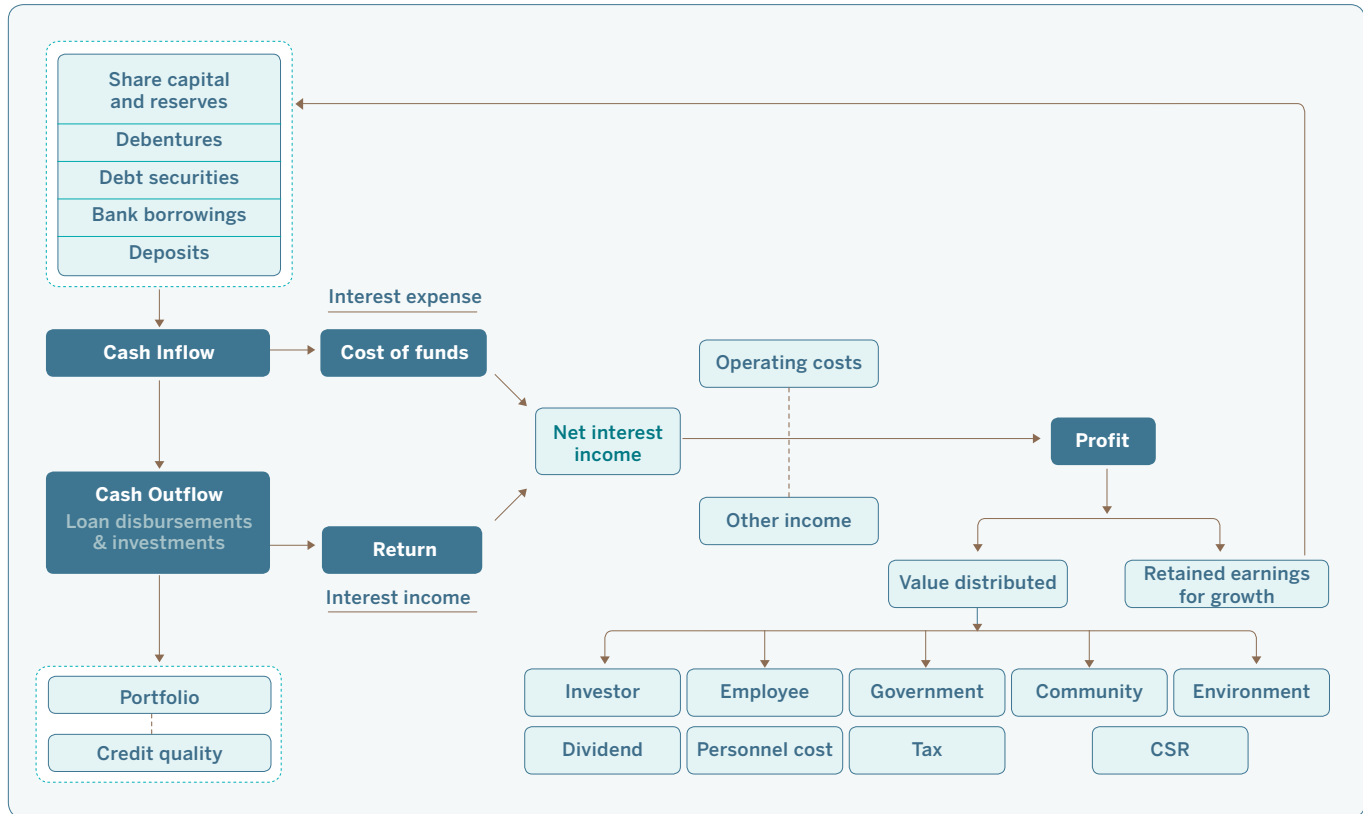
PBT AND PAT

[Rs. million]



Financial Capital

ROLE OF THE FINANCIAL CAPITAL



OVERVIEW OF THE COMPANY'S FINANCIAL PERFORMANCE

People's Leasing delivered solid financial performance despite the challenges posed by the business environment. We have responded to external headwinds by further strengthening our balance sheet, growing top line interest income, while realising operational efficiencies. Profit after tax of the Company for the year ended 31 March 2018 amounted to Rs. 4,309.33 million, up by 7.48% over the reported profit in the preceding financial year.

We have a well-capitalised balance sheet with a strong capital and liquidity position that is fully compliant with regulatory requirements. Reflecting a year on year growth of 7.33%, our asset base rose to Rs. 161,488.09 million at the end of the

financial year 2017/18. Our disbursements slowed down during the first half of the financial year mainly due to the fiscal and macro-prudential measures taken to curtail vehicle imports, stringent Loan-to-value ratios and rising interest rates. However during the latter part of the year, we managed to increase our disbursements through stringent management policies. Concerted efforts on improving the deposit base of the Company as a funding strategy resulted in a significant increase of 55.99% in the deposit base during the year.

Our financial performance amply demonstrates our commitment to delivering long-term value to our shareholders. Net asset value of People's Leasing improved year after year and reached Rs. 17.11 as at 31 March 2018.

GROUP FINANCIAL RESULTS

People's Leasing Group produced outstanding financial results achieving a milestone with a profit after tax of Rs. 5,017.71 million, the highest in the history of the Group. This reflects a year on year growth of 12.97% and achieved through increased net interest income, growth in net earned premium and containing operating expenses. All subsidiaries including the Company's first foreign subsidiary; Lankan Alliance Finance Limited positively contributed to the Group's overall performance.

Positioning People's Leasing Group as a resilient and competitive player in the financial arena of the country, asset base of the Group surpassed Rs. 170 billion mark and reached Rs. 170,953.40 million as at 31 March 2018. Earnings per ordinary share rose to Rs. 3.05 whilst net asset value per ordinary share improved to Rs. 18.16 as against Rs. 16.36 reported as at 31 March 2017.

Financial Capital

STATEMENT OF PROFIT OR LOSS

For the year ended 31 March	Company			Group		
	2018 Rs. '000	2017 Rs. '000	Change %	2018 Rs. '000	2017 Rs. '000	Change %
Gross Income	28,569,534	23,859,038	19.74	33,110,914	27,732,754	19.39
Interest income	26,704,635	22,041,263	21.16	27,582,045	22,784,273	21.06
Less: Interest expenses	14,500,158	11,829,601	22.58	14,626,672	11,819,756	23.75
Net interest income	12,204,477	10,211,662	19.52	12,955,373	10,964,517	18.16
Net earned premium	-	-	-	4,053,270	3,694,027	9.72
Fee and commission income	1,182,573	1,133,735	4.31	685,836	621,711	10.31
Net gains on financial assets – Held for trading	18,987	8,257	129.95	59,910	43,869	36.57
Other operating income	663,339	675,783	(1.84)	729,853	588,874	23.94
Total operating income	14,069,376	12,029,437	16.96	18,484,242	15,912,998	16.16
Less: Impairment charges for loans and receivables and other losses	1,592,256	215,765	637.96	1,632,347	282,819	477.17
Net operating income	12,477,120	11,813,672	5.62	16,851,895	15,630,179	7.82
Less: Personnel expenses	2,574,976	2,556,242	0.73	2,992,363	2,971,179	0.71
Depreciation and amortisation	192,506	186,993	2.95	294,235	276,408	6.45
Benefits, claims and underwriting expenditure	-	-	-	2,776,132	2,583,812	7.44
Other operating expenses	2,639,844	2,670,768	(1.16)	2,746,975	2,696,254	1.88
Total operating expenses	5,407,326	5,414,003	(0.12)	8,809,705	8,527,653	3.31
Operating profit before value added tax (VAT) and nation building tax (NBT) on financial services	7,069,794	6,399,669	10.47	8,042,190	7,102,526	13.23
Less: VAT and NBT on financial services	1,300,122	923,775	40.74	1,326,916	944,418	40.50
Operating profit after VAT and NBT on financial services	5,769,672	5,475,894	5.36	6,715,274	6,158,108	9.05
Share of profit/(loss) of an associate (net of tax)	-	-	-	(52,942)	(73,875)	28.34
Profit before income tax expense	5,769,672	5,475,894	5.36	6,662,332	6,084,233	9.50
Less: Income tax expense	1,460,342	1,466,640	(0.43)	1,644,619	1,642,617	0.12
Profit for the year	4,309,330	4,009,254	7.48	5,017,713	4,441,616	12.97

Financial Capital

STATEMENT OF FINANCIAL POSITION

As at 31 March	Company			Group		
	2018 Rs. '000	2017 Rs. '000	Change %	2018 Rs. '000	2017 Rs. '000	Change %
Assets						
Cash and cash equivalents	4,414,083	5,591,170	(21.05)	4,766,920	6,379,909	(25.28)
Balances with banks and financial institutions	4,370,473	2,089,989	109.11	8,758,715	3,789,047	131.16
Financial assets – Held for trading	174,736	201,215	(13.16)	315,485	529,301	(40.40)
Loans and receivables	140,962,936	134,054,702	5.15	142,712,576	135,469,783	5.35
Insurance and reinsurance receivables	-	-	-	406,687	267,523	52.02
Financial assets – Available for sale	219,132	275,703	(20.52)	1,343,454	1,094,569	22.74
Financial assets – Held to maturity	4,889,641	2,968,042	64.74	4,889,641	2,968,042	64.74
Current tax receivables	89,849	-	100.00	89,849	-	100.00
Investments in subsidiaries	3,213,788	2,075,000	54.88	-	-	-
Investment in associate	586,427	586,427	-	423,439	476,382	(11.11)
Investment property	134,400	100,800	33.33	1,265,996	-	100.00
Property, plant and equipment	1,166,883	1,254,744	(7.00)	4,112,715	5,015,558	(18.00)
Goodwill and intangible assets	346,395	320,183	8.19	452,883	320,411	41.34
Leasehold property	87,131	90,197	(3.40)	87,131	90,197	(3.40)
Deferred tax assets	-	-	-	28,155	26,234	7.32
Other assets	832,219	848,591	(1.93)	1,299,753	936,441	38.80
Total assets	161,488,093	150,456,763	7.33	170,953,399	157,363,397	8.64
Liabilities						
Due to banks	29,423,568	35,584,408	(17.31)	31,336,173	37,085,398	(15.50)
Due to customers	69,763,219	44,722,552	55.99	69,377,794	44,465,568	56.03
Debt securities issued	26,281,723	38,673,277	(32.04)	26,281,723	38,569,262	(31.86)
Other financial liabilities	4,645,818	2,725,166	70.48	4,473,552	2,563,187	74.53
Derivative financial instruments	-	8,363	(100.00)	-	8,363	(100.00)
Insurance liabilities and reinsurance payable	-	-	-	4,054,586	3,537,110	14.63
Current tax liabilities	-	289,978	(100.00)	62,673	337,291	(81.42)
Deferred tax liabilities	2,275,868	1,923,171	18.34	2,338,807	1,975,528	18.39
Other liabilities	2,068,075	1,832,555	12.85	2,173,950	1,896,911	14.60
Total liabilities	134,458,271	125,759,470	6.92	140,099,258	130,438,618	7.41
Equity						
Capital	13,236,073	13,236,073	-	13,236,073	13,236,073	-
Statutory reserve fund	1,837,413	1,621,946	13.28	1,837,413	1,621,946	13.28
Retained earnings	11,502,165	9,400,084	22.36	13,167,172	10,560,834	24.68
Other reserves	454,171	439,190	3.41	448,413	420,957	6.52
Total equity attributable to equity holders of the Company	27,029,822	24,697,293	9.44	28,689,071	25,839,810	11.03
Non-controlling interest	-	-	-	2,165,070	1,084,969	99.55
Total equity	27,029,822	24,697,293	9.44	30,854,141	26,924,779	14.59
Total liabilities and equity	161,488,093	150,456,763	7.33	170,953,399	157,363,397	8.64

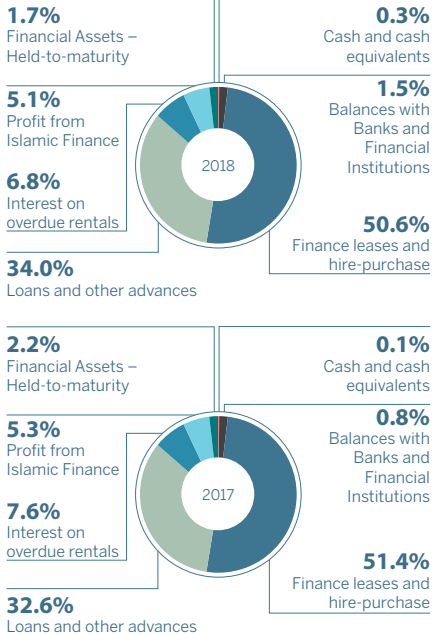
PROFIT

INTEREST INCOME

Description

Interest income generated through the core activities of the Company: disbursement of loans and advances, investment in Government Securities as well as investments in banks and other financial institutions. Finance leases and hire purchases remained the main contributor to the interest income accounting for 51% of the total.

COMPOSITION OF INTEREST INCOME

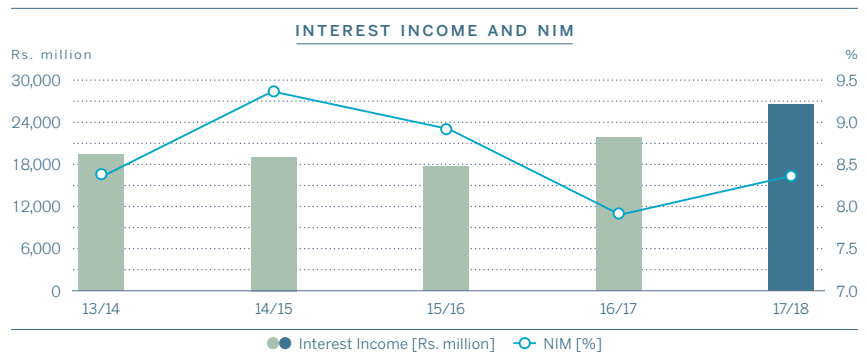


Our Performance

Highest ever interest income was recorded with a year on year increase of 21.16% mainly due to the widened portfolio return from 17.09% at the end of last financial year to 18.79% by the current financial year end. In addition, growth in interest earning assets from Rs. 141,625.76 million to Rs. 150,237.96 million also supported the growth in interest income.

Higher interest income positively contributed to an improvement in Net Interest Income and as a result Net Interest Margin (NIM) grew to 8.36% against the 7.89% in 2016/17 financial year.

KPIs



Issues Faced

The Company fell short in achieving the budgeted interest income for the year mainly due to slow down in business volumes during the first half of the year.

How We Faced

We introduced products with higher yields and improved the return on the portfolio. Also we entered in to new strategic tie ups to enhance the business volumes.

Target

Peoples's Leasing expects to achieve a year on year improvement over 15% in interest income in the year 2018/19.

INTEREST EXPENSE

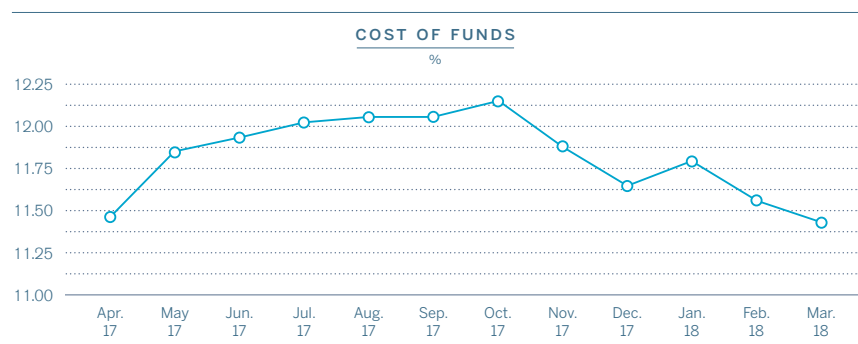
Description

Interest paid on our deposits and debt funding which includes interest paid on short and long-term bank borrowings and for various debt securities issued such as securitisation, debentures and commercial papers.

Our Performance

People's Leasing managed to keep the interest expense below the budgeted amount for the year. Deposit base improved significantly during the year permitting the Company to reduce its reliance on short-term bank borrowings. Thus, interest paid to depositors accounted for 48% of the total interest expense compared to 33.88% in the preceding financial year.

KPIs



Issues Faced

People's Leasing faces the challenge of securing long-term funding at lower cost of funds to finance its long-term receivables portfolio. With the introduction of LTV ratios, commercial banks, the main fund providers of the Company became competitors of the Company.

How We Faced

Strategically shifting towards funding through deposits and settling the variable interest short-term bank borrowings.

Target

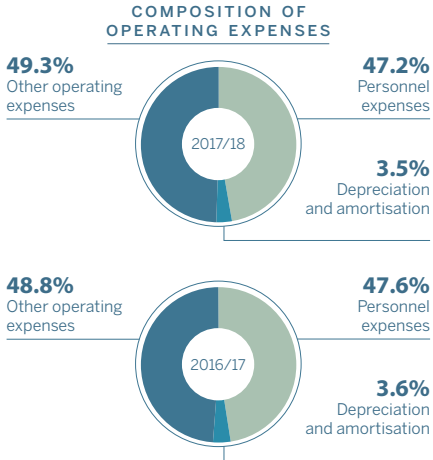
Whilst reducing the interest rate volatility, People's Leasing expects to minimise the maturity mismatch.

OPERATIONAL EFFICIENCY

OPERATING EXPENSES

Description

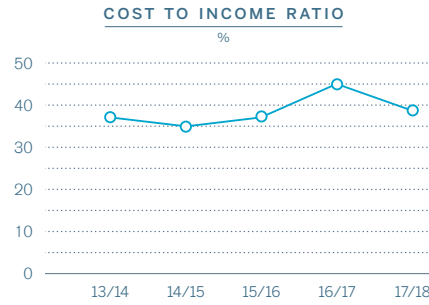
Operating expenses represent the costs that are incurred to generate current and future income and comprise personnel expenses, depreciation and amortisation administration and other operating expenses.



Our Performance

We managed to contain operating expenses by effectively managing staff-related expenses and other general overheads. Thus our cost to income ratio recorded a significant improvement to 38.43% in 2017/18 from 45.01% in 2016/17.

KPIs



Issues Faced

Inflationary pressures leading to increases in expenses.

How We Faced

Consolidation of operations was given priority over expansion of operations to minimise expenses.

Target

People's Leasing expects to maintain operational efficiency with a cost to income ratio below 40%.

ASSET QUALITY

IMPAIRMENT CHARGES FOR LOANS AND RECEIVABLES

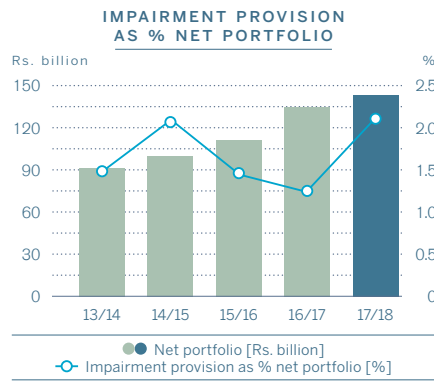
Description

Impairment charges represent monies set aside for potential losses that may have to be incurred by the Company when borrowers do not honour their repayment commitments as agreed.

Our Performance

People's Leasing witnessed a significant increase in impairment charges mainly due to waning recoveries given the lackluster economic conditions. On the backdrop of increasing non-performing loans ratio of the industry, People's Leasing also witnessed its NPA ratio rising to 2.70% as of the financial year end compared to the previous year's ratio of 1.33%, which however remained well below the industry average of 5.9%.

KPIs



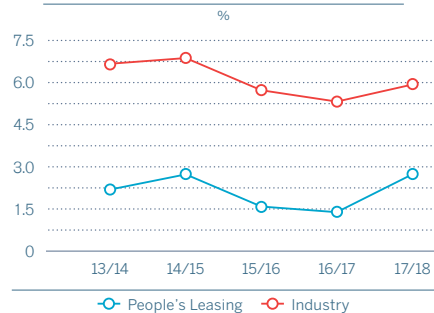
Issues Faced

In the absence of collateral associated with postdated cheque based short-term business loans, People's Leasing evidenced a significant increase in impairment charges on account of this product. In addition, adverse weather conditions and rising inflation affected the disposable income of our clients which in turn had a negative impact on our recoveries.

How We Faced

We strengthened our recovery efforts and credit evaluation mechanisms by setting up two dedicated divisions for recoveries and educating our staff on credit risk assessment. Recognising the risks and weakness associated with the postdated cheque based loans we strategically discontinued the product.

NON-PERFORMING ADVANCES RATIO



Target

People's Leasing expects to maintain the NPA ratio below 3% and the impairment charge ratio below 1.5%.

PROFITABILITY

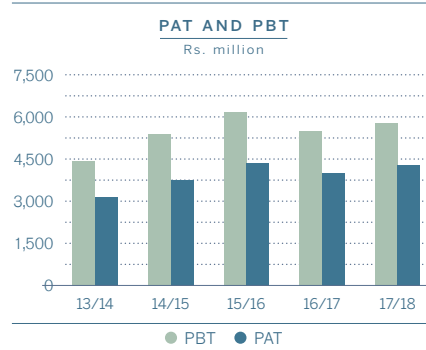
PAT AND PBT

Our Performance

People's Leasing was able to record 5.36% and 7.48% year on year increase in profit before tax (PBT) and profit after tax (PAT) respectively in the backdrop of strong growth in top line and controlled operating expenses.

With the improved profitability of People's Leasing Group basic earnings per ordinary share increased to Rs. 3.05 in 2017/18 compared to Rs. 2.69 recorded in preceding year.

KPIs



Issues Faced

All issues explained above collectively impacted the overall profitability of the Company.

Target

People's Leasing expects to maintain 10% year on year growth in PAT.

ROA AND ROE

Description

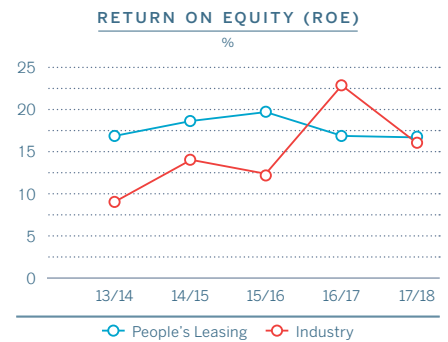
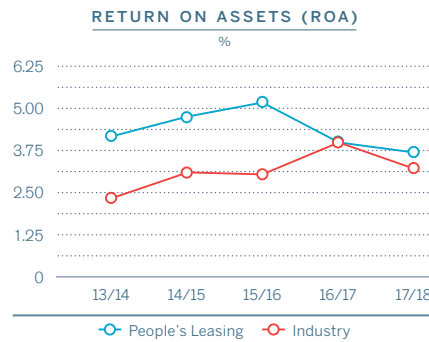
Profitability ratios reflect the return generated by the Company in relation to its assets and equity. Return on Assets (ROA) and Return on Equity (ROE) are the key profitability ratios.

Our Performance

ROA declined slightly compared to the previous year due to average assets growing at a higher rate than the growth in profits. Similarly, ROE also reflected a marginal decrease compared to the preceding year given that the average equity grew at 8.97% compared to growth in profit by 7.48% only.

KPIs

Even though key profitability ratios, ROA and ROE fell slightly short compared to the previous year both ratios are ahead of the industry averages.



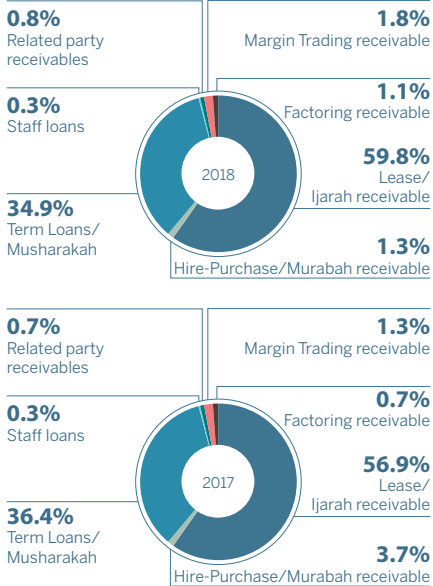
BUSINESS VOLUMES

LOANS AND RECEIVABLES PORTFOLIO

Measure

Represents the largest asset category in the Company's balance sheet and generates the highest income in the form of interest income.

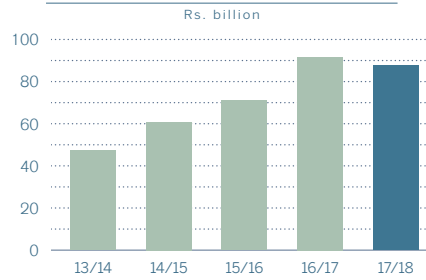
COMPOSITION OF LOANS AND RECEIVABLES PORTFOLIO



Our Performance

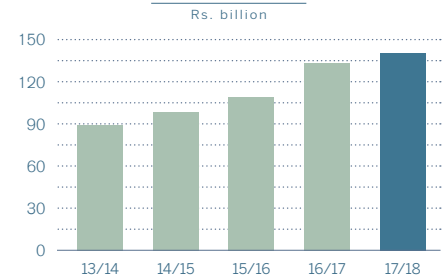
Backed by our solid mainstay and prudent management policy we were able to achieve a total of Rs. 87.85 billion in new disbursements amid the challenging environment. As a result, loans and receivables portfolio of the Company grew by 5.15% as at the year ended as at 31 March 2018, albeit lower compared to the growth in the preceding year.

DISBURSEMENTS OVER FIVE YEARS



KPIs

NET PORTFOLIO



Issues Faced

Business volumes did not materialise as expected during the first half of the financial year given the stringent LTV rules on vehicle financing as well as duty changes on vehicles.

How We Faced

Introduced new products such as gold loans and Musharakah to capture new market increased business promotions and new strategic tie ups enabled the company to increase business at the latter part of the year.

Target

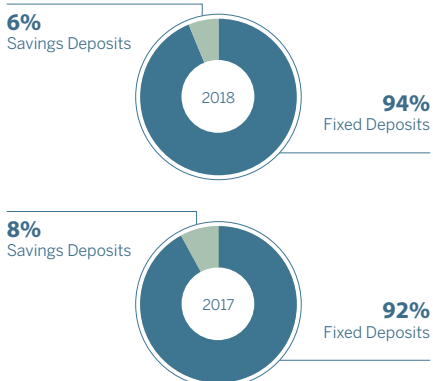
Achieve new business volume over Rs. 100 billion a year.

DEPOSIT BASE

Description

Comprises the fixed and savings deposits including Islamic deposits mobilised by the Company.

COMPOSITION OF DEPOSIT BASE

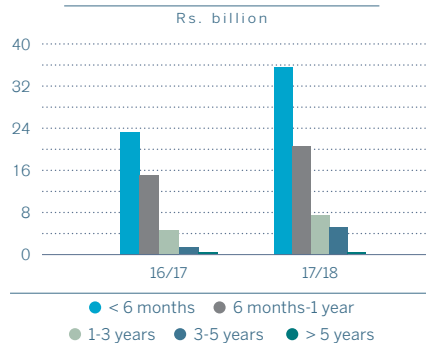


Our Performance

Deposit base of the Company grew substantially by 55.99% over the balance as at the previous year end. This growth was predominantly driven by the shift in the Company's funding strategy from high cost short-term bank borrowings towards low cost deposits with this significant improvement People's Leasing now owns the largest savings base in the sector.

KPIs

DEPOSITS BASED ON MATURITY



Issues Faced

The Company faced difficulties in finding deposits with a longer maturity to match with the long-term lending portfolio.

How We Faced

Offered attractive rates for deposits with longer maturities.

Target

Improve savings base over Rs. 5.5 billion and total deposit over Rs. 80 billion.

FINANCIAL INTERMEDIATION

INTEREST EARNING ASSETS

Description

In addition to the loans and receivables portfolio, interest earning assets of People's Leasing consists of its investment in Government Securities such as repos, Treasury Bills and Treasury Bonds and its investments in banks and financial institutions.

Our Performance

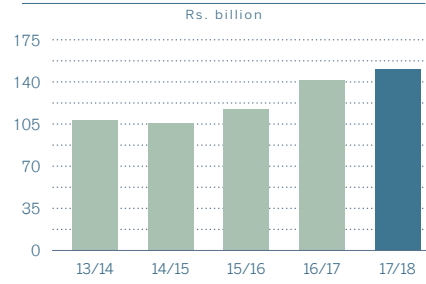
Total interest earning assets up by 6.19% over the balances prevailed as at 31 March 2017 mainly on account of increased loans and receivables portfolio as explained above and the significant growth of 105.87% and 64.74% in investment in Treasury Bills and Bonds and balances with banks and financial institutions respectively.

Issues Faced

Issues that influence the business volumes and thereby the portfolio have impacted the interest earning assets.

KPIs

GROWTH OF INTEREST EARNING ASSETS



INTEREST-BEARING LIABILITIES (EXCLUDING DEPOSIT BASE)

Description

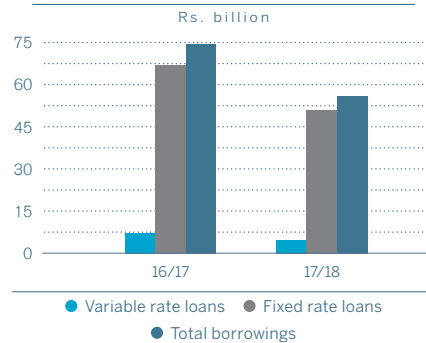
Comprises loans obtained from banks and funds obtained through the issuance of debt securities such as debentures, securitisation and commercial papers.

Our Performance

During the year People's Leasing replaced variable short-term bank borrowings with deposits. As a result, total of due to banks and debt securities issued reflected a significant decline of 24.98% over the balance as at 31 March 2017.

KPIs

VARIABLE VS FIXED RATE BORROWING



Issues Faced

Lack of long-term funding sources to match with the asset maturities.

How We Faced

Strategically focused towards deposits as a funding source.

Target

Maintain a diversified funding mix to reduce both liquidity and interest rate mismatch.

STABILITY

CAPITAL RESOURCES AND LIQUIDITY

Description

People's Leasing exhibits a strong financial position with equity of Rs. 27.03 billion comprising Rs. 13.24 billion capital and Rs. 11.50 billion of retained earnings.

Our Performance

People's Leasing maintained a comfortable capital and liquidity position during the financial year ended 31 March 2018. People's Leasing is well positioned for regulatory requirements of new Basel accord which will be in effect from July 2018. Our capital adequacy ratios improved during the financial year in line with the growth in retained earnings and placed well above the industry average ratios as of end December 2017. We have significant leeway for future business expansion.

In addition, adhering to CBSL Direction on liquid assets, People's Leasing maintained Rs. 11,736.17 million in liquid assets as at 31 March 2018 compared to Rs. 8,418.50 million maintained as of the previous year end.

KPIs

	2017/18	2016/17
Total Tier I Core Capital (Rs. million)	26,515.11	24,231.16
Total Capital Base (Rs. million)	23,733.49	22,581.12
Total Risk Weighted Assets (Rs. million)	144,22.71	137,965.56
Core Capital Ratio (Minimum 5%) (%)	18.38	17.56
Total Risk Weighted Capital Ratio (Minimum 10%) (%)	16.46	16.37

Target

Ensuring efficient use of capital whilst maintaining the capital adequacy ratio above 13%.

GRI 201-4

During the financial year 2017/18, no direct or indirect financial assistance was received from the Government.

GENERATED ECONOMIC VALUE

Financial value generated through the efficient use of financial capital is shared with the key stakeholders of the Company after retaining the required portion for the future growth prospects of the Company.

GRI 201-1

STATEMENT OF VALUE ADDITION AND DISTRIBUTION

	2017/18 Rs. million	2016/17 Rs. million
Direct Value Generated		
Interest income	26,704.64	22,041.26
Fee and commission income	1,182.57	1,133.74
Other operating income	682.33	684.04
Value generated	28,569.54	23,859.04
Value distributed:		
To Providers of Capital		
Dividend to equity holders	1,974.83	1,974.83
Interest on borrowings	7,539.88	7,821.47
Interest to deposit holders	6,960.28	4,008.13
	16,474.99	13,804.43
To Employees		
Salaries and other benefits	2,574.98	2,556.24
	2,574.98	2,556.24

	2017/18 Rs. million	2016/17 Rs. million
To Government		
Income tax expense	1,101.05	1,359.10
VAT and NBT on financial services	1,300.12	923.78
Other taxes paid	247.59	165.76
	2,648.76	2,448.63
To Community		
On corporate social responsibility (CSR) and donations	103.70	191.01
	103.70	191.01
Operating Costs		
Depreciation of property, plant and equipment	181.97	177.21
Amortisation of intangible assets	10.54	9.78
Impairment charges for loans and receivables and other losses	1,592.26	215.77
Other operating expenses	2,380.05	2,321.46
	4,164.82	2,724.22
Value distributed	25,967.25	21,724.53
Value retained	2,602.29	2,134.51

ECONOMIC VALUE ADDED

Economic value added indicates the surplus value created for the shareholders on their investment after accounting for the total cost of invested equity. During the year under review People's Leasing EVA improved by 114.71% over the previous year in line with reduction in economic cost.

For the Year	2017/18 Rs. million	2016/17 Rs. million
Shareholders' funds	27,029.82	24,697.29
Add: Accumulated provision for impairment charges	3,055.56	1,649.60
Add: Cumulative market building expenses	880.00	1,014.13
	30,965.38	27,361.02
Profit attributable to		
Shareholders	4,309.33	4,009.25
Add: Market building expenses for the year	175.37	385.77
Add: impairment provision	1,406.00	68.74
Add: Deferred tax charges for the year	359.30	107.54
	6,250.00	4,571.31
Economic cost (%) (Average Treasury Bill Rate + 2 % risk premium)	11.74	12.41
Economic cost	3,423.76	3,254.99
Economic value addition	2,826.24	1,316.32

MARKET VALUE ADDED (MVA)

For the Year	2017/18 Rs. million	2016/17 Rs. million
Market Capitalisation/Market Value of Equity	24,961.83	24,645.85
Less: Shareholders' funds	27,029.82	24,697.29
Market value added	(2,067.99)	(51.44)

Market value added is the difference between the market capitalisation and the shareholders' funds. It reflects the premium or the discount the market has placed on the shares of the Company. With a price to book value of Rs. 0.92 per share as at 31 March 2018, People's Leasing's market capitalisation decreased during the year due to the negative sentiments that prevailed in the capital market throughout the year.



Manufactured Capital

People's Leasing Manufactured Capital consists of its human-created and production-based infrastructure which indirectly drives the provision of products and services but is not directly embodied in its output, Essentially it comprises the Organisation's extensive branch network, Information and Communication Technologies (ICT) infrastructure and other property, plant, and equipment (PPE) employed for business operations.

STRATEGIC PRIORITIES

Our manufactured capital is employed for the creation of value for both the business and our stakeholders. As such, it is managed in alignment with our business strategy with an eye to sustainable business growth. The four main pillars of this section include:



Increasing our presence through an island-wide branch network



Providing prudent financial solutions for customers



Leveraging on technological innovations



Improving operational processes

PERFORMANCE HIGHLIGHTS

ISO 27001
certified

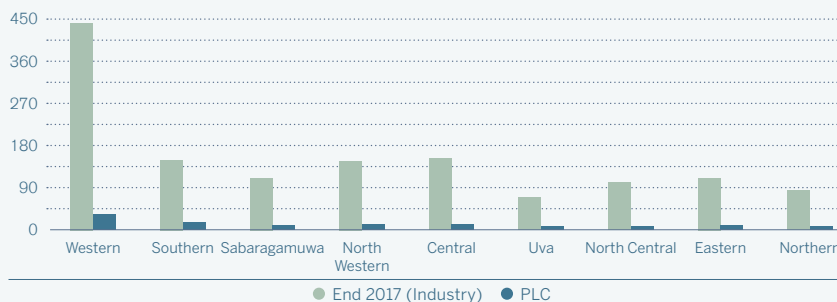
PLC Online
offering value added services

Social media network
connectivity

Introduced loyalty cards
for existing clients for better identification

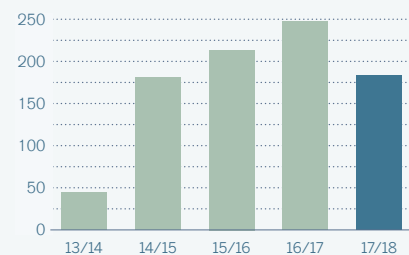
BRANCHES OF PLC VS INDUSTRY

[Nos.]



ICT INVESTMENT

[Rs. million]



Manufactured Capital

OUR REACH

BRANCH OPERATIONS

Branch operations is the primary conduit through which the products and services offered by People's Leasing are made available to the public. They form the face of the Company and it is vital that they offer an integrated and uniform value proposition to the customer, reflective of the values of the Organisation.

In order to strengthen the organisational structure, the branch operations were divided into two zones during the year under the purview of two senior Deputy General Managers.

As part of the Company's manufactured capital, ICT infrastructure supplements the branch operations. In the context of today's world where user expectations, among millennials in particular, are rising by the day, extensive deployment of Information and Communication Technology is an imperative in every aspect of the Company's operations. We continuously enhance our value proposition in terms of products and services, reach, service standards and internal processes by leveraging information and communication technology. Technology also assists the oversight and monitoring of the performance of branches on an online real time basis.

We leverage ICT to apply data analytics which provided insights on our customers and value proposition which is fed into the strategic planning process.

ICT's overarching impact on operations has raised another challenge in so far as the security of the data captured through the transactions is concerned. Information security and being able to offer a guarantee to the customers that their personal details are safe with the Company, has led to structured steps being taken to ensure that it is so.

People's Leasing has built confidence in its branch network by fast tracking credit

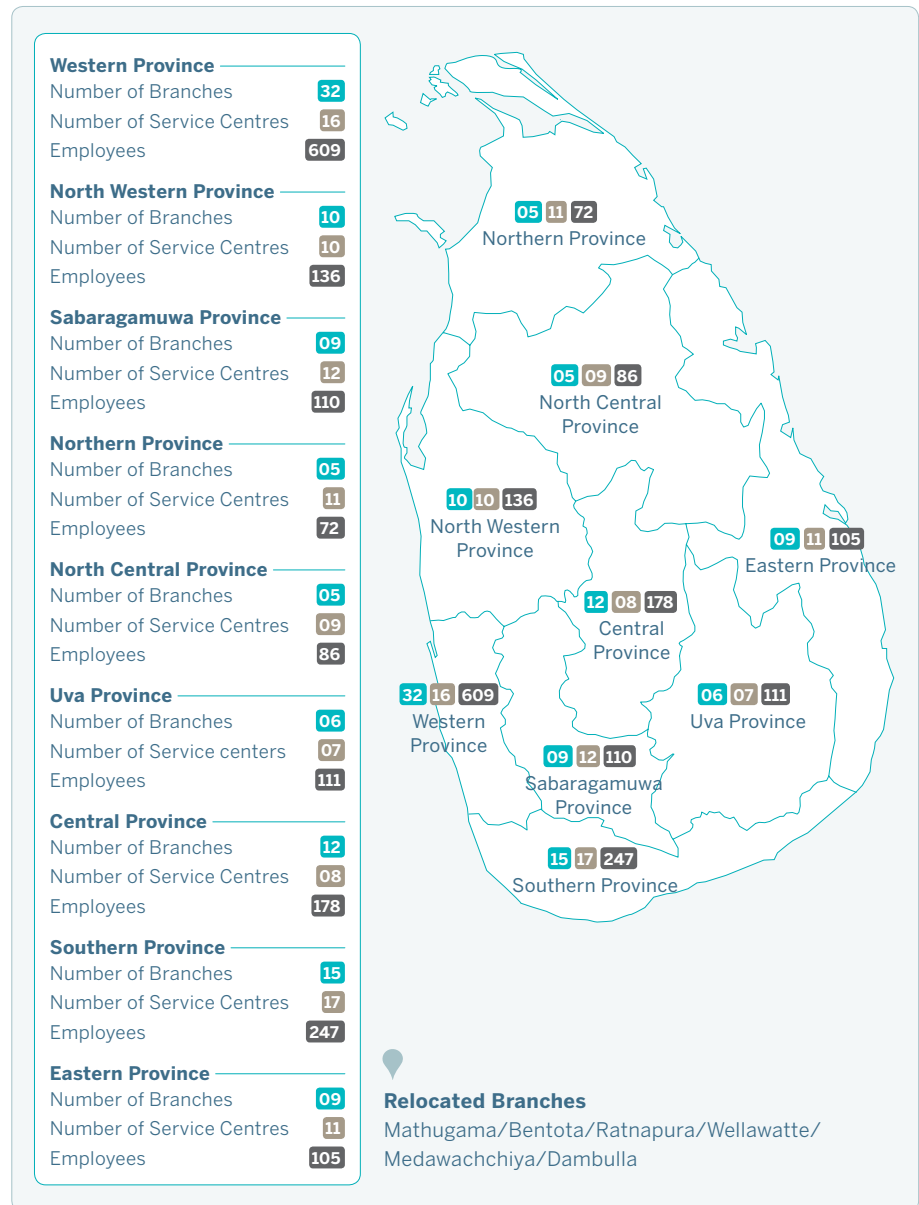
approvals through the adoption of a decentralised credit approval process with delegated credit approval authority limits.

In keeping with the Company's policy, branch employees are in the main, recruited from the local area wherever

possible. Customers have appreciated being able to discuss their financial matters and requirements with persons from their own localities. The employees in turn are better able to relate to these customers' needs and offer a productive service to the Organisation.

BRANCH NETWORK OF THE COMPANY

GRI 102-06



Refer the branch network on pages 398 to 400.

Manufactured Capital

Across the island, 103 fully-functional branches and 101 service centres provide the best coverage for the population. Under the current arrangements, any customer in an urban area is able to reach a branch of the Company within 30 minutes.

The well-dispersed branch network, located at key strategic points, allows the spread of People's Leasing's products throughout the country. The service centres make it possible for the Company to access those market areas and segments in a cost-effective way.

NEW AND RELOCATED BRANCHES/ BRANCH TRANSFORMATION

GRI 102-10

While the previous financial year (2016/17) saw rapid branch expansion for People's Leasing, during the period under review, the Company did not open any new branches. Instead the focus was on consolidating performance at existing branches.

Our employees have been able to avail themselves of an abundance of training provided by the Company. As a result, branch personnel remain well-informed and capable of representing the Company and presenting its value proposition to the customer with confidence.

Since we are constantly exploring ways and means to improve our delivery of products and services, People's Leasing relocated six branches (Matugama, Bentota, Ratnapura, Wellawatte, Madawachchiya, and Dambulla) during the year to ensure greater convenience for customers.

OTHER CUSTOMER TOUCHPOINTS

In response to various advancements in technology, Company has embarked on developing its own platforms. People's Leasing online with new look and features was launched during the year under review. The corporate website will be revamped and launched in 2018/19. In addition, Mobile Apps and Palm Top Devices have been activated to provide remote branchless services. This is a

development that will be appealing to the youth in particular.

The convenience of customers has been enhanced with our VISA debit cards being enabled to be used on the wide spread ATM network of our Parent Company, People's Bank.

With Facebook being one of the most popular social media platforms for a wide spectrum of customers from millennials to senior citizens, People's Leasing set up a Facebook Account during the year under review, to enhance interaction with customers and positively influence the general public.

We will be introducing loyalty cards for our existing customers to help the Company allow better identification and to improve customer satisfaction levels and customer retention. Our loyalty card holders will continue to have access to special rates and discounts throughout each year.

Actions have been taken to streamline operations at the branch operation Department. Empowered branches are able to respond to customers' needs promptly. With this in mind, People's Leasing has decentralised its loan approval process and granted authority, within specified limits, for branches to approve loan applications.

Initial steps have been taken to speed up processes through the use of "E-memos" replacing printed hard copies of documents.

IT INFRASTRUCTURE, SYSTEMS AND PROCESSES

With the increasingly prominent role that ICT plays in daily operations, it has been necessary to formalise and introduce a suitable structure for its use.

In addition to the use of ICT in day-to-day operations, new product development needs to take into account technological progress and the increasing use of various electronic devices.

ICT STRATEGY OF PEOPLE'S LEASING

Our ICT strategy is closely related with our business strategy and integrated with our operational requirements.

All new products that are developed include aspects of ICT in varying degrees and require corresponding ICT applications and support. Our IT Department is equipped, not only with the hardware required for this purpose, but also well-trained resource people who are able to respond to the needs of the hour.

Key functions of the IT Department



Identify business requirements and suggest appropriate software and hardware solutions



Develop software solutions



Provide user support for software and hardware issues



Guarantee information security across the organisation



Provide system training for internal users



Provide management information to guide decision-making



Apply data analytics to draw insights on customers and our value proposition



Participate in IT risk-management initiatives



Adding value that exceeds expectations

Like most businesses, we take pride in keeping the ear to the ground. We also make sure to keep our ears open to the feedback of our stakeholders – especially that of our customers. Straight from their lips to our ears, the input of our stakeholders is what shapes our products and services – indeed our very ethos. Constant dialogue is what helps us meet our goal of exceeding customer expectations.

Our IT Department is resourced with a dedicated and multidisciplinary team that is capable of finding solutions for technological problems and in developing technological interfaces on new product development.

The Department has responsibility to source all hardware requirements, install them and troubleshoot issues that the head office and branches may face.

We are committed to reducing our environmental footprint in our operations. The Company aspires to work in a completely virtual environment. In this regard, any branch openings and relocations are undertaken keeping in mind the desire to reduce our energy consumption.

ICT POLICY

Our ICT Policy commits to the use of ICT to facilitate responses to the varying demands of our stakeholders in a timely and efficient manner. The policy further considers the protection of customers' privacy, the need to mitigate risks to the confidentiality of corporate data and minimising the possibility of breakdown and stoppages of ICT services that could otherwise impede efficient operations of the business, as "High Priority".

ICT CERTIFICATION

The ICT standard maintained by the Department is of the highest possible level. The ISO 27001: Information Security Management System Certification was renewed for the third time. The recertification audits confirmed compliance with all the requirements.

Periodical audits are undertaken every nine months, with penetration tests of our communication channels being undertaken annually.

Manufactured Capital

INFORMATION SECURITY POLICY



The incident management process enables staff members to lodge reports to the Chief Information Security Officer of any (potential) breaches of security.

The Disaster Recovery Plan is designed to cover all functions of the Company. The Plan addresses aspects related to security of data with both on-site and off-site backups in secure environments.

The Business Continuity Plan is tested periodically (at least annually) with the participation of the information security team, to ensure data is securely backed up and provisions are adequate for the recovery of operations from any unforeseen adversity.

We conduct regular internal security audits with external audits conducted by Messrs DNV GL of Business Assurance India. These audits provide a measure of comfort on the efficacy and reliability of the processes and controls in place. The Company also engages KPMG and PwC to assess vulnerability of the company to risk and to conduct penetration tests. The Company is ISO 27001 certified.

SYSTEMS IN PLACE AT PEOPLE'S LEASING

At People's Leasing we take pride in maintaining systems and processes that are at the cutting edge of international trends. Our goal is to maintain the trust and loyalty of our customers and the general public who firmly believe that we have their best interests at heart. Some examples of how we follow through include:

- — Automating all manual processes in a timely manner
- — Supporting green IT concepts by implementing a document management system and an E Memo system that moves us closer towards a paperless environment
- — Implementing a sophisticated internal web (intranet) for employees which includes training material, manuals, policies and all relevant information
- — Launching 'IntApp' mobile app for marketing employees
- — Maintaining a video conferencing facility to enable communication between branch staff and management and to conduct staff trainings
- — Developing ICT infrastructure such as hands-on training facilities and a virtualised server environment with disaster recovery sites
- — Introducing more mobile apps for customers as well as the general public
- — Increasing our involvement in social media

NEW INTRODUCTIONS AND INVESTMENTS (MODULES, SYSTEMS, UPGRADES AND OTHER)

The Company keeps itself updated on IT developments and where appropriate, we subscribe to necessary modifications in respect of existing software and employ more modern software modules as required.

Investments have been made, in respect of the new products introduced to the market place. They relate to the following modules:

- — Musharakah (Islamic Loan)
- — Treasury System – Loan Module
- — Gold Loan Module
- — Cash Advance Module – to handle the cash advances which the employees will take

The following modifications have been carried out in respect of the applications listed below:

- — Introducer commission – Ijarah and Murabaha
- — Arbitration closure in Legal Module
- — Tie-up Module
- — Variable Rate Loan Product
- — Seasonal Rental Schedule modification

Manufactured Capital

People's Insurance System has been modified as follows:

- Management information system (MIS) developed for national sales and Bancassurance through Zone, Region and Branch (MIS consists of Underwriting, Claims, Reinsurance, and Commission)
- Website revamped with enhanced information for customers
- HRIS has been implemented with hSenid at People's Insurance PLC
- Long Term Policy – Facility to cater to the long term bancassurance requirements

FUTURE

The constant need to keep IT systems current and up to date is a priority for the Company.

With the increasing use of technology and its integration with mainstream products, it is essential that we ensure that there is sufficient space and flexibility in our corporate system. The reliability of our systems is paramount, to keep the operations uninterrupted and to make sure that no viruses enter the systems to corrupt it.

As more and more applications are developed, there is a growing requirement to have sufficient leeway in People's Leasing's storage capacity, to accommodate all requirements.



Intellectual Capital

Today's fast-paced technological developments are already shaping the future in ways we never imagined. Challenging business practices as we know them, such developments are rendering the past financial performance of an organisation less important than the Company's future potential. Tangible assets (refer Manufactured Capital on pages 69 to 75) were once considered a corporate's key value driver but that view is no longer accurate.

Managing the knowledge-based intangible assets of an organisation is of vital importance because such assets can significantly impact its value. In this chapter, we look at People's Leasing intellectual capital in light of how it can impact competitive advantage, future fitness and the ability to engage stakeholders.

STRATEGIC PRIORITIES

Our corporate strategy and strategic priorities also aim to ensure that our intellectual capital is preserved and improved upon over the years. Consisting of intangible assets that significantly impact business growth, our Intellectual Capital directly influences the way stakeholders perceive and interact with us.



Distinct positioning and building corporate brand image



Consistently maintaining and improving international ratings



Optimising the synergies of the Group



Nurturing a knowledge culture within the Organisation

PERFORMANCE HIGHLIGHTS

No. 1 Rank

Non-Banking Financial Services Brand by Brand Finance PLC

Grand Award

for the Best Annual Report of Sri Lanka at 31st International ARC Awards (Annual Report 2016/17)

Most recognised, highest rated

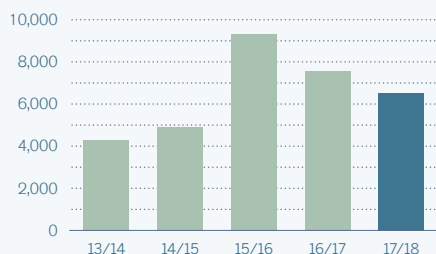
non-bank financial institution

Gold Award

for the ICT team at APICTA 2017

BRAND VALUE

[Rs. million]



Ratings

	2017/18	2016/17	2015/16	2014/15	2013/14
Fitch Ratings Lanka	AA-(lka)	AA-(lka)	AA-(lka)	AA-(lka)	AA-(lka)
Fitch Ratings International	B	B	B	B+	B+
Standard & Poor's	B+/B	B+/B	B+/B	B+/B	B+/B

Intellectual Capital

THE BRAND AND ITS VALUES

Over two decades, People's Leasing has nurtured and strengthened robust relationships with multiple stakeholder groups. Our brand values are derived from market opinion – we have made a name for ourselves as a stable, customer-friendly, trusted and reliable Organisation. Initially bolstered by the strong brand image of our Parent Company, People's Bank, we soon came into our own. In fact, we are the highest-rated non-bank financial institution in Sri Lanka.

Stability

Our stability lies in the solid position we maintain in the market, in a range of categories including assets, deposits, loans and customer base.

As at 31 March 2018, our asset base stood at Rs. 161.49 billion while our deposit base had increased by 55.99%, year on year. Our loan portfolio and related customer base increased by 5.15% and 4.69% respectively during the same period.

Ensuring that all our people are aware of our strategic priorities continues to be of paramount importance. Obviously they must know the direction in which we are heading so that we can all pull together towards the same goal.

Customer-friendliness

At People's Leasing, customer-friendliness is all about being true to our tag line – "People's Friendly Leasing". While we are fully-prepared to help our customers navigate through serious life choices involving their finances, our people are also adept at truly getting to know and understand our customers and their financial needs. Customer connectivity is always foremost at People's Leasing – we strongly believe in conducting our business on an interactive basis rather than on a mechanistic, transactional basis.

Our Corporate Social Responsibility (CSR) events and one-to-one customer service have helped cement our position as the people's top choice for non-bank financial services. Our customers know that we are keenly focused on their financial development and progress. This belief is well-founded as we continue to maintain effective databases in order to fulfil their needs while ensuring the utmost levels of data security.

Reliability

Being well-known as a reliable non-bank financial services institution means that a significant portion of our clients – around 53% – are repetitive customers. Our reliability stems from our ability to guarantee the execution of a service within a certain period of time as promised. We are able to keep our promises to our customers thanks to the continued updating of our IT platforms, and the training and development of our people. Our 24-hour call centre too plays a big role in promoting our image as a reliable organisation, allowing our customers from millennial to senior citizens, quick and easy access to useful and relevant answers for their card-related inquiries.

Trustworthiness

People's Leasing is a trusted name in the market as illustrated by fact rather than fiction. For instance, our debenture issues were oversubscribed on several occasions signifying the community's trust in choosing us over other non-bank financial institutions. Our corporate partnerships are with blue-chip companies, illustrating the People's Leasing Group's strength in attracting and retaining the trust of the top players in the market. Public trust in People's Leasing is also epitomised in the significant growth in its deposit base within a short time frame despite the lack of any significant advertising.

These brand values are what ready us for the future, give us an edge over the competition, and help us better serve our customers.

The Value of the Brand

Ratings

The value of the People's Leasing brand is further illustrated by a range of reliable ratings and rankings. People's Leasing is the highest rated non-bank financial institution in Sri Lanka with two international ratings:

- — "B" rating from Fitch Ratings International a rating one notch below Sovereign
- — "B+/B" from Standard & Poor's, a rating equal to the Sovereign
- — "AA-(lka)" rating from Fitch Ratings Lanka Limited.

Reinforcing its standing as the nation's leader in non-banking financial institutions, People's Leasing was awarded the coveted No. 1 Rank in the Non-Banking Financial Services Brand sector by Brand Finance PLC 2018.

The People's Leasing brand value stands at Rs. 6,486 million in the Financial Services (Leasing) category in 2018.

People's Leasing was also recognised as the most valuable Customer Brand and the Most Loved Brand in Financial Services (Leasing) category by Brand Finance Lanka and rated AA- Brand rating.

Intellectual Capital

Rankings

- People's Leasing's prestigious ranking by S&P Sri Lanka as per the Colombo Stock Exchange (CSE):
- People's Leasing has consistently ranked among the top corporates of Sri Lanka as illustrated in the table below which spans through last years:

Financial Year	Business Today		LMD 100	Brands Annual Ranking	Most Respected Entities Rankings (LMD Magazine)	Corporate Accountability Rating (STING Consultants)
	Rank	Remark	Rank	Rank	Rank	Award
2013/14	18	Top 25	35	17	Within 51-100	Gold
2014/15	14	Top 25	29	19	35	Gold
2015/16	17	Top 25	32	14	15	Gold
2016/17	14	Top 30	37	15	30	Gold
2017/18	15	Top 30	32	16	25	Gold

Market share

People's Leasing has led the market over the long term as illustrated below. Such robust leadership is testament to our commitment, close relationship with our customers and the superlative service we offer Sri Lankans.



People's Leasing accounts for
11.92%
of the total asset base of non-bank financial institutions



People's Leasing has been the market leader in the leasing sector for
15
consecutive years



People's Leasing's profitability is at
Rs. 4.31 billion



People's Leasing's deposit share is
10.16%
of the industry

Intellectual Capital

AWARDS AND RECOGNITION

While our culture is not one which compels us to go in search of awards we are honoured to have received recognition during the year under review. We believe that such accolades are a reflection of effective management and governance practices, and the dedication and hard work of our people.

OVERALL BUSINESS EXCELLENCE

- 1 No. 01 Rank in the non-banking financial services brand sector by Brand Finance PLC, 2018.
- 2 People's Leasing was ranked 15th in Business Today Top 30 list in 2016/2017.

RECOGNITION FOR IT

3 APICTA

The Asia Pacific ICT Alliance Awards (APICTA Awards) is an international awards programme organised by APICTA, which aims to increase ICT awareness in the community and assist in bridging the digital divide.

The APICTA 2017 was held in Dhaka, Bangladesh for the 17th consecutive year, with the participation of 16 economies from the Asia Pacific Region.

"SelfeCash" which was developed by the ICT Department of People's Leasing, was recognised as the Gold Winner in the Financial Industry Category at APICTA 2017. We are indeed proud to say, that People's Leasing is the only Finance Company to win this award and that too for the first time after 17 years by a finance company in Sri Lanka.

NBQSA

The National Best Quality Software Awards also known as NBQSA is the only national awards competition for software products in Sri Lanka. These awards are organised by the Sri Lanka Section of the British Computer Society (BCS) – The Chartered Institute of IT. The NBQSA competition is open to organisations, groups and individuals in Sri Lanka for

locally designed and developed ICT products. People's Leasing's ICT team was able to clinch two awards at the 19th National Best Quality Software Awards (NBQSA) 2017 on 6th October 2017.

- 4 A Merit Award in Financial Industry Applications for "Margin Trading System"
- 5 The Gold Award in In-House Applications for "SelfeCash"

This inspired us to seek international recognition through international awards programmes such as APICTA.

RECOGNITION FOR ANNUAL REPORT

People's Leasing Annual Report 2016/17 secured three awards at the Excellence in Integrated Reporting Awards 2017 organised by Certified Management Accountants of Sri Lanka (CMA):

CMA Sri Lanka

- 6 Overall Second Runner-up
- 7 Gold Award winner in the Finance & Insurance Sector
- 8 Award for one of the ten best integrated reports in Sri Lanka

ARC Awards

- 9 People's Leasing Annual Report 2016/17 also won the Grand Award for the Best Annual Report of Sri Lanka at the 31st International ARC Awards – widely acknowledged as the "Academy Awards of Annual Reports".

People's Leasing Annual Report secured six category awards in "Financial Services: General Sector" at the International ARC Awards:

- 10 Gold Award for Infographics
- 11 Silver Award for Non-traditional Annual Report
- 12 Silver Award for Photography
- 13 Bronze Award for Financial Data
- 14 Bronze Award for Printing and Production
- 15 Honours for Cover Photo/Design

People's Leasing Annual Report 2016/17 clinched four prestigious awards at the Annual Report Awards 2017 organised by The Institute of Chartered Accountants of Sri Lanka:

CA Sri Lanka

- 16 Gold Award for Integrated Reporting – Best Disclosure on Business Model Award Category
- 17 Gold Award in the Overall Corporate Social Responsibility Reporting Category
- 18 Silver Award in the Finance Companies & Leasing Companies (Total Assets above Rs. 20 billion) Category
- 19 Bronze Award in the Overall Management Commentary Award Category
- 20 People's Leasing Annual Report 2015/16 was adjudged the Joint Second Runner-up in the Financial Services Sector at the SAFA Best Presented Annual Report Awards 2016.
- 21 Also received a Certificate of Merit in the category: SAARC Anniversary Award for Corporate Governance

RECOGNITION FOR HR

- 22 Our Human Resources Department was recognised as one of Sri Lanka's Best Employer Brands by the World HRD Congress and Employer Branding Institute at the Sri Lanka Best Employer Brands Awards 2017
- 23 People's Leasing also received the Asia's Best Employer Brand Award from the World HRD Congress and Employer Branding Institute at the Asia's Best Employer Brand Awards 2017
- 24 Our Human Resources Department won Gold at the SLITAD (Sri Lanka Institute of Training and Development) People Development Awards 2016/17

Intellectual Capital



Intellectual Capital



Intellectual Capital

RECOGNITION FOR SUSTAINABILITY

- 25 People's Leasing was recognised as one of the ten best corporate citizens in the country at the Best Corporate Citizens Awards organised by Ceylon Chamber of Commerce of Sri Lanka
- 26 People's Leasing won the Ian Dias Abeysinghe Memorial JASTECA CSR/ Sustainability Merit Award from the Japan-Sri Lanka Technical and Cultural Association (JASTECA)

RECOGNITION FOR AL-SAFA ISLAMIC FINANCIAL SERVICES UNIT

- 27 People's Leasing won the Bronze Award for the Islamic Leasing Company of the Year for its accomplishments in the Islamic Finance landscape
- 28 Al-Safa Islamic Financial Services Unit (AIF) was also honoured with the Gold Award in Social Upliftment Category at the prestigious Sri Lanka Islamic Banking and Finance Industry (SLIBFI) Awards 2017
- 29 AIF was honoured with the Silver Award for Leasing Company (on Ijarah Portfolio) (SLIBFI) Awards 2017
- 30 Bronze Award for Window /Unit of the year in year 2017 at the prestigious Sri Lanka Islamic Banking and Finance Industry (SLIBFI)

CORPORATE CULTURE

At People's Leasing we actively promote a culture that is open, supportive and collaborative because we are fully aware of the benefits of a working environment where people feel valued and engaged. We encourage our people to voice their opinions, suggest change and be proactive in driving innovation. The Company strategic plan is just one example which ripens from the ideas in the form of employee suggestions during the year under review. Another is the intranet which provides employees with all the resources they need

to take advantage of the troves of knowledge gained over the last two decades.

It is this highly engaged, performance-driven culture that enables People's Leasing to follow through on strategic imperatives, meet targets, satisfy customers and maintain its leading position in the market while increasing its future potential.

Please refer "About People's Leasing" on pages 6 to 9.

KNOWLEDGE CULTURE

At People's Leasing we are proud of the knowledge culture we have built up over two decades. We believe that a qualified and well-trained workforce is essential and that it forms the backbone of our operations. This knowledge culture provides us with a unique competitive advantage in the industry.

Our employee retention rate demonstrates our ability to retain experienced and knowledgeable people who are more than capable of delivering outstanding service to customers. In fact, we are accomplished to maintain 88.49% staff retention rate. As at 31 March 2018, 516 of our employee cadre were within the range of six to ten years' experience category while 328 employees had more than ten years of experience. More in depth information on our employees can be found on pages 84 to 94 under Human Capital.

Our long-standing presence and strong performance in the leasing sector provides us with extensive knowledge of the industry. Through effective induction programmes, coaching and mentoring we ensure that this knowledge is passed on to newer recruits at all levels so that People's Leasing is always future-fit.

ETHICS

Just as reliability and trustworthiness are brand values that each of us live by, conducting our business in an ethical way is a non-negotiable part of life at People's Leasing. These high standards

are expected of each employee in every business and service unit within the Organisation. All employees are guided by the Code of Conduct which is a blue-print for day-to-day work activities, including dealings with customers and Company's other stakeholders. As stated in People's Leasing's Business Code of Ethics we have a proven mechanism to ensure customers are safe from unethical business practices.

Good governance is maintained at all times in all operating procedures with sound internal controls firmly in place to prevent corrupt, unlawful and improper activities and transactions.

INNOVATION CULTURE

Innovation plays a significant role at People's Leasing, not simply in the day-to-day running of the business but also in the form of new products and processes to suit trending business and customer needs.

Our ICT Team has already ensured that all business-related processes and non-business supportive processes (such as HR and Logistics) have been fully computerised. During the year under review, the use of software applications developed in-house reached more than 95% within the People's Leasing Group. With the Organisation diversifying into different business avenues, People's Leasing was able to create a number of automated solutions such as the following:

- — Fully-fledged General Insurance System
- — Microfinance System
- — Margin Trading System
- — Factoring System
- — SelfeCash System
- — Gold Loan System
- — Branchless Banking System using POS Devices
- — PLC Online app
- — Treasury System
- — Strategic Decision Support System

Intellectual Capital

The following new modules were also successfully introduced to the existing core system using in-house expertise:

- Fast Track Loans
- Clean Loans
- Legal Module
- Management Information Systems and Decision Support Systems
- Document Management System
- SLIPS Process
- “IntApp” mobile app for employees
- “iProject” project and process management system

Such in-house software development has resulted in a cost savings during the year under review which would otherwise have had to be utilised for the purchase of new software applications from third party vendors. Our in-house skills also meant that we were spared the hassle of customising generic products from external vendors.

By focusing on developing a technology-based culture that could better serve our customers accurately and efficiently we were able to ensure continuous improvements such as:

- Automating all manual processes in a timely manner
- Implementing green IT concepts through a document management system and an E Memo system that propels us closer towards a paperless environment
- Implementing a sophisticated internal web (intranet) for employees which contains training material, manuals, policies and other relevant information for employees
- “IntApp” mobile app for the convenience of employees in the Marketing Team
- Video conferencing facility to enable communication between branch staff and management and to conduct staff training remotely

- Developing ICT infrastructure such as hands-on training facilities, a virtualised server environment and disaster recovery sites
- Conducting ICT-related training for all employees across the island as required

IT SYSTEMS AND PROCESSES

The year under review has been remarkably productive in terms of improving our IT systems and processes. A major server upgrade was initiated along with several infrastructure upgrades and the installation of a firewall which has improved security even further.

New or modified systems at People's Leasing which bridged the gap to meet business needs and improve the Organisation are potential for capitalising on every opportunity that the future may bring. (For more details please refer to page 74 under Manufactured Capital.)

GROUP SYNERGIES

Utilising the strengths of the Group gives us an advantage 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 offices in branches. This cost-effective method of widening our network helps us to tap into a vast customer base.

Our six subsidiaries provide us with an opportunity to offer diversified product portfolios to our customers while utilising ethical business processes. We are also able to utilise greater economies of scale by sharing the IT and administrative functions within the Group.

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.

COMPLIANCE

At People's Leasing we ensure that our activities comply with all relevant rules and stipulations laid down by the relevant regulatory bodies. (Further details of this can be found under Compliance Management on page 153).

We followed all laws and regulations regarding products and services during the year under review and were not subjected to any fines or non-monetary sanctions for non-compliance.

FUTURE OUTLOOK

Preserving our Intellectual Capital for our future success is of paramount importance to us. We are confident that the systems and processes in place to ensure that the tacit knowledge of our employees is nurtured and not lost will see us through from strength to strength. The spirit of innovation too grows strong within our Organisation with People's Leasing even winning accolades and customer appreciation for products developed in-house.

In 2018 and beyond we will continue to capitalise on our innovation culture. For instance, we will introduce more innovative products such as SelfeCash which is beneficial for customers and the Company. We will introduce more mobile apps for customers and the general public, and we will also increase our presence on social media in order to be more accessible to our stakeholders.

Much work has been done to secure our leadership position in the market, for both the Organisation and all its stakeholders, and this bodes well for the future.



Human Capital

People's Leasing considers Human Capital as its most valuable input in driving the business. It is involved in every aspect of the business from product innovation to customer service to maintaining relationships to communication to management of the financial position of the Company.

Human capital of People's Leasing consists of talent and skills recruited and developed over two decades and the harnessing of accumulated experience to gain a competitive advantage over the competition.

Management of this human capital requires strategies that are unambiguous and well-defined implementation processes.

STRATEGIC PRIORITIES

In aligning the HR strategy with People's Leasing's corporate strategy, consideration is given to the generational changes that define the younger employees. An aspect of People's Leasing's approach to introducing products and services, is that it entails the growing use of technology. As the more youthful employees are extremely adept at using such technology they are engaged in the design of these products.

Policies of the Company advocate and the Employee Code of Conduct emphasises that it is a part of the culture to treat all employees as persons worthy of respect. The message has now penetrated throughout the organisation and has been firmly rooted.

Following strategic priorities were adopted during the year:



Retaining the best talent



Recruiting required talent



Developing human capital



Providing equal opportunity and safeguarding human rights

PERFORMANCE HIGHLIGHTS

2,085

Employees

240

New recruits

Rs. 17.21 million

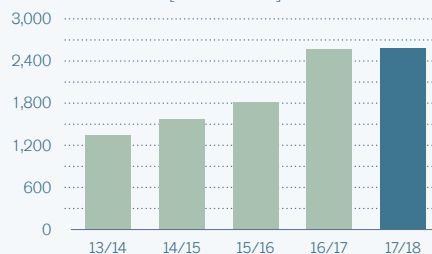
on training

Gold Award

SLITDA

STAFF BENEFITS

[Rs. million]



Human Capital

OVERVIEW

People's Leasing & Finance PLC (People's Leasing) considers Human Capital as its most valuable input in driving the business. It is involved in every aspect of the business from product innovation to customer service to maintaining relationships to communication to management of the financial position of the Company.

Human capital of People's Leasing consists of talent and skills recruited and developed over two decades and the harnessing of accumulated experience to gain a competitive advantage over the competition.

Management of this human capital requires strategies that are unambiguous and well-defined implementation processes.

STRATEGIC PRIORITIES AND IMPLEMENTATION OF STRATEGIES (CONTRIBUTION TO THE COMPANY STRATEGY)

In aligning the HR strategy with our corporate strategy, consideration is given to the generational changes that define the younger employees. An aspect of People's Leasing's approach to introducing products and services, is that it entails the growing use of technology. As the more youthful employees are extremely adept at using such technology they are engaged in the design of these products.

Policies of the Company advocate and the Employee Code of Conduct emphasises that it is a part of the culture to treat all employees as persons worthy of respect. The message has now penetrated throughout the organisation and has been firmly rooted.

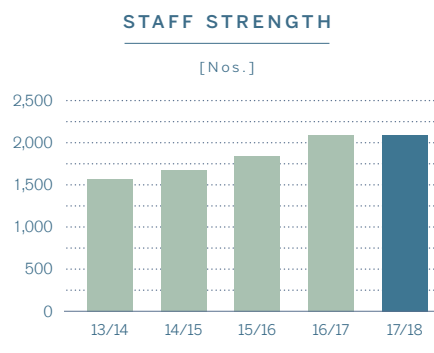
Following strategic priorities were adopted during the year:

- Retaining the best talent
- Recruiting required talent
- Developing human capital
- Providing equal opportunity and safeguarding human rights

RETAIN THE BEST TALENT

With a large number of players, NBF sector which is a sub sector of the financial services industry has intense competition not only for business but also for talent. As a result, it has become a challenging task for the Company to retain the good talent within the Organisation. People's Leasing has implemented a number of strategies to face these challenges; some short term, some long term.

The cadre strength as at 31 March 2018 was 2,085 employees, at the same level as at the previous year end. This reflects the focus on the restructuring process undertaken during the year. Further, staff turnover ratio increased to 11.51% which stood at 7.91% in the previous year.



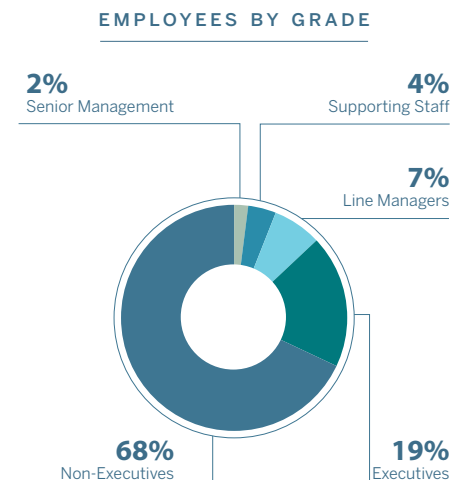
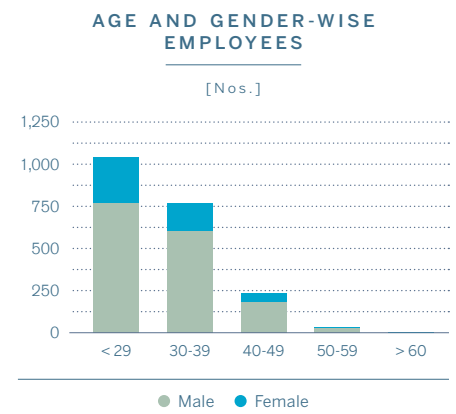
People's Leasing managed to have required talent at different levels. As a result, we maintain a blend of senior managers, line managers, executives and other staff members. Performance of individuals and the requirements created within the Organisation will create opportunities for existing employees. While we always give priority for our staff affording them promotional prospects when it comes to filling vacancies, if any fresh blood needs to be taken in with new knowledge and expertise, Company will recruit them from outside. The organisation structure at People's Leasing is not designed to create a tall hierarchy. In keeping with its open communication culture, the recent restructuring attempted to compress the number of levels. The restructuring of each department is also planned along the same lines.

The restructuring process has also helped identify the talent that needs to be retained within the Company.

The Company has 103 branches and they are divided into two zones reporting to two operational Senior Deputy General Managers. Three new Deputy General Managers were re-designated to be responsible for Risk Management, Marketing and Recoveries.

An initiative to encourage employees to move from the back office to the front office (marketing) has not met with a lot of enthusiasm. To overcome this reluctance, incentive schemes are in place where employees who perform well in that area are to be rewarded.

GRI 405-1



Human Capital

Grade	Number of Employees				
	2017/18	2016/17	2015/16	2014/15	2013/14
Senior Management*	35	36	30	28	24
Line Managers	142	124	112	84	78
Executives	402	377	320	282	271
Non-Executives	1,420	1,464	1,297	1,197	1,124
Supporting Staff	86	84	75	75	78
Total	2,085	2,085	1,834	1,666	1,575

*Senior Management includes all Senior Management plus the members of the Corporate Management.

The breakdown in the categories of employees in the table above shows that the organisation is not "top heavy" with Senior Management comprising only 1.7% of total employees. All Senior Managers are Sri Lankan. The emphasis is therefore shifted to those activities related to product innovation, the design of products that fit the needs of the customer, marketing and customer service.

Rewards and Recognition

GRI 102-8 GRI 201-3 GRI 401-2

Reward scheme of the Company plays a crucial role in retaining talent. People's Leasing reward scheme comprises both the salary component as well as the non-monetary component. Monetary benefits consist of salary, bonuses, and allowances. All employee EPF, ETF and gratuity payments are made on time and conform to relevant laws and regulations. The Company contributes 12% to EPF, 3% to ETF while employees contribute 8% to EPF.

Those employees, who have completed five years or more of service, 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 and qualifying branch employees are rewarded.

Maternity leave is offered to all female employees in accordance with the provisions in the Shop and Office Employees Act.

The Company also provides a range of insurance benefits to its permanent employees.

Additional benefits, made available through the Company's welfare scheme are as follows:

- A concessionary loan scheme for the purchase of vehicles for approved staff categories
- A concessionary housing loan scheme
- Reimbursements on the cost of mobile phones
- Death donations to employees and their immediate family including spouse's family
- Reimbursement of exam fees

- Concessionary rates for a holiday bungalow in Maradana and Bandarawela

The Company advocates healthy lifestyles by providing the following benefits:

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

A salary survey is conducted to ensure operational staff enjoys an allowance scheme. Another annual survey is conducted to enhance the salary scale of operational staff to fall in line with the inflation rate.

The Company does not recruit staff on a temporary basis. All recruits are subject to a period of probation. On successful completion of this period, staff is absorbed onto the permanent cadre. 85% of all employees are engaged on a permanent basis.

The table below depicts the payments made to all employees of People's Leasing.

Benefit	Payments made to employees				
	2017/18 Rs. million	2016/17 Rs. million	2015/16 Rs. million	2014/15 Rs. million	2013/14 Rs. million
Salaries and bonus	1,604.52	1,657.62	1,118.99	1,027.38	878.16
EPF	146.74	141.06	94.82	85.85	75.84
ETF	36.69	35.27	23.7	21.46	18.89
Overtime	36.99	40.75	32.93	30.69	18.18
Leave encashment	48.04	42.31	27.96	24.15	20.75
Allowances and incentives	487.79	441.56	346.07	257.76	248.55
Casual wages	3.59	8.74	5.54	6.67	5.16
Medical insurance	126.74	124.21	105.82	79.34	48.43
Gratuity	83.88	64.73	51.18	31.92	24.08
Total	2,574.98	2,556.24	1,807.02	1,565.23	1,338.05

Human Capital

Total of salaries and other benefits reflects only a marginal increase in 2017/18 as the Company did not focus on expanding workforce as a result of the consolidating strategy and the lower level of new business volumes handled. Despite changes in the composition of staff, the total staff strength remained unchanged year on year.

GRI 202-1

Minimum wage

The Department of Labour does not specify a minimum wage for the finance sector. However, the pay scales adopted by the Company is in line with the minimum wages standard set by national minimum wages of workers Act No. 03 of 2016 and minimum budgetary allowance set by Budgetary Relief Allowance Act No. 04 of 2016. Company does not discriminate on the minimum wage on males and females. During the year under review, minimum wages of People's Leasing against the regulations stood at 1:1 ratio.

Work Culture and Ethics

The working culture at People's Leasing encourages teamwork, is open and supportive. The Company prides itself in promoting vertical and horizontal communication at all times. Regular meetings and branch visits enable staff at all levels to interact with top management. If any employees feel they are disenfranchised, personnel in the HR Department are available to address any concerns they may have.

Systems in place for HR

During the year, the Company introduced an intranet HR portal identified as "MyHR". This was designed to assist staff avail themselves of work study programmes and a tool in implementing a performance evaluation system based on job descriptions to get to know the actual requirements of the front and back offices.

The system is in use at the Head Office of the Company.

Work-Life Balance

Work-life balance is an important aspect in retaining the best talent within the Organisation. People's Leasing encourages its employees to maintain work-life balance on which the Company firmly believes that it is essential to discharge their duties in the work-place as well. In this regard, Company has proactively introduced measures to improve employees' life styles in ways that will be mutually beneficial.

Following steps have been taken during the year:

- Introduced flexi-hours (8.00 am – 4.45 pm) and (8.30 am – 5.15 pm);
- Made it compulsory for employees to take at least four consecutive days of annual leave;
- 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;
- Organised other events such as inter-faith sermons, a musical event titled "Kirilliyo" featuring renowned artistes, a get-together themed "EIDorado" and a Christmas Carol sing-along during the festive season.

Maintaining a Great Workplace

The Company creates a positive, healthy and safe workplace environment which is understood to being key to securing the well-being of the employees. This has helped in reducing absenteeism, staff turnover and increased productivity at all levels of the operation.

Each employee has a landline and all marketing staff have been given mobile phones which include a special app where they can access their emails at any time.

People's Leasing has continuously conducted their operations in line with principles of best practice established within the industry.

The HR Department was subject to regular audits during the year. There have not been any major instances where employees have conducted themselves contrary to the Company's Code of conduct or harmed its image.

Handling of Grievances

GRI 102-17

A comprehensive mechanism to redress any grievance voiced by an employee is in place. They are able to adopt an anonymous approach or utilise the open-door policy. This provides the opportunity for aggrieved employees to air their concerns to any member of the Management.

This provides the opportunity for aggrieved employees to air their concerns/seek guidance including ethical and lawful behaviour starting from their immediate supervisor to Head of HR to a member of the Corporate Management Team including the CEO/GM.

The Company upholds its grievance policies to the highest level of expectations.

The responsibility for the whistle-blower policy is within the domain of internal audit and is structured to enable employees to anonymously report misdeeds, violations and/or any concerns they may have.

Health and safety

GRI 403-1 GRI 403-2 GRI 403-3

Due to the nature of our business operations there is no formal health and safety committee in force.

Processes have been put in place to improve health and safety conditions in the workplace. Those whose functions involve working in an office environment,

Human Capital

are less exposed to occupational injuries and ill-health issues.

The operational staff, constituting about 36% of the workforce engaged in field marketing and recovery activities however, are at risk of road accidents and are subject to the external elements. In the period under review, one employee (refer the table below) met with a road accident during working hours. All medical expenses were met by the Company through the insurance scheme and leave to recuperate was granted without any loss of pay.

The safety measures adopted as part of the drive to continuously improve health and safety at the workplace are as follows:

- — Building maintenance system with fire safety options
- — Fire safety equipment
- — Fire drills
- — Extensive training for designated fire wardens
- — First aid and training for volunteers
- — Well maintained fleet of vehicles

Occupational Injuries and Health Issues

For the year ended	2017/18	2016/17	2015/16
Road accidents during work hours	1	5	6
Lost days recorded due to these accidents	94	92	126

Performance management

GRI 404-3

Management of employees' performance is a key ingredient to the success of People's Leasing. Each employee's performance is measured against a set of branch and departmental KPIs. Performance assessments take into

account both quantitative and qualitative factors.

The system of assessment is regularly adapted to reflect changing industry practices with necessary improvements and upgrades being made as and when required.

180 degree appraisals of and for the employees are conducted along with a rating system that helps to determine increments and bonuses to employees.

The Performance Management System is designed to achieve the following:

- — Maintain a performance-based culture in the Company;
- — Provide an accepted platform on which to base the review and assessment of an employee's performance; and
- — To understand the training and development needs of employees and determining their relevance to organisational requirements.

The evaluation process is undertaken twice each year.

Compliance

GRI 403-4 GRI 407-1 GRI 102-41
GRI 408-1 GRI 409-1 GRI 410-1
GRI 412-1

People's Leasing is not a unionised company and as such is not subject to the terms of collective agreements with its employees. However, the Company has been proactive in building solid relationships with its employees across the Organisation.

All employees have the freedom of association and expression. The Company is unaware of any instance in which the right to exercise this right has been denied or has been at risk of being violated. People's Leasing has not recorded any instances of Child Labour and forced labour during the year under review. Since our security personnel are outsourced we have not provided formal training

on human rights for them. However, we ensure that they are given comprehensive training on the same by their employer.

The avenues of dialogue between staff and management are always open and pave the way to keep everyone well informed and engaged in the decision-making process. These include and are not restricted to changes to the organisational structure, biannual appraisals and the like.

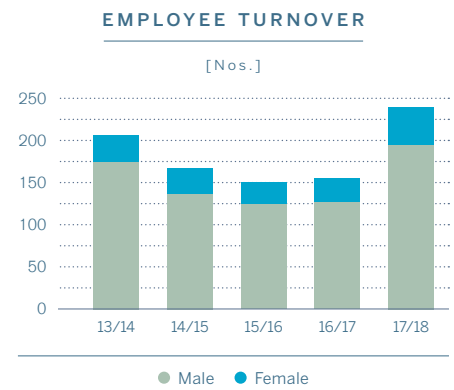
Although we do not conduct formal impact assessment on human rights in our operations, our policies and guidelines guard us against violation of human rights in any form.

No formal training for employees was given specifically on human rights during the year.

Employee turnover

GRI 401-1

The performance- based assessment, recognition and reward system together with the training opportunities provided and the presence of health and safety measures with an emphasis on employee well-being, form the foundation in executing the employee retention policy.



The employee turnover rate in the year under review was 11.51% and shows an increase from 7.91% reported in the previous year (2016/17).

Human Capital

Employee Turnover by Reason

	2017/18		2016/17	
	Male	Female	Male	Female
Resignations	192	45	125	27
Retirement	1	-	3	-
Deceased	0	-	-	-
Terminations	2	-	3	-

The turnover rate of back office employees is insignificant while that relating to those in marketing shows an increase. It is believed that the superior training offered to People's Leasing employees in this field makes them and their experience attractive to competitors.

Employee Turnover by Gender

2017/18 (%)



Male

92.86%



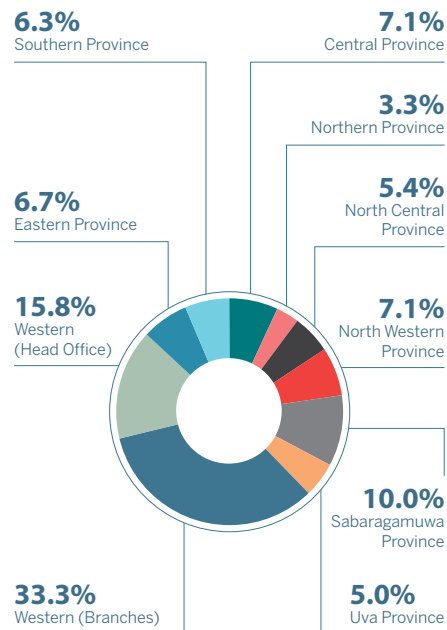
Female

7.14%

GRI 401-1

Due to the superior training People's Leasing imparts to its employees, there is a high demand for People's Leasing talent from the competition. Highest turnover was observed among male staff and a majority of them are from marketing.

EMPLOYEE TURNOVER BY REGION



Staff turnover is higher among non-executives due to their expectations of speedier career progression and offers they receive from the competition with promises of better prospects. Major part of non executive staff falling under less than 29 years age category contributed to the majority of staff turnover.

Employee turnover by grade

Grade	Number of Employees				
	2017/18	2016/17	2015/16	2014/15	2013/14
Senior Management	2	2	1	1	4
Line Managers	5	2	0	4	3
Executives	19	9	15	23	22
Non-Executives	206	139	127	136	170
Supporting staff	8	3	7	2	7
Total	240	155	150	166	206

Human Capital

Employee turnover by age group

Age	Number of Employees					
	2017/18 Nos.	2017/18 %	2016/17 Nos.	2015/16 Nos.	2014/15 Nos.	2013/14 Nos.
<29	185	77.08	118	129	118	145
30-39	50	20.83	32	18	44	53
40-49	3	1.25	1	1	3	6
50-59	-	-	1	2	1	2
>60	2	0.83	3	-	-	-
Total	240	100	155	150	166	206

New employment opportunities, higher studies and migration were identified as the key reasons for the resignations during the year.

GRI 401-3

Employee retention following maternity leave

The number of persons who returned to work after taking maternity leave increased from 64% in 2016/17. Return to work rate after maternity leave and retention rate for the year 2017/18 are 76.1% and 71.4% respectively. This is an encouraging sign for the Company reflecting its appeal as a preferred place of employment.

	Number of Employees			
	2017/18	2016/17	2015/16	2014/15
Entitled for maternity leave*	485	475	422	354
Availed maternity leave	46	28	24	33
Returned to work after maternity leave	35	18	18	26
Employed for the last 12 months after returning from maternity leave	20	18	24	28

*Only females are entitled for parental leave.

RECRUIT REQUIRED TALENT

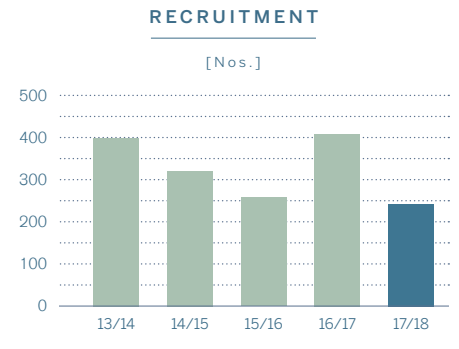
While human capital is considered an essential capital input to its successful operation, the Company has to identify, not only the tasks that need to be performed but also the most appropriate talent required to complete those tasks.

Attracting the required talent requires judicious judgement of the most suitable qualifications that are required to perform the tasks, but also the right personalities that fit into the culture of the Organisation.

GRI 401-1

New Recruits

The graph below lends credence to the new recruitment made during the year, following the restructure and replacements for resignations.



New Recruits by gender

2017/18



Male

77%

No: 185

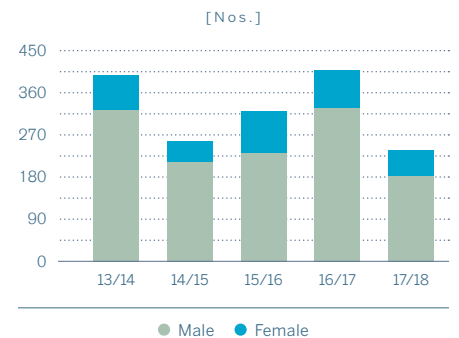


Female

23%

No: 55

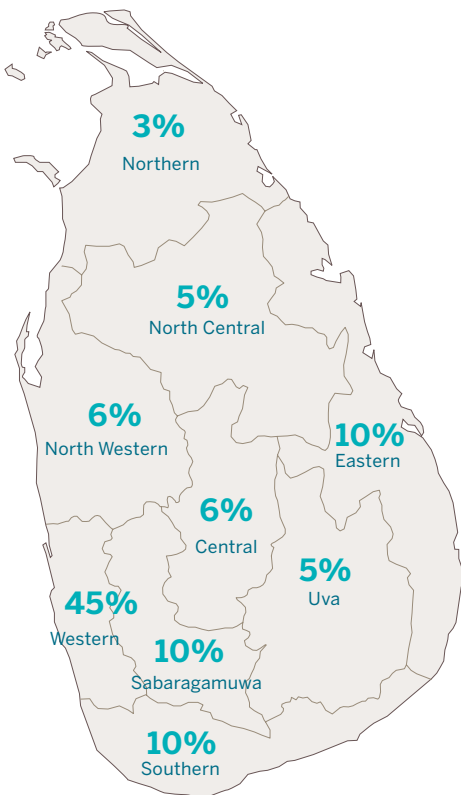
NEW RECRUITS BY GENDER



● Male ● Female

Human Capital

Composition of People's Leasing staff in terms of their gender has always been skewed towards males, based on its working needs. Females have historically shunned those jobs that require them to be in the field and actively pursue new business and/or the mobile service of customers. Males currently comprise 77% of total employees. This however is an improvement in the balance between males and females where the ratio in 2016/17 was 80% and the previous year was 90%.



This depicts the province wise percentage of new recruits.

NEW RECRUITS BY AGE

	2017/18 Nos.	2017/18 %	2016/17 Nos.	2015/16 Nos.	2014/15 Nos.	2013/14 Nos.
<29	203	84.58	383	302	245	344
30-39	27	11.25	24	19	10	52
40-49	5	2.08	2	-	1	3
50-59	2	0.83	-	1	2	-
>60	3	1.25	1	-	-	-
Total	240	100.00	410	322	258	399

The recruitment focus within People's Leasing is on engaging the majority of employees in the younger age bracket, which stood at 84.58% in 2017/18. All Senior Managers are locally hired (Sri Lankans). Our recruitment policy is to recruit staff from the respective locality in which the branch operates except in the case of some unavoidable circumstances. At the Head Office, employees from different localities are available due to the specialised nature of the jobs.

A higher proportion of new recruits was for the Western region due to most of the opportunities arising in that region as a result of the Head Office being located and 31% of the branches and 32.5% of the business volumes being concentrated in that region.

EMPLOYEE CONCENTRATION

Region	Number of Employees									
	2017/18		2016/17		2015/16		2014/15		2013/14	
	Total	New recruits	Total	New recruits	Total	New recruits	Total	New recruits	Total	New recruits
Central	178	14	181	35	158	24	148	25	134	35
Northern	72	7	73	19	62	10	57	158	52	13
North Central	86	13	84	27	65	11	60	7	63	16
North Western	136	15	137	35	110	22	103	16	88	22
Sabaragamuwa	110	24	109	29	90	21	76	9	69	16
Uva	111	11	110	20	104	24	91	11	91	18
Western (Branches)	609	62	641	124	557	84	527	82	517	130
Western (Head Office)	431	47	424	34	416	77	356	45	331	84
Eastern	105	24	97	25	91	18	87	13	87	28
Southern	247	23	229	62	181	31	161	35	143	37
Total	2,085	240	2,085	410	1,834	322	1,666	258	1,575	399

Human Capital

GRI 402-1

Although People's Leasing is represented throughout the country, 50% of all employees were based in the Western region. It is representative of the number of branches and business volumes generated in the region, apart from the Head Office being located there. This trend has been consistent over the past several years. Effective communication channels between the Head Office and the branch network enables a well-connected workplace with each other enabling People's Leasing to effectively communicate notices regarding operational changes despite geographic location. However, notice period of the operational changes vary depending on the nature of the change required.

EQUAL OPPORTUNITY AND SAFEGUARDING HUMAN RIGHTS

GRI 406-1

The recruitment policy at People's Leasing requires the distribution of employees in the Company to be representative of the geopolitical and socio-economic strata of the population. All recruitments, and transfers, and promotions are based on assessed individual merit. As an equal opportunity employer, the Company does not discriminate on grounds of gender, age, race, cultural differences and any such other factors.

There were no incidents of discrimination reported during the year under review. Hence, no corrective action was required.

Ethnicity	2017/18			
	Male	Female	Total	%
Sinhalese	1,400	451	1,851	88.78
Tamil	127	23	150	7.19
Muslim	73	11	84	4.03
Total	1,600	485	2,085	100.00

Company's employee composition by ethnicity was skewed towards Sinhalese, followed by Tamils and Muslims which is approximately proportionate to the composition of the country's population.

Ratio of basic salary to gender

GRI 405-2

We ensure a good balance in remuneration in terms of gender. In the reporting year, female employees across categories recorded an average basic salary of 1.00 time compared to 1.23 times average basic salary for male employees.

	2017/18	2016/17	2015/16	2014/15	2013/14
Senior Management					
Male	1.43	1.48	1.63	1.11	1.86
Female	1.00	1.00	1.00	1.00	1.00
Line Managers					
Male	1.08	1.08	1.13	1.10	0.90
Female	1.00	1.00	1.00	1.00	1.00
Executives					
Male	0.89	0.88	0.89	0.91	0.95
Female	1.00	1.00	1.00	1.00	1.00
Non-Executives					
Male	0.99	0.97	1.00	0.91	0.92
Female	1.00	1.00	1.00	1.00	1.00
Support Staff					
Male	0.95	0.96	1.00	1.00	1.14
Female	1.00	1.00	1.00	1.00	1.00
Average salary ratio					
Male	1.23	1.26	1.33	1.00	1.35
Female	1.00	1.00	1.00	1.00	1.00

HUMAN CAPITAL DEVELOPMENT

Human capital development is a vital aspect of human resource development within the Organisation. We firmly believe that the development of the employees become the key factor for achieving organisational goals and objectives.

People's Leasing considers training as a long-term investment which reaps benefits in the long run. So Company allocated a significant budget of Rs. 50 million for training in the year under review. Initially, performance evaluations are carried out annually and required training needs

are identified on the recommendations of the supervisor. Training needs are also identified on an annual or in certain instances, on a need basis. Employees are then nominated for programmes conducted by the in-house resource personnel or outside resource personnel. Immediate supervisors, heads of departments and branch managers, all carry a responsibility to develop a multi-skilled workforce. The process involves job rotation, on the job and off the job training.

Human Capital

Evaluating the Return on Training Investment (ROTI) is of utmost importance. Sometimes return might be a qualitative aspect which is hard to be expressed in numbers. But HR team is continuously monitoring the performance of the employees who attended training and evaluated the effectiveness of the training programmes. As such, nominated participants must attend the scheduled training programmes with proper dress code and active participation maintained throughout the training sessions. A post training evaluation is conducted after each training programme to evaluate the outcomes with regard to improvement in skills and competencies, as well as to gauge the return on investment.

Management will additionally nominate employees to attend selected professional institutions to acquire necessary knowledge and confidence, in order to address skill gaps and performance gaps and meet future challenges that may arise, given the Company's plans for growth and expansion.

Staff is also trained to have a detailed understanding of the Company's products, line and functional relationships, processes, operations and the finance industry in general.

In addition, training is also provided to employees on ICT and documentation skills, as well as all habitual corporate competencies such as:

- 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

Continuous Professional Development

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.

The objective of competency and skill development is to ensure the continuous development of employees' abilities and competencies, leading to improvements in their present and future standards of performance.

Induction programme for new entrants

GRI 102-16 GRI 102-17

All new recruits follow a detailed induction programme. The objective is to familiarise them with the Company's operational processes, systems, practices, culture, values and ethics. Further 'Employee Handbook' serves as a guiding material in orienting of new employees and values. At the completion of this training, employees will be expected to have a sound understanding of the Company profile, organisational structure, HR policies, their individual roles and responsibilities, IT systems, the policies and practices of the Organisation and a brief understanding of subsidiary operations.

Corporate social responsibility

People's Leasing is on strong belief that the CSR shapes up the organisational culture. So the Company conducts supplementary training programmes to better equip its employees to actively participate in corporate social responsibility (CSR) activities. The CSR programme is developed together with employees who are given the opportunity to enhance their leadership prospects.

The Company has tied up with the Toastmasters Club, to help individuals develop their public speaking, communication and leadership skills.

Training hours and investment


GRI 404-1 GRI 404-2

During the year under review, the investment on training reduced up to Rs. 17.21 million, when compared to Rs. 28.33 million in last year. This was mainly due to more attention given for the restructuring process during the year which required a high level of engagement at all levels of staff. During the year training programmes were conducted on the areas of customer care, positive thinking, and technical and soft skills. Plans have already been made to provide more training opportunities for the staff, specifically tailored to their job roles in the coming year.

Average training hours per employee – by position

	2017/18	2016/17
Senior Management	15.37	11.90
Line Managers	19.62	18.14
Executives	18.85	23.70
Non-executives	19.87	28.93
Support staff	24.83	13.57

Average Training Hours per Employee



	Male	Female
2017/18	20.18	17.96

Human Capital

Training investment

	2017/18	2016/17	2015/16	2014/15	2013/14
Training (Hours)	33,939	55,108	39,802	37,085	34,075
Training investment (Rs. million)	17.21	28.33	22.80	26.76	20.33
Average hours of training per employee	19.65	26.43	21.70	22.26	21.63

Challenges faced in conducting training

Customising external training programmes as per the requirements of the Company and as per the target audience is a major challenge in conducting training.

Other challenges faced by the Company in conducting training programmes is to make sure that employees selected to participate in these training programmes, attend the sessions and attentively participate. Very often the demands of their jobs preclude them from giving of their time and the Company's time, to actively participate in the programmes.

In addition, generation X and Y prefer for more tech savvy training methods which is not that much developed in the Sri Lankan context also poses a challenge.

Measuring the effectiveness and the return on the training investment has also been difficult, since the outcomes are mostly qualitative.

Significant achievements from HR perspective

- — Gold award at the SLITAD (Sri Lanka Institute of Training and Development) People Development Awards 2016/17
- — Recognised as one of the Sri Lanka's Best Employer Brands by the World HRD Congress and Employer Branding Institute at the Sri Lanka Best Employer Brand Awards 2017.
- — Asia Best Employer Brand award by the World HRD Congress and Employer Branding Institute at the Asia's Best Employer Brand Awards 2017.

CHALLENGES

Lackluster economic growth and the challenges faced by the NBF sector adversely impacted the new business volumes, leasing in particular, of leasing and finance companies. Besides managing staff turnover, these developments in turn have posed challenges for the sector in terms of human resource management. First and foremost, it has created excess capacity since the Company is geared to underwrite about Rs. 10 billion in

new business a month whereas actual business volume has dropped to about Rs. 8 billion per month. Given the heavily sales oriented culture of the sector and the performance and incentives of the sales forces are interrelated to their performance in terms of new business, a certain degree of demotivation has set in among the staff. In addition, due to the deteriorating asset quality, sector has been forced to divert some of its marketing and sales resources to strengthen recovery efforts, again leading to some degree of dissatisfaction among employees.

FUTURE

Human Resources management at People's Leasing aspires to keep improving their delivery in line with best practices in the industry. Their objective is to create and maintain the improved working environment where there is mutual benefit to the employees and the Company. HR recognises the vital role played by the employees and will continue to strive to propagate an environment that will bring out the best in the employees and contribute to the economic and social health of the Organisation.



Social and Relationship Capital

In the course of conducting its business, People's Leasing builds up long-lasting relationships with customers, business partners, regulators, investors and the community at large. The social and relationship capital of the Organisation is enhanced through the Company's efforts in fostering and maintaining these affiliations.

STRATEGIC PRIORITIES

The successful continuation of our operations is directly underpinned by the strength of relationships that we develop and foster with diverse entities. In order to uphold the strength in our relationships we have given priority to the following strategic aspects:



Improve customer convenience by simplifying processes



Improve relationships with customers and customer satisfaction levels



Advocate prompt reporting and compliance



Improve contribution to national development

PERFORMANCE HIGHLIGHTS

10% growth
in deposit customers

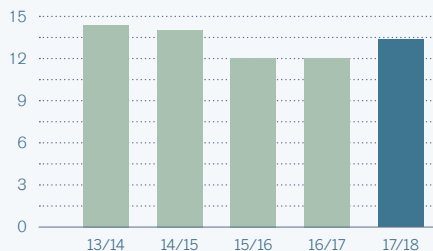
Two new products
introduced

More than 45%
dividend payout

Invested Rs. 101.5 million
for 167 community initiatives

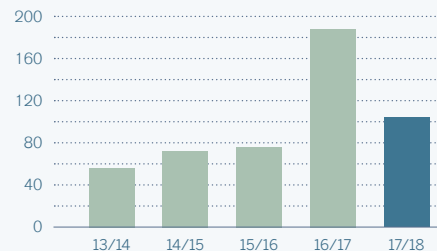
ROCE

[%]



INVESTMENT ON CSR

[Rs. million]



Social and Relationship Capital



Customers

CUSTOMERS AS A BUSINESS PARTNER

Customers form the cornerstone in generating business and producing income for the Company. The ongoing success of the organisation is heavily dependent on building and nurturing relationships with them through mutual interactions and the range of customised products and services that are offered to meet their needs.

Whilst it is important to advise and educate the customers on the use and benefits of the Company's products, it is imperative that we create the environment where the voice of the customer is heard and their needs are identified. The better we understand the customer, the easier it will be to build long-lasting and mutually rewarding relationships with them.

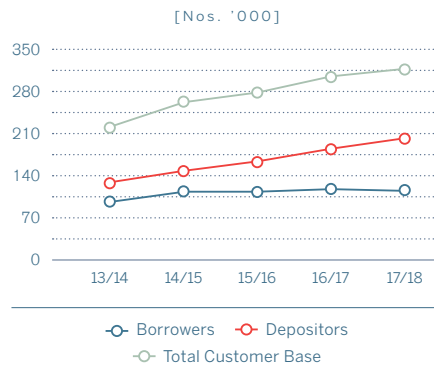
Through a wide spread network of channels and outlets comprising own branches, service centres at People's Bank branches and our newest innovation in customer care the "PLC Online" Peoples' Leasing has made it possible for customers to conveniently access our financial solutions and for the Company to 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 57 years). This has contributed to the Company having a deposit base of Rs. 69.76 billion including savings deposits of Rs. 4.33 billion.

Repeat customers in any organisation are indicative of the confidence they place in the Company's products and services and the trust they have in the integrity of its operations. 53% of People's Leasing's business is from its existing customer base.

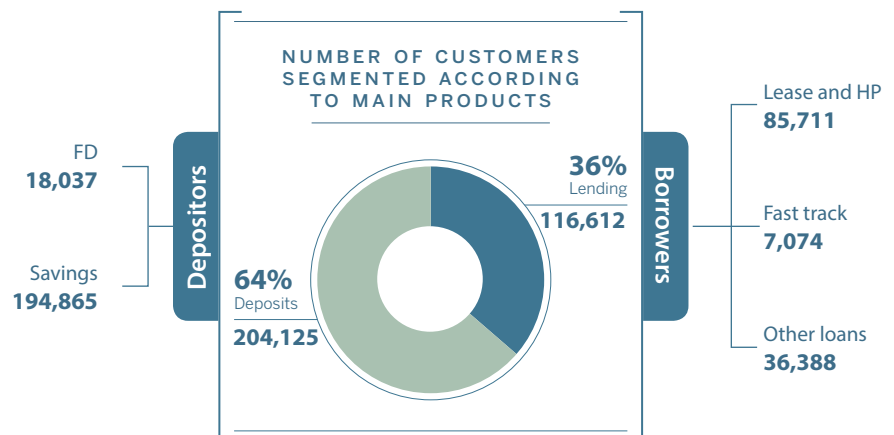
GROWTH OF THE CUSTOMER BASE



Our total customer base has grown in 2017/18 by almost 5% when compared with the previous year. While the number of depositors has increased (representing confidence in the Company), the number of borrowers has decreased. This is a reflection of the slow economic activity in the country at the beginning of the year.

Composition of our customer base

Excluding cross selling, two-thirds of our customer base consists of depositors while the rest are borrowing customers. In terms of the number of deposit customers, bulk 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 borrowing customers were interested in which accounted for 63.56% of the total lending customers.



Note: Due to cross selling total number of customers is lower than the summation of each product customer.

Social and Relationship Capital

Geographical segregation of the customers

Province	Lending			Deposits		Total Customers	Branches	Service Centres
	No. of Customers	Disbursement Rs. million	Net Portfolio Rs. million	No. of Customers	Value Rs. million			
Central	13,734	9,305.23	14,074.28	20,759	4,577.35	34,493	12	8
Eastern	6,198	4,288.37	6,394.28	10,900	782.21	17,098	9	11
North Central	6,402	3,979.37	6,038.22	11,733	474.70	18,135	5	9
North Western	9,978	6,727.13	9,722.65	14,269	1,599.68	24,247	10	10
Northern	3,618	2,847.14	3,292.48	4,186	1,095.93	7,804	5	11
Sabaragamuwa	6,844	4,684.58	7,051.37	13,674	1,614.75	20,518	9	12
Southern	17,749	13,727.95	20,387.08	23,821	4,069.85	41,570	15	17
Uva	8,231	4,976.90	7,924.19	18,618	1,206.50	26,849	6	7
Western	44,034	37,318.06	66,880.65	95,109	54,342.23	139,143	32	16
Total	116,788	87,854.72	141,765.20	213,069	69,763.22	329,857	103	101

Our geographical presence in every province means that we are in a position to service the less developed and the less affluent sections of our society. 57.82% of our customers are in provinces other than the Western Province and 57.52% of disbursements were made to customers beyond the borders of the Western Province.

OUR OFFERING

GRI 102-2

People's Leasing acknowledges the confidence the customers have in the Company in continuing to use its products. The range of products that is available has been developed by understanding the customers' needs and by observing the trends and developments in the market place.

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.

The following table shows the range of products on offer:

Leases



Our leasing portfolio consists mainly of finance leases. We provide leasing facilities to individuals including professionals, businessmen and corporate bodies. We provide easy payment schemes and fast and friendly service through island-wide branch network.

Gross portfolio
Rs. 105,858.94 million

Collection ratio
95.67%

Disbursement
Rs. 44,627.73 million

Number of customers
85,711

NPA ratio
1.42%

Social and Relationship Capital

Loans



This is a revolving loan facility, which is very similar to an overdraft and the loan can be granted to businesses, individuals and corporates who are in need for short-term financing, especially working capital requirements.

Gross portfolio
Rs. 11,964.91 million

Disbursement
Rs. 14,330.15 million

NPA ratio
4.85%

Collection ratio
90.12%

Number of customers
7,074

Term Loans

Term loans are given at fixed interest rates depending on the customer request, in a way of fixed property mortgage loans, that is secured against collateral.

Gross portfolio
Rs. 15,502.21 million

Disbursement
Rs. 9,338.90 million

NPA ratio
7.37%

Collection ratio
91.92%

Number of customers
10,163

Auto Loans

Auto loans are granted against vehicles through a mortgage, similar to property mortgage loans. The amount of the auto loan depends on the valuation of the vehicle and the repayment capacity of the customer.

Gross portfolio
Rs. 16,159.66 million

Disbursement
Rs. 10,868.92 million

NPA ratio
0.31%

Collection ratio
97.58%

Number of customers
11,657



Selfecash enables customers to pledge their fixed deposit/s through hassle free documentation and obtain loans as and when they desire upon only one time registration. This can be applied either individually or jointly depending on the ownership of the fixed deposits.

Gross portfolio
Rs. 1,622.67 million

Disbursement
Rs. 3,586.84 million

Number of customers
4,036



Clean loans are short-term loans based purely on the current account transactions and repayment capacity of the customers. This is offered mainly to meet immediate financial needs of customers.

Gross portfolio
Rs. 2,440.64 million

Disbursement
Rs. 3,266.22 million

NPA ratio
24.02%

Collection ratio
91.29%

Number of customers
2,759



The quick cash loan scheme is designed mainly for customers who are in the permanent employment cadre to address their financial needs in a quick and hassle free manner. It is similar to a personal loan.

Gross portfolio
Rs. 231.91 million

Disbursement
Rs. 106.16 million

NPA ratio
7.66%

Collection ratio
90.03%

Number of customers
1,006



These are loans granted against the collateral of gold. This product was introduced during the year.

Gross portfolio
Rs. 60.97 million

Disbursement
Rs. 143.44 million

Number of customers
401

Social and Relationship Capital

Deposits



Deposited for a fixed period of time ranging from 1 month to 5 years at a fixed interest rate, interest is payable monthly or at maturity. Deposit holder should be a Sri Lankan citizen or resident visa holder over 18 years of age.

Total Deposit base
Rs. 62,694.98 million

Number of customers
17,589



"Mudharabah" relates to a contractual agreement between the provider of capital (funds) and an entrepreneur for the purpose of a business venture whereby both parties agree on a profit sharing arrangement.

Gross portfolio
Rs. 2,733.61 million

Number of customers
448



This is a regular savings account with a higher rate of interest. Deposit holder is entitled to an international visa debit card. This debit card enables customers to purchase products at any time of the day by electronically transferring money between accounts.

Gross portfolio
Rs. 4,334.62 million

Number of customers
194,865



We strive to provide improved quality of life for senior citizens of the country through greater benefits. Deposit holders above the age of 55 are eligible for an additional interest rate.



Children's savings product with a higher rate of interest. Any citizen of Sri Lanka, who is below the age of 18 years, is eligible. Minimum deposit amount is Rs. 250. To inculcate savings habit in the minds of children, a till was introduced, "voxy" the mini bus.



This is a unique Islamic savings account for minors that offers a reasonable return. The profit is calculated monthly and credited to the account.



This account was introduced during the year targeting salaried employees' between 18 to 55 years of age and employed in a reputed organisation on a permanent basis. Minimum monthly savings salary remittance is Rs. 1,000. An additional interest of 0.25% p.a. offered for the savings.

Social and Relationship Capital

Islamic Finance Products – Lending



The Ijarah product is the leasing counterpart and allows the lease of an article for a specified permissible benefit in the form of a usufruct for a specified period in return for a specified consideration or hiring a person's specified service for a specified consideration. The ownership of the item remains with the Company throughout the facility period, while the customer has the right of use.

Gross portfolio
Rs. 6,823.71 million

Disbursement
Rs. 3,383.90 million

NPA ratio
0.95%

Collection ratio
94.42%

Number of customers
4,486



Murabaha/Trading Murabaha is a Shari'ah compliant product which provides short and medium-term financing for the purchase of commodities/assets. This refers to sale of a vehicle/commodity, disclosing the cost and defining and agreeing on a profit.

Gross portfolio
Rs. 5,551.52 million

Disbursement
Rs. 1,761.97 million

NPA ratio
4.68%

Collection ratio
94.32%

Number of customers
1,622



This product was introduced during the year Musharakah is a profit and loss sharing contract based on a partnership in which parties contribute to the financing and management of a Shari'ah compliant project. This is a form of joint ownership in an asset or property in which any of the joint owners undertakes/promises to buy the ownership of share of the joint owner gradually until the ownership of the joint asset or property is completely transferred to the purchasing joint owner.

Gross portfolio
Rs. 151.87 million

Disbursement
Rs. 170.78 million

NPA ratio
0%

Collection ratio
97.18%

Number of customers
33

Margin Trading and Factoring

Margin Trading

Margin Trading activities are licensed under the Securities and Exchange Commission of Sri Lanka and focus on small and medium investors within the retail sector, high net worth individuals and institutional customers. Margin trading facilities are currently only available at the Head Office and the Company expects to develop its infrastructure, marketing division, and back-office functions.

Gross portfolio
Rs. 2,631.94 million

Interest income
Rs. 270.03 million

Number of customers
141

Factoring

Factoring provides working capital solutions with continuous service, transfer of risk and sales ledger management. We analyse the creditworthiness of a portfolio before entering into a factoring agreement and establishing a dedicated team to manage the receivables. Under this product we offer factoring, bill discounting, cheque discounting, invoice discounting and discounting for corporate, semi-corporate and SME customers. We intend to extend this service to branches.

Gross portfolio
Rs. 1,635.87 million

Disbursement
Rs. 280.82 million

Number of customers
84

Social and Relationship Capital

The range of products offered by People's Leasing is designed to not only generate direct benefits to our customers but also to make an impact on the country's

economy. The leases and loans granted cover activities in key sectors, such as transport, agriculture, manufacturing, construction, tourism etc.

The facilities extended for commercial purposes (passenger vehicles, trucks, tippers and dual-purpose vehicles) enable our customers to engage in revenue generating pursuits that add value to themselves, as well as to the respective sectors they are involved in.

GRI 102-6

SECTOR CONTRIBUTION (GRANTING AND PORTFOLIO IN RS. MILLION)



New products introduced

There is a constant need to revitalise the portfolio of products, taking into account the changing economic environment in addition to responding to the changing needs and expectations of the customers.

The majority of the Company's business has hitherto been from loans and leases in the motor vehicle market. Entry barriers have recently been relaxed and the

mainstream banks have started entering this market segment. Due to the lower cost of funds available to banks, they are able to offer more attractive deals in this area and consequently have cut into the market share predominantly enjoyed by finance companies so far.

Given the threat to the Company's operating activities from this development, it has been necessary to

develop new products that will fill the gap in income.

Loan given with Gold as collateral (Gold Loan), loan with variable interest rate, housing loan, educational loan and Islamic product of Musharakah and Wakala are some of the new products introduced and only Gold loan and Musharakah were launched during the year and others will be launched in next financial year.



Walking the line between risk and value

In a world where technology is evolving faster than it can be adopted, we are well aware of its immense potential for us and for our customers. While we are poised to green-light the best that technology has to offer our stakeholders we are also keenly aware of the dangers. Cyber security is always at the heart of every discussion we have and every action we take on the innovations of tomorrow.

- — **Variable rate leases and loans** – This product addresses concerns from both the customers' and the Company's point of view.
- — **Gold loans** – These are loans granted against the collateral of gold. Although the transaction is similar to pawning, the difference lies in the requirement for the customer to settle the obligation in monthly instalments (as in a normal loan) rather than having to find a lump sum at the end of the period, to recover the goods that were pawned.

When customers commit to fixed interest loans there is no opportunity to take advantage of any decreases in interest rates. Fixed rates on loans and leases are set on the basis of the outlook on interest rates which may or may not eventuate. Variable rates on loans and leases open the door for customers to enjoy the benefits of lower interest rates and the possibility of varying repayments.

The Company generally mobilises short-term funds and invariably lends money over a longer term. This process exposes the Company to a risk of fluctuating interest rate spread which could adversely impact its profitability. A variable rate lending paves the way for People's Leasing to recover the cost of funds and in turn pass on lower rate benefits to the Customer.

The Company has now developed a seven-year leasing and loan package, as part of this initiative.

- — **Housing Loans** – The term of Housing loans will extend up to 20 years with the property being offered as collateral. The term may be extended for a further seven years if there is a need to make the repayments more affordable for the customer.

The Company will benefit through having strong collateral and the Customer has a choice by being able to approach yet another market participant in order to obtain the optimum arrangement.

- — **Wakala** – a term in Islamic Finance that refers to an agency contract in which one party appoints another, for a specified fee or commission, to conduct a defined legal action, where the principal does not have the time, knowledge or the expertise to perform the task. Some of the services relate to lending, borrowing, collecting and paying trade bills, securitising and funds management.

Social and Relationship Capital

- — **Educational Loan** – In order to capture a new segment of customers from the existing market the company has decided to introduce Education loan as a mid-term asset products. It will open up new avenues to People's Leasing to capture the professionals from various industries. This is a loan facility which is focused on salaried employees who intends to acquire professional qualifications or/and students who are willing to engaged in higher education aspirations.

While it is important to offer new and innovative products, it is also essential for the Company to secure funds at the lowest possible cost whilst bestowing benefits to the customer.

In this regard, the Company has introduced savings products aimed at attracting children into the habit of saving. The approach is to make the parents aware of the possibilities of them becoming millionaires over a period of five years through a regular and consistent monthly savings habit.

To encourage this process and keep the habit alive, the Company gives gifts to the participating children frequently.

SERVICE STANDARDS

People's Leasing subscribes to a model of service delivery which it believes encapsulates the Organisation it wants to create and the customers expect. The following diagram contains the crucial factors that can materially affect the level of service the Company provides.



Accessibility to products and services is essential to give customers the opportunity to benefit from its offerings. With a network of 103 branches and a presence in all the branches of the People's Bank through service centres, People's Leasing has the widest coverage of NBFIs in the country.

The location and situation of the Company's presence provide the correct **atmosphere** in which the transactions are discussed, evaluated and concluded. Customers are comfortable in conferring on money matters within the confines of a finance company or a bank. There is a sense of security in these premises and it represents professionalism in their dealings.

Speed of delivery is the third aspect that is vital in the industry. Customers approach financial institutions when there is a need for them to access money. A lethargic response will only drive the customers away and not contribute to solving their problems.

The front-line officers (the face of People's Leasing) are trained and well-informed personnel of the Company. They are well versed in interacting with customers and take the time to listen to the requests of the customers and find the best solution that can be offered. 20,769 hours of soft skill training were given to the staff during the year.

To ensure that the Company's and customers' expectations are being met, processes to handle customer grievances are in place. Customers are also encouraged to provide feedback to inform the Company on areas of operation that are satisfactory and areas that need to be improved.

Continuous standards People's Leasing deems it necessary to "keep the finger on the pulse" and be up-to-date on the state of the market and also maintain the solid reputation of the Company in dealing with the market place.

490 Marketing staff is deployed around the country to research and gather market data on new dynamics in the market place. Their findings are reported back to Head Office to understand, evaluate and respond to as required.

The Company monitors the activities and customer enquiries at the Call Centre. The facility which is open 24x7, responds to approximately 4,000 customers each month. These customers have invariably been in contact with other finance companies and form a valuable window to the future as they enlighten the Company on various aspects that they were not happy about. These enquiries can lead to new products and new practices in responding to customers' needs.

Challenges

The challenges faced by the industry in general and People's Leasing in particular, centre around the variability of interest rates, the adjustment to the Loan-to-Value Ratio (LVR) and the entry of banks into the field of leasing, thereby intruding into the finance companies' market shares.

The Company's responses to these challenges are well documented in other sections of this Report and reflect its capacity to meet and overcome the threats to the profitable and sustainable performance of the organisation.

CUSTOMER SATISFACTION

No formal customer satisfaction survey was undertaken during the year. However, People's Leasing is aware of the level of satisfaction based on feedback on the range of products, their usefulness and the quality of products and services. Periodic customer networking events and regular interaction of the officers of the Company with customers and the general public, have facilitated the Company's understanding of the state of the market.

This information is discussed at length at staff meetings, management meetings and where necessary, by the Board of Directors.

Social and Relationship Capital

Loyalty programme

People's Leasing places heavy emphasis in recognising and acknowledging the contribution to their business success through repeat customers.

The existing customers are categorised on the basis of their period of association with the Company. Those who have been the Company's customers in excess of 15-20 years become entitled to a "Loyalty Card". The card entitles them to preferential interest rates, relief from various charges on their next borrowing, special discounts on a range of products from 22 suppliers, lower charges for vacations at resorts etc.

Similar benefits are being proposed for those senior citizens who prefer to place their savings in fixed deposits, virtually for the rest of their lives.

CUSTOMER GRIEVANCE HANDLING

In the spirit of open communication practiced by the Company, People's Leasing believes it is only appropriate that facilities need to be in place to receive, consider and address customer grievances.

A customer complaint process has been structured under the senior Deputy General Manager – Operations. Complaints may be lodged through formal correspondence, one-on-one meetings with staff and management, through the Call Centre and by using the online app.

The complaints are categorised based on the nature as "serious", "important" and "general". The serious ones are dealt with immediately, the important ones as soon as possible and the general ones as soon as the workload allows. The relevant officers, managers and even the Chief Executive Officer may be consulted and engaged in addressing the complaints. If the internal mechanism is unable to solve the problem, it will be formally forwarded to the Financial Ombudsman or to the regulator, in this case, the Central Bank of Sri Lanka.

Customer complaints reported

CBSL	5
Financial Ombudsman	39
Other	9

The Company duly responded to and resolved these issues

MARKETING AND COMMUNICATIONS

All marketing campaigns are conceptualised and developed into promotional activities at Head Office. The campaigns are carried out together with the branches. The intent of marketing at People's Leasing is to build long-term relationships with the community and is not focused on concluding one transaction or offering. The marketing campaigns are communicated in three languages.

The information that is imparted includes advice on the merits of the investment or the expenditure, the most suitable brands to consider and an analysis of their financial position to determine affordability.

People's Leasing's engagement with its customers is through personal contact, the corporate website, print and online media including social media, events and promotions, CSR activities, to name a few.

As part of its Corporate Social Responsibility, People's Leasing advises and educates customers on how to plan their businesses financially and how to organise their personal finances. Since the general public may not be financially astute to manage their financial affairs especially in times of strife, the Company attempts to stand by them and guide them, until they are able to resolve the issues they face. It is believed that this approach to nurturing relationships is not only mutually beneficial but also the appropriate way to interact with the community.

Consequently, the percentage of repeat customers in relation to the total customer base, stands at 53%.

Expenditure, in the year under review, on business promotions, amounted to Rs. 164.68 million and Rs. 185.43 million in 2016/17.

Marketing Strategy

The Company's marketing strategy is implemented through direct marketing, road shows, street promotions and events. It also uses print media through mainstream newspapers, hoardings, electronic media and gains exposure through sponsorships.

Since there is a leaning towards marketing by building relationships, the Company relies heavily on word-of-mouth endorsements of its products and services.

Social Media Strategy

A digital marketing unit has been established to promote the Company's message through the social media network. The use of Facebook, LinkedIn, Instagram, Twitter and eMail are some of the avenues the unit will consider.

The information flow will not be restricted purely to marketing material but will include news on industry trends and the Company. Potential customers will be able to communicate with the Company electronically and will even be able to request the physical presence of a marketing officer to enlighten them on products and services.

There will be an integrated communication platform that will ensure that a uniform message is being conveyed to the public, regardless of choice of media.

Branding

The branding of all products of the Company will follow a uniform format. They will each be linked to "People's Leasing" in order to create a unique identity across all products.

Social and Relationship Capital

Marketing campaigns

The following are a sample of the marketing campaigns that were conducted during the year under review:

Riyapola Programme

The “Riyapola” programme replicated a market place by providing opportunities for customers to select their preferred vehicle from a variety of models of vehicles. The event made available facilities to obtain leasing, insurance and valuation of vehicles, following the format of a “one-stop-shop”.

There were 15 such events organised during the year.

Tie-Ups

The Company collaborated on 34 occasions with reputed dealers (SENOK, Leyland, Toyota and AMW) of motor vehicles. The association enabled the following benefits to be passed on to customers:

- — an opportunity to check the vehicles at customer’s door step.
- — a discount price for brand new vehicles
- — other benefits like free insurance, free fuel, free service, and warranty period while providing the leasing facilities.
- — vehicles which befit the profession or type of business.

Customer get-together

A customer “get-together” enables the Company to build and maintain customer relationships in a relaxed and non-threatening environment. Customers are more prone to make business enquiries in a relaxed environment and when they do not feel obliged to decide. The information fed to customers on these occasions invariably triggers needs in customers, that they may not have prioritised. Such occasions also provide a captive audience when presenting the range of products and services available.

There were six “customer get-togethers” held during the year.

Perahara Programme

The objective of the “Perahara” programme is to demonstrate the value of the Buddhist culture and heritage in Sri Lanka. This is achieved by live telecasts of the “Peraharas” (processions) and Buddhist films.

There were 10 Perahara programmes conducted during the year.

CSR and other programmes

91 CSR events which focused on five focused areas education, health, road safety and the environment were held in 2017/18.

Road Show Event – 176

Road shows are conducted by the Company with the principal aim of branding its products.

The ancillary objectives of these propaganda events are in inculcating sound values and habits amongst the general public. Some of the aspects of everyday life that are addressed relate to:

- — the importance of waste management and practical ways of doing so;
- — how to minimise emissions harmful to the environment;
- — how to save electricity;
- — safety on the roads;
- — the value of forest conservation;
- — how to prevent and minimise the spread of diseases that could become epidemic;
- — benefits in developing a savings habit;
- — treating elders with respect.

There are many vehicles used to “spread the messages” at these Road Shows, such as:

- — games and competitions;
- — participating in social events such as “dansalas”, carols, new year festivals etc.
- — screening of films relating to social values, cricket matches, displayed on large screens;

- — staging of musical shows; and
- — issuing of printed promotional material.

Other Events:

The “Other Events” programme is designed to offer useful information to the public on matters relating to Trains Schedules, Road Distance Charts, Map of Sri Lanka, Calendar, information on changing tyres in vehicles, vehicle parking and service centres.

During the year, 80,000 specially designed pocket leaflets containing such information were distributed. The leaflets were designed to minimise paper usage.

The total number of programmes run under the auspices of the Marketing Programme was 295.

Compliance

All marketing campaigns undertaken are subject to prior approval of the Board of Directors and the concurrence of the CBSL prior to implementation.

They are designed to meet product specific disclosures and in compliance with contractual obligations, legal and regulatory requirements. The Internal Audit and Compliance Office are responsible for ensuring conformity with the requirements.

The Company did not engage in unwarranted business nor did it promote banned or disputed products during the year.

There were no incidents of non-compliance with regulatory bodies in respect of marketing and communications that were reported.

Challenges

The biggest challenge in marketing is appealing to the changing demographic of the population. 80% of the population is under the age of 54 years which is in contrast to the aging populations in Europe and other Western countries.

Social and Relationship Capital

While physical presence is considered desirable and indeed essential to cater to customers in many parts of the country, People's Leasing needs to gear-up to communicate with the relatively younger generation.

The Digital Marketing Unit has been established in recognition of this situation and to place the Company in the best position to respond to it.

CROSS-SELLING

Cross-selling is the action or practice of selling additional products and services to an existing customer. People's Leasing has adopted this well-known business practice to:

- — Offer our products relating to deposits, to our customers who have borrowed from us;
- — Inversely, sell products related to borrowing, to customers who have deposited with us, such as accessing loan funds without withdrawing deposits;
- — Offer new and innovative products to existing customers.
- — Make customers aware of products offered by members of the People's Leasing Group:
 - Insurance products from People's Insurance;
 - Valuations and opinions on vehicles from People's Fleet Management;
 - Directing enquiries for banking products to People's Bank (Parent Company).

The aggressive promotion of deposit products, children's savings and senior citizen's savings in particular, and lending products such as gold loans helped the Company to improve the cross sell ratio during the year.

In addition, the Company conducted a training session in Vavuniya, for approximately 150 businessmen on financial management, helping them make their businesses sustainable. While the training was conducted as a CSR

project, it too may open up cross-sell opportunities for the Company in future.

IT ROLE IN MARKETING

Given the demographics of the country, there is an increasing need to use technology to reach a wider audience. The setting up of the Digital Marketing Unit has paved the way to keep abreast of the market and respond much quicker than would otherwise be possible.

The marketing strategy being adopted to visit specific number of customers per day by the marketing officers can add number of potential customers to the data base each month is a practical application of the available technology.

The Marketing Officers have also been given mobile phones which contain an app to facilitate the entering of relevant details of their contacts.

This is the initial strategy in using the newly developed technological application. There will inevitably be more developments in this field as time elapses.

PRODUCT RESPONSIBILITY AND COMPLIANCE

People's Leasing, in designing all products, is conscious of its responsibility to protect customers from potential risks. In this regard, priority is given to engagement processes to consider the ideas from relevant stakeholders to understand impartially, the possible downsides that may be associated with the products.

Our product policy is to also introduce products that take into account special needs. As an example, we, in association with the State Ministry of Defence, introduced a special scheme which entitles veterans who seek finance, leasing and insurance to enjoy concessionary rates.

The policy is geared towards appealing to the widest audience, redeveloping existing products, building strong relationships with our customers and safeguarding their interests at all times.

One of the fundamental requirements in the policy is to ensure that all our products and services comply with statutory and legal requirements and that all our activities are conducted in a responsible, ethical and transparent manner.

Fairness and transparency

GRI 417-1

Our products are offered to customers only after evaluating the customers' needs and their financial capacity to service repayments.

Our approach to business involves assisting customers meet their needs whilst helping them manage their debts and obligations. Recoveries of amounts due, take into account individual (genuine) hardship circumstances. Rescheduling of interest payments will be considered in such cases, with decisions to waive interest in special cases being an option.

Qualified employees have been trained to advise customers in such situations.

Our product information is published in English, Sinhala and Tamil, to cater to the entire population. In addition, People's Leasing employs persons with multilingual skills and from local areas, to encourage interaction with the community and breakdown communication barriers.

Our commitment to fair and transparent product offerings demands the provision of the right information to customers.

Building financial literacy

We remain committed to building financial literacy in those areas identified as requiring more detailed explanations and advice. This is a premier aspect of our approach in discharging our CSR responsibilities. Further information on this is available on page 129 in this Report.

Social and Relationship Capital

Anti-competitive behaviour

GRI 206-1

The Company actively follows practices where anti-competitive behaviour is discouraged. Pricing of products is in line with the country's monetary policy and market trends. The Company did not incur any fines or attract penalties for anti-competitive, anti-trust and monopolistic practices in the year under review.

Anti-corruption

GRI 205-1 GRI 205-2 GRI 205-3

People's Leasing subscribes to a Business Code of Ethics which is designed to guide the employees in desisting from unethical business practices.

Under the preview of five qualified chartered accountants, entire People's Leasing operational units are audited via on-line records against anti-corruption. Further, Branches are physically audited engaging 17 well trained and experienced field audit staff members against any fraudulent activity. Branches are prioritized 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 2 years or less against anti-corruption.

To add rigor to these guidelines, we have instituted sound internal controls to prevent improper activities taking place. 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. Internal Audited Department also ensure that Head Office Department and Branch Network is covered at a frequency of two years or less against anti corruption. A formal mechanism to facilitate the

sharing of information through the "whistle blower" process, without reprisals to the giver of information, is also in place.

There are no training programmes conducted specifically for corruption. However, People's Leasing ensures that the new staff and the existing staff receives comprehensive awareness on policies and procedures related to corruption during other training programmes.

Our Internal Auditors, Integrated Risk Management Committee and the Compliance Officer have been given the responsibility of monitoring corrupt practices.

There were no risks and/or incidents relating to corrupt practices reported during the year.

Customer privacy

GRI 418-1

People's Leasing & Finance treats confidentiality of customer information as their first priority and does not share this with external parties. However, we disclose/share customer details with statutory bodies as legislatively required and also with affiliated companies only with the express consent of customers.

During the financial year 2017/18 no incident on breach of customer privacy or loss of customer data were reported.

Our marketing officers have been trained to enquire into the source of funds when applications to open savings and deposit accounts are being processed. The intention is to prevent money laundering and other methods of introducing "black" money into mainstream money supply. Once that deposit has been accepted and the relevant information is recorded in the Company systems, the data remains secure and unable to be accessed and shared, other than by authorised officers.

The generation of any-related reports that are required from the secure database, are subject to proper authorisation and are encrypted.

Separate premises have been designated for the conduct of transactions in relation to "Gold" loans, which is a product that was introduced recently.

A Business Continuity Plan and Disaster Recovery System that guarantees the security of stored data has been established. The Document Management System is secured through back-ups and offsite storage facilities. People's Leasing possesses a certification, covering customer privacy and data protection, from Det Norske Veritas (DNV) in information security management.

Product portfolio screening

GRI 102-11

People's Leasing being a responsible financial services provider has put in place a detailed precautionary mechanism to address the environmental and social impacts in structuring and delivery of products. We therefore follow an extensive screening process to factor in the environmental and social consequences of our operations with customers.

Credit policy of the Company clearly defines prohibited lending on business and customer types and periodically reviewed by a team specialised in risk management under the supervision of Deputy General Manager – Risk management and Control. Approved credit files are randomly scrutinised from 2017/18 on monthly basis and reasons for discrepancies questioned and corrective actions taken. Further in new product development, paperless processes introduced with smart ICT interventions thereby reducing the paper consumption with returns to environment.

Socially and environmentally responsible products

The impact of vehicle emissions on the environment has been a matter of concern for a number of years. As a finance company engaged in the leasing of automobiles, we undertake specific procedures to mitigate and offset such adverse impacts. Further information on this subject is included in the Natural Capital Section of this Report on pages 133 to 140.

Social and Relationship Capital

The Company introduce exclusive eco-lease package for all hybrid and electric vehicles with excluding attached bundle of benefit with the purpose of promoting environmental friendly vehicle.



Further it is honour to be a selected financial institution by Ministry of Industry and Commerce to implement loan scheme (E-Friends II) for small and medium industries for creating friendly industrial environment. This Scheme provides low cost funding to find out solutions to environmental issues such as industrial pollution, waste management, and energy consumption.

Our commitment to uplifting the standards of living of disadvantaged communities, remains high. People's Leasing, through its Subsidiary, People's MicroFinance Limited, makes it possible for individuals to access funds that can assist them in set-up and building small businesses. Access to funds for business development purposes are not easy to come by and microfinancing provides the avenue which enables individuals further their personal development.

Green Friends Facility is given in the table below:

Green Friends Facility 2017/18	No. of facilities	Values Rs. million
Type of energy efficient vehicle		
Hybrid vehicles	867	2,302.12
Electric vehicles	37	74.96
Total	904	2,377.08

Active ownership

- People's Leasing & Finance PLC is committed to the sound governance and direction of its subsidiaries. This ensures that they are capable of delivering sustainable and long-standing value to all stakeholders they engage with;

- The Company places due emphasis on the social and environmental impacts that the activities of the subsidiaries may have and is integral to our principles of ownership;
- The products offered by our subsidiaries complement the main business of People's Leasing and serves to enhance our reputation in the industry;
- Our representation on the Boards of Directors in these subsidiary companies is sufficient to influence the decision-making process. Consequently, we exercise reasonable control over their business practices.

Compliance

GRI 417-2 GRI 417-3 GRI 419-1

During the period under review, People's Leasing was not subjected to any fines or penalties relating to non-compliance of rules and regulations in socio-economic areas or any issues of non-compliance with respect to products and services related to:

- Marketing and communication
- Information and labelling.

FUTURE

Changing market conditions and improved communication facilities available to the Company will drive the direction of our business and the way we interact with our customers.

Connectivity with our customers and our potential market is essential if we are to develop and grow the activities undertaken by the Company. An increasing number of people use electronic devices to enquire and transact their financial affairs. To respond to that requirement, we have developed our new website and customer applications to enable customers interact with the Company in respect of their needs.

Maintaining reliability in terms of responding to enquiries, demonstrating stability in our operations will go a long

way towards instilling confidence in the Company for the customer. In an industry that is facing challenges, with the entry of mainstream banks into vehicle leasing and the negative image that may have been presented to the market by a few smaller leasing companies, reassurance in the solidity of the Company that the customer is dealing with, is paramount.

The backing of the People's Bank and the operating structure of People's Leasing, provides the foundation that conveys reliability and strength.

The introduction of new products and services which have gone through a pre-introduction process that lead to high quality, places the Company in a sound position to grow its customer base and increase their participation in the foreseeable future.

The expansion of its product range with variable rate loans, gold loans, children's savings schemes and the like add further substance to its claim of being a prime Company in the leasing industry and lends credence to its sustainability.

A few business development strategies that Company expected to implement at the beginning of next financial year:



Re-design existing Auto Loan and Leasing with new and attractive features

Introduce Housing loan with lengthy repayment period wakala facilities

Introduce Education and Business Loans

Boost loyalty card for the loyal customers

Introduce variable related loan

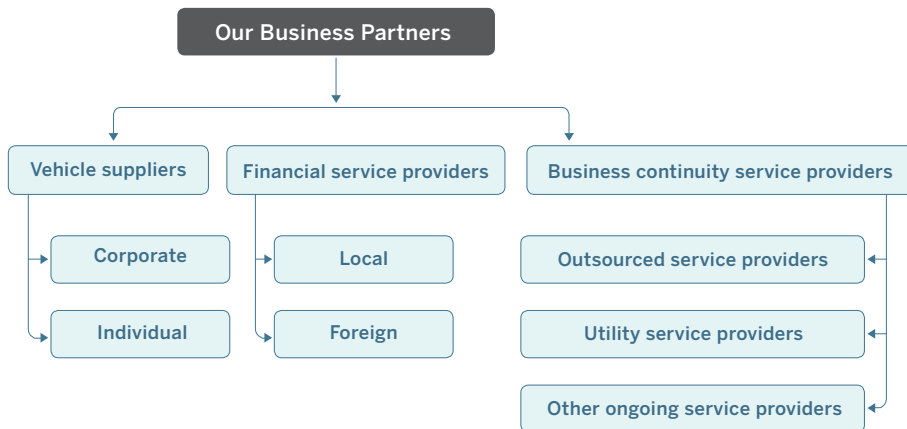
Social and Relationship Capital



Business Partners

People's Leasing's Business Partners are integral to the functioning of our operations. Building and nurturing these relationships has become part of our business culture. We are constantly working on strengthening these relationships by having regular and qualitative interaction with our customers, suppliers and employees. In this regard, the Company follows best practice models in the industry and is constantly attempting to improve existing practices in changing market conditions, with a view to gaining a competitive advantage.

GRI 102-9



Our main product relates to leasing of motor vehicles and consequently, vehicle dealers and suppliers form the major component of People's Leasing's suppliers.

In addition, we place great emphasis on our relationships with our financial service providers, correspondent banks, local and international financial institutions. By adhering to all industry regulations and discharging our debt obligations on time, People's Leasing has built-up the trust that these business partners have in the Company.

By honouring our obligations, we have created the right environment for prospering mutually beneficial relationships, which facilitate our ability to deliver effective, uninterrupted services to internal and external customers.

Our business processes embed ethical procurement practices whilst enhancing company performances through cost-effective procurement of quality products. While preference is given to local and SME suppliers, all suppliers are given equal opportunity to participate in responding

to our requirements. Increasing our engagement with the business community through our participation in associations and business organisations, People's Leasing has been able to build on our relationships with our various partners.

The above business practices demonstrate our commitment to conducting our business in an open, ethical and transparent manner. These qualities are valued by our business partners and lend to the strengthening of our relationships.

VEHICLE SUPPLIERS

By building and maintaining direct partnerships with vehicle suppliers, we are able to assure our customers that they are able to avail themselves of the optimum financial solutions on offer in the market.

People's Leasing's vehicle suppliers numbered 26,785 entities as at 31 March 2018. Payments to these entities amounted to Rs. 52,841.33 million in the year under review, compared to Rs. 50,411.33 million in the previous year. This represents 97.14% of our total payments to our suppliers. Of the total suppliers, 86% consisted corporate suppliers.

Strategic partnerships

In a bid to secure mutual benefits, the Company entered into several strategic partnerships with vehicle dealers and importers.

People's Leasing has engaged with all our branches in conducting promotional activities with the intention of securing a solid customers base for the products we have on offer.

A list of Strategic partners of People's Leasing is listed below. The customers gained many benefits through this partnerships which includes free vehicle registration, Revenue License, full services for vehicles, full tank of fuel for vehicles, discounts to the original price of vehicles and free additional equipment such as DVD player and reverse camera.

Social and Relationship Capital

Strategic partner	Promotional product	Period
Lanka Ashok Leyland PLC (LAL)	Eagle AC Mini Buses	1 April 2017 to 28 February 2018
Senok Commercial Vehicle (Pvt) Limited	EICHER Buses and Trucks	12 June 2017 to 31 December 2017
Diesel & Motor Engineering PLC (DIMO)	All TATA commercial vehicles imported and sold by DIMO	22 August 2017 to 28 February 2018
Toyota Lanka (Private) Limited	All Toyota vehicles imported and sold by Toyota	30 August 2017 to 28 February 2018
Unimo Enterprise Limited	Perodua Axia and Bezza cars	During the month of March 2018

People's Leasing signs up a MOU with ikman.lk to promote financial services

People's Leasing signed a Memorandum of Understanding with ikman.lk (Sri Lanka's largest online market place) from 21 February 2018 to promote, on their online platform, its financial services to their customers.

FINANCIAL SERVICE PROVIDERS

People's Leasing has instituted a monitoring mechanism to ensure that the Company adheres to all agreements with our business partners and meets all our obligations. We view this as being fundamental to maintaining sound relationships with our local and international financial service providers over the long term.

A complete list of correspondent banks the Company engages with is found on Page 401 of this Report.

BUSINESS CONTINUITY SERVICE PROVIDERS

Those service providers who have been identified as essential to guaranteeing People's Leasing is able to conduct its operations without risk of interruption, are paid special attention. We take steps to make certain that payments to them are made promptly, regular contact is maintained and all issues related to sustainability of operations are addressed promptly and satisfactorily.

Outsourced service providers

People's Leasing has outsourced non-core operations, such as security, janitorial, logistics, courier, waste management,

tax consultancy and financial advisory services to specialist companies.

Most of these service providers are local. We engage with them regularly and recognise their efforts and the services they provide. We benefit from having long standing relationships with every one of these service providers.

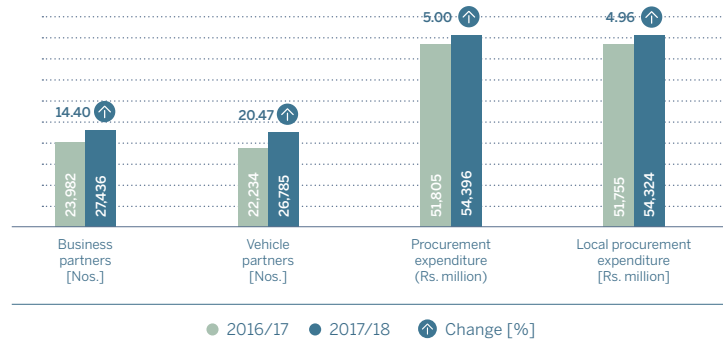
Utility service providers

Our utility service providers (electricity, water, telephone and Internet services) are paid for their services promptly, which secures our relationship with them, together with uninterrupted service.

Other ongoing service providers

Other service providers with whom the Company enjoys business relationships are in the areas of, property and equipment maintenance, systems development, computer hardware and software solutions, fuel and advertising and promotions.

PROCUREMENT EXPENDITURE



Social and Relationship Capital

GRI 204-1 GRI 102-10

	2017/18	2016/17	Change %
Business partners (Nos.)	27,436	23,982	14.40
Vehicle partners (Nos.)	26,785	22,234	20.47
Procurement expenditure (Rs. million)	54,395.87	51,805.29	5.00
Local procurement expenditure (Rs. million)	54,323.72	51,754.78	4.96
Foreign procurement expenditure (Rs. million)	72.15	50.5	42.87

From the total procurement expenditure, 99.87% was paid to local suppliers and 0.13% to foreign suppliers. Further, there was no significant change in the supply chain.

LOCAL SUPPLIERS

People's Leasing deals with a diverse supplier base ranging from micro level entities to international corporations. At 31 March 2018 our suppliers numbered 27,430. The cumulative payments to suppliers during the year amounted to Rs. 54,323.72 million, compared to Rs. 51,805.29 million in the previous year. Local suppliers are funded from a budget managed at Head Office.

PROCUREMENT POLICY

People's Leasing has prepared and issued a Procurement Manual that is designed to guide the decision-making process relating to purchases. Good business practices that demonstrate transparency and decisions made in the best interests of the Company are at the heart of the procedures specified in the Manual.

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.

The objectives of the procedure, in summary, are to ensure that goods and services that are purchased are of the quality required, received in a timely manner, complies with laws and regulations and the selection of suppliers follows a transparent process.

The administration of the purchasing procedure demands accountability and the members (specified in the Manual) must adhere to the principles of confidentiality, desist from corrupt practices, declare any conflicts of interest and discharge their duties honourably.

The General Procurement Guidelines address methods of procurement which are subject to authorisation limits as specified in the Approval Matrix.

Receiving of goods, inventory management, communication of orders placed are other aspects that are specified.

The Procurement Manual is a comprehensive document that further contributes to ethical, transparent, and sound business practices adopted by the Company.

GRI 308-1 GRI 308-2 GRI 407-1

GRI 408-1 GRI 409-1 GRI 414-1

GRI 414-2

During the year, 12,153 of all new suppliers were screened. There were no negative indications with respect to environmental and social concerns in the supply chain that were identified in 2017/18.

Procurement practices

GRI 404-1 GRI 308-1

Major procurements such as vehicles, equipment, ICT Hardware and Software are the responsibility of the Logistics Department at the Head Office.

Minor procurements are undertaken by each branch.

A technical evaluation committee selects suppliers based on quality and cost of goods. A tender panel, chaired by the Senior Deputy General Manager – Operations and represented by members of the Management Committee, validates the selection.

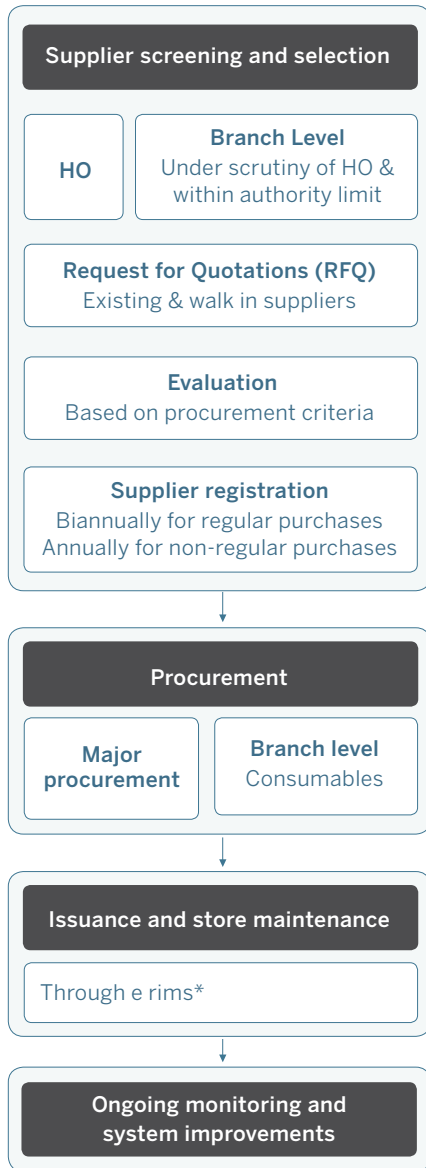
The supplier selection criteria take into account the following features associated with suppliers and their prior performance:

- 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 specifications
- Fair labour management practices

General procurement is subject to a three quotation method. Large-scale and specialised procurement will be subject to requests for competitive proposals in line with accepted tender procedures.

Social and Relationship Capital

Procurement process of business continuity services



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

Procurement monitoring

GRI 412-3

In keeping with good management practice, the procurement process employed is monitored to ensure that the process remains effective and efficient.

The performance of suppliers is measured against pre-agreed indicators which are also included in procurement contracts. The evaluation of their financial position and periodic visits to their premises are other methods employed, to be aware of any potential impediments to the suppliers capacity to meet their obligations.

A clause on human rights is not included in our business partner contracts and other investment agreements. However, through a formal screening on human rights, we ensure that the suppliers who do not comply with the specified criteria are delisted.

Giving preference to local suppliers and SME suppliers

Suppliers who are based locally and nationally are given preference when sourcing goods and services. Overseas suppliers are engaged only if the local suppliers are unable to meet the procurement specifications.

In the reporting year, almost 99% of procurement costs related to purchases from local suppliers. Computer hardware and software, accounting for less than 1% of procurement costs, were sourced from foreign suppliers.

Engagement and assessment

Through our regular engagement with our suppliers, they are encouraged to respond to self-assessment questionnaires on their sustainable business practices.

INITIATIVES TAKEN DURING THE YEAR RELATED TO BUSINESS PARTNERS

Consequent to the inability of local suppliers, to supply our printing consumables requirements, People's Leasing entered the "Most Valuable Customer" (MVC) programme with HP (Hewlett-Packard).

The programme offers special privileges and immediate benefits such as, discounted prices, loyalty payments, price protection, enrolment in the HP Planet Partners Programme which is intended

to provide an efficient way to recycle our print cartridges in an environmentally responsible manner and have priority access to product in limited stock situations.

MEMBERSHIPS AND ASSOCIATIONS

GRI 102-13

People's Leasing & Finance PLC maintains membership of several industry organisations, professional institutes, associations and societies. These relationships facilitate the maintenance of industry unity, enhances industry standards, enables networking and provides opportunities for employees to benefit from activities offered by these organisations.

The Company maintains the following corporate memberships:

- The Leasing Association of Sri Lanka
- Asian Leasing & Finance Association
- The Finance House Association of Sri Lanka
- The Financial Ombudsman Sri Lanka
- Credit Information Bureau of Sri Lanka
- The Association of Margin Providers
- The Sri Lanka Institute of Directors
- Asian Financial Service Association
- CSR Lanka Guarantee Limited
- Biodiversity Sri Lanka (Patron Member) {Business and Bio diversity platform}

People's Leasing also maintains links with The Institute of Chartered Accountants of Sri Lanka and the Association of Accounting Technicians of Sri Lanka.

FUTURE OUTLOOK

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

Social and Relationship Capital



Investors

OUR INVESTOR

Significance of investors in our value creation process

Investors comprise both shareholders and holders of debt instruments issued by the Company.

The capital infused by the shareholders, at the inception for commencing operations and subsequently for expansion has enabled the Company to acquire the manufacturing capital required for the value creation process while providing a cushion for any unforeseen losses that may arise from our operations while meeting the regulatory requirements relating to capital. Those who have invested in debt instruments issued by the Company have provided funds necessary to expand our operations.

It becomes our responsibility then to engender satisfactory returns on the capital invested, in a sustainable manner.

The investors are periodically kept informed of the performance of the Company by integrating finance, communication, marketing and compliance into a comprehensive reporting framework which meets and often exceeds regulatory compliance requirements.

In keeping with our good governance practice of keeping the investors informed on the performance of their investments with us, this section details information relating to our share capital, performance of our shares in the market, our financial stability and composition of shareholders and other investors. We have also provided our contact details for any investor who may need any clarifications or wishes to have any further information.

Communication with shareholders

This Annual Report and the interim Financial Statements are the primary mediums that we use to communicate with our investors. In addition, the Annual General Meeting and Extraordinary General Meetings, if held as required, enable two-way communication with the shareholders.

Regular updates on investor relations published on our website, corporate disclosures to the Colombo Stock Exchange, presentations and road shows, participation in investor forums and press releases on specific issues, are yet other ways by which news about the Company is communicated to those interested parties.

Key expectations of investors

Given that the investors have a multitude of investment avenues for their money, they have certain expectations when such money has been invested in us. We are cognizant of such expectations which primarily relate to the return on their investment and the underlying risk. In order to meet (and exceed) their expectations, we need to achieve the optimum risk – return trade off. This in turn calls for a certain standard of performance that ensures sustainable value creation underpinned by a sound system of corporate governance and risk management.

As such, it is our responsibility to identify and take advantage of growth opportunities, create sustainable growth, generate healthy financial returns, add value to the operations and conduct all affairs of the Company in an ethical, open and honest manner, maintaining integrity as its foundation.

We have been singularly focused on this commitment and therefore we believe that we have been able to achieve this as evidenced by our growth, results, and the unblemished track record of compliance.

Shareholder wealth maximisation and dividend policy

Given below is a summary of performance indicators for the year under review relating to our shares, dividends and debt instruments in comparison to the previous year. Performance of the year needs to be reviewed in the context of the operating environment that prevailed during the year which is detailed on pages 21 to 25.

The dividend policy of the Company seeks to balance shareholder returns and capital requirements of the Company to support future growth while meeting regulatory requirements.

MACROECONOMIC ENVIRONMENT

According to the World Economic Outlook (WEO) of the IMF, the global economy continued to gain momentum in 2017 with a majority of economies registering increases in growth. Global trade recorded a strong recovery. Financial flows and portfolio flows to emerging market economies remained robust during the year.

Growing by 3.1% only as against 4.5% in 2016, the Sri Lankan economy recorded a lackluster performance in 2017. Adverse whether conditions and a slow down in both services and industrial sectors contributed to the deceleration. Foreign worker remittances continued to drop. On the positive side, exchange rate depreciation was limited to 2% while inflation was maintained at mid single digit levels. There was a remarkable increase in FDIs and portfolio investments into the country during the year.

Performance of the Colombo Stock Exchange, Banking, Finance and Insurance sector and the People's Leasing shares will have to be reviewed in the context of the above developments.

Social and Relationship Capital

SHARE MARKET

Ethnicity	Overall Market		Banks, Finance and Insurance	
	2018	2017	2018	2017
All share price index	6,476.78	6,061.94		
S&P SL 20 Index	3,650.10	3,438.88		
Market capitalisation (Rs. billion)	3,032.71	2,662.86	809.70	613.27
Foreign inflows (Rs. billion)	131.83	83.60	40.71	26.28
Foreign outflows (Rs. billion)	129.38	75.38	36.37	26.95
Price earning ratio	11.19	11.87	6.87	6.17
Price to book value	1.35	1.35	1.07	1.03
Dividend yield	2.91	2.98	2.50	3.30

Although, the CSE All Share Price Index rose by 6.8%, the share market has not shown any vibrancy over the past few years. Attractive returns on fixed deposits and incentives offered to senior investors by the Government, have diverted liquidity away from the share market. Foreign investors have remained cautious, while slow to medium economic growth in the country has stymied participation in the markets.

Total market capitalisation increased by 14%.

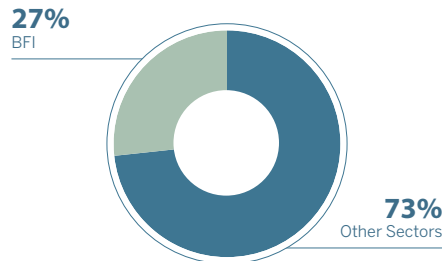
The Colombo Stock Exchange (CSE) had 299 companies listed on it, with 278 traded companies at 31 March 2018. During the year, six new companies were listed and two companies were delisted on the exchange.

In spite of the lackluster economic growth and the challenging market conditions, the Banking, Finance and Insurance Sector performed creditably well during the year, significantly enhancing the system stability. The banking sector asset base increased to over Rs. 10.3 trillion by 31 December 2017, reflecting an annual growth of almost 14%. The ROA and ROE in the sector improved with Net Income of the sector growing by 12.3%.

The NBFIs sector recorded moderate growth, as a result of a slow down in credit growth. A deterioration in asset quality leading to an increase in impairment charges impacted profitability of the sector. The sector however, maintained its overall capital and liquidity levels well above the minimum requirements despite the weak financial position of a few LFCs.

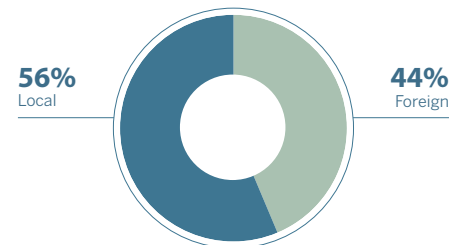
The supervisory and regulatory framework governing the financial sector continued to be strengthened during the year to enhance the safety and resilience of this sector.

TOTAL MARKET CAPITALISATION VS SECTOR MARKET CAPITALISATION



Total market capitalisation increased from Rs. 2,663 billion at the end of March 2017 to Rs. 3,033 billion as at 31 March 2018 reflecting a 14% increase. The Sector Market Capitalisation increased over the same period.

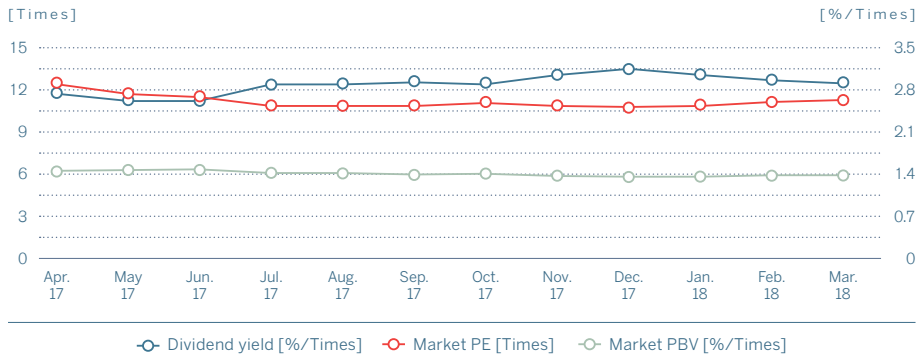
COMPOSITION OF TOTAL EQUITY TURNOVER



Equity turnover fluctuated throughout the year with both Total Equity and Foreign Equity Turnover reaching the highest levels in March 2018.

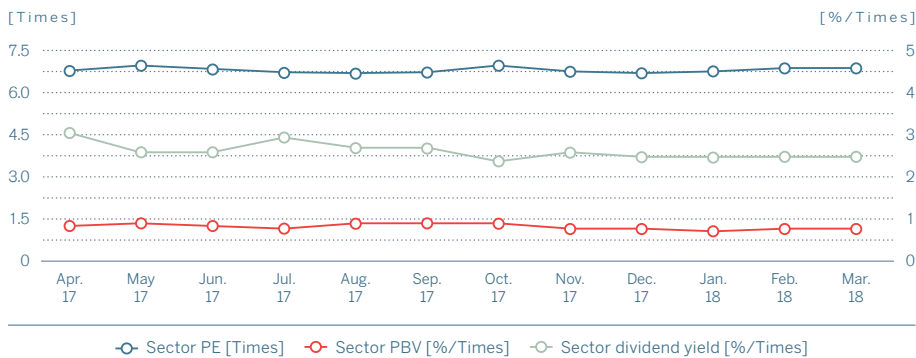
Social and Relationship Capital

MOVEMENT IN MARKET RATIOS



While the total market Dividend Yield increased to just under 3%, Market PBV and PE both recorded decreases over the year.

BANK FINANCE AND INSURANCE SECTOR RATIOS



The Bank Finance and Insurance Sector Dividend Yield recorded a slight decrease to 2.5% while the Sector PBV and PE ratios remained steady.

PEOPLE'S LEASING SHARE

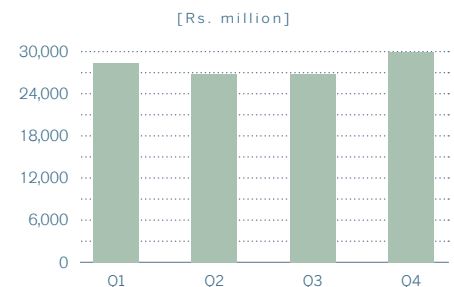
The ordinary shares issued by People's Leasing & Finance Company PLC are listed on the Colombo Stock Exchange. Code of the share of the Company is "PLC.N000".

Audited Financial Statements are required to be submitted within three months from the reporting date. In compliance with this requirement, the Financial Statements for the year ended 31 March 2018 are included in this Report.

PEOPLE'S LEASING'S SHARE TRADING

Its market price remained steady throughout the year (Rs. 15.60 at 31 March 2017 to Rs. 15.80 at 31 March 2018). Highest price of Rs. 19.20 recorded in May 2017.

PLC'S MARKET CAPITALISATION

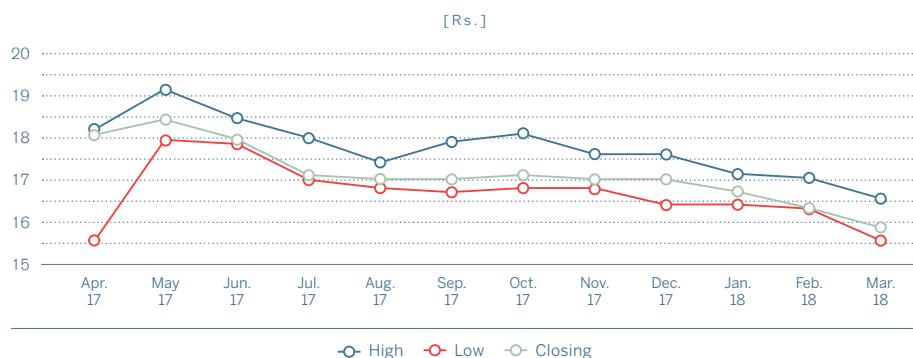


For the Financial Year	2017/18	2016/17	% Change
Earnings per share – Group (Rs.)	3.05	2.69	13.38
Dividend per share (Rs.)	1.25	1.25	-
Dividend payout (%)	45.83	49.26	(3.43)
Dividend yield (%)	7.91	8.01	(0.10)
Dividend cover (Times)	2.18	2.03	7.39
Net asset value per share (Rs.)	17.11	15.63	9.47
Price earning (Times)	5.18	5.80	(10.70)
Price to book value (Times)	0.92	0.99	(7.07)
Return on equity (%)	16.66	16.89	(0.23)
Earnings growth (%)	7.48	-7.77	15.25

The Earnings per Share (indicative of the profitability of the Group) recorded a 13.38% increase in 2017/18 relative to the previous year. The dividend per share was maintained at the same level as the previous year.

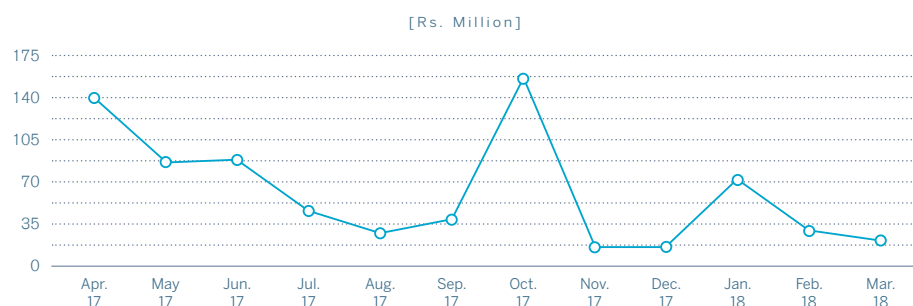
Social and Relationship Capital

PEOPLE'S LEASING SHARE PRICE MOVEMENT



During the year, the Company saw its market capitalisation fluctuating in line with market prices, however, as at the year end it evidenced a 1.28% increment over the preceding year end and its ranking amongst the BFI sector participants improved from 26th position last year to 25th this year.

PEOPLE'S LEASING'S TURNOVER



SHARE INFORMATION

	2017/18	Q4	Q3	Q2	Q1	2016/17
Share price (Rs.)						
Highest	19.20	17.10	18.10	18.00	19.20	20.10
Lowest	15.50	15.50	16.40	16.70	15.50	15.30
Closing	15.80	15.80	17.00	17.00	18.00	15.60
Number of transactions	5,881	1,512	1,334	1,345	1,690	10,547
Number of shares traded (million)	41.57	7.12	10.71	6.28	17.46	95.82
Turnover (Rs. million)	729.76	118.73	186.77	108.29	315.97	1,698.53
People's Leasing turnover to total market turnover (%)	0.30	0.18	0.34	0.20	0.45	0.96
Number of days traded	237	58	60	62	57	244
Average daily turnover (Rs. million)	3.08	2.05	3.11	1.75	5.54	6.96
Market capitalisation – CSE (MC) (Rs. billion)	3,032.71	3,032.71	2,899.29	2,919.70	3,041.23	2,662.86
Market capitalisation – People's Leasing (MC) (Rs. billion)	24.96	24.96	26.86	26.86	28.44	24.65
People's Leasing MC to CSE MC (%)	0.82	0.82	0.93	0.92	0.94	0.93
People's Leasing market capitalisation ranking	25	25	23	25	23	26
Market turnover – Rs. million	245,435.16	64,970.33	55,042.53	55,017.48	70,404.82	177,641.03

Social and Relationship Capital

SHARE CAPITAL

The composition of the Share Capital of the Company, remained the same as the previous year with the nominal value of issued capital at Rs. 13.2 billion.

During the year under review, the total number of ordinary shares of the Company was at 1,579,862,482. In line with the increase in reserves, total equity grew to Rs. 27,029.82 million against Rs. 24,697.29 million recorded in the preceding year.

INFORMATION ON MOVEMENT IN NUMBER OF SHARES REPRESENTED BY STATED CAPITAL

Year ended	No. 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

Social and Relationship Capital

ANALYSIS OF SHAREHOLDERS

Distribution of ordinary shareholders

	31 March 2018				31 March 2017			
	No. of shareholders	Shareholders %	No. of shares	Share %	No. of shareholders	Shareholder %	No. of shares	Share %
Less than or equal to 1,000	4,189	47.60	2,442,250	0.15	4,222	46.01	2,510,835	0.16
1,001 – 10,000	3,377	38.37	13,370,358	0.85	3,600	39.23	14,268,818	0.90
10,001 – 100,000	1,037	11.78	32,184,556	2.04	1,129	12.30	34,959,309	2.21
100,001 – 1,000,000	170	1.93	51,291,010	3.25	199	2.17	61,172,446	3.87
Over 1,000,000	28	0.32	1,480,574,308	93.72	26	0.28	1,466,951,074	92.85
Total	8,801	100.00	1,579,862,482	100.00	9,176	100.00	1,579,862,482	100.00

Composition of ordinary shareholders

	31 March 2018				31 March 2017			
	No. of shareholders	Shareholder %	No. of shares	Share %	No. of shareholders	Shareholder %	No. of shares	Share %
Resident – Individuals	8,455	96.07	72,762,232	4.61	8,812	96.03	79,576,119	5.04
Resident – Institutions	291	3.31	1,406,480,645	89.03	300	3.27	1,394,003,113	88.24
Non-resident – Individuals	46	0.52	3,862,280	0.24	50	0.54	3,839,379	0.24
Non-resident – Institutions	9	0.10	96,757,325	6.12	14	0.15	102,443,871	6.48
Total	8,801	100	1,579,862,482	100.00	9,176	100.00	1,579,862,482	100.00

Social and Relationship Capital

GRI 102-5

PUBLIC HOLDING

The Company's public holding stood at 24.94% as at 31 March 2018 and the number of shareholders representing the public holding was 8,793. There was no significant change in the Company's public holding compared to the previous year.

Twenty Largest Shareholders

No.	Name of the Shareholder	31 March 2018		Comments	31 March 2017	
		No. of Shares	%		No. of Shares	%
1	People's Bank	1,184,896,862	75.00	No change	1,184,896,862	75.00
2	Employees Provident Fund	85,748,846	5.43	No change	85,748,846	5.43
3	BNYM Sa/NV-Neon Liberty Lorikeet Master Fund LP	73,084,030	4.63	No change	64,180,467	4.06
4	National Savings Bank	43,668,157	2.76	No change	43,668,157	2.76
5	Citibank New York S/A Norges Bank Account 2	15,775,303	1.00	No change	23,775,303	1.50
6	Rubber Investment Trust Limited A/C No. 01	15,323,883	0.97	8 Positions up	2,562,033	0.16
7	Bank of Ceylon No. 1 Account	11,453,600	0.72	1 Position down	11,453,600	0.72
8	Sri Lanka Insurance Corporation Ltd – General Fund	7,022,962	0.44	1 Position down	7,022,962	0.44
9	AIA Insurance Lanka PLC A/C No. 07	5,197,515	0.33	1 Position down	5,626,721	0.36
10	Ceylon Investments PLC A/C No. 01	4,954,891	0.31	1 Position down	4,954,891	0.31
11	Union Assurance PLC/No. 01A/C	3,821,672	0.24	1 Position down	3,821,672	0.24
12	The Ceylon Guardian Investment Trust PLC A/C No. 02	3,340,505	0.21	No change	3,340,505	0.21
13	Caceis Bank Luxembourg-Intereffekt Investments Funds N.V.	2,887,743	0.18	No change	2,887,743	0.18
14	Hatton National Bank PLC A/C No. 4 (HNB Retirement Pension Fund)	2,719,743	0.17	25 Positions up	817,700	0.05
15	Employees Trust Fund Board	2,356,087	0.15	No change	2,356,087	0.15
16	Akbar Brothers (Pvt) Limited A/C No. 1	1,894,014	0.12	2 Positions up	1,882,829	0.12
17	Deutsche Bank Ag. as Trustee For Guardian Acuity Equity Fund	1,715,000	0.11	17 Positions up	955,000	0.06
18	First Capital Limited	1,700,000	0.11	New entrant	–	–
19	Mr M J Fernando	1,600,000	0.10	2 Positions up	1,600,000	0.10
20	Sampath Bank PLC/Dr. T Senthilvel	1,586,131	0.10	3 Positions down	1,909,975	0.12
	Sub Total	1,470,746,944	93.09		1,453,461,353	92.00
	Other Shareholders	109,115,538	6.91		126,401,129	8.00
	Total	1,579,862,482	100.00		1,579,862,482	100.00

Social and Relationship Capital

DIRECTORS' AND CEO'S SHAREHOLDINGS

Name	Position	Number of Shares as at	
		31 March 2018	31 March 2017
Mr Hemasiri Fernando	Chairman	-	-
Mr M P Amirthanayagam	Deputy Chairman	10,000	10,000
Mr J A Fernando	Director	-	-
Mr J P Amaratunga	Director	-	-
Mr M A M Rizwan	Director	-	-
Mr R M Jayasena	Director	-	-
Mr G B R P Gunawardana	Director	-	-
Mr G H A A Shabbir	Director	-	110,000
M A S Ibrahim	CEO	-	-
Total		10,000	120,000

SOLVENCY AND DEBT CAPITAL

For the Financial Year	2017/18	2016/17	% change
Debt to equity ratio excluding deposits (times)	2.06	3.01	(31.56)
Core capital ratio – %	18.38	17.56	0.82
Total risk-weighted capital ratio – %	16.46	16.37	0.09
Interest cover (times)	1.40	1.46	(4.11)
Current ratio (times)	0.80	0.84	(4.76)

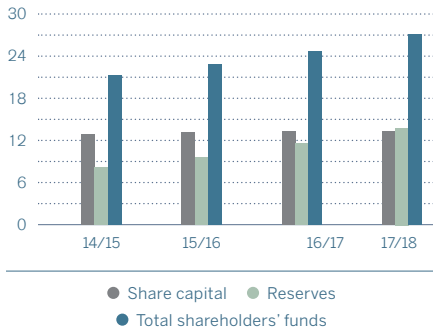
The debt to equity ratio showed a positive 31.56% change as a result of a strategic decision to reduce the Company's dependency on debt financing and instead concentrate on growing deposits to fund the operations.

The Company's core capital and total risk-weighted capital ratios show positive growth and stood at 18.38% and 16.46% respectively. This was maintained well above the regulatory requirements of 5% and 10%. This indicates that the Company preserves sufficient capital to act as a cushion against future risks.

Social and Relationship Capital

COMPOSITION OF EQUITY

[Rs. Billion]



DEBT SECURITY HOLDERS

Steps have been taken to make sure that all payments to debt security holders are made on time, contributing to consolidating their confidence in the Company. Evidence of this is reflected in the past where debenture issues have been oversubscribed on the first day of the issue.

PEOPLE'S LEASING DEBENTURE

There has been no debenture issue during the year under review. Debenture Options 2 and 3 issued in March 2013 and Type A 3-year debenture issued in September 2014 were matured during the year amounting to Rs. 5,814 million. The details are shown in the table below:

DEBENTURE MARKET INFORMATION WITH LAST YEAR

Type	2017/18					
	Type B	Type A	Type B	Type A	Type B	Type C
Tenure (Years)	4 years	4 years	5 years	3 years	4 years	5 years
Issue Date	14 September	15 November	15 November	16 November	16 November	16 November
Maturity Date	18 September	19 November	20 November	19 November	20 November	21 November
Interest Rate	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed
Coupon Rate (%)	9.63	9.6	9.65	11.9	12.25	12.6
Effective Annual Yield (%)	9.63	9.83	9.95	12.25	12.63	13
Interest Rate Comparable Government Security (%)	10.29	11.07	11.62	11.07	11.62	11.37
Frequency of Interest Payable	Annual	Semi-Annual	Annual	Semi-Annual	Semi-Annual	Semi-Annual
Rating						
Amount (Rs. million)	1,200	2,176	3,824	542	659	6,799
ISIN No.	LK0399D22510	LKR0399D23229	LKR0399D23237	LKR0399D23732	LK0399D23740	LKR0399D23757
Market Value (Rs.)						99.96
Highest						99.96
Lowest			Not traded			99.96
Closing						99.96
Current Yield (%)	9.27	9.60	9.95	11.9	12.25	12.60
YTM (%)	8.36	9.60	9.95	11.9	12.25	12.61

Social and Relationship Capital

Type	2016/17								
	Option 2	Option 3	Type A	Type B	Type A	Type B	Type A	Type B	Type C
Tenure (Years)	5 years	5 years	3 years	4 years	4 years	5 years	3 years	4 years	5 years
Issue Date	13 March	13 March	14 September	14 September	15 November	15 November	16 November	16 November	16 November
Maturity Date	18 March	18 March	17 September	18 September	19 November	20 November	19 November	20 November	21 November
Interest Rate	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed
Coupon Rate (%)	16.75	17.00	8.75	9.63	9.6	9.65	11.90	12.25	12.60
Effective Annual Yield (%)	17.45	17.00	8.75	9.63	9.83	9.95	12.25	12.63	13.00
Interest Rate Comparable Government Security (%)	10.98	10.98	10.62	12.30	11.62	11.94	11.62	11.94	12.89
Frequency of Interest Payable	Semi-Annual	Annual	Annual	Annual	Semi-Annual	Annual	Semi-Annual	Semi-Annual	Semi-Annual
Rating									
Amount (Rs. million)	1,584	2,430	1,800	1,200	2,176	3,824	542	659	6,799
ISIN No.	LK 0399D19136	LK 0399D19144	LK 0399D22494	LK 0399D22510	LKR 0399D23229	LKR 0399D23237	LKR 0399D23732	LK 0399D23740	LKR 0399D23757
Market Value (Rs.)									
Highest	105.50	105.50						100.00	100.00
Lowest	105.50	107.00			No traded			100.00	100.00
Closing	105.50	105.50						100.00	100.00
Current Yield (%)	15.88	15.81	8.59	9.27	9.60	9.95	11.9	12.25	12.60
YTM (%)	12.48	11.22	7.97	8.36	9.60	9.95	11.9	12.25	12.60

Social and Relationship Capital

OTHER

ADHERING TO REGULATORY REQUIREMENTS

People's Leasing is fully-committed to regulatory compliance. We release voluntarily, in addition to mandatory disclosure requirements, additional information relating to the Company and its performance, to facilitate decision-making by our investors. Every effort is made to present this information accurately and in a timely manner.

SUBSIDIARY IMPACT

The subsidiaries of People's Leasing continued to contribute positively to the consolidated results of the Company. Details are included in the information relating to subsidiaries on pages 383 to 388.

RELATED PARTY TRANSACTIONS

There were no individual, related party transactions exceeding 10% of Equity or 5% of Total Assets during the year under review. All-related party transactions, at an aggregated level, are disclosed under Note 53 on pages 335 to 339 in the Financial Statements.

EMPLOYEE SHARE OPTION

People's Leasing does not currently have an employee share option scheme.

FORESEEABLE RISKS

The section on Risk Management contains information relating to "material foreseeable risk factors" that require disclosure as per Rule No. 7.6 (vi) of the Listing Rules of the Colombo Stock Exchange (CSE).

MATERIAL ISSUES – EMPLOYEES AND INDUSTRIAL RELATIONS

There were no material issues with regard to employees and industrial relations within the Company during the year under review, which required disclosure as per Rule No. 7.6 (vii) of the Listing Rules of the CSE.

INQUIRIES

Any questions, comments or requests for publicly available information should be made to the Company Secretary.

A separate investor relations function has been established at senior management level to assist shareholders with any enquiries they may have.

A Senior Independent Director is also available to address any major issues that may not have been resolved satisfactorily through the normal channels.

CONTACT INFORMATION

Monday to Friday
8.30am to 4.45pm
+94 112 631 631
Investor.relations@plc.lk

THE COMPANY SECRETARY

People's Leasing & Finance PLC
1161, Maradana Road, Colombo 08,
Sri Lanka.

LINKS

People's Leasing share price, announcements, financials, company profile, quotes, charts:

- **Colombo Stock Exchange**
<http://www.cse.lk>
- **Fitch Ratings Lanka Limited**
<http://www.fitchratings.lk/>
- **Fitch Ratings International**
<https://www.fitchratings.com/>
- **S&P Rating**
https://www.standardandpoors.com/en_US/web/guest/ratings/ratings-actions
- **CBSL (Weekly economic indicators)**
<http://www.cbsl.gov.lk/en/statistics/economic-indicators>
- **People's Leasing & Finance PLC**
www.plc.lk

Social and Relationship Capital



Community

OUR COMMUNITY

GRI 413-2

People's Leasing's commitment to the community and the environment extends beyond mere compliance with the regulations. We position the Company as one that helps to mend financial disadvantages in the rural community by offering financial solutions that help improve their livelihoods and enhance the quality of life.

Our extensive representation throughout the country gives us the opportunity to foster financial literacy and facilitate higher incomes by supporting entrepreneurs which include women and the youth. People's Leasing's contribution to the national economy focuses on financing income-generating ventures and promoting enterprise growth. Our fully-owned microfinance subsidiary is the vehicle through which we are able to offer financial solutions that assist small business ventures.

We also invest in building life and professional skills amongst our staff, which creates island-wide job opportunities for them.

Even though our operations do not pose a significant actual negative impact on local communities, particular attention is paid to any potential negative impacts on the community and the environment in developing new products and services and in selecting strategic locations to conduct our business.

People's Leasing follows an open-door policy where we encourage our stakeholders to lodge with corporate management, any grievances they may have.

A dedicated CSR Department, with four full time staff based at Head Office, plans flagship CSR initiatives, identifies like-minded partner organisations, ensures effective implementation of CSR projects islandwide with the active engagement of the branch network, monitors progress on implementation, functions as the central hub that reviews all CSR operations of People's Leasing and shares good practices within the Group.

GRI 413-1





Managing the business for a sustainable future

Ever conscious of our role as stewards of a planet with finite natural resources – resources that must be preserved for countless future generations – we, at People’s Leasing, ensure that our business is run in a sustainable manner with minimum impact on the environment. We also continue to influence our networks to adopt eco-friendly practices and make green choices for a better tomorrow.

The Sustainability Governance Steering Committee, which comprises the functional heads together with the CEO/GM, reviews sustainability performance, as delegated by the Board of Directors and reports quarterly to the stakeholders and the Board, on performance against established KPIs.

In 2017/18, we mapped Sustainability Development Goals that contribute to our country’s KPIs on global transformation leading towards a peaceful and prosperous world by 2030 (Ref: Commitment to Sustainability from pages 42 to 46).

Community policy

GRI 103-2 GRI 415-1

People’s Leasing is mindful of minimising any negative impact its business operations and supply chain 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 community and the environment.

Since 2014/15, People’s Leasing allocates 2.5% of net profit on CSR initiatives and established five priority focus areas to guide CSR operations. Short and medium-term objectives have been set in this regard and progress is monitored and reported on according to international standards.

People’s Leasing encourages the participation of staff, their input and volunteerism on projects designed to advance the community and the environment.

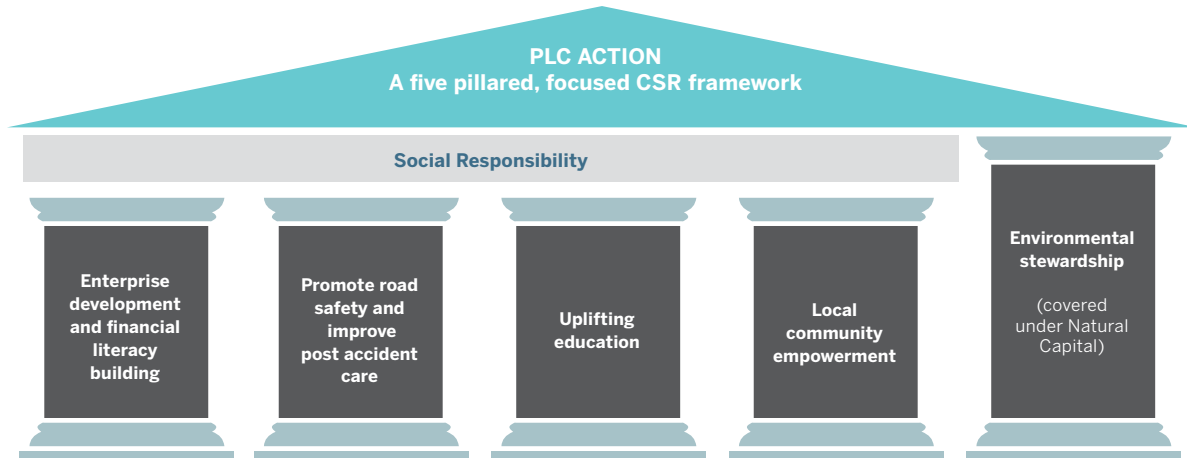
During the year under review, People’s Leasing did not provide financial contributions to any political party.

Community engagement

People’s Leasing’s engagement with community leaders, local government and related non-governmental agencies paves the way for synergising our CSR initiatives with the needs of the communities in which they are implemented. People’s Leasing invested Rs. 101.5 million and Rs. 2.2 million on community and environment-related projects respectively, during the year.

Social and Relationship Capital

The highlights of our CSR initiatives are presented below:



GRI 203-1 GRI 203-2

Contribution to community performance

	2017/18	2016/17	Change %
Overall			
Community Investment (Rs. million)	101.53	187.64	(45.89)
Community Investment as a percentage of profit after tax (%)		4.68	
Community-based initiatives (Nos.)	167	105	59.05
Beneficiaries (Nos.)	161,991	256,122	(36.75)
Employee volunteerism (Hours)	5,800	8,496.5	(31.74)
Enterprise development and financial literacy building			
Enterprise development initiatives (Nos.)	4	4	0.00
Entrepreneurs trained/educated (Nos.)	207	184	12.50
Total investment on entrepreneurship development (Rs. million)	10.31	1.67	517.37
Promote road safety and improve post-accident care			
Initiatives on road safety (Nos.)	5	17	(70.59)
Stakeholders educated on road safety (Nos.)	1,636	8,695	(81.18)
Total investment on road safety (Rs. million)	11.95	8.17	46.27
Uplifting education			
Initiatives related to early childhood development (Nos.)	98	4	2,350
Early childhood development centre development projects (Rs. million)	6.34	-	-
Initiatives related to school education (Nos.)	19	23	(17.39)
Value of full term scholarships continued (Rs. million)	7.55	0.44	1,615.91
Total investment on uplifting education (Rs. million)	36.24	4.99	626.25
Local Community Empowerment			
Initiatives (Nos.)	41	57	(28.07)
Healthcare investment (Rs. million)	15.82	2.57	515.56
Investment on differently-abled (Rs. million)	1.45	0.01	14,400.00
Investment on relief during natural disasters (Rs. million)	8.17	3.42	138.89
Investment on positive community engagement events during religious and cultural events (Rs. million)	17.34	9.45	83.49

Social and Relationship Capital

Community focus area 1: Enterprise development and financial literacy building

Lack of entrepreneurial know-how and financial literacy is a major challenge faced by many SMEs. As a leading non-bank financial solutions provider, having identified this limitation People's Leasing launched "Divi Diriya" programme as the first community focus area to build capacity of entrepreneurs to succeed in their ventures in year 2016.

"Divi Diriya": building capacity to be successful game changers

The goal of this flagship programme is to support the self-motivated entrepreneurs including women and the youth beyond lending by broadening their horizons to excel in their entrepreneurial ventures and infusing financial literacy amid SMEs to enable them to extract optimum returns on their investments in their enterprises.

"Divi Diriya", also educates participants on the market opportunities, stresses the importance of innovation and provides opportunity for business networking.

In 2017/18, two such programmes, in Galle and Vavuniya Districts were conducted with enriched content and benefited over 200 entrepreneurs with lecture demonstrations, activities and an experience sharing session by a successful entrepreneur hailing from the area. Six programmes in total have so far been conducted for more than 450 entrepreneurs in six districts.

"இன்று இடம்பெற்ற பணிமனை எனக்கு மிகவும் திருப்திகரமாக இருந்ததுடன் இது போன்ற நிகழ்வுகள் பற்றி ஏனைய தொழில் முனைவோருக்கு பரிந்துரைப்பதற்கும் நான் தயங்கமாட்டேன். முன்மொழியப்பட்டுள்ள வரி விதிமுறைகள் பற்றி தெளிவாக அறிந்து கொள்வதற்கு இந்நிகழ்வு பெரிதும் உதவியது. தொழில் முனைவோருக்கான திறனாய்வு கட்டமைப்பில் பாரிய வெற்றிடம் காணப்படுகிறது. தொழில் முனைவோரை பலப்படுத்தும் நோக்குடன் தமது தலையீட்டின் மூலமாக ஊடாடும் பல்-மாதிரி பயிற்சி பட்டரையை ஒழுங்கு செய்த பீப்பல்ஸ் லீஸிங் நிறுவனத்திற்கு எனது மனமார்ந்த பாராட்டுக்கள். வருங்காலத்திலும் இது மாதிரியான முன்னெடுப்புக்களை மேற்கொள்ள பரிந்துரைப்பதுடன் அவை எம்மைப்போன்றவர்களுக்கு உத்வேகத்தை அளிப்பதுடன் தொழிலை தகக் வைத்துக்கொள்ளவும் துணையாகும். மேலும், அவை நாட்டினதும் பிராந்தியத்தினதும் வளர்ச்சிக்கு பங்களிப்பு செய்வதாகவும் அமையும்."

திரு. எஸ்.டி.கே. ராஜேஷ்வரன்

தனியார் பஸ் உரிமையாளர் அமைப்பின் தலைவர் மற்றும் வவுனியா பீப்பல்ஸ் லீஸிங் நிறுவனத்தின் வாடிக்கையாளர்

In addition, People's Leasing contributed towards four entrepreneur skills development programmes conducted by Ceylon Baithulmal Fund benefiting 224 households.

Community focus area 2: Accident prevention and post-accident care

There has been an alarming increase in the number of road accidents. At least seven people die every day in fatal road accidents in Sri Lanka according to Sri Lanka Traffic Police. Most accidents occur due to overtaking, excessive speeding, drunk driving, negligence and mechanical defects. Thus can be minimised with educating the public and People's Leasing is committed to promoting responsible road use and the second community focus area focuses on the same.

Strengthen school traffic control units and educate student traffic wardens on minimising road accidents

In 2011, 4,100 children injured and 225 schoolchildren deaths reported. People's Leasing partnered with the National Transport Commission in 2016 to conduct road safety awareness amongst school traffic wardens and coordinating teachers Islandwide.

The project include lectures, demonstrations on road safety and first aid and conducted in association with Sri Lanka Traffic Police. The participating schools are presented with safety jackets, cones and signage boards to strengthen their school traffic control units.

People's Leasing has successfully completed ten of these programmes covering seven provinces. A total of 267 schools, 4,041 students and 429 teachers benefited from this initiative. The staff of People's Leasing volunteered 1,611.5 hours towards the implementation of these programmes.

Within the financial year under review, four programmes were conducted in the Central, Southern, Western and North Western Provinces, benefiting 102 schools, 1,446 students and 164 teachers. People's Leasing staff volunteered a total of 869.5 hours.

"මම වැඩසටහන ඉතා සාර්ථකයි. මෙය පාසැල්වල සියලුම දරුවන් සඳහා පවත්වන්නේ නම් අනාගතයේ අනතුරු වළක්වා ගැනීම සඳහා මහඟු පිටුවහලක් වනු ඇත."

ටී. නේදාවතී ගුරුමත්මිය
හොරම්පැල්ල විද්‍යාලය - මිහුවත්තොඩ

Uplifting post-accident care

According to 2012 January figures' during 2011, 9,259 patients treated at national hospital, Colombo out of which 1,203 treated were road accident patients. In this backdrop People's Leasing committed to improve post-accident care at the hospital in 2016. During 2017/18, post-accidental care at hospital improved, refurbishing the entrance and the triage areas of the Accident and Orthopedic Service. In addition, the minor staff restrooms and patient washrooms were refurbished at a cost of Rs. 11.8 million.

Community focus area 3: Uplifting education

Be it primary or secondary, education plays a major part in the life of an individual and the quality of human capital of a country.

Social and Relationship Capital

Access to education is a fundamental human right. The availability of Quality Education is the fourth goal of the Sustainability Development Goals and forms the fourth pillar of People's Leasing's 3rd community focus area. People's Leasing's work on community upliftment range from educational scholarships, capacity building through training/ awareness, developing infrastructure facilities to name a few areas.

A. Developing early childhood care and education

Early childhood is a critical stage in the life cycle of an individual. Research reveal that optimal brain development of an individual takes place during the early childhood. Hence the Company has increased its investment in providing a quality early learning experience for the children by following a three-pronged programme.

- (a) Inculcate responsible citizenship among children and promoting positive child – parent engagement
- (b) Invest in skill building among pre-school teachers
- (c) Invest in infrastructure to offer a quality of early learning experience for preschoolers

(a) Inculcate responsible citizenship among children and promoting positive child – parent engagement

Responsible children grow into responsible adults. Thus it is important to educate our future generation on good values and take responsibility for their actions at a young age. People's Leasing introduced the programme titled "Senehase Kedella" for pre-schoolers and their parents, to inculcate good habits. Children also develop their spending and saving habits by the age of five and thus the "edutainment" programme also encourages the savings habit among children. Parents too are encouraged to advocate good habits amongst the children and teach by being role models.

Senehase Kedella

- 3 programmes
- 1,150 preschoolers
- 1,150 parents

- More than 50 pre-shool teachers
- 3 districts
- 100 employee volunteerism hours

(b) Invest in skill building among pre-school teachers

A good early childhood educator creates a dynamic and quality early learning experience. Thus People's Leasing, in partnership with "Bilindu" children's newspaper, initiated a programme in 2016 to develop skills in pre-school teachers. 529 teachers were trained in 2017/18 and the cumulative number of teachers trained totals to 885. One-day interactive workshop series equips the teachers with skills to manage their pre-schools effectively and build childhood education through the use of art and craft, storytelling and the performing arts.



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හෙළමි ප්‍රීතිකා ඩයස් මහත්මිය

පෙර පාසල් සඳහා හරිත ඵලදායීතාවය පිළිබඳ සම්පත්දායක/ප්‍රධාන පෙර පාසල් පාලිකා - රන් පියුම පෙර පාසල

(c) Invest in infrastructure to offer a quality of early learning experience for pre-schoolers

A quality indoor and outdoor early childhood learning space contributes towards a quality early learning experience among pre-schoolers as it contributes to the pre-school children's willingness to actively participate in the learning process. Under the "Little Steps" project, since October 2017, 44 disadvantaged pre-schools were funded in different parts of the country to complete their identified necessities and refurbishments such as sanitary facilities, indoor learning environment upgrading, outdoor learning environment upgrading, colour washing, play equipment, learning material, roof replacements, building expansions and fencing requirements. The project was guided by the Children's Secretariat. 6.34 million. invested out of Rs. 24 million. allocation in a mission to upgrade a minimum of 200 early childhood development centres.

B. Scholarship programme school children

In Sri Lanka financial limitations still keeps talented students away from the opportunities they deserve. Realising that education is the key to unleash a prosperous future for such children, People's Leasing "Senehasa" scholarship was introduced in 2008 to assist talented children develop, despite their limitations at household level. Two graduates who were the recipients of People's Leasing scholarships are today employed at a branch office and a Head Office of a subsidiary company.

In October 2017, to mark "Children's Day", People's Leasing extended the "Senehasa" scholarship to another 50 of the most deserving talented schoolchildren, chosen from 850 applications received through an independent selection panel and a verification process through its branch network.

Social and Relationship Capital



In addition, another 300 most deserving students were identified to be supported for a period of one year, following the same process. The other balance students were presented with gift vouchers to buy school bags and stationary for the new school term commenced in January, 2018.

Two of our previous full term scholarship beneficiaries upon their graduations are currently employed within People's Leasing Group.

C. Vocational education for school leavers

After completing their basic education majority of students choose a technical path and there is often skills mismatch in the job market with the mainstream education the youth have received not meeting the needs and opportunities presented by the job market. Having identified that People's Leasing collaborated with Lanka Impact Investing Network (LIIN), World University Service of Canada (WUSC) and Kavantissa Vocational Training Centre (KVTC) to empower those who couldn't make it academically. Thus the first long-term vocational training and skill development programme launched providing three scholarships for training on automobile mechanics over a six-month period for three disadvantaged youth from the area.

D. Promoting inclusive education and well-being by supporting the differently abled

Inclusive education recognises every individual's fundamental right to learn. Responding to a request from the Sri Lanka Council of Visually Impaired Handicapped Graduates, 87 visually impaired undergraduates from five universities were supported to pursue their education with required ICT accessories to record their lectures, retrieve and share them.

In addition, assistance was provided to the following during 2017/18:

- The Care Centre in Ambanpitiya, which provides education and accommodation for disabled children in Kegalle;
- The Islamic Centre for the Physically Handicapped which provides education and rehabilitation support to individuals with disabilities;
- Renovate the classroom at St. Thomas College, Kotte to improve the learning environment and house the autism affected children;
- Out of the scholarship recipients' 17 were the hearing impaired children.

Community focus area 4: Local Community Empowerment

The fourth area of community focus is the empowerment of local community to improve their quality of life.

a) Medical and eye screening camps for senior citizens

"Suwa Sathkara" mobile medical and eye camps for senior citizens was launched in June 2015. The programme covered 10 districts, attended to 1,595 senior citizens, providing medical screening for 706 patients and eye screening for 889 people. Patients who were identified as requiring cataract surgery were offered the entire service free of charge. 626 pairs of bi-focal spectacles and 78 pairs of reading glasses were distributed amongst the identified people.

During 2017/18, one medical camp conducted medically screening 100 patients and providing eye screening for 106 people, in Gampola. Over 206 senior citizens benefited from this programme. 63 pairs of bi-focal spectacles and 30 pairs of reading glasses were provided free of charge for the screened persons.

b) Lending a helping hand during times of difficulty

Extreme weather conditions are expected during the month of April and May 2017, People's Leasing extends its sense of community to reduce the adverse impact of any disasters for our employees, customers and community. Dry rations, essential supplies and financial assistance were given to those affected, to help restore their lives to normalcy. The People's Leasing branch network, in the affected areas, actively participated in immediate disaster relief activities, benefiting 48 employees and communities in 20 affected areas. In addition two severely affected People's Leasing staff were given Rs. 1.12 Mn. financial assistance to rebuild their homes.

Social and Relationship Capital

250,000 litres of drinking water was provided during the drought period to five suburban villages in the Gampaha District housing over 4,000 victims. The volunteers spent in excess of 680 volunteer hours.



GRI 203-1

c) Healthcare initiatives

The auditorium at Kiribathgoda Base Hospital was refurbished and was presented with a multimedia projector and sound system to improve the quality of service. Other facilities in several hospitals were uplifted, including a renovation of the Female Ward, Base Hospital, Kattankudy, and renovation of the sanitation complex at the Base Hospital, Puttalam, partitioning and equipping the Poly Clinic at Senerathpura Divisional Hospital, Ampara and the mitigation of Thalassemia in the Batticaloa District through awareness, empowerment and screening.

d) Investing on the development of railway museum

People's Bank and People's Leasing jointly contributed to the development of a railway museum near the Railway Headquarters at Maradana in 2017. The museum is envisioned to be the best of its kind in South Asia with avenue to explore the history of aspects of rail related transportation. Sri Lanka Navy is the construction partner of this national project and the task is carried out under the supervision of a committee including members from the Railway Department.

Summary of infrastructure development initiatives in 2017/18

Name of project	Number of beneficiaries	Investment Rs. million	Impact
'Little Steps': Upgradation of preschool infrastructure	517 students and 35 teachers in 85 early learning centers Work completed: 46 centers Work in progress: 39 centers	6.34	Supported quality early learning through improved indoor and outdoor learning environment.
Re-furnishing and refurbishment at Accident and Orthopedic Service of NHSL, Colombo	50,000 patients per year 100 supporting staff	11.85	Patient care improved with new furniture and improved was rooms to improve patient admission, categorisation for treatment and sanitary facilities. Refurbishment of rest rooms and wash rooms of hospital supporting staff improved their lodging facilities.
Expansion of the Female Ward of Base Hospital, Kattankudy	Appr. 3,600 female patients who undergo surgery per year	1.95	Improved quality of patient care enabling smooth transition of patients to who underwent surgery resulting less post-surgery related complications
Polyclinic at Senerathpura Divisional Hospital, Ampara	110 expecting mothers, 12 mothers of new borns, 12 new borns, 20 toddlers per month	0.52	Improved quality of service at the polyclinic. Renovated the clinic both antenatal and child. Provided medical equipment.

Sponsorships for worthy causes

In addition to focused CSR, People's Leasing contributed Rs. 7.2 million to support worthy initiatives led by community-based organisations, non-governmental organisations and other institutions in the areas of healthcare, poverty alleviation, environmental protection and educational assistance.



Natural Capital

Responding to the growing responsibility to assume a significant role in conducting businesses in an environmentally responsible manner, being an environment conscious corporate, People's Leasing has prioritised environmental stewardship as one of the five focused areas of "People's Leasing Action"; its corporate responsibility drive.

STRATEGIC PRIORITIES

In aligning environmental strategy with People's Leasing's corporate strategy due consideration is given to intensifying challenges on environment, their impact on our nation, how best People's Leasing would minimise negative impact on environment and how People's Leasing could channel its strengths to drive environmental stewardship at People's Leasing.

Guided by the environmental policy and our commitment to drive "Smart Environmentalism", we continued to follow the following strategic priorities.



Promoting green consciousness across our value chain



Managing and optimising our direct positive impact on environment



Optimising the green impact of products and services offered by People's Leasing



Conserving the environment

PERFORMANCE HIGHLIGHTS

7,011.01 tCO₂eq
tracking carbon footprint for the fourth year

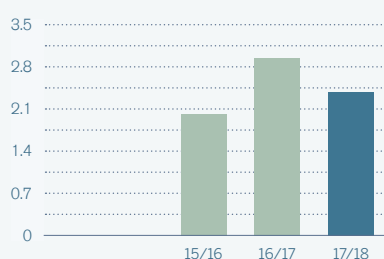
Launched Eco Lease, E-friends and PLC Online

904
green financing facilities

Partnered with Life reforestation project
to restore degraded forest land

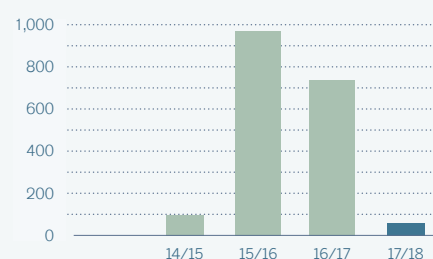
GREEN DISBURSEMENT

[Rs. million]



STAFF TRAINED ON GREEN TOPICS

[Nos.]



Natural Capital

Passing a year in which environmental risks such as extreme weather events, both natural and man-made were commonplace, People's Leasing understands the importance of operating within the planetary boundaries. We recognise that sustainable development depends on positive interaction with environment and on balancing interests of present and future generations.

Being aware of the magnanimous role we could play as a responsible financier towards sustainable development, People's Leasing is committed to collaborate with our employees, customers, business partners and private/public institutions towards safeguarding environment.

Environmental Policy

GRI 103-2

People's Leasing voluntarily complies with local and international environmental legislation, guidelines and standards. Our environmental policy sets direction in integration of environmental considerations into our business operations. Guided by the Board and the CEO/GM under the supervision of a Deputy General Manager, environmental policy is reviewed periodically to ensure that it is fit for purpose.

Environmental policy

as a carbon conscious corporate People's Leasing is committed to find ways in which we could be a responsible financial solutions provider in line with our "four pillared" environmental strategy. Overseen by a DGM, People's Leasing voluntarily complies with local and international environmental legislation, guidelines and standards by annually reviewing the environmental policy to ensure that it is fit and proper under the "four pillared" environmental strategy of People's Leasing.

Further, our commitment to environment was communicated through the resource efficiency pledge launched in July 2017.



GRI 201-2 GRI 204-2 GRI 304-1
GRI 304-2 GRI 304-4

During 2017/18, People's Leasing did not operate any businesses in the vicinity of protected environmental areas. Our business operations does not have a significant direct or indirect impact on biodiversity or endangered or vulnerable species. However, we are conscious of the main indirect negative impacted caused by financing motor vehicles which is not being measured.

There is no significant risk or opportunity associated with the climate change. However with the impacts of climate change being intensified globally and promotion of renewable energy being a national priority, People's Leasing promotes responsible finance and green lending among customers.

During the year under review our environmental stewardship was demonstrated through an investment of Rs. 2.19 million through 8 initiatives. Highlights are set out in the following sections.

Our environmental strategy

As an environment conscious financial services provider, People's Leasing's four pillared environmental strategy focuses on takes measures to minimise our impact on environment through awareness and environment friendly operations. Further we ensure that our financial expertise to empower individuals, businesses and society does not significantly harm environment. We practice responsible lending and promote renewable use. We also invest in strategic green initiatives to promote the consideration of environment and sustainable development.

Our Environmental Strategy



Promote green consciousness across our value chain



Manage and optimise People's Leasing's direct positive impact on environment



Optimise green impact of products and services offered by People's Leasing



Conserving the Environment

Natural Capital

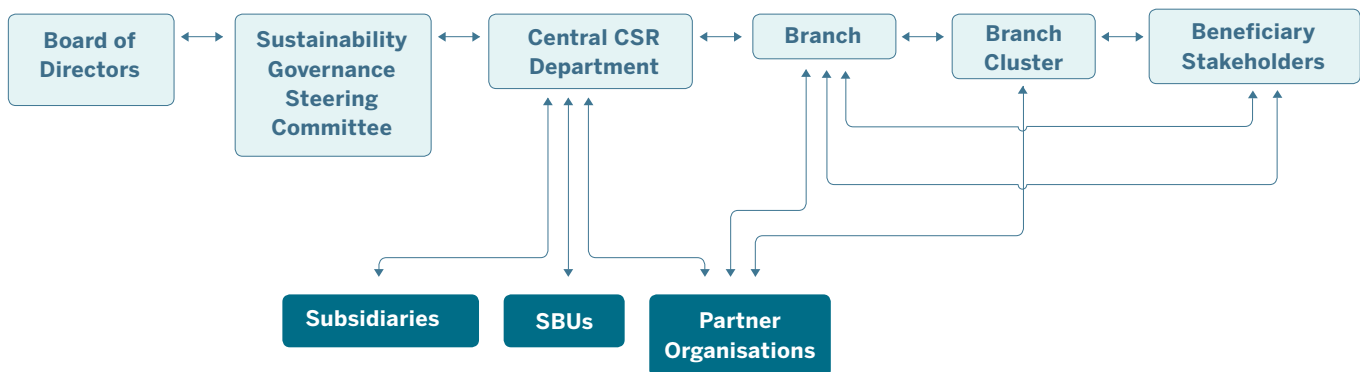
For the financial year	2017/18	2016/17	Change %
Overall			
Environment related initiatives (Nos.)	8	8	0
Environment related investment (Rs. million)	2.19	3.37	(35.01)
Beneficiaries (Nos.)	3,467	7,226	(52.02)
Employee volunteerism (Hours)	268	1,276	(79)
Pillar 1: Promoting green Consciousness across our value chain			
Green training programmes (Nos.)	21	31	(32.26)
Employees trained (Nos.)	41	706	(94.19)
New recruits trained (Nos.)	264	441	(40.14)
Pillar 2: Managing and optimising our direct positive impact on the environment			
Paper recycled (kg)	5,004	5,678	(11.87)
Energy usage (kWh)	5,729,386	5,037,259	13.74
Carbon footprint (Tonnes of CO ₂ equivalent)	7,011.01	7,206.91	(3.04)
Pillar 3: Optimising the green impact of products and services offered by People's Leasing			
Green financing facilities (Nos.)	904	1,032	(12.40)
Green financing disbursements (Rs. billion)	2.38	2.95	(19.32)
Pillar 4: Conserving the environment			
Trees planted/maintained (Nos.)	6,637	5,780	14.83
Stakeholders educated on sustainable living (Nos.)	721	386	86.79

The Central CSR Department under the purview of a DGM monitors environmental sustainability performance at People's Leasing through programme specific KPIs. CSR Department, plans flagship initiatives in line with the focused areas and SDGs with like-minded partnerships and ensures effective implementation through the branch network. The Department also monitors the impact of flagship programmes and reports on the progress of environmental performance to the Board. Environmental performance being part of the GRI: G4 based annual sustainability review is subjected to an external audit upon which an assurance statement is provided.

Strategic priorities and their implementation

Guided by our environmental policy and by analysing the risks and opportunities in our external operating environment, concerns identified through engagement with stakeholders and study of the UNs Sustainable Development Goals (SDGs) led People's Leasing to devise the following Key Performance Indicators (KPIs) on environmental stewardship.

Operational Structure



Natural Capital

Strategic pillar	Commitment	Actions taken during 2017/18
Promote green consciousness across value chain	By 2020, Develop an environmentally conscious workforce, and supply chain through: <ul style="list-style-type: none"> Regular green training/awareness Responsible procurement 	<ul style="list-style-type: none"> 264 new employee educated 41 employees attended 21 green training programmes Launched procurement policy
Manage and optimise People's Leasing's direct positive impact on environment	By 2020: Reduce carbon footprint by 5% through: <ul style="list-style-type: none"> Green practices Efficiency improvements and waste management. Green technology 	<ul style="list-style-type: none"> Launched efficiency pledge Continued to track carbon footprint for fourth year Published four issues of internal newsletter promoting environmental sustainability Improved systems to enable paper less processes
Optimise green impact of products and services offered by People's Leasing	By 2020: Embed responsible finance as the core of our business through: <ul style="list-style-type: none"> Responsible finance Green finance 	<ul style="list-style-type: none"> Launched credit policy Provided 904 green financing facilities including the leasing of eco-friendly vehicles Educated marketing staff to promote green products Launched "Eco Lease" and "E-friends" product
Conserve the environment	Improve our conservation efforts through: <ul style="list-style-type: none"> Reforestation Encouraging employee volunteering Capacity building/supporting research 	<ul style="list-style-type: none"> 8 environmental initiatives Signed MOU for "life" project with Biodiversity Sri Lanka to restore degraded forest land in Opatha



Promote green consciousness across value chain

People's Leasing is committed to foster dialog on environmental sustainability and create environment consciousness across our value chain including employees and business partners.

Education of our employees both new and existing continued during the year and the resource efficiency pledge was launched towards fostering a greater awareness for the need to protect our environment and enabling that employees adept at promoting the same among other stakeholders.

During 2017/18, we launched our procurement policy. Guided by the policy, our supplier registration process

was streamlined by which we establish long-lasting partnerships with responsible suppliers. We welcome environmentally -friendly suppliers and de list those who do not adhere to our standards to encourage suppliers to adopt greener practices and to avoid any violations of environmental standards within our supply chain.

GRI 307-1



Manage and optimise People's Leasing's direct positive impact on environment

We comply with local, national, and international environmental regulations applicable to our business. No fines or non-monetary sanctions were reported for

non-compliance with environmental laws and regulations.

At People's Leasing our key direct environmental impact is limited to paper and energy consumption. We consciously work towards integrating environmental considerations into our operations and annual carbon footprint continued in 2017/18.

Calculation of Carbon Footprint

In striving towards GHG management, People's Leasing continued to track its Greenhouse Gas (GHG) emissions inventory according to the globally accepted emissions accounting standard and obtained carbon conscious certificate. The tracked GHG inventory was independently verified by the Sri Lanka Standard Institute in accordance with ISO 14064-1: 2006. Instead of neutralising our footprint as in the previous years, we plan

Natural Capital

to invest on active engagement with our focal officers at service points to further educate them on the significance of this annual calculation and generate localised GHG management plans to further reduce our carbon footprint in the ensuing years.



We internally calculated carbon dioxide sequestration for the reforestation initiative commenced in October 2015 and continued to date based on the 2006 IPCC Guidelines for National Greenhouse Gas Inventories. The resulted carbon removals are set out as follows:

District Forest Office	Range	Reforestation site	CO ₂ sequestration value (tonneCO ₂)
Polonnaruwa	Habarana	Thalapathkanda	0.48
Kandy	Kandy	Udawattakele	15.05
Galle	Thawalama	Kanneliya	0.95
Total			16.48

Total emissions and composition of emissions are set out in the following table.

Managing emissions

GRI 305-1 GRI 305-2 GRI 305-3 GRI 305-4 GRI 305-5 GRI 305-6 GRI 305-7

Reporting scope	Emissions source	Emissions component	General composition of emission scope*	Total emissions (tCO ₂ e) 2017/18	Total emissions (tCO ₂ e) 2016/17
Scope 1 – Direct emissions	Stationery combustion	Generator fuel	Following gases were considered as applicable; Carbon dioxide (CO ₂), Nitrous oxide (N ₂ O), Methane (CH ₄).	62.94	57.12
	Mobile combustion	Owned and controlled Vehicle fuel consumption		251.21	639.53
	Fugitive emissions	A/C Refrigerant and CO ₂ fire extinguisher leakages		220.69	435.89
				0.07	0.05
	Scope 1 total emissions			534.91	1,132.59
Scope 2 – Indirect Emissions	Purchased electricity	Electricity consumption	Following gases was considered as applicable; Carbon dioxide (CO ₂),	3,557.23	2,684.48
	Scope 2 total emissions		3,557.23	2,684.48	
Scope 3 – Indirect emissions	Purchased electricity	Electricity transmission and distribution losses	Following gases were considered as applicable; Carbon dioxide (CO ₂), Nitrous oxide (N ₂ O), Methane (CH ₄)	331.43	268.18
	Employee business travel	Employee hired vehicles (Local)		66.38	1,707/56
		Air travel (Foreign)		39.07	37.56
	Upstream and downstream transportation/distribution	Third party inbound and outbound deliveries		5.36	20.12
	Waste generated in operations	Waste disposal		13.54	44.01
	Employee commuting	Employee commuting to and from work		2,463.09	1,312.40
	Scope 3 total emissions			2,918.87	3,389.84
Total scope 1, 2 and 3 Carbon footprint for entities				7,011.01	7,206.91
GHG emission intensity per employee				2.64	2.63

Natural Capital

The total GHG emission of People's Leasing for the financial year 2017/18 is calculated as 7,011.01 tCO₂e/year. This includes direct GHG emissions of 534.91 tCO₂e/year; energy indirect emissions of 3,557.23 tCO₂e/year and 2,918.87 tCO₂e/year emissions from the selected other indirect sources. A decrease of 195.9 tCO₂ in GHG emission is observed when compared with the last year figure of 7206.91 tCO₂e/year against 7,011.01 tCO₂e/year.

As a service organisation we do not release any significant amount of ozone depleting substances or nitrogen oxides and sulphur oxide. Hence no measurement process is carried out to measure these emissions.

GRI 302-1 GRI 302-2 GRI 302-3

GRI 302-4 GRI 302-5

a. Managing Energy

Being a finance company, our operations are not energy intensive and so are our products and services offered. However, as a responsible financier we educate our customers on energy conservation where applicable and promote financing of energy efficient machinery, appliances that minimise energy consumption.

Due our commitment to reduce, during the year under review, People's Leasing incurred a decrease in the energy consumption by 0.06x10¹³. In 2017/18, energy management within and outside People's Leasing is as follows:

Within People's Leasing

Energy source	Energy type	Consumption level (Joules)	
		2017/18	2016/17
Renewable	Electricity	2.06 x 10 ¹³	1.81 x 10 ¹³
Non-renewable	Fuel	0.15 x 10 ¹³	0.46 x 10 ¹³
Total		2.21 x 10 ¹³	2.27 x 10 ¹³
Energy Intensity (per employee)		10.60 x 10 ⁹	10.89 x 10 ⁹

Outside People's Leasing

Energy source	Energy type	Consumption level (Joules)	
		2017/18	2016/17
Non-renewable	Fuel	8.59 x 10 ¹³	8.19 x 10 ¹³
Total		8.59 x 10 ¹³	8.19 x 10 ¹³
Energy intensity (per employee)		10.60 x 10 ⁹	39.28 x 10 ⁹

Conversion factor

1 kWh electricity = 3.60 x 10⁶ in Joules
 1 litre of fuel (Petrol) = 34.46 x 10⁶ in Joules
 1 litre of fuel (Diesel) = 38.31 x 10⁶ in Joules

**Since some of the vehicle details are in km basis, 1 km in petrol consumed vehicle was assumed as 0.1 litres and 1 km in diesel consumed vehicle was assumed as 0.17 litres.

Managing water

GRI 306-1

Ours is not a water intensive business and our operations have no significant negative impact on natural water bodies or related habitats. Hence, have not calculated the water withdrawal and discharge by our operations consider the topic as immaterial.

However, understanding that access to quality water is increasingly becoming scarce, the Company educates its staff on the importance of water conservation and supports local community to access quality water through community initiatives.

Managing fuel

While transportation for our fleet and business-related travel also accounts for our energy consumption, we follow route planning and have green vehicles in our fleet. We also opt for transport material in bulk and off peak delivery to limit the consumption of fuel in travel and thus the emission of greenhouse gasses.

Managing waste

GRI 306-1 GRI 306-2 GRI 306-3

GRI 306-4 GRI 306-5

We dispose our waste responsibly without harming biodiversity or human health. Since 2011, People's Leasing has implemented the segregation of waste at its Head Office and branches and disposed through respective municipal councils. Our operations do not release any significant effluents or spills to the environment. Waste water generated is discharged in line with the guidelines of the National Water Supply and Drainage Board.

Key hazardous waste generated by our business operations comprise ICT based waste generated mainly due to obsolescence. When such waste is accumulated at our service points, due care is taken to responsibly dispose them through periodic e-waste collection campaigns outsourcing the e-waste

Natural Capital

recyclers endorsed by the Central Environment Authority (CEA) by whom due precautions taken during transportation in a way that is not harmful to the environment.

Type of waste	Method of disposal	Volume of waste (Kgs.)		Outsourced partner
		2017/18	2016/17	
Food waste	Reuse	4,013	4,125	Entrepreneur from the locality
Office paper waste (Head Office premises and Colombo suburb branches)	Recycle	5,004	5,678	CEA endorsed recycler
Electronic waste	Recycle	113	264	CEA endorsed recycler
Burnt CFL and Fluorescent bulbs	Recycle	262	259	CEA endorsed recycler

Our paper recycling initiative has incurred the following saving and currently we do not reuse our recycled paper waste.

- 85 fully grown trees
- 8,782 litres of oil
- 20,016 kWh of electricity
- 159,027 litres of water
- 15 cubic metres of landfill and
- Reduced GHG emission by 5,004 kg of carbon equivalent.

Green technology:

We leverage on green technology in serving our customers and use of office automation such as email and systems help People's Leasing to reduce the consumption of paper.

Paper consumption

GRI 301-1

Paper continues to be the natural resource most-utilised within People's Leasing, including for operations, contracts and correspondence, services offered to clients and promotional materials. Actual paper consumption for the financial year 2017/18 was not tracked.

Although material consumption is recorded, consumption by material type has to be comprehensively tracked from the ensuing year.

System enhancements towards paperless financing

GRI 301-2 GRI 301-3

We have focused on reducing or where possible eliminating paper consumption for internal operations such as documentation. Being a technologically advanced Organisation, we are also able to promote online transactions through People's Leasing Online which was launched in September 2017 to reduce paper usage. Also we do not significantly use recycle material and do not reclaim our products in our operations.

Following initiatives resulted paper less work environment enabling the saving of paper.



Optimise green impact of products and services offered by People's Leasing

We encourage our customers to take up eco-friendly financing options. In fact, through regular awareness, our employees promote products and services that supports environmental stewardship. During 2017/18, we disbursed Rs. 2.38 billion as green facilities.

Brief description	Paperless initiatives
Paperless working environment	<ul style="list-style-type: none"> •— E – rims •— Online attendance •— In bank system •— DMS – Document Management System •— DSS – Data Scanning System •— Online approval
Paper less financing	<ul style="list-style-type: none"> •— Mobile financial service (palm top) •— "PLC Online" app •— "Selfecash" •— Factoring •— Margin trading

Natural Capital

Responsible finance

With active sponsorship from the topmost echelons of People's Leasing – including the Board and the CEO – we launched a credit policy in 2017/18 to promote environmentally responsible financial practices. This has enabled “knowing our customer” better and a random environmental risk assessment centrally under the direct supervision of the DGM – Risk and Control resulting increase in credit quality and promoting environment protection.

Green finance

We develop green products, educate our customers and promote green products to them. During 2017/18, we launched the following green products and services during the year under review.

Eco Leases: An environmentally-friendly leasing solution for hybrid and electric vehicles to promote green consciousness among our customers

E-friends – Revolving Fund 2: Green products offering customers financial solutions improve their businesses efficiency, volumes and eco-friendliness of their operations.



Conserve the environment

GRI 304-3

Increasing our efforts and commitment towards reforestation is a strategic priority that has volunteer engagement from our employees. To strengthen this important initiative we invested more on reforestation, identified strategic partnerships, encouraged greater staff volunteering in reforestation work, and continued to measure and monitor our initiatives.

INVESTING IN ENVIRONMENTAL INITIATIVES

In a context where deforestation is a key factor that triggers climate change, the restoration and re-planting of forests offer a major opportunity to off-set emissions and mitigate climate change by increasing the amount of green cover.

a) Continuation of collaboration with the Forest Department

People's Leasing supported the national policy of increasing forest cover from 29% to 33%, by continuing the collaboration with the Forest Department on the reforestation programme themed “Thuru” in Kanneliya, Udawatta and Gal Oya forest since 2015.

Reforestation site	Extent (ha.)	Number of saplings planted	Survival rate (Number of plants)	Remarks
Kanneliya Forest	1.22	450	215	Site is rich in biodiversity. Invasive species are a threat and patch weeding done to promote plant growth.
Udawatta Forest	2.0	2,000	1,650	Invaded by invasive species and patch weeding done to promote plant growth.
Gal Oya Forest	6.0	6,000	4,772	Dry zone forest. Site is vulnerable to damage by wild elephants and forest fires. Patch weeding done to promote plant growth.

b) Project - “Life”

People's Leasing collaborated with Biodiversity Sri Lanka, in a long-term reforestation initiative to restore a 10 ha degraded fern land adjacent to Kanneliya Forest Reserve, Halgahawala, Opatha in February 2018. “Life” is a multiple public-private partnership for an ecological restoration for the first time where a coalition of state, private and environmental agencies came together to restore biodiversity and announce a biodiversity credit accrual system will also be introduced in Sri Lanka for the first time. People's Leasing is one of the corporate partners involved in providing financial assistance to restore a 1 ha plot of this project.

“Life” is supported by the Forest Department and technical assistance for the project is provided by the International Union for Conservation of Nature (IUCN).

FUTURE OUTLOOK

Our journey towards carbon neutrality will continue to be supported by our four-pillared environmental strategy. As we strive towards environmental stewardship, we will continue our commitment to further reduce our carbon footprint and align our business operations more with the Sustainable Development Goals.

System-based tracking to monitor resource consumption and active

engagement with our focal officers at service points through localised GHG management plans are expected to further reduce our carbon footprint. This will also help People's Leasing uncover possible blind spots in our efforts to reduce the footprint through timely corrective action.

Embracing innovation towards paperless finance, introducing more green products and emphasising more on environmentally responsible credit, People's Leasing will remain committed to do our part to combat the ill-effects of climate change to secure a future that is sustainable for the Company and all its stakeholders.

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Board of Directors
on the Affairs
of the Company

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Corporate
Governance

We live in a world that is evolving faster than previous generations ever dreamed possible.

Embracing such technological advances is vitally important for the future health of our business. At the same time, we are keenly aware that the greatest threats to our industry also lie within such fast moving change.

In a sector that is as heavily regulated as financial services, prudent corporate governance is of paramount importance.

It enables the delivery of value to stakeholders over the short, medium and long term.

At People's Leasing, the Board takes great pride in its role of steward, upholding the utmost standards in governance as it strives to meet its economic, social and environmental responsibilities.

In a dynamic industry such as ours, we ensure that robust systems and processes are followed at all times, with checks and balances in place to ensure that the Organisation is always in compliance with applicable laws and regulations.

Board of Directors



MR HEMASIRI FERNANDO

Non-Executive,
Non-Independent Chairman

Having been graduated from the University of Colombo in the main stream of Economics, joined the Sri Lanka Navy (Volunteer Force) as a Sub lieutenant in 1972 and retired in 1989 with the rank of Commander. He is also the Chairman of People's Bank, People's Leasing Havelock Properties Limited and People's Merchant Finance PLC. He also serves as a Director at People's Leasing Property Development Limited, People's Leasing Fleet Management Limited and Lankan Alliance Finance Limited.

He entered the public sector as Secretary to the Prime Minister in 1994. He also functioned as Chairman of several state institutions such as Sri Lanka Telecom, Airport & Aviation Services (Sri Lanka) Limited and Independent Television Network, where he excelled.

He was the country's longest serving Olympic Committee President (1997-2017) and remains as the first Asian to hold two positions as Vice President of the Commonwealth Games Federation-CGF (Asia Region) and the Olympic Council of Asia (OCA) respectively. Twice appointed as Advisor to His Excellency the President of Sri Lanka. He is also the Honorary Consul of Kyrgyz Republic in Sri Lanka.



MR MICHAEL PRADEEP AMIRTHANAYAGAM

Non-Executive, Independent Deputy
Chairman/Senior Independent Director

Mr Amirthanayagam was appointed as Director to the Board on 8 April 2015.

Mr Amirthanayagam is a Fellow Member of the Chartered Institute of Marketing (UK) and an Associate Member of Trinity College of London Speech and Drama ATCL (Sp/Dr).

He is currently the Chairman and Managing Director of the leading advertising agency Holmes Pollard & Stott, Vice-President of SUROL (Society for the Uplift and Rehabilitation of Leprosy Affected Persons) and a Director of the Anura Bandaranaike Foundation, People's Merchant Finance PLC and Lankan Alliance Finance Limited.

Mr Amirthanayagam has been a CNN correspondent for Sri Lanka, a News presenter for media networks Rupavahini, ITN and the Sri Lanka Broadcasting Corporation (SLBC), Interviewer and Cricket Commentator and a Past President of the Rotary Club of Colombo West.



MR JEHAN PRASANNA AMARATUNGA

Non-Executive,
Non-Independent Director

Mr Amaratunga was appointed as Director to the Board on 8 April 2015.

Mr Amaratunga 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. He was awarded First in Order of Merit Prize at the final examination of The Institute of Chartered Accountants of Sri Lanka.

Mr Amaratunga is the Chairman of People's Insurance PLC, Executive Deputy Chairman of MTD Walkers PLC, Sri Lanka and a Director of People's Bank, Sri Lanka Institute of Information Technology (SLIIT) and JAT Holdings (Private) Limited.

Previously, Mr Amaratunga was a Consultant and Director to a number of Corporations and Private Business entities.

At the National Conference of The Institute of Chartered Accountants of Sri Lanka, Mr Amaratunga presented a paper titled "Value for Money Accounting" which was one of the many notable achievements that stand out in his career. He was also a member of the Governing Council of The Institute of Chartered Accountants of Sri Lanka and the University of Colombo. Mr Amaratunga has over 32 years of extensive experience in finance and management.

Board of Directors



MR JOHNSON ANTHONY FERNANDO

Non-Executive,
Independent Director

Mr Fernando was appointed as Director to the Board on 8 April 2015.

Mr Fernando currently is a Director of Expo Property Developers (Pvt) Ltd., Expo Industrial Engineering (Pvt) Ltd., Shore to Shore (Pvt) Limited, Expo Printers (Pvt) Ltd., Expo Regional Holdings (Pvt) Ltd., Expo Cargo Links (Pvt) Ltd., People's Merchant Finance PLC, Lankan Alliance Finance Limited.

He is also an Advisory Board Member of the Benedict XVI Catholic Institute of Higher Education and Colombo Catholic Press, a Committee Member of National Hospital of Sri Lanka and Vice-Chairman of the International Chamber of Commerce Sri Lanka.

Mr Fernando has held many senior positions within the Expo Industrial Group which has diversified interests in Apparel, Food Packaging, Industrial Printing, Commercial Printing, Logistics Management, Engineering and Construction, as President of the Sri Lanka Association of Printers and as Vice-President of the Sri Lanka-China Business Council Cooperation.



MR MOHAMED ANISE MOHAMED RIZWAN

Non-Executive,
Independent Director

Mr Rizwan was appointed as Director to the Board on 8 April 2015 and has a Master's Degree in Business Administration from the University of Wales, UK. He is a Member of the Chartered Institute of Marketing, UK, a Certified Member of Sri Lanka Institute of Marketing and has a Diploma in Business Management.

Mr Rizwan is currently a Director of Lankan Alliance Finance Limited, the Chief Officer Strategy, Marcom and New Business Ventures of LIMRA Holdings, an adjunct lecturer and examiner for the undergraduate and postgraduate programmes in Marketing, Strategic Planning, New Business Ventures, Business Ethics and Consumer Behaviour offered by Northwood University, USA and the MBA Programme of the University of West London. Mr Rizwan has been selected as the Dissertation Supervisor for the same MBA Programme.

Mr Rizwan has held many senior positions in public listed companies, as Group Vice-President – Marketing Group Head of Marketing, Head of Marketing, Business Development/Marketing and Corporate Communications in diverse industries.



MR RATHNAYAKE MUDIYANSELAGE JAYASENA

Non-Executive,
Independent Director

Mr Jayasena was appointed as Director to the Board on 7 May 2015. He holds a Bachelor of Arts Degree from the University of Colombo.

Mr Jayasena is currently a Director of Siloona Hotels (Pvt) Ltd.

Mr Jayasena was a Consultant at the National Institute of Management, Ministry of Industries and Scientific Affairs, Executive Director at Isura Development Centre, Vice-Chairman of the National Forum of People's Movement. He is a Director of Lanka Organic Agriculture Movement, Treasurer at Green Movement Sri Lanka and of Forest Garden Product Certification Limited.

Mr Jayasena will be reaching the age of 70 years on 17 June 2018. He will retire from the office of Director of the Company with effect from that day, in terms of Rule 5 (1) of the Finance Companies (Corporate Governance) Direction No. 3 of 2008.

Board of Directors



DR ALI ASGAR SHABBIR GULAMHUSEIN

Non-Executive,
Independent Director

Dr Gulamhusein was appointed as Director to the Board on 23 July 2015. He holds a PhD from Tokyo, Japan and a Bachelor's Degree in Computer Science and Business management from King's College, London, UK.

Dr Gulamhusein is a Director of Adam Capital PLC, Adam Carbons Limited, Adamexpo Limited, Spice of Life (Pvt) Limited, Network Communications (Pvt) Limited, Adam Metals (Pvt) Limited, Adam Air Conditioner (Pvt) Limited, Adam Automobiles (Pvt) Limited, Colombo Apothecaries Company Limited, Business Chamber of Commerce, Hamilton Resorts (Pvt) Limited, Ceylon & Foreign Trade Surgi-Tech (Pvt) Limited, Colombo Freight and Transport Limited, Dodwell & Company Limited, Ceylon and Foreign Trades PLC, Adam Expo (Pvt) Limited, Network Communications (Pvt) Limited and Sri Lanka Institute of Textiles and Apparel.

He also serves as an all-island Justice of Peace.

In recognition of his services to the country, Dr Gulamhusein was bestowed with the prestigious title of "*Deshabandhu Manawahithawadhi Lankaputhra*".



MR RASITHA GUNAWARDANA

Non-Executive,
Non-Independent Director

Mr Gunawardana was appointed as Director to the Board on 29 August 2016. He is an Associate Member of the Chartered Institute of Management Accountants, UK.

Mr Gunawardana is currently the Senior Deputy General Manager, Business Banking at People's Bank and a Director of People's Leasing Fleet Management Limited.

Mr Gunawardana has previously held leading positions at People's Bank in the areas of Finance, Performance Management, Corporate and Commercial Credit, Treasury Operations, Credit Control and Risk Management. Prior to joining People's Bank, Mr Gunawardana had gained experience in both private and public sectors in industries covering Travel and Hotels, Plantation Management, and Construction. He held the position of Deputy General Manager, Risk Management, prior to taking over his current responsibilities as the Senior Deputy General Manager in charge of Business Banking at People's Bank.



MR ROHAN PATHIRAGE

Company Secretary

Mr Pathirage was appointed as the Company Secretary to the Board on 7 December 2007. He is an Attorney-at-Law with a Bachelor of Laws Degree from the University of Colombo. He also holds a Postgraduate Diploma in Banking and a Master's Degree in Bank Management from the Massey University in New Zealand.

Mr Pathirage currently functions as a Deputy General Manager/Secretary to the Board of Directors of People's Bank. He is also the Company Secretary of People's Travel (Pvt) Limited, People's Leasing Fleet Management Limited, People's Leasing Property Development Limited, People's Insurance PLC, People's Leasing Havelock Properties Limited and People's Microfinance Limited.

Management Team



MR SABRY IBRAHIM

Chief Executive Officer/
General Manager

Mr Ibrahim was appointed as the CEO/GM of People's Leasing & Finance PLC on 1 July 2017. Prior to that he held very senior positions both locally and internationally, as Senior Deputy General Manager, Wholesale Banking (October 2014 to September 2016) and as 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 and Recoveries, Chief Risk Officer and Chief Credit Officer at Hatton National Bank PLC (2004 to 2007) and Head of Credit and GSAM at Standard Chartered Bank (2002 to 2004).

Mr Ibrahim has over 34 years of banking experience, primarily in the areas of Corporate Banking, Treasury Management and Risk Management. He holds an Honors Degree (BSc) from the University of Colombo and is a Fellow Member of the Chartered Institute of Bankers – UK (FCIB).

Mr Ibrahim has also been a Director of HNB Securities (Pvt) Limited (2005 to 2007) and People's Merchant Bank PLC (2009 to 2011). Currently he is also a Director of People's Insurance PLC, People's Microfinance Limited, People's Leasing Fleet Management Limited, People's Leasing Property Development Limited and People's Leasing Havelock Properties Limited.



MR SANJEEWA BANDARANAYAKE

Senior Deputy General Manager

Mr Bandaranayake is a Fellow Member of The Institute of Chartered Accountants of Sri Lanka and the Institute of Certified Management Accountants of Australia, the Society of Certified Management Accountants of Sri Lanka and a Finalist of the Chartered Institute of Management Accountants (UK).

He has five years experience at Ernst & Young, Chartered Accountants. He has over 24 years of post-qualifying experience at a very senior level in the finance sector. He joined People's Leasing & Finance PLC in July 2007.

He is a Director of the Credit Information Bureau of Sri Lanka and Vice-President of the Asian Financial Services Association (AFSA). He was a former Chairman and Director of the Leasing Association of Sri Lanka, a former Committee Member of the Ceylon Chamber of Commerce and a former Council Member of the Sri Lanka Institute of Credit Management (SLICM). He has also functioned as the Acting CEO, of People's Merchant Finance PLC.



MR LIONEL FERNANDO

Senior Deputy General Manager

Mr Fernando joined People's Leasing & Finance PLC in 1995 and was promoted to Senior Deputy General Manager in 2017. Prior to assuming duties as Senior Deputy General Manager, he held various senior positions in the Company. He has over 29 years experience in banking and finance.

He is an Associate Member of The Institute of Chartered Accountants of Sri Lanka and an Associate Member of the Institute of the Bankers of Sri Lanka. He holds a Postgraduate Diploma in Business & Financial Administration from The Institute of Chartered Accountants of Sri Lanka.

Management Team



MR ROHAN TENNAKOON

Deputy General Manager – Risk and Control

Mr Tennakoon is the Deputy General Manager – Risk & Control, having served in various capacities at People's Leasing over a period of almost 21 years.

He has 28 years experience in many diversified fields such as Accounting, Manufacturing, Exporting and Banking, prior to joining the Leasing Sector.

Mr Tennakoon holds a Master's Degree in Business Administration (MBA) from the University of Colombo, MSc (Management) from the University of Sri Jayewardenepura, BSc (Business Administration) Special Degree (2nd Class Upper) from the University of Sri Jayewardenepura an Associate Member of the Institute of Bankers of Sri Lanka and is also a member of the Association of Professional Bankers of Sri Lanka.

He represents the Company on the Council of Management in the Finance Houses Association of Sri Lanka, has served as the Chairman of the Sports Festival Committee and is the Compliance Officer of the Credit Information Bureau of Sri Lanka.

Mr Tennakoon also served on the Panel of Judges, in SLIM – NASCO Selecting Committee for four consecutive years.



MR DAMITH MALAVITHANTHILA

Deputy General Manager – Recoveries

Mr Malavithanthila joined People's Leasing & Finance PLC in 1996 and was the Head of Recoveries for 10 years. Later, he joined Branch Operations in 2007 and had oversight of the branches in the Provinces of North, East, Central, Wayamba, Southern and part of Western Province. Currently he is the Deputy General Manager – Recoveries. He has over 28 years experience in Banking and Finance and several years of experience in Auditing and Accounting. He is a Finalist of The Institute of Chartered Accountants of Sri Lanka and a Finalist of the Institute of Bankers of Sri Lanka. In addition, People's Leasing Fleet Management Limited, a subsidiary of the People's Leasing Group, operates under his supervision.



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. He has over 23 years experience in Corporate and SME Financing, in the areas of Credit, Marketing, Recoveries, Branch Development and Operations. He is presently the Deputy General Manager – Marketing. In addition, Mr Gunawardena oversees the operations of People's Microfinance Limited, a fully-owned subsidiary of People's Leasing & Finance PLC.

Mr Gunawardena holds a Master's Degree in Business Administration (MBA), MSc in Strategic Marketing, is an Associate Member and a holder of a Diploma in Credit Management from the Sri Lanka Institute of Credit Management. He is also a Certified Management Accountant (Australia).

Management Team



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 the past 19 years. He has a Master's Degree in Business Administration (MBA) from the University of Western Sydney (UWS), and holds a Diploma in Computer System Design from the National Institute of Business Management (NIBM), Sri Lanka. He is a member of the British Computer Society. He is currently the Deputy General Manager – ICT and Head of ICT for the People's Leasing Group.



MR UDESH GUNAWARDENA

Deputy General Manager – Audit

Mr Gunawardena is an Associate Member of The Institute of Chartered Accountants of Sri Lanka, Institute of Certified Management Accountants of Sri Lanka, Institute of Professional Finance Managers (UK), a Member of the Institute of Internal Auditors, and a Finalist of the Chartered Institute of Management Accountants (UK). He also has a Diploma in Treasury, Investments and Risk Management from the Institute of Bankers of Sri Lanka.

Mr Gunawardena is a world prize winner of the Australian Computer Society.

He joined People's Leasing & Finance PLC in 1999 and has over 20 years experience at senior levels in finance, with particular emphasis on accounting, auditing, financial management and treasury operations.

Currently, he is the Chief Financial Officer of the Lankan Alliance Finance Limited in Bangladesh.

Management Team



MR RANIL PERERA

Assistant General Manager – Recoveries

Mr Perera has over 18 years of experience at People's Leasing group. He holds a Master's in Regional Development and Planning from the University of Colombo, an MBA from the University of Manipal (India) and a PGDip in Economic Development from University of Colombo. He also holds a B Com (Special) in International Trade from the University of Sri Jaywardenepura and Part Qualifications in CIM (UK) and CA Sri Lanka.



MR URESH JAYASEKARA

Assistant General Manager – Human Resources (Group)

Mr Jayasekara has experience of over 19 years in the field of Human Resources.

He holds an MBA specialising in HR and a Postgraduate Diploma in Business Management from the University of Colombo. In addition he holds a BSc Bio Science (Honours) from University of Kelaniya and Diploma in Management from the Open University of Sri Lanka.

Mr Jayasekara was honoured with many prestigious international awards such as HR Leadership Award in 2017 at Asia Best Employer Brand award Singapore and recognised as 100 most influential Global HR profession award at world HRD congress – Silver Jubile in 2017.



MR SAMAN LIYANAGE

Chief Manager – Deposits and Savings

Mr Liyanage has over 33 years experience in the field. He holds an MBA from the University of Manipal India and a member of the panel of Resources personnel at the Centre for Banking Studies, Central Bank of Sri Lanka. He is a Diploma holder and an Associate Member of the SLICM.



MR HASANTHA DE SILVA

Chief Manager – Operations

Mr Silva has over 18 years of experience, of which 14 years has been in operational and audit. He holds a Higher National Diploma in Accountancy from the Technical College and is at an Intermediate level of CA Sri Lanka.



MR P D C S MAHANAMA

Chief Manager – Operations

Mr Mahanama is currently serving as a Chief Manager – Operations at People's Leasing and has over 22 years of experience in marketing and financial sector.



MR NEIL THUSHANTHA

Chief Manager – Operations

Mr Neil Thushantha has over 19 years of experience. He holds a BSc (Agriculture) Special Degree (majoring in Agriculture Economics) with Second Class Honours (Upper Division) from the University of Peradeniya and has a Part qualification in CIMA (UK).

Management Team



MR CHAMIL HERATH
Chief Manager – Operations

Mr Herath possesses over 18 years of experience. He holds a BSc Business Administration (Special) Degree from the University of Sri Jayawardenepura and is a Licentiate of CA Sri Lanka.



MRS KAMANI DEMATAWEWA
Chief Manager – Legal

Mrs Kamani Dematawewa has over 30 years of experience and is an Attorney-at-Law and Notary Public. She holds a Post-Attorney Diploma in Finance, Banking and Insurance Laws by the Institute of Advance Legal Studies of the Incorporated Council of Legal Education and a Diploma in Credit Management from SLICM (Associate Member of SLICM). Mrs Dematawewa has held the position of Chairperson of the Legal Circle of the Finance Houses Association of Sri Lanka.



MR OMAL SUMANASIRI
Chief Manager – Finance

Mr Sumanasiri has over 13 years experience in the fields of Accounting and Auditing. He is qualified in ACA, ACMA (SL) and holds a B B Mgt. (Accountancy) – First Class from the University of Kelaniya.



MR NANDANA WEERAKKODY
Chief Manager – Recoveries

Mr Weerakkody has over 23 years of experience in the field. He holds a BSc (Agriculture) special degree from the University of Peradeniya and a certificate in Hire Purchase and Lease Finance from the Institute of Bankers of Sri Lanka. Mr Weerakkody won the Gold Award at SLIM NASCO, under the “Best Territorial Manager” category.



MR VAJIRA RAMANAYAKE
Chief Manager – Marketing

Mr Ramanayaka has over 26 years of experience in the field. He is a member of the CMA (Australia). He has an MBA from Sikkim Manipal University, an intermediate Banking Diploma from the Institute of Bankers of Sri Lanka and a Diploma in Credit Management from the Institute of Credit Management.



MR NISHANTHA PERERA
Senior Manager – Margin Trading/
Portfolio Management

Mr Perera holds the position of Senior Manager – Margin Trading/Portfolio Management and over 26 years of experience in Investor Services and Margin Trading Operations.

Management Team



MR MOHIDEEN MAHAROOF
Chief Manager – Islamic Finance

Mr Maharooof has over 32 years of experience in diversified fields such as Banking and Finance (over 26 years) Garments and Automobiles Industries. He has completed the intermediate examination at Institute of Bankers of Sri Lanka and has a Diploma in Islamic Banking and Finance.



MR SHIRON RANASINGHE
Chief Manager – Risk & Control

Mr Ranasinghe has over 19 years experience at People's Leasing and Chartered - Marketing member of the CIM (UK). He has obtained certificate in Credit Management from the Institute of Bankers of Sri Lanka.



MRS PRIYANKA WIMALASENA
Chief Manager – Operations

Mrs Priyanka Wimalasena possesses over 19 years of experience. She holds a Bcom (Special) Degree from University of Sri Jaywardenepura and a Licentiate of CA Sri Lanka.



MR RANDHIL SIRIWARDENA
Senior Manager – Factoring

Mr Siriwardena has over 20 years of experience in the field. He is an Associate Member of the CIMA (UK) and CMA (SL). He is also a Chartered Global Management Accountant.



MR NANDANA VITHANA
Senior Manager – Administration

Mr Nandana Vithana has over 19 years of experience in the field. He holds an MBA from the Postgraduate Institute of Management and a BSc Marketing Management Special Second Class Upper Division Degree from the University of Sri Jaywardenepura. He has also completed the Licentiate II Examination of CA Sri Lanka and Stage II of CIMA (UK).



MR AMINDA RAJAPAKSHA
Senior Manager – Internal Audit

Mr Rajapaksha has over 18 years of experience in the field of Internal Audit and Finance. He holds a BCom (Special) Degree from University of Sri Jaywardenepura.

Management Team



MR GANESAN THUSYANTHAN

Senior Manager – Branch Operations

Mr Thusyanthan has over 14 years of experience at Peoples Leasing & Finance PLC. He holds a Master's Degree in Economics from University of Colombo, and BA in Economics with 2nd Class Upper Division from University of Colombo.



MR VISHWA KADURUGAMUWA

Senior Manager – Compliance

Mr Kadurugamuwa is an Attorney-at-Law possessing over 11 years experience in corporate and commercial law. He also holds a Postgraduate Diploma in International Trade Law from the University of Wales and is a life member of the Bar Association of Sri Lanka. He currently functions as the Secretary of the Subcommittee for Compliance of the Finance Houses Association of Sri Lanka.

Compliance Management

Given that compliance risk is closely interrelated with legal, financial, operational, and reputational risk and also in the wake of the proliferating rules and regulations, the importance of the compliance function cannot be overemphasised. 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

Compliance is not only one of the intrinsic functions of our Company but an inbuilt culture which is deeply rooted as exhibited throughout its 22 years of doing business in the Non-Bank Financial Institutions sector.

The Company adopts a top-down approach with its Board and senior management leading the way to create an environment conducive to ethics, integrity, transparency, and accountability.

Over the years, 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, true to both the spirit and the letter of the law.

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 Company has a stand-alone compliance function with a direct reporting structure to the Integrated Risk Management Committee (IRMC) 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 compliance activities of the Company to IRMC at each of its four (4) meetings.

The maintenance of a robust and effective compliance function is an ongoing process. It is a constant cycle of reviewing and implementing to better strengthen the compliance function of the Company.



The approach adopted by us towards compliance is a preventive approach which aims to create a culture that deters potential breaches before they occur. To this end, the Internal Audit regularly performs the necessary investigative activities, monitors compliance and carries out random 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

The Internal Auditors conduct 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 Integrated Risk Management Committee for evaluation and recommendation of corrective measures where relevant.

The Company's 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. No reports of any matters falling within the scope of the policy have been received 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

The Company has taken significant steps to use technology to update compliance monitoring and testing mechanisms in line with the current industry practices.

COMPLIANCE TRAINING

One focus of the preventive measures under the compliance system of the Company is to provide adequate training to employees. The training plan which includes a combination of internal and external training opportunities is structured by the Human Resources Department. During the year under review, the Company provided specific training to the compliance staff members to ensure that they remain up-to-date on the changes made to laws and regulations and international best practices.

Further, in 2017/18, training programmes were conducted across the branch network of the Company to employees on compliance, Code of Business Conduct and Ethics, anti-corruption and anti-money laundering.

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

Corporate Governance

CHAIRMAN'S MESSAGE

Dear Stakeholders,

Corporate governance entails the relationships among the Management, Board of Directors, shareholders, Auditors and other stakeholders. Good corporate governance makes companies more accountable and transparent to investors and gives them the tools to respond to legitimate stakeholder concerns.

At People's Leasing, the Board plays an important role in setting the character and creating a culture that will ultimately deliver a sustainable outcome for its stakeholders.

The sound governance structure of the Company backed by the internal policies, external laws, rules, regulations and best practices has enabled the Company to generate sustainable growth whilst creating an ethical foundation that promotes the principles

of responsibility, accountability, fairness and transparency.

We review our governance structures and processes regularly to ensure that we are current with the developments in the regulatory and governance framework.

The governance structure also provides for delegating the Board's authority.

Accordingly the Board has delegated some of its functions to the Board committees based on clearly documented and defined terms of reference.

The reports of the committees are given in the pages stated below:

Board Audit Committee – pages 221 and 222

Board Integrated Risk Management Committee – pages 225 and 226

Board Remuneration & Nomination Committee – page 223

Board Related Party Transactions Review Committee – page 224

We continue to be committed to uphold a strong, effective and robust governance structure, the ultimate beneficiaries of which shall be the multiple stakeholders of the Company.

We invite you to take a closer look at our governance initiatives and practices during the year 2017/18. This report should be read in conjunction with the details presented on pages 172 to 220.



Hemasiri Fernando
Chairman

GOVERNANCE HIGHLIGHTS – 2017/18

Appointment of new CEO/GM

Restructured the organisation structure

Redesignation of the Compliance Officer as a Key Management Personnel

Reviewed and updated the Risk Management Policy

Reviewed and updated the Business Continuity Policy

Reviewed and updated the Credit Policy

Approved the three year strategic plan

Reviewed and updated the policy and procedure manual of the Treasury Department

Approved the procurement manual

Approved the Margin Trading Compliance Manual

Approved the policy for dormant fixed deposits and savings accounts

Completing a review of policies and procedures on related party transactions with the assistance of an independent expert

Initiated the compilation of a CSR manual

Approved the Credit Policy for Factoring

Approved the Impairment Procedure Manual

Corporate Governance

STATEMENT OF COMPLIANCE

At People's Leasing, we believe that the highest standards of corporate governance are essential to warrant trust of our valued stakeholders which in turn is crucial for maintaining the solid performance of the Company. These standards are captured in our governance charters, policies and documents, highlights of and compliance to which are detailed 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) Directions No. 3 of 2008 and No. 4 of 2008, Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka (SEC) and The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), Corporate Governance Rules embedded in the Listing Rules of the Colombo Stock

Exchange (CSE), to the extent hereinafter disclosed in this report.

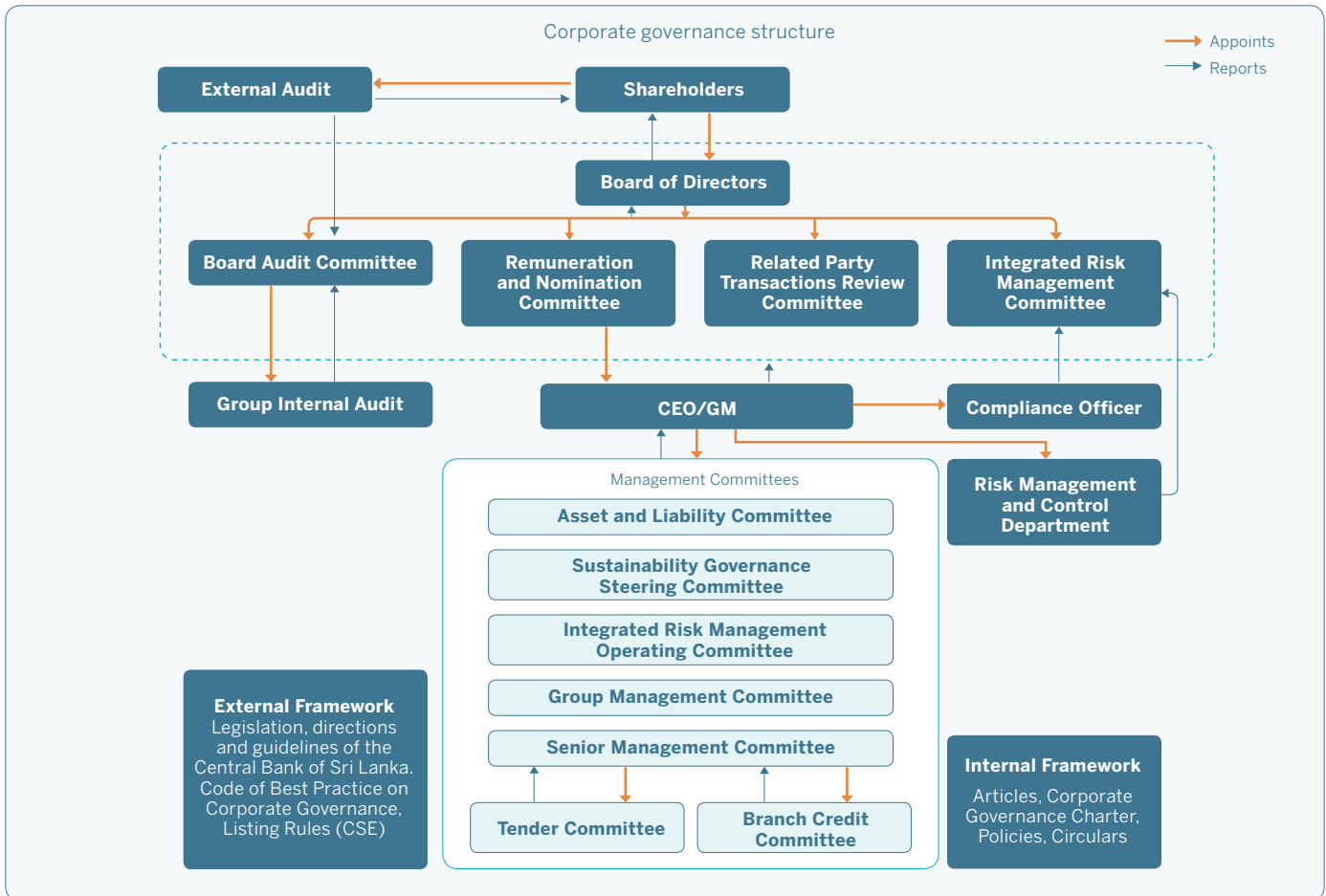
The Board of Directors also wishes to confirm that, to the best of its knowledge and belief, the Company has complied with all requirements under the Companies Act No. 07 of 2007 and satisfied all its statutory payment obligations to the Government and other statutory/regulatory bodies.

GOVERNANCE MECHANISMS AND STRUCTURES

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

The structure is based on a system of checks and balances that enable the Board of Directors, Management and employees to achieve the overall goals of the Company focusing on the rights of all stakeholders of the Company while striking an equitable balance between their interests.

GRI 102-18



Corporate Governance

THE CORPORATE GOVERNANCE FRAMEWORK

People's Leasing, as one of the leading players in the non-bank financial Institutions sector, places much emphasis on its responsibilities towards its stakeholders. Accordingly, the corporate culture of the Company is based on an organisational environment where the values of sound corporate governance

are instilled into each member of the Organisation. This is achieved by four key practices in group strategy (a) compliance with the law and commercial legitimacy (b) fair treatment of employees and business partners (c) responsibility to the environment and the community in which we operate and (d) probity, integrity and business ethics in the operational practices.

Through these practices, the Company, by means of a robust corporate governance framework, provides a mechanism for the prudent management and oversight of the business to adequately protect the interests of all stakeholders.

The following internally and externally driven factors play a vital role in maintaining a robust governance structure within the Company:



BOARD AND SUBCOMMITTEES

“The effective leadership, guidance, and advice provided by the Board ensures long-term sustainable growth of the Company by achieving the set strategic goals and objectives”.

ROLE OF THE BOARD

The role and the function of the Board is comprehensively set out in the Corporate Governance Charter, which is periodically reviewed to ensure compliance with the applicable laws and regulations.

While functioning as the custodian of the interest of the stakeholders, the Board directs the management towards achieving targets with their invaluable advice. All members of the Board meaningfully contribute to the affairs of the Company providing leadership to maintain good governance and to establish a healthy corporate culture within the Organisation. The performance of the employees is reviewed by the Board periodically and employees are rewarded generously.

Corporate Governance



The Role of the Board

Interest of Stakeholders

The Board sets the strategies, aims and values in a manner that enhances the returns to the stakeholders.

Direction and Advice on Strategy

The Board provides direction to the management and approves the business strategy.

Performance Review

The Board reviews the achievement of the set targets by the management, and rewards the employees appropriately.

Integrity of External Reporting

The procedures and controls in place are reviewed by the Board to maintain the integrity of the accounting and financial record of the Company.

Standards and Corporate Culture

The Board promotes professional standards and corporate values to be inculcated in the employees.

Risk and Compliance

The Risk Management Framework of the Company is reviewed by the Board and the Board ensures the compliance with the laws and Regulations.

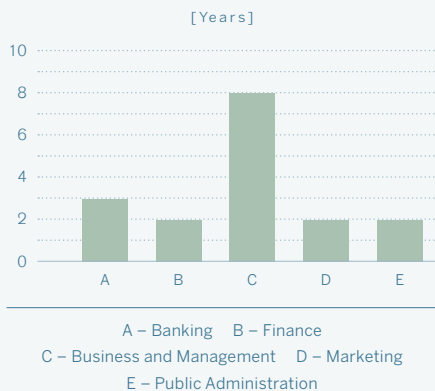
BOARD COMPOSITION AND BALANCE

The combined skills and knowledge possessed by the members of the Board brings a wide range of experience and expertise to the deliberations of the Board enabling constructive and comprehensive discussions. Background professions of the Board include banking, finance, business management, marketing and public administration.

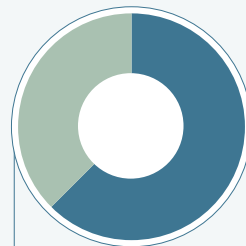
The average tenure of Directors demonstrates a good balance between continuity and fresh perspectives. The size and composition of the Board is appropriate, given the present geographic footprint of the Group's operations. The proportion of Independent Non-Executive Directors on the Board reflects the Board's ability to exercise objective judgement on corporate affairs and the performance of management against Key Performance Indicators.

Name of Director	Independent	Non-Independent	Executive Director	Non-Executive Director
Mr Hemasiri Fernando		√		√
Mr Michael Pradeep Amirthanayagam	√			√
Mr Jehan Prasanna Amaratunga		√		√
Mr Johnson Anthony Fernando	√			√
Mr Mohamed Anise Mohamed Rizwan	√			√
Mr Rathnayake Mudiyansele Jayasena	√			√
Dr Ali Asgar Shabbir Gulamhusein	√			√
Mr Goluhewage Bindu Rasitha Poojitha Gunawardena		√		√
Total	5	3	NIL	8

EXPERIENCE OF DIRECTORS



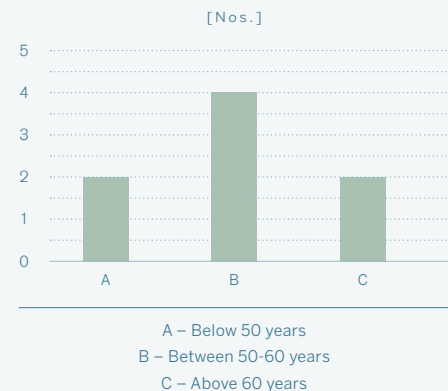
BOARD COMPOSITION



38%
Non-Independent
Directors

62%
Independent
Directors

AGE GROUPS OF DIRECTORS

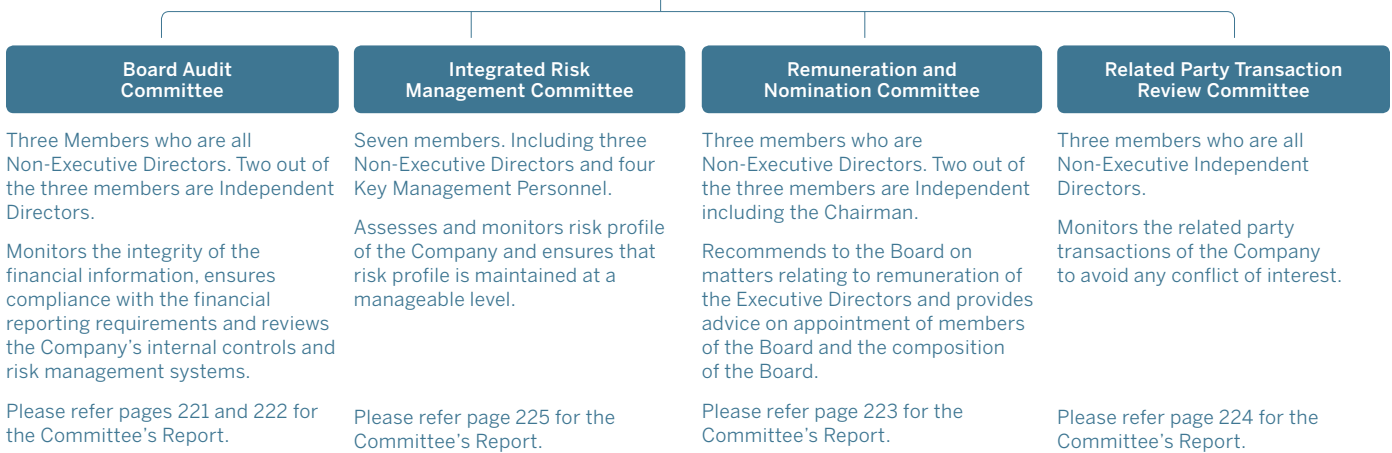


Corporate Governance

GRI 102-22

BOARD SUBCOMMITTEES

The Board has delegated certain designated functions to Board subcommittees in order to discharge its' duties effectively. The Board has established four Board level Subcommittees which operate within the Board approved Terms of Reference. The Terms of Reference of each committee sets out its role, responsibilities, scope of authority, composition and procedures. These Subcommittees directly report to the Board through their respective Chairmen and minutes of all committee meetings are submitted to the Board.



BOARD MEETINGS

Meetings of the Board and its committees are held on a regular basis to discuss key topics covering strategic, operational and governance issues.

Attributes of Effective Board Meetings

In order to get the fullest commitment of Board members for the meetings as well as to ensure the smooth functioning of meetings People's Leasing is vigilant on several key aspects as set out below to ensure Board meetings are held regularly and are conducted smoothly and effectively.

Before the Meeting

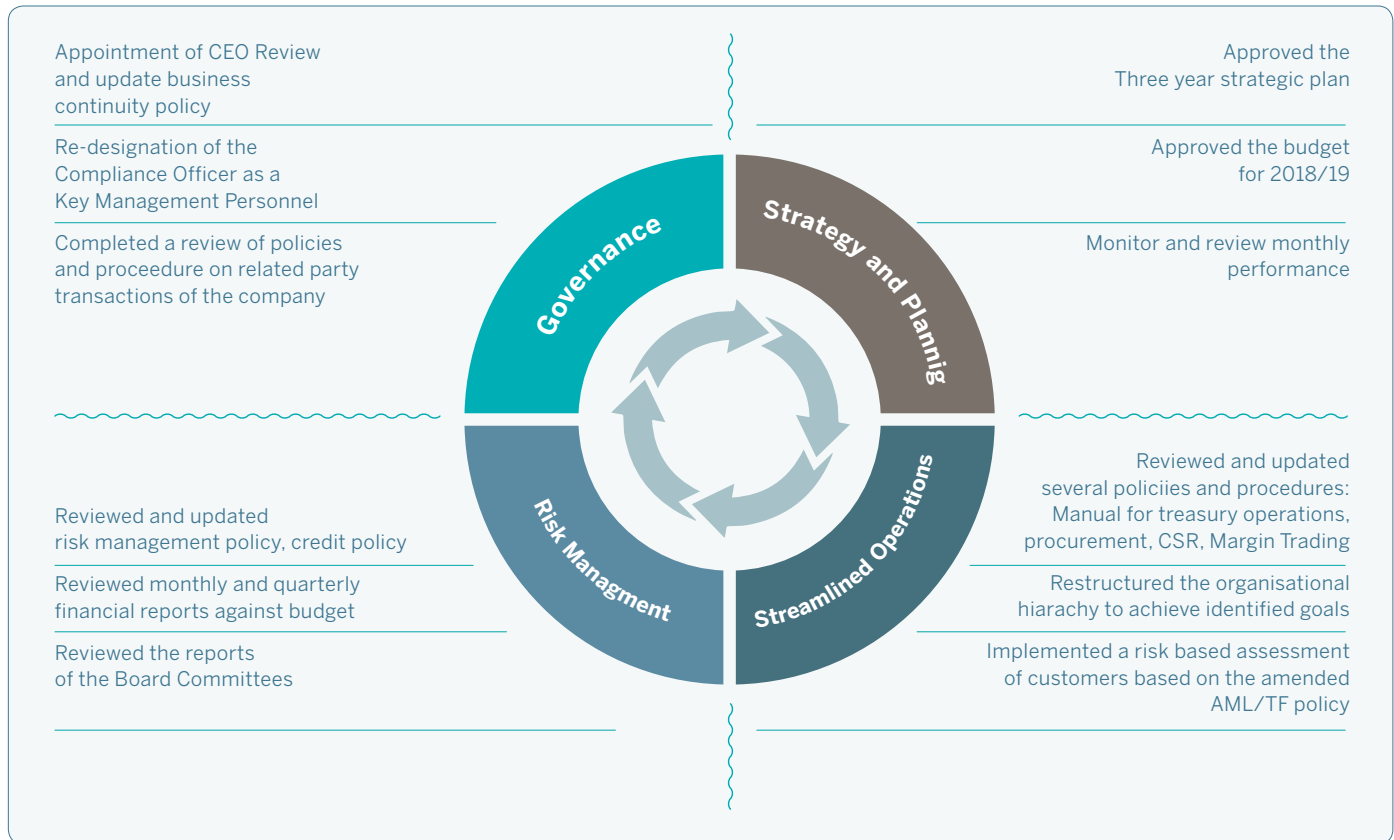
- ▶ Advance scheduling
- ▶ Develop a rational agenda with room for flexibility
- ▶ Provide comprehensive information to the Board on items scheduled in agenda
- ▶ Directors are vested with the discretion to obtain independent advice whenever they require.

At the Meeting

- ▶ Encourage open dialogue between all Director
- ▶ Directors should be well prepared and engage in meaningful discussions
- ▶ Provide detailed updates on matters discussed at Board subcommittees
- ▶ Complete and comprehensive update on the operations and financial performance along with industry trends presented by the Management
- ▶ Availability of heads of respective business units to ensure that the Directors have the opportunity to discuss specific areas with them
- ▶ Regular updates are provided to the Board on impending changes in the business environment and regulatory requirements
- ▶ Presence of Company Secretary to ensure compliance with all applicable rules and regulations

Corporate Governance

FOCUS AREAS OF THE BOARD IN 2017/18



DIRECTORS' ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS

Name of Director	Non-Executive	Independent	Board Subcommittees										
			Board		Board Audit Committee		Integrated Risk Management Committee		Remuneration and Nomination Committee		Related Party Transactions Review Committee		
			Position	Attendance	Position	Attendance	Position	Attendance	Position	Attendance	Position	Attendance	
Mr Hemasiri Fernando	✓	X	Chairman	13/13									
Mr M P Amirthanayagam	✓	✓	Deputy Chairman	12/13	Member	6/6	Chairman	4/4	Member	7/8	Chairman	3/3	
Mr J P Amaratunga	✓	X	Director	11/13	Chairman	5/6			Chairman	8/8			
Mr J A Fernando	✓	✓	Director	9/13					Member	7/8	Member	3/3	
Mr M A M Rizwan	✓	✓	Director	12/13	Member	6/6	Member	3/3			Member	3/3	
Mr R M Jayasena	✓	✓	Director	12/13									
Dr A A S Gulamhusein	✓	✓	Director	11/13									
Mr G B R P Gunawardena	✓	X	Director	13/13			Member	3/4					
Total	8	5											

Corporate Governance

MANAGEMENT'S ROLE IN GOVERNANCE

GRI 102-22

GRI 102-23

GRI 102-26

GRI 102-34

The Board of Directors is advised by the Board subcommittees and the management committees which make an integral part of risk governance. Management Committees are formed at the Management level, implement policies and strategies determined by the Board, while maintaining an appropriate system of good governance and managing internal operations and business affairs of the Company.

The Board seeks to ensure fair reporting, (both financial and non-financial), transparency, ethical and legal corporate conduct, enterprise risk management by adding value for the benefit of our stakeholders.

The Management Committees also review, from time to time, the vision, mission and values of the Company, as well as the Company's strategies and policies relating to economic, social and environmental impacts.

All critical issues arising or discussed at Management Committee meetings are reported to the Board through the CEO at monthly meetings. Except for the matters arising in the ordinary course of business, no critical matters were reported to the Board during 2017/18.

CHIEF EXECUTIVE OFFICER'S ROLE

The Chief Executive Officer (CEO) acts as a direct liaison between the Board and management of the Company and communicates to the Board on behalf of management and is responsible for leading the development and execution of the Company's long term strategy with a view to creating shareholder value.

The CEO's leadership role also entails being ultimately responsible for all day-to-day management decisions and for implementing the Company's long and short-term plans within the appropriate risk parameters. The CEO also communicates on behalf of the Company to shareholders, employees, Government authorities, other stakeholders and the public.

ONGOING EVALUATION AND DEVELOPMENT

BOARD AND BOARD COMMITTEE EVALUATIONS

An assessment is carried out at least once a year to determine whether the Board and Board committees are performing effectively and to identify areas for improvement.

The Company has put in place a robust evaluation framework to evaluate Board performance. The Board members have a mutual understanding on the objectives of the Board evaluation process and each Director actively participates by giving his honest opinion on a wide range of issues.

BOARD EVALUATION PROCESS

In the last quarter of 2017/18, the Board carried out a comprehensive self-evaluation of its performance and its committees in accordance with the Corporate Governance Charter of the Company. This process was led by the Chairman and supported by the Company Secretary. Views of all Directors were canvassed in respect of the performance of the Board as a whole as well as of its committees by requiring the individual Directors to complete a confidential questionnaire.

BOARD CONTINUITY

GRI 102-24

The Board recognises the importance of having an appropriate balance of industry knowledge, skills, background, experience, professional qualifications, and nationalities in building an effective and cohesive Board.

This also includes socio, economic and environmental awareness that would impact efficient decision making.

The Board with the assistance of the Board Remuneration and Nomination Committee oversees the appointment of Directors to the Board. The process for the selection and appointment of Directors is provided for in the Corporate Governance Charter and the Articles of Association of the Company.

ASSESSMENT OF INDEPENDENCE

Directors are required to carry out an annual assessment of their independence, in compliance with the criteria set out in the Finance Companies (Corporate Governance) Directions, Code of Best Practice on Corporate Governance, issued jointly by SEC and CA Sri Lanka and the Listing Rules of the CSE by completing a self-declaration. This assessment takes into account the member's business relationship with the Group, relationships with the members of the Management, relationships with the Company's substantial shareholders and member's length of service.

ON-GOING DEVELOPMENT

GRI 102-27

New Directors are provided with an induction on joining the Board by apprising them comprehensively on the values and the culture of People's Leasing, business and operations and its strategy, policies, governance framework and processes and their responsibilities as Directors in terms of the applicable rules and regulations.

Corporate Governance

The Directors are kept abreast of applicable legislation and regulations, changes to rules, standards and codes, as well as relevant sector developments that could affect the Group and its operations.

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.

GOVERNANCE AND ETHICS

The Board assumes ultimate responsibility for the Company's ethical performance, but delegates this function to the Management, which utilises the following mechanisms to fulfil this mandate:

- — Code of Business Conduct and Ethics
- — Employee Induction Programme and Employee Induction Handbook
- — Human Resource Policy
- — Performance Evaluation Programme
- — Supplier Code of Conduct

ROLE OF MANAGEMENT COMMITTEES

At People's Leasing, seven Committees have been established at the Management level to assist the Chief Executive Officer in implementing strategic objectives, policies and day-to-day operations of the Company.

The vision, mission, goal and the values of the Company are reviewed periodically by the Management Committees.

All critical issues discussed at Management Committee meetings are reported to the Board through the CEO at monthly meetings.

GRI 102-24

GRI 102-26

GRI 102-27

GRI 102-28

GRI 102-33

GRI 102-18

Management Committee	Scope
Group Management Committee	Review the performance of the Group, implementation of strategies to optimise the benefits of group synergies and report on critical issues and recommend remedial actions to the Boards of respective group company.
Senior Management Committee	Review business strategy, overall policy matters impacting the Company; communicate critical issues to the Board through the CEO with recommended corrective actions.
Asset and Liability Committee	Review and assess the liquidity position of the Group and the Company, analyse the product portfolio with the current market sentiments and reports decisions and critical issues with recommended remedial actions to the Integrated Risk Management Committee.
Branch Credit Committee	Evaluation of credit disbursements at branch level and all credit proposals exceeding the branch authority levels, reports to the Operations Department at the Head office.
Tender Review Committee	Reviews and manages the tender award process and reports critical issues with recommended remedial action to the Senior Management Committee.
Integrated Risk Management Committee	Reviews the risk governance structure of the Group and reports to the Integrated Risk Management Committee.
Sustainability Governance Steering Committee	Reviews sustainability performance in terms of economic, environmental and social aspects, recommends and reports strategic sustainability initiatives to the Board through the CEO

OUR COMMITMENT TO SUSTAINABILITY

We perceive sustainability as a critical factor to achieving our mission and ensuring our long-term competitiveness. Operating ethically and sustainably is not just a responsibility for us; it is a fundamental enabler of our commercial success.

The CEO/GM is primarily vested with the responsibility for the sustainability strategy. Guided by the direction of the Board and the CEO/GM, the sustainability governance steering committee which comprises of the members of the Cooperate Management team drive sustainability within People's Leasing ensuring that stakeholders are engaged

with in identifying economic, social, and environmental factors that impact our business operations, as well as risks and opportunities arising from the same.

The Board evaluates and monitors the sustainability of the entire business operations on a quarterly basis by tracking to the progress on relevant key sustainability indicators and also approves new initiatives recommended through the CEO.

In formulating in sustainability strategy, threats to the business sustainability arising from economic, social, environmental factors and stakeholder concerns are taken into considerations.

Corporate Governance

Our Integrated Annual Report, which is approved by the Board of Directors prior to it being released, provides a detailed account to our stakeholders of our sustainability strategy and initiatives.



The Company has in place a related party transactions policy whereby the categories of persons who shall be considered as related parties are identified. Each Key Management Personnel (KMP) issues self-declarations to facilitate the identifying of the parties related them. The Company IT Department has developed an internal system by which all transactions between related parties are flagged and highlighted to be dealt with in accordance with the Related Party Transaction Manual.

Further details are set out on page 224.

WHISTLEBLOWER

Our whistleblower protection policy also serves as a widespread informal channel for management of unethical conduct and corporate frauds. The policy enables employees who observe or notice any improper or illegal activity or unethical practices in the Company or receives credible information of the same to the Board Audit Committee (BAC). The confidentiality of those reporting violations is maintained and they are not subjected to any discriminatory action.

MANAGING CONFLICTS OF INTEREST

- GRI 102-19
- GRI 102-20
- GRI 102-21
- GRI 102-26
- GRI 102-29
- GRI 102-30
- GRI 102-31
- GRI 102-32
- GRI 102-33

The Code of Business Conduct and Ethics ('the Code') provides the process in which conflicts of interests are managed among Directors, Senior Management, and Employees. The Code is applicable to all Directors and employees of the Company and has been circulated to all the Directors and employees and has been published in the Company's intranet to ensure strict compliance with the same.

Principles of the Company's Code of Business Conduct and Ethics



Corporate Governance

Information channelled through the whistleblower is verified carefully and appropriate actions are taken by the BAC. The policy has been published in all three languages in the Company's intranet.

COMPLIANCE AND ADHERENCE

Whilst recognising its responsibility to conduct its business in accordance with the laws and regulations, People's Leasing promotes a robust compliance culture across the Organisation.

People's Leasing uses a preventive approach in its compliance function and ensures that the group continuously complies with existing and emerging regulations and reports to the Integrated Risk Management Committee (IRMC) on a quarterly basis.

Further details on Compliance Management is set out on page 153.

INTERNAL AUDIT

The Internal Audit Department plays an integral role in the governance structure of the Company and focuses on providing an independent risk based oversight to the BAC on the processes and controls in the Company. The Audit team derives its authority from the Audit Charter approved by the Board of Directors.

To maintain its independence the Internal Audit Department reports to the Board through the BAC.

Further details on the Internal Audit function of the Company, is set out in the BAC Report in page 221.

RISK MANAGEMENT

The direction and guidance on risk management of the Company is provided by the IRMC to identify, measure and control risk at all levels of the Company to ensure that the financial strength of the Company is safeguarded. Their functions are intrinsic in the day-to-day business affairs and strategic planning of the Company and support the Board in managing the risk.

Further details on the Risk function of the Company, is set out in the Overview of Risk Management section on page 34 to 41 and Risk Management at People's Leasing on pages 227 to 244.

IT GOVERNANCE

The Board is responsible for ensuring that prudent and appropriate steps have been taken with respect to IT governance including aligning the IT strategy with group strategic objectives. The authority to ensure the implementation of the IT governance framework is delegated to the IRMC. Its design implementation and execution have been assigned to the head of ICT. The Head of ICT provides regular updates to the IRMC and the Board on the status of material IT projects as well as other governance related matters. The IRMC ensures that risks are adequately addressed through risk monitoring and assurance processes and the BAC consider the impact of IT on financial controls in its annual audit plan. Material findings are reported to the BAC which monitors remedial actions implemented by the Management.

ENGAGEMENT WITH STAKEHOLDERS

GRI 102-29

GRI 102-30

Effective and continuous relationships with stakeholders enable the Board to consider their concerns and objectives in its decision-making process which is fundamental to achieving the long-term objectives of the Company. Building and maintaining good stakeholder relationships help the Company to manage and respond to expectations, minimise reputational risk and form strong partnerships, all of which support commercial sustainability.

Refer Stakeholder Engagement on pages 47 to 49.

SHAREHOLDERS

The Company's robust corporate governance culture and awareness promotes fair and equitable treatment of all shareholders. These rights include, among others, the right to participate in profit distributions and the right to attend and vote at general meetings.

The Board provides shareholders with quarterly and annual financial reports with the objective of presenting the shareholders a balanced assessment of the Group's financial performance and position. The Board also ensures timely and full disclosure of material corporate developments to shareholders.

The Company's corporate website www.plc.lk has information for institutional and retail shareholders alike.

Further, the Senior Independent Director is available to discuss with shareholders any major issues that cannot be resolved through normal channels.

EFFECTIVE COMMUNICATION

Effective two-way communication with our stakeholders is facilitated and governed by the comprehensive communication policy of the Company.

For further details on Corporate Governance please refer Compliance Reports section on pages 171 to 224 in the second part of this Annual Report.

Annual Report of the Board of Directors on the Affairs of the Company

Annual Report of the Board of Directors on the Affairs of the Company is presented as required by Section 168 of the Companies Act No. 07 of 2007.

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 and the Audited Consolidated Financial Statements for the year ended 31 March 2018 of the Company and the Group and the Auditor's Report on these Financial Statements conforming to all statutory requirements.

This Report provides the information as required by the Companies Act No. 07 of 2007, Finance Business Act No. 42 of 2011 and Directions issued thereunder, the Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and The Institute of Chartered Accountants of Sri Lanka and the Listing Rules of the Colombo Stock Exchange. This Report was approved by the Board of Directors on 17 May 2018.

NATURE OF THE BUSINESS

[Section 168 (1) (a)]

"The nature of the business of the Company and its subsidiaries together with any change thereof during the accounting period".

VISION, MISSION AND CORPORATE CONDUCT

The Company's vision and mission are provided on page 6 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.

PRINCIPAL BUSINESS ACTIVITIES

The Company's principal business activities comprise finance leases,

term loans, Islamic finance, Gold loans, margin trading, factoring, issuance of debt instruments and mobilisation of public deposits. The Company had six subsidiaries and one associate as at 31 March 2018 and the nature of business activities of these subsidiaries and associate are described in Subsidiary Information on pages 383 to 388 and in Accounting Policies on page 261. The Company or its subsidiaries/associate has not engaged in any activities, which contravene any laws or regulations during the year under review.

CHANGES TO THE GROUP STRUCTURE

During the financial year 2017/18 the Company completed the acquisition of 51% of total issued capital equivalent to 51 million ordinary shares of Alliance Leasing and Finance Company Limited, a company incorporated in Bangladesh to carry on finance business under the Financial Institution Act, 1993 of Bangladesh. Subsequently name of the subsidiary company was changed to Lankan Alliance Finance Limited.

A comprehensive Group structure is available in the "About People's Leasing" section on page 7.

BRANCH NETWORK

The total branch network of the Company as at 31 March 2018 comprised of 103 fully-fledged branches and 101 service centres.

REVIEW OF OPERATIONS

An overall assessment of the Company's financial position and performance during the year 2017/18, with comments on financial results and special events that took place is contained in the Chairman's Report on page 13, the Chief Executive Officer's Review on pages 14 to 16 and the Capital Management on pages 57 to 140 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 350 to 351 of this Annual Report.

FUTURE OUTLOOK

The Company's outlook based on the challenges, opportunities and developments in the global market as well as Sri Lankan market is set out in the "Goals of the Company and Strategies and Resources in place" section on pages 26 to 33 of this Annual Report.

FINANCIAL STATEMENTS

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

"Completed and signed Financial Statements of the Company and the Group for the accounting period is completed".

The Financial Statements of the Company and the Group duly certified by the Chief Financial Officer and the Chief Executive Officer with the approval of the Chairman and the Deputy Chairman, which have been prepared in accordance with the Sri Lanka Accounting Standards laid down by The Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of Companies Act No. 07 of 2007, are appearing on page 250 of this Annual Report.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

In terms of Sections 150 (1), 151, 152 and 153 (1) and (2) of the Companies Act No. 07 of 2007, the Board of Directors of the Company and Group are responsible for the preparation of the Financial Statements of the Company and the Group, which reflect a true and fair view of the financial position and performance of the Company and the Group. In this regard, the Board of Directors wishes to confirm that the Statement of Profit or Loss, Statement of Financial Position, Statement of Changes in Equity, and Statement of Cash Flows have been prepared in conformity with the requirements of the SLFRSs and LKASS as mandated by the Sri Lanka Accounting and Auditing Standard Act No. 15 of 1995 and the Companies Act No. 07 of 2007, Finance Business Act No. 42 of 2011 and Directions issued thereunder, the Code of

Annual Report of the Board of Directors on the Affairs of the Company

Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka (SEC) and The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

The "Statement of Directors' Responsibility for Financial Reporting" provided on pages 247 and 248 forms an integral part of this Report.

FINANCIAL RESULTS AND APPROPRIATIONS

Interest Income

The total interest income of the Company and the Group was Rs. 26,704.64 million (Rs. 22,041.26 million in 2016/17) and Rs. 27,582.05 million (Rs. 22,784.27 million in 2016/17) respectively for the year ended 31 March 2018. A more descriptive analysis of the interest income is given in Note 5.1 to the Financial Statements on page 273.

Performance and Appropriations

The Company and the Group recorded a net profit of Rs. 4,309.33 million and Rs. 5,017.71 million respectively for the financial year 2017/18 (Rs. 4,009.25 million and Rs. 4,441.62 million in 2016/17). This represents an improvement in net profits of the Company and the Group by 7.48% and 12.97% respectively compared to the previous year.

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

Company	2017/18 Rs. million	2016/17 Rs. million
Profit before income tax	5,769.67	5,475.89
Income tax expense	(1,460.34)	(1,466.64)
Profit for the year	4,309.33	4,009.25
Profit brought forward from previous year	9,400.08	7,682.23
Profit available for appropriation	13,709.41	11,691.48
Appropriations		
Redemption of preference shares	-	(100)
Dividend paid for previous/current year	(1,974.83)	(1,974.83)
Other comprehensive income	(16.95)	(16.11)
Transfer to reserves	(215.47)	(200.46)
Total appropriation	(2,207.25)	(2,291.40)
Unappropriated profit carried forward	11,502.16	9,400.08

Provision of Taxation

The income tax rate applicable on the profits earned during the year is 28% (28% in 2016/17). Rate of VAT on financial services was at 15% for the period under consideration. (15 % in 2016/17). Accordingly, the current year income tax expense of the Company is Rs. 1,460.34 million and a comprehensive note on income tax expense and deferred tax asset/liability of the Company and the Group is disclosed in Notes 16 and 41 respectively to the Financial Statements.

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 2018 amounted to Rs. 170.35 million and Rs. 412.26 million respectively (Rs. 310.06 million and Rs. 1,079.23 million in 2016/17).

In the year ended 31 March 2018 the Company and the Group invested Rs. 36.75 million to acquire intangible assets. (In 2016/17, no investment was made to acquire any 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 differs from the book values thereof as disclosed in Note 30.4.

The details of property, plant and equipment and intangible assets are presented in Notes 30 and 31 on pages 307 to 314 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 30.4 on page 311 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 2018 as included in the Financial Statement was Rs. 615.95 million and Rs. 3,061.20 million respectively.

Investments

Details of investments held by the Company are disclosed in Note 21, 22, 25, 26, 27 and 28 on pages 287 to 289 and 298 to 305 to the Financial Statements.

Equity

Stated Capital

The Stated Capital of the Company and the Group has not changed as at 31 March 2018 and remained at Rs. 13,236.07 million, compared to Rs. 13,236.07 million as at 31 March 2017.

Reserves

The total reserves of the Company and the Group as at 31 March 2018 stood at Rs. 13,793.45 million and Rs. 15,453.00 million respectively. During the financial year under review, Rs. 215.47 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 258 and 259 and in Notes 44 to 46 to the Financial Statements.

Debt Capital

During the year under review the Company did not make any debenture issues. The details of Debt Capital are given in Note 36 and a more comprehensive analysis of the Company's outstanding debentures is set out in Note on 36.2 to the Financial Statements.

Annual Report of the Board of Directors on the Affairs of the Company

Capital Adequacy

Core Capital Ratio and Total Risk-Weighted Capital Ratio of the Company stood at 18.38% and 16.46% respectively, as at 31 March 2018. The information on Minimum Capital Requirement is given on page 67 of this Annual Report.

EXTERNAL AUDITOR

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

“Above sections define Auditor’s Report on Financial Statements of the Company and the Group with Separate disclosure on amounts payable by the Company and its subsidiaries to the Auditor as audit fees and fees for other services rendered during the accounting period and Auditors’ relationship or any interest with the Company and its subsidiaries”.

AUDITOR AND THEIR INDEPENDENCE

Messrs Ernst & Young, Chartered Accountants served as the Company’s Auditor during the year under review. Based on the declaration made by Messrs Ernst & Young and as far as the Directors are aware, the Auditor do not have any relationship or interest in the Company or its subsidiaries other than to the extent disclosed in this paragraph.

AUDITORS’ REPORT

The Report of the Auditor on the Financial Statements of the Company and its Group is given on pages 251 to 253.

AUDITOR’S REMUNERATION

Messrs Ernst & Young, Chartered Accountants were paid following sums by the Company for audit and related services as well as for non-audit services including tax related services:

Fees	Company		Group	
	2017/18 Rs. million	2016/17 Rs. million	2017/18 Rs. million	2016/17 Rs. million
Audit and related services	6.99	4.97	10.69	8.37
Non-Audit Services	4.35	3.50	6.67	4.51

REAPPOINTMENT

The retiring Auditor, Messrs Ernst & Young have expressed their willingness to continue in office and a resolution to reappoint them as the Company’s Auditor for the ensuing financial year, and authorising the Directors to fix their remuneration will be proposed at the forthcoming Annual General Meeting.

ACCOUNTING POLICIES AND CHANGES DURING THE YEAR

[Section 168 (1) (d)]

Any changes made to the Accounting Policies during the year under review:

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 Standard – LKAS 1 – “Presentation of Financial Statements” and with Section 168 (1) (d) of the Companies Act No. 07 of 2007.

The Board of Directors wishes to confirm that there were no changes to the Accounting Policies used by the Company and the Group during the year under review. Significant Accounting Policies, together with the Notes adopted in preparation of the Financial Statements of the Company and the Group are given on pages 261 to 374.

NEW ACCOUNTING POLICIES AND REGULATIONS

The Board has taken into consideration the requirements of the Sri Lanka Accounting Standard – SLFRS 9 on Financial Instruments effective for the annual periods beginning on or after 1 January 2018, as it is expected to have a significant impact on the calculation of impairment of financial assets on an “expected credit loss model”. The Company is currently working with an external consultant to implement the processes required to comply with SLFRS 9 on a timely manner.

Directors have also taken necessary steps to assess the implications of the new Inland Revenue Act which became effective from 1 April 2018.

6. BOARD OF DIRECTORS

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

“Above sections define particulars of the entries in the Interest Registers of the Company and its subsidiaries during the accounting period, Remuneration and other benefits paid to the Directors of the Company and its subsidiaries during the accounting period and Information on Directorate of the Company and its subsidiaries during and at the end of the accounting period”.

PROFILES

Names of the Board of Directors together with their profiles including skills and experiences are set out on pages 143 to 145 of this Report.

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 160.

Annual Report of the Board of Directors on the Affairs of the Company

OTHER DIRECTORSHIPS/SIGNIFICANT POSITIONS OF DIRECTORS

Information of the other directorships/significant positions of the present Directors of the Company are given in their profiles presented in pages 143 to 145.

RESIGNATIONS AND APPOINTMENTS

There were no new appointments and resignations of Board of Directors during the financial year 2017/18.

DIRECTORS' REMUNERATION

Directors' fees and emoluments paid by the Company and Group as at the year ended 31 March 2018 was Rs. 8.39 million and Rs. 17.10 million respectively. Comparative figures are given in Note 14 to the Financial Statements.

INTERESTS REGISTER/DIRECTORS' INTEREST IN TRANSACTIONS

In compliance with the Companies Act No. 07 of 2007, the Company maintains an interest 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 335 to 339 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.

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 Capital" on page 121 of this Annual Report.

MEETINGS

The details of Board meetings and Board Subcommittee meetings are presented in the Corporate Governance Report on page 159 of this Annual Report.

SHARE INFORMATION

Significant shareholder information along with substantial shareholder details and other share-related information is presented in detail under the title "Investor Capital" on pages 114 to 121 of this Annual Report.

EQUITABLE TREATMENT TO SHAREHOLDERS

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

DIVIDENDS ON ORDINARY SHARES

An interim dividend of Rs. 0.75 per share was paid on 26 December 2017 to the ordinary shareholders and the Directors recommended a final dividend of Rs. 0.50 per share for the year ended 31 March 2018.

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 and would ensure the compliance with the solvency test after the payment of the said final dividend as well. 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 each dividend payment conforming to the above statutory provision.

DONATIONS

[Section 168 (1) (g)]

"Total amount of donations made by the Company during the accounting period".

During the financial year 2017/18, the Company made donations amounting to Rs. 103.7 million (Rs. 187.64 million in 2016/17) 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 sections titled "Community Capital" and "Natural Capital" on pages 125 to 132 and pages 133 to 138 respectively.

CORPORATE GOVERNANCE

[Code of Best Practice D.1,D.1.1,D.1.4,D.4]

The Board of Directors is committed to develop the corporate governance principles of the Company and has adopted a Corporate Governance Charter including therein 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 compliant with the recommendations of the Code of Best Practices on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and The Institute of Chartered Accountants of Sri Lanka, the Listing Rules of the Colombo Stock Exchange (CSE) and the Finance Companies (Corporate Governance) Directions No. 3 of 2008, No. 4 of 2008 and No. 6 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 and successful adherence of internal controls and risk management is practiced by the Company. The measures taken in this regard are set out in the Corporate Governance Report on pages 154 to 163 and 172 to 220 of this Annual Report.

Annual Report of the Board of Directors on the Affairs of the Company

5. To the best of their knowledge, there has not been any violation of the Code of Business Conduct and Ethics of the Company.

BOARD SUBCOMMITTEES

Board Audit Committee, 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 of the said committees are set out in pages 221 to 224 of this Annual Report.

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.

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 timely made.

ENVIRONMENTAL PROTECTION

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

RELATED PARTY TRANSACTIONS

During the year ended 31 March 2018, there were no related party transactions, which exceeded 10% of the equity, or 5% of the total assets whichever is lower and the Company has complied with the requirements of the Listing Rules issued by the Colombo Stock Exchange on Related Party Transactions. However, the Directors have disclosed the transactions that could be classified as related party transactions, which are set out in Note 53 on pages 335 to 339 to the Financial Statements.

STAKEHOLDER MANAGEMENT AND INTEGRATED REPORTING

The Company has taken several measures to manage its valued stakeholders including customers, employees, investors, suppliers and community in portraying its value creation process. Aspects of economy, environment and social impacts have also been addressed adequately in the reporting process. These capital management and impact management reports are presented under Capital Management on pages 57 to 140 of this Annual Report.

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 48 to the Financial Statements on pages 332 and 333.

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 2018 – 2,085 persons were in employment (2,085 persons as at 31 March 2017) with the Company.

EVENTS AFTER THE REPORTING PERIOD

Details of events after the reporting period are disclosed in Note 57 page 351 to the Financial Statements.

GOING CONCERN (CODE OF BEST PRACTICE D1.4)

After reviewing the Company's business plans, the Board of Directors has a reasonable expectation that the Company possesses adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Financial Statements.

ANNUAL GENERAL MEETING

The 22nd Annual General Meeting of the Company will be held at the People's Bank Staff Training College Auditorium No. 38, D. R. Wijewardhana Mawatha, Colombo 10 on 29 June 2018 at 3.00pm Notice of the meeting relating to the 22nd Annual General Meeting is provided on page 403 of this Annual Report.

By Order of the Board of Directors,



M P Amirthanayagam
Deputy Chairman



Hemasiri Fernando
Chairman



Rohan Pathirage
Company Secretary

17 May 2018
Colombo



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**TOMORROW
SHAPING TODAY**







This part of the Report contains more detailed information including the audited and complete Annual Financial Statements for the year ended 31 March 2018. The Statements portray the financial performance of the Company and the Group during the year and provide a snapshot of the financial position as at 31 March 2018. In addition, this also contains detailed reports on corporate governance and risk management as well as supplementary information.

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Corporate Governance – Annexes

Our Adherence with The Code of Best Practice on Corporate Governance Issued Jointly by The Securities and Exchange Commission of Sri Lanka and The Institute of Chartered Accountants of Sri Lanka ("Code")

SECTION 1 – THE COMPANY

Reference to the Code	Principle	Status of compliance	Manner of compliance	Progressive initiatives implemented in 2017/18	Focus areas for 2018/19
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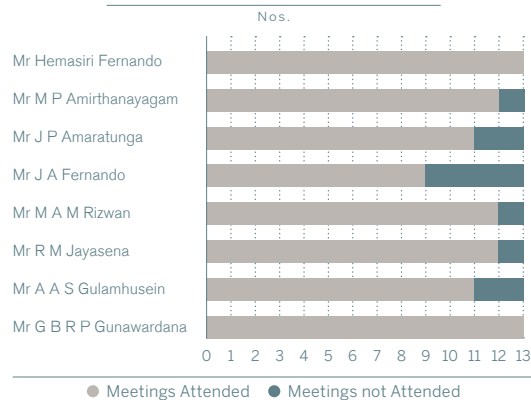
A – Directors

A.1 The Board

The Board of Directors of People's Leasing & Finance ("the Company") consists of professionals from different disciplines such as Finance, Economics, Accounting, Banking, Management, Marketing, who are effective and dedicated to ensuring that the Company achieve its objectives. All Directors possess a range of skills, experience and knowledge complemented with high sense of integrity an independent judgement to provide leadership to the Company.

A.1.1	Board Meetings	Complied	<p>Board meets at monthly intervals. During the financial year, the Board met 13 times, at approximately monthly intervals, to review the performance of the Company and its subsidiaries. At each of these meetings, the Board devoted 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.</p> <p>Details of meetings and individual attendance during 2017/2018 are set out on page 159.</p>
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ATTENDANCE AT BOARD MEETINGS DURING 2017/18



Mr R M Jayasena will be reaching the age of 70 years on 17 June 2018, and he will retire from the office of Director of the Company with effect from that day in terms of Rule 5 (1) of the Finance Companies (Corporate Governance) Direction No. 3 of 2008.

Corporate Governance – Annexes

Reference to the Code	Principle	Status of compliance	Manner of compliance	Progressive initiatives implemented in 2017/18	Focus areas for 2018/19
A.1.2	Responsibilities of the Board	Complied	<p>The Board's principal responsibilities and duties are defined in the Company's Corporate Governance Charter. The Board provides entrepreneurial leadership within a framework of prudent and effective controls, enabling risks to be assessed and managed, whilst setting the Company's values and standards to meet the obligations towards the shareholders and other stakeholders.</p> <p>The Board while acting in line with the Organisation and the Group values is responsible for the formulation of a sound Business Strategy and ensure that the CEO and the management team possess the necessary skills, experience and knowledge for effective implementation of the Strategy.</p> <p>Details of skills and experience of individual members of the Management Team can be found on pages 146 to 152 of this Report.</p> <p>The Company's Strategic Business Plan which addresses future challenges covering the period up to 31 March 2021 was reviewed by the Board and approved in March 2018. The Budget is approved annually, and the achievement of the objectives set out therein and the Business Plan is reviewed by the Board at monthly Board meetings with Management updates.</p> <p>The Board takes necessary steps to fulfil the duties entrusted to them by securing the integrity of the information, managing risks and implementing effective internal control system, compliance with all applicable laws and regulations and adherence to the Company and the Group ethical standards and corporate values are met in order to ensure that the interest of all stakeholders are taken into consideration in the corporate decision-making process.</p> <p>In order to provide an organised and focused means of achieving the Company's goals and to properly address issues in a timely manner, the Board has set up Board Committees in accordance with global practices and applicable local governance regulations and delegated certain of its functions to these committees.</p> <p>In terms of the policy hitherto adopted by the Company succession for the key managerial positions primarily focused on developing and grooming people internally so as to have adequate options within the Company for replacement of Key Management Personnel, as such ensuring a smooth transition and continuity of business.</p>		


Corporate Governance – Annexes

Reference to the Code	Principle	Status of compliance	Manner of compliance	Progressive initiatives implemented in 2017/18	Focus areas for 2018/19
A.1.3	Obligation of the Board to collectively and individually act in accordance with the laws of the country and the need to have procedure for the Board to obtain independent professional advice at the Company's expense	Complied	<p>The Board collectively as well as individually complied with the laws of the country that are applicable to the Company. Company's Corporate Governance Charter and the Code of Business Conduct and Ethics emphasises the importance of compliance with these laws and regulations by the Board as well as employees.</p> <p>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.</p>		
A.1.4	Need for the Directors to have access to the advice and services of the Company Secretary and the need for the removal of the Company Secretary to be a matter for the Board as a whole	Complied	<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> <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 and that all applicable rules and regulations are complied with legal matters or which clarification are needed by the Board, are referred to the Company Secretary.</p> <p>The Board is responsible for the appointment or the removal of the Company Secretary.</p>		
A.1.5	Need for the Directors to bring independent judgement to bear on issues of strategy, performance, resources and standards of business conduct	Complied	<p>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 judgement in decision-making by the Board on issues of strategy, performance, resource allocation and the conduct of business. Different arguments and views are recorded in detail by the Company Secretary with a view to indicate in which decisions are arrived at.</p>		
A.1.6	Obligation of the Directors to dedicate adequate time and effort to matters of the Board and the Company	Complied	<p>Members of the Board dedicate adequate time and effort at Board and Committee meetings in ensuring that the duties and responsibilities owed to the Company are satisfactorily discharged.</p> <p>Board Papers, Committee Papers are dispatched in advance to the Directors well ahead of scheduled meetings.</p>		
A.1.7	Need for every Director to receive appropriate training when first appointed to the Board and subsequently as necessary	Complied	<p>When first appointed to the Board, all Directors are provided with an induction, which enables them to familiarise themselves with the Group's values, business, operations, financial affairs, governance framework and strategic position and their responsibilities as Directors, as enumerated in the Corporate Governance Charter.</p>		

Corporate Governance – Annexes

Reference to the Code	Principle	Status of compliance	Manner of compliance	Progressive initiatives implemented in 2017/18	Focus areas for 2018/19
			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.		
A.2 Chairman and the Chief Executive Officer (CEO)					
The duties of the Chairman and the CEO are clearly defined to ensure a balance of power and authority. The Chairman is charged with the responsibility for providing leadership to the Board to drive toward the strategic vision and ensure the effectiveness of the Board whereas execution of the business operation of the Company with the assistance of the Management is regarded as the primary role of the Chief Executive Officer.					
A.2.1	Separation of the roles of Chairman and the CEO	Complied	The roles of Chairman and CEO is not combined. The Chairman functions as a Non-executive Non-Independent Chairman whereas the CEO's role is primarily to conduct the business operations of the Company with the assistance of the Senior Management.		
A.3 Chairman's Role					
The Chairman is responsible for leadership of the Board, ensuring its effectiveness on all aspects of its role and facilitating the effective contribution of all Board members on Board's affairs while preserving good Corporate Governance, which are in line with both its legal and regulatory responsibilities and ensures that opinions of the Directors are appropriately considered. 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.					
A.3.1	Responsibility of the Chairman to conduct Board proceedings in a proper manner	Complied	The Chairman is a Non-Executive Director and is responsible in terms of the Company's Corporate Governance Charter for preserving good corporate governance and running the Board in an orderly and effective manner. The role and responsibilities of the Chairman set out in the Company's Corporate Governance Charter was reviewed by the Board.		
A.4 Financial Acumen					
The Board comprises members with academic and professional qualifications in diverse fields who have sufficient financial acumen and knowledge gathered through experience gained from both private and public sector entities.					
A.4	Need for the Board to ensure the availability within it of those with sufficient financial acumen and knowledge	Complied	During the year 2017/18, the Board comprised members with academic and professional qualifications in banking, accounting, auditing, risk management, financial services, insurance, industrial, media, marketing and technology. The following Directors in particular provided the Board with the guidance on matters of finance: Mr Hemasiri Fernando Mr J P Amaratunga Mr M A M Rizwan Mr G B R P Gunawardana		

Corporate Governance – Annexes

Reference to the Code	Principle	Status of compliance	Manner of compliance	Progressive initiatives implemented in 2017/18	Focus areas for 2018/19				
			<p>In addition, all members of the Board had experience in various aspects of financial management.</p> <p>Details of skills and experience of individual members of the Board can be found on pages 143 to 145 of this Report.</p>						
A.5 Board Balance									
<p>The Board continues to believe that its overall composition and size remains appropriate given the present size and geographic footprint of the Company's operations. The tenure of the Directors demonstrates a good balance between continuity and fresh perspectives, whilst the proportion of Independent Non-Executive Directors on the Board is high.</p>									
A.5.1	Need to have at least two Non-Executive Directors or such number of Non-Executive Directors equivalent to one-third of total number of Directors, whichever is higher	Complied	During the year 2017/18, the Board comprised only 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.						
A.5.2	Need for two or one-third of Non-Executive Directors appointed to the Board, whichever is higher, to be "independent"	Complied	Of the eight (8) Non-Executive Directors of the Company as at 31 March 2018, five (5) Directors namely, Mr M P Amirthanayagam, Mr J A Fernando, Mr M A M Rizwan, Mr R M Jayasena and Dr A A S Gulamhusein were independent.						
<div style="border: 1px solid black; padding: 10px; width: fit-content; margin: 0 auto;"> <p>Directors by Category</p>  <table style="width: 100%; text-align: center;"> <tr> <td>Independent</td> <td>Non-Independent</td> </tr> <tr> <td>62.5%</td> <td>37.5%</td> </tr> </table> </div>						Independent	Non-Independent	62.5%	37.5%
Independent	Non-Independent								
62.5%	37.5%								
A.5.3	Need for Independent Directors to be independent of management and free of any business or other relationship	Complied	All of the Independent Non-Executive Directors of the Company during 2017/18 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.						

Corporate Governance – Annexes

Reference to the Code	Principle	Status of compliance	Manner of compliance	Progressive initiatives implemented in 2017/18	Focus areas for 2018/19
A.5.4	Need for Non-Executive Directors to submit an annual declaration of his/her independence or non-independence	Complied	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.		
A.5.5	Need for the Board to make an annual determination as to the independence or non-independence of Non- Executive Directors	Complied	Based on the self-declarations submitted by the Directors of their independency, the Board determined that the following Directors who were in office during 2017/18 were independent: Mr M P Amirthanayagam Mr J A Fernando Mr M A M Rizwan Mr R M Jayasena Dr A A S Gulamhusein		
A.5.6	Need for Alternate Directors, appointed by an Independent Director to meet the criteria of independence	Not Applicable	No alternate Directors were appointed during the year 2017/18.		
A.5.7	Need to appoint a "Senior Independent Director" if the Chairman and CEO is the same person	Complied	Although the requirement to appoint a Senior Independent Director does not arise under the Code in view of the roles of the Chairman and the CEO being held by two different individuals, the Company has designated a Non-Executive Director as the Senior Independent Director in compliance with the Finance Companies (Corporate Governance) Directions. During the year 2017/18, Mr M P Amirthanayagam served as Senior Independent Director of the Company.		
A.5.8	Responsibility of the Senior Independent Director to make himself available for confidential discussions with other Directors	Complied	The Board approved Terms of Reference for the Senior Independent Director appointed in terms of Finance Companies (Corporate Governance) Direction requires him to make himself available for confidential discussions with other Non-Executive Directors who may have concerns which they believe have not been properly considered by the Board as a whole. It also empowers the Senior Independent Director to have the authority to call a meeting of the Non-Executive Directors if, in his opinion, it is necessary. However, no such situation arose during the year under review. The role and responsibilities of the Senior Independent Director, set out in the Company's Corporate Governance Charter, was reviewed by the Board.		

Corporate Governance – Annexes

Reference to the Code	Principle	Status of compliance	Manner of compliance	Progressive initiatives implemented in 2017/18	Focus areas for 2018/19
A.5.9	Responsibility of the Chairman to hold meetings exclusively with the Non-Executive Directors at least once each year	Not Applicable	During the year 2017/18, the Board comprised only Non-Executive Directors and therefore this need did not arise.		
A.5.10	Obligation of the Directors to have matters that cannot be unanimously resolved recorded in the Board minutes	Complied	<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 Supply of Information					
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.					
A.6.1	Obligation of the management to provide the Board with appropriate and timely information	Complied	<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	Need to provide the minutes, agenda and papers required for a Board meeting at least seven (7) days before the meeting	Complied	The agenda and Board papers are circulated a week prior to Board meetings thus providing the Directors with adequate time to study the papers and prepare themselves for constructive discussions at Board meetings.		
A.7 Appointments to the Board					
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.					
A.7.1	Need to have a Nomination Committee to make recommendations to the Board on all new Board appointments	Complied	<p>During the year under review the Remuneration and Nomination Committee of the Company comprised the following Directors:</p> <p>Mr J P Amaratunga (Chairman) Mr M P Amirthanayagam Mr J A Fernando</p> <p>Further information on the Remuneration and Nomination Committee, including its Terms of Reference is given in the Remuneration and Nomination Committee Report on page 223 of this Report.</p>		

Corporate Governance – Annexes

Reference to the Code	Principle	Status of compliance	Manner of compliance	Progressive initiatives implemented in 2017/18	Focus areas for 2018/19
A.7.2	Need for the Nomination Committee or the Board to annually assess Board composition	Complied	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.		
A.7.3	Obligation of the Company to disclose details of new appointments of Directors to the shareholders	Complied	All appointments of new Directors are informed to the shareholders, with sufficient details, through immediate notification to the Colombo Stock Exchange and subsequently through the Company's Annual Report. Prior approval for appointment of New Directors is obtained from the Central Bank of Sri Lanka in terms of the applicable regulations. There were no appointment of Directors during the year under review.		
A.8 Re-election					
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.					
A.8.1	Need for the Non-Executive Directors to be appointed for specified terms subject to re-election and to the provisions in the Companies Act relating to the removal	Complied	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.		
A.8.2	Need for all Directors including the Chairman to be subject to election by shareholders at the first opportunity after their appointment	Complied	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 their appointment. There were no re-election of Directors during the year under review		
A.9 Appraisal of Board Performance					
The Board believes that periodically appraising their performance provides them with an important opportunity to review whether they are meeting their fiduciary responsibilities and adding value to stakeholders. Thus, the Board has a self-evaluation process in place that encourages all Directors to make a full and active contribution to the Board's affairs.					
A.9.1	Need for the Board to annually appraise itself on its performance in discharge of its key responsibilities	Complied	In accordance with the Corporate Governance Charter of the Company, the Board carried out a comprehensive evaluation of its performance and its committees in the last quarter of 2017/18. The assessment focused, amongst others, on the Board's contribution to the development, monitoring and implementation of the strategy; ensuring robust and effective risk management; quality of the relationships with the management, employees and shareholders; and ensuring proper functioning of Board subcommittees. Each member of the Board carried out a self-assessment of his/her own effectiveness as well. The full results of the Board evaluations were analysed by the Company Secretary and the findings were presented to the Board in May 2018.		

Corporate Governance – Annexes

Reference to the Code	Principle	Status of compliance	Manner of compliance	Progressive initiatives implemented in 2017/18	Focus areas for 2018/19
A.9.2	Need for the Board to also undertake an annual self-evaluation of its own performance and that of its committees.	Complied	The self-evaluation carried out by the Board in 2017/18 included an evaluation of the performance of the Board as a whole as well as of its committees.		
A.9.3	Need for the Board to state in the Annual Report how performance evaluations have been conducted	Complied	The process of self-evaluation of the Board carried out in 2017/18 was led by the Chairman and supported by the Company Secretary. Views of all Directors were canvassed in respect of the performance of the Board as a whole as well as of its committees by requiring the individual Directors to complete a confidential questionnaire. The full results of the Board evaluations were then analysed by the Company Secretary and the findings were presented to the Board in May 2018. Based on these findings, it is duly affirmed that the Board and its committees operated effectively during the year under review.		
A.10 Disclosure of Information in Respect of Directors					
The Company places considerable importance to the timely disclosure of all relevant information to the shareholders enabling them to make informed decisions.					
A.10.1	Requirement for the Annual Report of the Company to set out the details of Directors	Complied	Profiles of the Directors, including their qualifications, expertise, experience and directorships are given on pages 143 to 145 of this Report. Details on Directors' status, attendance at Board and Committee meetings and their other Board seats or equivalent positions are set out on page 159 of this Report. Details of related party transactions of the Directors can be found on pages 335 and 336 of this Report.		
A.11 Appraisal of Chief Executive Officer (CEO)					
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.					
A.11.1	Need for the Board to set financial and non-financial targets to be met by the CEO during the year in line with the short, medium and long-term objectives of the Company	Complied	The CEO is responsible for the executive management of the Company's Operations. He ensures that all financial and non-financial targets set by the Board are met and is answerable to the Board for the overall performance of the Company and the way in which the business is run. 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.		

Corporate Governance – Annexes

Reference to the Code	Principle	Status of compliance	Manner of compliance	Progressive initiatives implemented in 2017/18	Focus areas for 2018/19
A.11.2	Need for the Board to evaluate the performance of the CEO at the end of each fiscal year	Complied	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' Remuneration</p> <p>B.1 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.</p>					
B.1.1	Need for the Board to set-up a Remuneration Committee to recommend the remuneration of Executive Directors	Complied	<p>The Board has established a Remuneration Committee with written terms of reference. However, during the year 2017/18 there were no Executive Directors on the Board of the Company.</p> <p>The functions of the Remuneration and Nomination Committee during the year 2017/18 are set out in the Remuneration and Nomination Committee Report on page 223 of this Report.</p>		
B.1.2	Need for the Remuneration Committee to consist exclusively of Non-Executive Directors	Complied	All members of the Remuneration and Nomination Committee are Non-Executive Directors and the Chairman of the Committee is appointed by the Board.		
B.1.3	Requirement to list the Chairman and members of the Remuneration Committee in the Annual Report	Complied	<p>During the year under review the Remuneration and Nomination Committee of the Company comprised the following Directors:</p> <p>Mr J P Amaratunga Mr M P Amirthanayagam Mr J A Fernando</p>		
B.1.4	Need for the Board to determine the remuneration of Non-Executive Directors, including members of the Remuneration Committee	Complied	As permitted by the Articles of Association of the Company, the Board as a whole decides the remuneration of the Non-Executive Directors, including the members of the Remuneration and Nomination Committee. The Non-Executive Directors receive a fee for attending meetings of the Board and Board Committees. Fees paid to the Non-Executive Directors are neither performance related nor pensionable.		
B.1.5	Need for the Remuneration Committee to consult the Chairman and/or CEO on proposals relating to the remuneration of other Executive Directors	Complied	<p>The Terms of Reference of the Remuneration Committee empowers it to seek appropriate professional advice inside and outside the Company as and when it is deemed necessary by the Committee.</p> <p>There were no Executive Directors on the Board of the Company during the year 2017/18 and therefore, the necessity to consult the Chairman and/or CEO on their remuneration did not arise.</p>		

Corporate Governance – Annexes

Reference to the Code	Principle	Status of compliance	Manner of compliance	Progressive initiatives implemented in 2017/18	Focus areas for 2018/19
B.2 The Level and Make-up of Remuneration					
The remuneration framework of the Company supports a philosophy that motivates and rewards performance while at the same time meeting regulatory requirements and stakeholder expectations.					
B.2.1	Need for the Remuneration Committee to provide competitive packages needed to attract, retain and motivate Executive Directors of the quality required	Complied	There were no Executive Directors on the Board of the Company during the year under review. Nevertheless, the Board is aware that the remuneration of Executive and Non-Executive Directors should reflect the market expectations and is sufficient enough to attract and retain the quality of personnel needed to run the Company.		
B.2.2	Need for the Remuneration Committee to judge where to position levels of remuneration of the Company, relative to other companies	Complied	The Remuneration Committee as well as the Board as a whole is aware that reward strategies and remuneration structure should be designed to attract, motivate and retain high-calibre people, at all levels of the organisation, in a highly competitive environment. Therefore, the remuneration structure of the Company is reviewed from time to time with comparison to that of peers in the industry.		
B.2.3	Need for the Remuneration Committee to be sensitive to remuneration and employment conditions elsewhere in the Company or Group	Complied	Due to the relatively small size and scale of other companies in the Group, weight is given to the industry comparable when deciding on salary increase levels. However, the Group endeavours to maintain a consistent policy of remuneration across the Board.		
B.2.4	Need for the performance-related elements of remuneration of Executive Directors to be designed and tailored to align their interests with those of the Company and main stakeholders	Not applicable	During the year under review, there were no Executive Directors on the Board of the Company		
B.2.5	Avoidance of offering executive share options at a discount	Not applicable	At present, the Company does not have any share option scheme for the Directors or employees.		
B.2.6	Need for the Remuneration Committee to follow the provisions set out in Schedule E of the Code in designing schemes of performance-related remuneration	Complied	There were no Executive Directors on the Board of the Company during the year under review. Nevertheless, the performance-related element of remuneration applicable to the CEO is based on achieving the set targets.		
B.2.7 and B.2.8	Need for the Remuneration Committee to decide on the compensation commitments on early termination of Directors' contracts	Not applicable	There were no Executive Directors on the Board of the Company during the year under review.		

Corporate Governance – Annexes

Reference to the Code	Principle	Status of compliance	Manner of compliance	Progressive initiatives implemented in 2017/18	Focus areas for 2018/19
B.2.9	Need for the levels of remuneration for Non-Executive Directors to reflect the time commitment and responsibilities of their role	Complied	Non-Executive Directors are paid only a fee on their attendance at meetings and subcommittee meetings.		
B.3 Disclosure of Remuneration					
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.					
B.3.1	Requirement to disclose the Remuneration Policy and details of remuneration of the Board in the Annual Report	Complied	The Remuneration Policy of the Company is given in the Remuneration and Nomination Committee Report on page 223 of this Report. Details of remuneration of the Directors are disclosed under Note 53.2.1 to the Financial Statements on page 335.		
C – Relations with Shareholders					
C.1 Constructive use of the Annual General Meeting (AGM) and conduct of General Meetings.					
The Board uses an Annual General Meeting to communicate the Group's performance with shareholders and encourages their active participation. All shareholders of the Company receive the Notice of Meeting within the statutory period.					
C.1.1	Need to count proxy votes	Complied	As a matter of practice, proxy votes together with the votes of the shareholders present at the AGM are considered by the Company for each resolution. The Company has a mechanism to record all proxy votes to indicate to the Chairman the level of proxies lodged on each resolution and the number of votes for and against such resolution.		
C.1.2	Need to propose separate resolutions for each substantially separate issue and adoption of Annual Report and accounts	Complied	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 Auditor thereon are considered as a separate resolution.		
C.1.3	Need for the Board Subcommittee Chairmen to be available to answer queries	Complied	The Chairman of the Board ensures that the Chairmen of Board Subcommittees are present at the AGM to answer any query by shareholders. The Chairmen of the Board Subcommittees were present at the previous years' AGM held on 30 June 2017 and no queries were raised by the shareholders to them.		
C.1.4 and C.1.5	Adequate Notice of the AGM and related papers to be sent to shareholders before the meeting.	Complied	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. The summary of the voting procedure is mentioned in these documents.		

Corporate Governance – Annexes

Reference to the Code	Principle	Status of compliance	Manner of compliance	Progressive initiatives implemented in 2017/18	Focus areas for 2018/19
C.2 Communication with Shareholders					
Recognising the importance of two-way communication with its stakeholders, the Board has adopted a comprehensive policy that governs communications with its shareholders and other stakeholders. The Communication Policy is based on four guiding principles namely, efficiency, transparency, clarity and cultural awareness and feedback.					
C.2.1	Need to have a channel to disseminate timely information to all shareholders of the Company	Complied	<p>The Company has many channels to reach all shareholders of the Company in order to disseminate timely information of which the primary channels are the Annual Report and Annual General Meeting.</p> <p>Further details on the communication channels at the Company that ensures timely dissemination of information to shareholders can be found on page 114 of this Report.</p>		
C.2.2	Need to disclose the policy and methodology of communication with shareholders	Complied	<p>The Company has in place a comprehensive policy that governs communications with its different stakeholders, including shareholders, which is based on the following four guiding principles:</p> <ul style="list-style-type: none"> • efficiency • transparency • clarity • cultural awareness and feedback <p>The above policy which provides, amongst others, for the policy, methodology and implementation of communications with the shareholders is available in the Company's intranet.</p> <p>The Communication Policy, which forms an integral part of the Corporate Governance Charter of the Company has been reviewed and approved by the Board.</p>		
C.2.3	Need to disclose the manner and methodology of Implementation of the Communication Policy	Complied	The Communication Policy of the Company provides for the manner of implementation thereof and points of responsibility for the same.		
C.2.4	Need to disclose a contact person for communication	Complied	Contact persons for communications with different stakeholders of the Company are specified in the Communication Policy.		
C.2.5	Need for a process to make Directors aware of major issues and concerns of shareholders	Complied	<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>		

Corporate Governance – Annexes

Reference to the Code	Principle	Status of compliance	Manner of compliance	Progressive initiatives implemented in 2017/18	Focus areas for 2018/19
C.2.6	Need for the identification of a person to be contacted on shareholder matters	Complied	Shareholders can contact the Company Secretary, whose details are given below, on matters relating them: Mr Rohan Pathirage Company Secretary People's Leasing & Finance PLC 1161, Maradana Road Colombo 8 Sri Lanka. Tel: +94 11 263 1103 (phone) Fax: +94 11 248 1500 The Senior Independent Director is available to discuss with shareholders any major issues that cannot be resolved through normal channels. In addition, the Company has established a separate Investor Relations function at the Senior Management level to assist the shareholders seeking information and assistance.		
C.2.7	Need for a process responding to shareholder matters	Complied	Please refer comment on Principle C.2.5 above.		

C.3 Major and Material Transactions

The Board recognises that strong transparent disclosure regime is central to shareholder ability to exercise ownership rights.

C.3.1	Need to Disclose major and material transactions	Not applicable	During the year, there were no major or material transactions engaged in or committed to by the Company as prescribed by the Code that required disclosure to the shareholders.		
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D – Accountability and Audit

D.1 Financial Reporting

The Directors are aware of their responsibility for monitoring and reviewing the preparation, integrity and reliability of the Company's Financial Statements, accounting policies and the information contained in other reports submitted to the public and regulatory authorities and to ensure that the Financial Statements are fair, balanced and understandable.

D.1.1	Responsibility of the Board for statutory and regulatory reporting	Complied	The Board's is aware that its responsibility to present a balanced and understandable assessment extends to interim and other price-sensitive public reports and reports to regulators as well as to information required to be furnished by statutory requirements. Accordingly, the Company has complied with the requirements of the Companies Act No. 07 of 2007, Finance Business Act No. 42 of 2011 and directions made thereunder in the preparation and presentation of its Annual and Interim Financial Statements in conformity with Sri Lanka Accounting Standards.		
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Corporate Governance – Annexes

Reference to the Code	Principle	Status of compliance	Manner of compliance	Progressive initiatives implemented in 2017/18	Focus areas for 2018/19
			During 2017/18, the Interim Accounts and Annual Financial Statements were published on a timely basis and regulatory reports were filed by the due dates. Price-sensitive information was also disclosed to the Colombo Stock Exchange on a timely basis during the year.		
D.1.2	Requirement to include declarations by Directors in the Directors' Report	Complied	The required declarations by the Directors are included in the Annual Report of the Board of Directors on the Affairs of the Company on pages 164 to 168 of this Report.		
D.1.3	Requirement to include in the Annual Report Statements by Directors and Auditor on responsibility for financial reporting	Complied	Statement on Directors' Responsibility for Financial Reporting is set out on pages 247 and 248 of this Report. Auditor's responsibility over Financial Statements is covered in the Independent Auditor's Report on pages 251 to 253 of this Report. Directors' Statement on Internal Control over Financial Reporting is set out on page 249 of this Report.		
D.1.4	Need for inclusion of a Management Discussion and Analysis in the Annual Report	Complied	Management Discussion and Analysis included in the Strategic Report and Capital Management is set out on pages 11 to 140 of this Report.		
D.1.5	Need to include a declaration by the Board on the going concern of the business	Complied	The required declaration is included in the Annual Report of the Board of Directors on the Affairs of the Company on pages 247 to 248 of this Report.		
D.1.6	Requirement to summon an Extraordinary General Meeting (EGM) to notify serious loss of capital	Not applicable	The situation has not arisen during the year 2017/18 and the likelihood of such a situation is remote. However, should such a situation arises, an EGM would be convened to keep the shareholders informed thereof.		
D.1.7	Requirement to include adequate and accurate disclosure of Related Party Transactions in the Annual Report	Complied	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 monitor and report transactions with identified related parties and retrieve data thereon throughout the Company's network.		

Corporate Governance – Annexes

Reference to the Code	Principle	Status of compliance	Manner of compliance	Progressive initiatives implemented in 2017/18	Focus areas for 2018/19
			<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 judgement. 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>The Related Party Transactions Review Committee further strengthen the effective management and oversight of related party transactions.</p> <p>Details of the Related Party Transactions Review Committee are disclosed in the Related Party Transactions Review Committee Report on page 224 of this Report.</p> <p>Details on related party transactions during 2017/18 are disclosed under Note 53 on pages 335 to 339 in the Financial Statements.</p>		
D.2 Internal Controls					
The Board has overall responsibility for ensuring that the Company maintains an adequate system of internal control and for reviewing its effectiveness.					
D.2.1	Responsibility of the Board to conduct an annual review of internal controls	Complied	<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 Integrated Risk Management Committee (IRMC) and the Board Audit Committee (BAC) assist the Board in this regard. Sound risk management practices are promoted by the Risk management department, which is independent of operational management.</p> <p>Internal control is designed to mitigate, not eliminate, significant risks faced by the Company. It is recognised that such a system provides reasonable, but not absolute, assurance against material error, omission, misstatement or loss. This is achieved within the Group through a combination of risk identification, evaluation and monitoring processes, appropriate decision and oversight forums and assurance and control functions such as risk management, internal audit and compliance.</p>		

Corporate Governance – Annexes

Reference to the Code	Principle	Status of compliance	Manner of compliance	Progressive initiatives implemented in 2017/18	Focus areas for 2018/19
			<p>Details on the functions of the Board Audit Committee and the Integrated Risk Management Committee during the year 2017/18 to ensure the effectiveness of the internal control systems can be found in the Board Audit Committee Report on pages 221 and 222 and the Integrated Risk Management Committee Report on pages 225 and 226 of this Report.</p>		
D.2.2	Need for an internal audit function	Complied	<p>The Company has its own in-house Internal Audit Department.</p> <p>Details on the internal audit function are set out in the Board Audit Committee Report on pages 221 and 222 of this Report.</p>		
D.2.3	Need for the Audit Committee to review the process and effectiveness of risk management and internal controls	Complied	<p>The Internal Audit Department of the Company carries out regular reviews on the risk management measures and internal controls system including internal controls over financial reporting and reports their findings to the Board Audit Committee, who then on behalf of the Board, undertakes a detailed monitoring and reviewing of the said controls and risk management measures.</p> <p>The minutes of the Board Audit Committee meetings together with the Committee's findings on internal controls and risk management functions are submitted at the meetings of the Board of Directors periodically.</p> <p>Further details on the above are disclosed in the Directors' Statement on Internal Control over Financial Reporting on page 249 of this Report.</p>		
D.2.4	Responsibilities of Directors in maintaining a sound system of internal control and content of Statement of Internal Control	Complied	<p>Information on Directors' responsibility for maintaining a sound system of internal control is disclosed in the Directors' Statement on Internal Control over Financial Reporting on page 249 of this Report.</p>		

Corporate Governance – Annexes

Reference to the Code	Principle	Status of compliance	Manner of compliance	Progressive initiatives implemented in 2017/18	Focus areas for 2018/19
D.3 Audit Committee					
<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>					
D.3.1	Need for the Audit Committee to be comprised a minimum of two independent Non-Executive Directors or exclusively by Non-Executive Directors, a majority of whom should be independent, whichever is higher	Complied	<p>As at 31 March 2018, 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>The composition of the Board Audit Committee is disclosed in the Board Audit Committee Report on pages 221 and 222 of this Report.</p>		
D.3.2	Duties of the Audit Committee to review the objectivity of the External Auditor	Complied	<p>The Board Audit Committee monitors and reviews the External Auditor's independence, objectivity and the effectiveness of the audit process, taking into account the relevant professional and regulatory requirements.</p> <p>Company's External Auditor for 2017/18, Messrs Ernst & Young, Chartered Accountants has provided a declaration of their independence to the Board Audit Committee in terms of the relevant rules.</p>		
D.3.3	Need for the Audit Committee to have written Terms of Reference	Complied	<p>The Board Audit 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> <p>The Terms of Reference of the Board Audit Committee is detailed in the Board Audit Committee Report on pages 221 and 222 of this Report.</p>		
D.3.4	Need to disclose the names of the members of the Audit Committee and the basis of determination of the Auditor's independence and the inclusion of Report of the Audit Committee in the Annual Report	Complied	<p>During the year under review the Board Audit Committee of the Company comprised the following Directors:</p> <p>Mr J P Amaratunga Mr M P Amirthanayagam Mr M A M Rizwan</p> <p>The Company's External Auditor for 2017/18, Messrs Ernst & Young, Chartered Accountants has provided a declaration of their independence to the Board Audit Committee in terms of the relevant rules.</p> <p>Further details on the Board Audit Committee can be found in the Board Audit Committee Report on pages 221 and 222 of this Report.</p>		

Corporate Governance – Annexes

Reference to the Code	Principle	Status of compliance	Manner of compliance	Progressive initiatives implemented in 2017/18	Focus areas for 2018/19
D.4 Code of Business Conduct and Ethics					
<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>					
D.4.1	Need to make a disclosure on the presence of a Code of Business Conduct and Ethics	Complied	<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.</p> <p>Summary of the Company's Code of Business Conduct and Ethics can be found on page 162 of this Report.</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 Code of Business Conduct and Ethics that embodies the corporate values was reviewed and updated in line with recommended best practices.</p>		
D.4.2	Affirmation by the Chairman that there is no violation of the Code of Business Conduct and Ethics	Complied	The required affirmation is given in the Annual Report of the Board of Directors on the Affairs of the Company on pages 164 to 168 of this Report.		
D.5 Corporate Governance Disclosures					
<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>					
D.5.1	Need for inclusion of a Corporate Governance Report in the Annual Report	Complied	Manner in and the extent to which the Company has complied with the Code is set out on pages 172 to 192 of this Report.		

Corporate Governance – Annexes

SECTION 2 – SHAREHOLDERS

Reference to the Code	Principle	Status of compliance	Manner of compliance	Progressive initiatives implemented in 2017/18	Focus areas for 2018/19
E — Institutional Investors					
E.1 Shareholder Voting					
<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>					
E.1.1	Need to conduct regular and structured dialogue with shareholders	Complied	<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>From the Company's perspective, the AGM provides a forum for the Board to inform the shareholders what the Company does and how it has performed during the year. For investors, it provides a forum to learn more about the business and ask questions of the Directors and to use their votes responsibly.</p> <p>Additionally, the Company has an ongoing programme of dialogue and meetings with institutional shareholders, where a wide range of relevant issues is discussed.</p>		
E.2 Evaluation of Governance Disclosures					
<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>					
E.2.	Need to Encourage institutional investors to give due weight to relevant governance arrangements	Complied	<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 Investing/Divesting Decisions					
<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>					
F.1	Encourage individual shareholders to seek independent advice in investing or divesting decisions	Complied	<p>Individual shareholders are at liberty to carry out adequate analysis or seek independent advice on their investing, holding or divesting decisions.</p>		

Corporate Governance – Annexes

Reference to the Code	Principle	Status of compliance	Manner of compliance	Progressive initiatives implemented in 2017/18	Focus areas for 2018/19
F.2 Shareholder Voting					
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.					
F.2	Encourage individual shareholders to participate in General Meetings and exercise voting rights	Complied	Individual shareholders are encouraged to participate at General Meetings and cast their votes. To achieve this purpose, the notices of meetings are dispatched to all shareholders within the prescribed time periods.		
G — Sustainability Reporting					
G.1 Principles of Sustainability Reporting					
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. Sustainability reporting therefore 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 all sustainability reporting parameters as identified by the Global Reporting Initiative (GRI).					
G.1.1	Reporting of Economic Sustainability	Complied	Details on economic sustainability governance measures of the Company are given in Financial Capital Section on pages 58 to 68 of this Report.		
G.1.2	Reporting on the Environment	Complied	Details on environmental governance measures are given in Natural Capital Section on pages 133 to 140 of this Report.		
G.1.3	Reporting on Labour Practices	Complied	Details on labour practices of the Company are given in Human Capital Section on pages 84 to 94 of this Report.		
G.1.4	Reporting on Society	Complied	Details on society governance measures of the Company are given in Social and Relationship Capital Section on pages 95 to 132 of this Report.		
G.1.5	Reporting on Product Responsibility	Complied	Details on product responsibility measures of the Company are given in Social and Relationship Capital Section on pages 95 to 132 of this Report.		
G.1.6	Reporting on stakeholders identification, engagement and effective communication	Complied	Details on Company's initiatives on stakeholder identification, engagement and effective communication are given in Stakeholder Engagement Section on pages 47 to 49 of this Report.		
G.1.7	Formalising sustainable reporting as part of Company's reporting process	Complied	The manner in which the Company has formalised sustainable reporting as part of the Company's reporting process is disclosed in About the Report Section on pages 4 and 5 of this Report.		

Corporate Governance – Annexes

Our Compliance with Finance Companies (Corporate Governance) Direction No. 03 of 2008 as Amended by Directions No. 04 of 2008 and Directions No. 06 of 2013 issued by the Central Bank of Sri Lanka (“Corporate Governance Directions”)

Rule reference	Principle	Status of compliance	Manner of compliance	Progressive initiatives implemented in 2017/18	Focus areas for 2018/19
<p>A — Responsibilities of the Board</p> <p>The Board provides leadership and strategic guidance to safeguard stakeholder value creation within a framework of prudent and effective controls which enables risks to be assessed and managed to ensure long-term sustainable development and growth. The Board’s Terms of Reference are set out in a written charter – the Corporate Governance Charter which is reviewed periodically to ensure compliance with the provisions of the applicable legislation.</p>					
<p>2 (1) Strengthening the Safety and Soundness of the Company</p>					
	(a) Approving and overseeing the strategic objectives and corporate values and ensuring that the same is communicated throughout the Company	Complied	<p>The responsibility of approving and reviewing the Company’s Strategic Objectives lies with the Board.</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 being proactive in identifying any setbacks.</p> <p>The corporate values of the Company are embedded in the Code of Business Conduct and Ethics which have been reviewed and approved by the Board prior to being communicated to all employees across the Company.</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>		
	(b) Approving the overall business strategy of the Company, including the overall risk policy and risk management procedures and mechanisms with measurable goals, for at least immediate next three years	Complied	The Strategic Business Plan of the Company encompasses a comprehensive three-year plan focusing on the Strategic Objectives of the Company and addresses key issues and challenges faced by the Company.	Company’s strategic business plan covering the period up to 2020/21 was reviewed and approved by the Board in March 2018.	Review and extend the strategic business plan up to 2021/22.

Corporate Governance – Annexes

Rule reference	Principle	Status of compliance	Manner of compliance	Progressive initiatives implemented in 2017/18	Focus areas for 2018/19
			<p>The Business Plan includes strategic Goals set in the form of measurable goals developed in line with the Board approved Risk Management Policy, Risk Tolerance and Risk Appetite Statement and are set in form of measurable goals.</p> <p>The business strategy is regularly reviewed by the Board with updates on the execution thereof by the Management at monthly Board meetings.</p>		
	(c) Identifying risks and ensuring implementation of appropriate systems to manage the risks prudently	Complied	<p>The Board as a whole remains primarily responsible for the overall risk framework of the Company. Integrated Risk Management Committee, on behalf of the Board, identifies risks and ensures implementation of appropriate systems to manage risks prudently and reports to the Board on a quarterly basis.</p>	<p>The Board reviewed and approved the Risk Management Policy which was revised taking into consideration changes in operating environment and regulatory changes.</p> <p>Strengthening the Credit Risk Management of the Company, the Board reviewed and approved the revised Credit Policy.</p> <p>The Board also approved the Business Continuity Plan (BCP), upon the completion of BCP development process.</p>	
	(d) Approving a policy of communication with all stakeholders, including depositors, creditors, shareholders and borrowers	Complied	<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 including, depositors, creditors, borrowers, suppliers etc.</p>		
	(e) Reviewing the adequacy and the integrity of the Company's internal control systems and the adequacy and the integrity of Management Information Systems (MIS)	Complied	<p>The Board has overall responsibility for ensuring that the Company maintains an adequate system of internal controls 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>		

Corporate Governance – Annexes

Rule reference	Principle	Status of compliance	Manner of compliance	Progressive initiatives implemented in 2017/18	Focus areas for 2018/19
			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.		
	(f) Identifying and designating Key Management Personnel, who are in a position to: (i) significantly influence policy; (ii) direct activities; and (iii) exercise control over business activities, operations and risk management	Complied	The Board of Directors, Chief Executive Officer, Senior Deputy General Managers, Deputy General Managers of the Company and the Compliance Officer have been identified and designated as the Key Management Personnel of the Company.	The Board redesignated the Compliance Officer as a KMP during the year under review.	
	(g) Defining the areas of authority and key responsibilities for the Board and for the Key Management Personnel	Complied	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 Senior Deputy General Managers, Deputy General Managers (KMPs) have been defined and approved by the Board and included in their respective job descriptions. The respective delegated authority limits of the Chief Executive Officer, Senior Deputy General Managers and the Deputy General Managers have also been defined by the Board.	Changes to the Organisation structure were made with the view of enhancing business efficiency and to meet current challenges in the industry.	
	(h) Ensuring that there is appropriate oversight of the affairs of the Company by Key Management Personnel, that is consistent with the Company's policy	Complied	Affairs of the Company are reviewed and discussed by the Board at Board meetings on a monthly basis. At these meetings, Key Management Personnel are represented by the Chief Executive Officer who appraises the Board on the operations and performance of the Company against set targets. Affairs of the Company are also reviewed and discussed by the Management Team. The Management's role in the supervision of the affairs of the Company is further explained on page 160 of this Report.		

Corporate Governance – Annexes

Rule reference	Principle	Status of compliance	Manner of compliance	Progressive initiatives implemented in 2017/18	Focus areas for 2018/19
	<p>(i) Periodically assessing the effectiveness of its governance practices, including:</p> <p>(i) the selection, nomination and election of Directors and appointment of Key Management Personnel;</p> <p>(ii) the management of conflicts of interests; and</p> <p>(iii) the determination of weaknesses and implementation of changes where necessary.</p>	Complied	<p>The Articles of Association of the Company and the Corporate Governance Charter provides for the general procedure applicable to selection and appointment of Directors of the Company. Presently, the Directors of the Company, other than the Non-Executive Independent Directors, are recommended by the parent, People's Bank and appointed by the Board in terms of the Articles of Association. 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 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.</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 the last quarter of the financial year 2017/18.</p>		

Corporate Governance – Annexes

Rule reference	Principle	Status of compliance	Manner of compliance	Progressive initiatives implemented in 2017/18	Focus areas for 2018/19
	(j) Ensuring that the Company has an appropriate succession plan for Key Management Personnel	Non-complied	In terms of the policy hitherto adopted by the Company succession for the key managerial positions primarily focused on developing and grooming people internally so as to have adequate options within the Company for replacement of Key Management Personnel, thus ensuring a smooth transition and continuity of business.	The Remuneration and Nomination Committee reviewed the organisational structure as a first step to developing a succession plan for the Key Management Personnel.	Development of a detailed and defined succession plan for the Key Management Personnel with the assistance of the Remuneration and Nomination Committee.
	(k) Meeting regularly with the Key Management Personnel to review policies, establish lines of communication and monitor progress towards corporate objectives	Complied	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.		
	(l) Understanding the regulatory environment	Complied	<p>When first appointed to the Board all Directors are provided with an induction which enables them to familiarise themselves with the Group's values, business, operations, financial affairs, governance framework and strategic position, and their responsibilities as Directors as enumerated in the Corporate Governance Charter.</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>		Further developing the knowledge and understanding of the Directors on regulatory, legal, environmental and market conditions.

Corporate Governance – Annexes

Rule reference	Principle	Status of compliance	Manner of compliance	Progressive initiatives implemented in 2017/18	Focus areas for 2018/19
	(m) Exercising due diligence in the hiring and oversight of External Auditor	Complied	<p>The hiring of External Auditor is carried out by the Board on the recommendation of the Board Audit Committee.</p> <p>The Board Audit Committee monitors and reviews the External Auditor's independence, objectivity and the effectiveness of the audit process, taking into account the relevant professional and regulatory requirements.</p> <p>Company's External Auditor for 2017/18, Messrs Ernst & Young, Chartered Accountants has provided a declaration of their independence to the Board Audit Committee in terms of Section 163 (3) of the Companies Act No. 07 of 2007.</p>		
2 (2)	Appointment of the Chairman and the Chief Executive Officer and defining and approving their functions and responsibilities	Complied	The Board has appointed the Chairman and the Chief Executive Officer. Their roles are separate and have been defined in the Corporate Governance Charter of the Company.		
2 (3)	Availability of a procedure determined by the Board to enable Directors, to seek independent professional advice at the Company's expense	Complied	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 2017/18.		
2 (4)	Avoidance of conflicts of interest	Complied	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.		

Corporate Governance – Annexes

Rule reference	Principle	Status of compliance	Manner of compliance	Progressive initiatives implemented in 2017/18	Focus areas for 2018/19
			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).		
2 (5)	Availability of a formal schedule of matters specifically reserved to the Board for decision	Complied	The Corporate Governance Charter of the Company contains a formal schedule of matters specifically reserved to the Board for its decision.		
2 (6)	Disclosure of insolvency to the Director of the Department of Supervision of Non-Bank Financial Institutions	Complied	No such situation has arisen during the year 2017/18. 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.		
2 (7)	Inclusion of an annual corporate governance report on compliance with the Corporate Governance Directions in the Annual Report	Complied	This Report from pages 193 to 217 serves this requirement.		
2 (8)	Adoption of an annual scheme of self-assessment by the Directors	Complied	The Board has adopted a scheme of self-assessment to be undertaken by each Director annually, the procedure of which is set out in the Corporate Governance Charter of the Company. In accordance therewith, the Board carried out a comprehensive evaluation of its performance and its committees in the last quarter of 2017/18.		
			Each member of the Board carried out a self-assessment of his/her own effectiveness as well as the Board Committees. The full results of the Board evaluations were analysed by the Company Secretary and the findings were presented to the Board in May 2018.		

Corporate Governance – Annexes

Rule reference	Principle	Status of compliance	Manner of compliance	Progressive initiatives implemented in 2017/18	Focus areas for 2018/19
B — Meetings of the Board					
Meetings of the Board and its Committees are held in an atmosphere of robust, direct and constructive debate among the Board and committee members.					
These meetings are held at least monthly to discuss key areas of operations, including strategy and governance.					
3 (1)	Convening Board meetings at least twelve times a financial year at monthly intervals	Complied	Board meetings are usually held at monthly intervals unless the business exigencies demand the convening of meetings at shorter intervals. The Board met thirteen times for the financial year 2017/18 and obtaining the Boards' consent via circulation was kept to a minimum of four instances.		
3 (2)	Making arrangements to enable Directors to include matters and proposals in the agenda for regular Board meetings	Complied	All Directors are provided an equal opportunity to include proposals for promotion of business and management of risk in the agenda for regular meetings. The procedure applicable to this is set out in the Company's Corporate Governance Charter.		
3 (3)	Giving adequate notice of Board meetings	Complied	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 seven days' Notice is given of a meeting. Reasonable Notice is given of any other special Board meeting.		
3 (4)	Attendance of Directors at Board meetings	Complied	Directors' attendance at the Thirteen Board meetings held during the year 2017/18 was 89%. No Director has been absent from three consecutive meetings. Details of individual Director's attendance at Board meetings are given on page 159 of this Report.		
3 (5)	Appointment of a Company Secretary	Complied	An Attorney-at-Law with adequate experience has been appointed by the Board as the Company Secretary. The Company Secretary advises the Board and ensures that matters concerning the Companies Act No. 07 of 2007, Board procedures and other applicable rules and regulations are followed.		

Corporate Governance – Annexes

Rule reference	Principle	Status of compliance	Manner of compliance	Progressive initiatives implemented in 2017/18	Focus areas for 2018/19
3 (6)	Responsibility of preparing the Agenda for a Board meeting	Complied	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.		
3 (7)	Directors' access to advice and services of the Company Secretary	Complied	As provided for by the Corporate Governance Charter of the Company, all Directors have access to the Company Secretary who is an Attorney-at-Law by profession.		
3 (8)	Maintenance of minutes of Board meetings inspection thereof by the Directors	Complied	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.		
3 (9)	Recording of minutes of Board meetings in sufficient detail	Complied	The Company Secretary records the proceedings of the meetings and the decisions taken thereat in sufficient detail so as to satisfy all the requirements specified in this rule.		

C — Composition of the Board

The collective background of the members of the Board provides for a balanced mix of skills and attributes which enables it to fulfil its duties and responsibilities. The tenure of the Directors demonstrates a good balance between continuity and fresh perspectives whilst the proportion of Independent Non-Executive Directors on the Board is high.

4 (1)	Number of Directors on the Board	Complied	As at the end of 2017/18, there were eight Directors on the Board thus, complying with the requirement.		
4 (2)	Period of service of a Director	Complied	The period of service of all the Directors during 2017/18 was below nine years.		
4 (3)	Appointment, election or Nomination of an employee as a Director of the Company	Complied	The Company does not have any Executive Directors.		
4 (4)	Number of Independent Non-Executive Directors on the Board and criteria for assessment of independency	Complied	<p>The Board comprised five Non-Executive Independent Directors during the financial year 2017/18 who met the criteria for independence as specified in this rule.</p> <p>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.</p>		

Corporate Governance – Annexes

Rule reference	Principle	Status of compliance	Manner of compliance	Progressive initiatives implemented in 2017/18	Focus areas for 2018/19
4 (5)	Alternate Directors to meet the criteria for independency/ executive status of the appointor	Complied	No alternate Directors were appointed during the year.		
4 (6)	Skills and experience of the Non-Executive Directors to bring an objective judgement to bear on issues of strategy, performance and resources	Complied	<p>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.</p> <p>Details on the skills and experience of the Board members are given on pages 143 to 145 of this Report.</p>		
4 (7)	Presence of Non-Executive Directors to satisfy the quorum for meetings of the Board	Complied	Since all of the Directors of the Company during the year 2017/18 were Non-Executive Directors, the required quorum was met at all meetings of the Board convened for the year.		
4 (8)	Disclosure of Independent Non-Executive Directors, Board composition in corporate communications and in the annual corporate governance report	Complied	<p>The Independent Non-Executive Directors are identified as such in all corporate communications that contain the names of Directors of the Company.</p> <p>Details of composition of the Board by category, including their names can be found on page 157 of this Report.</p>		
4 (9)	Availability of a formal, and transparent procedure for the appointment of new Directors	Complied	<p>The Articles of Association of the Company and the Corporate Governance Charter provides for the general procedure applicable to selection and appointment of Directors of the Company. 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.</p> <p>No new appointments were made to the Board during the year 2017/18.</p>		

Corporate Governance – Annexes

Rule reference	Principle	Status of compliance	Manner of compliance	Progressive initiatives implemented in 2017/18	Focus areas for 2018/19
4 (10)	Re-election of Directors appointed to fill a casual vacancy at the first General Meeting after their appointment	Complied	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. Accordingly, Mr G B R P Gunawardana offered himself for re-election at the last Annual General Meeting held on 30 June 2017.		
4 (11)	Disclosure of resignations/ removal of Directors to the shareholders and the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka	Complied	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

The Board continues to believe that the knowledge, skills, experience, diversity and attributes of the Directors as a whole are appropriate given the present size and geographic footprint of the Company's operations.

5 (1)	Directors over 70 years of age	Complied	There are no Directors who are over 70 years of age. Mr R M Jayasena (Non-Executive Independent Director) will be reaching the age of 70 years on 17 June 2018 and will retire from the office of Director of the Company with effect from that day.		
5 (2)	Holding office in more than 20 companies	Complied	There are no directors who hold office as a Director of more than 20 companies. Other Directorships/positions held by the Directors are disclosed on pages 143 to 148 of this Report.		

Corporate Governance – Annexes

Rule reference	Principle	Status of compliance	Manner of compliance	Progressive initiatives implemented in 2017/18	Focus areas for 2018/19
E — Delegation of Functions					
<p>The governance framework of the Company provides for delegation of authority while enabling the Board to retain effective control. The Board has delegated authority to relevant Board committees and the Management with clearly defined mandates and authorities, while preserving its accountability.</p>					
6 (1)	Delegation of Board functions	Complied	<p>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.</p> <p>Accordingly, the Board has delegated authority to the Board Committees and the Management with clearly defined mandates and authorities, while preserving its accountability.</p>		
6 (2)	Review of delegation of Board functions on a periodic basis	Complied	<p>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.</p>		
F — The Chairman and the Chief Executive Officer					
<p>The roles of the Chairman and Chief Executive Officer of the Company continue to be distinct and separate ensuring the balance of power and authority.</p>					
7 (1)	Division of the roles of the Chairman and Chief Executive Officer	Complied	<p>The posts of the Chairman and the Chief Executive Officer (CEO) of the Company are separate ensuring the balance of power and authority.</p>		
7 (2)	Designation of an Independent Non-Executive Director as the Senior Director if the Chairman is not an Independent Non-Executive Director	Complied	<p>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.</p> <p>Hence, Mr M P Amirthanayagam, an Independent Non-Executive Director, functions as the present Senior Independent Director of the Company.</p>		

Corporate Governance – Annexes

Rule reference	Principle	Status of compliance	Manner of compliance	Progressive initiatives implemented in 2017/18	Focus areas for 2018/19
7 (3)	Disclosure of relationship between the Chairman, Chief Executive Officer and members of the Board in the Corporate Governance Report	Complied	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. The particulars of the Chairman and the CEO can be found on pages 143 and 146 of this Report.		
7 (4)	Role of the Chairman	Complied	The Corporate Governance Charter of the Company sets out the responsibilities of the Chairman which includes leading the Board and ensuring its effective functioning.		
7 (5)	Role of the Chairman in the preparation of the agenda for Board meetings	Complied	The Chairman has delegated the function of preparing the agenda to the Company Secretary.		
7 (6)	Duty of the Chairman to ensure that all Directors are informed adequately and timely of the issues arising at Board meetings	Complied	The Chairman ensures, that all Directors are properly briefed on issues arising at Board meetings by submission of the agenda and Board papers with sufficient time for their perusal prior to a meeting.		
7 (7)	Role of the Chairman in encouraging Directors to make an active contribution to the Board's affairs	Complied	The Chairman sets the agenda, style and the tone of the Board deliberations and ensures that opinions of all Directors are appropriately considered in decision-making thereby promoting active contribution by the individual Directors to the Board's affairs.		
7 (8)	Role of the Chairman in ensuring constructive relationships between Executive and Non-Executive Directors	Complied	The Company does not have any Executive Directors. 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. 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.		
7 (9)	Avoidance of engaging in activities involving direct supervision of Key Management Personnel or any other Executive Duties by the Chairman	Complied	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.		

Corporate Governance – Annexes

Rule reference	Principle	Status of compliance	Manner of compliance	Progressive initiatives implemented in 2017/18	Focus areas for 2018/19
7 (10)	Role of the Chairman in maintaining effective communication with shareholders and communicating the views of shareholders to the Board	Complied	<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> <p>To encourage shareholders to communicate their views and to seek assistance in matters that relate to them, a separate function on investor relations has been established at the Senior Management level.</p>		
7 (11)	Role of the Chief Executive Officer	Complied	<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>		

G — Board Appointed Committees

Board Committees facilitate the discharge of Board responsibilities and provide in-depth focus on areas delegated to them.

8 (1)	Presence of at least two Board committees reporting directly to the Board	Complied	<p>The Company has four Board appointed Committees directly reporting to the Board of which four namely, the Board Audit Committee (BAC), Integrated Risk Management Committee (IRMC), Remuneration and Nomination Committee (R&NC) and Related Party Transactions Review Committee (RPTRC) are subcommittees 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> <p>The composition and the functions of the Board committees are detailed on pages 221 to 226 of this Report.</p>		
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Corporate Governance – Annexes

Rule reference	Principle	Status of compliance	Manner of compliance	Progressive initiatives implemented in 2017/18	Focus areas for 2018/19
8 (2) Audit Committee					
	(a) The Chairman of Audit Committee	Complied	Mr J P Amaratunga, a Non-Executive Non-Independent Director serves as the Chairman of the Board Audit Committee. He is a Fellow Member of The Institute of Chartered Accountants of Sri Lanka and a Fellow Member of the Institute of Chartered Management Accountants, UK. He has over 30 years of extensive experience in finance and management. He was also a Member of the Governing Council of The Institute of Chartered Accountants of Sri Lanka.		
	(b) Composition of the Audit Committee	Complied	All three members of the Board Audit Committee are Non-Executive Directors, two of whom are Independent.		
	(c) Responsibility of the Audit Committee to recommend:	Complied	The Board Audit Committee has at its meetings recommended		
	(i) the appointment of the External Auditor:		(i) that Messrs Ernst & Young, Chartered Accountants be reappointed as the External Auditor of the Company for the financial year 2017/18;		
	(ii) implementation of the Central Bank guidelines issued to auditor:		(ii) the implementation of Central Bank guidelines issued to Auditor from time to time;		
	(iii) application of relevant accounting standards:		(iii) the application of relevant accounting principles and standards; and		
	(iv) the service period, audit fee and any resignation or dismissal of the Auditor:		(iv) the Audit Fee for the financial year 2017/18 is set out in Note 14 of the Financial Statements on page 279. No resignation or dismissal of the Auditor has taken place during the year 2017/18. The term of engagement of the present audit partner who was appointed during the financial year 2017/18, does not exceed five years.		

Corporate Governance – Annexes

Rule reference	Principle	Status of compliance	Manner of compliance	Progressive initiatives implemented in 2017/18	Focus areas for 2018/19
	(d) Responsibility of the Audit Committee to review and monitor the External Auditor's Independence and objectivity and the effectiveness of the audit processes	Complied	<p>The Board Audit Committee monitors and reviews the External Auditor's independence, objectivity and the effectiveness of the audit process, taking into account the relevant professional and regulatory requirements.</p> <p>Company's External Auditor for 2017/18, Messrs Ernst & Young, Chartered Accountants has provided a declaration of their independence to the Board Audit Committee in terms of the relevant rules.</p>		
	(e) Responsibility of the Audit Committee to develop and implement a Board approved policy on the engagement of an External Auditor to provide non-audit services	Complied	<p>The Board Audit Committee with the approval of the Board of Directors has developed and implemented a policy for engagement of External Auditor to provide non-audit services to safeguard the Auditor's independence and objectivity.</p>		
	(f) Responsibility of the Audit Committee to discuss and finalise with the External Auditor's nature and scope of the audit	Complied	<p>The Board Audit Committee met with the External Auditor Messrs Ernst & Young, Chartered Accountants during the year under review and discussed their audit plan, nature and the scope of the audit before the commencement of the annual audit.</p>		
	(g) Responsibility of the Audit Committee to review the financial information of the Company, in order to monitor the integrity of the Financial Statements, Annual Report, accounts and periodical reports prepared for disclosure, and the significant financial reporting judgements contained therein.	Complied	<p>The Board Audit Committee periodically reviews the financial information of the Company in order to monitor the integrity of the Financial Statements of the Company and other financial disclosures.</p> <p>The Committee has reviewed the Company's Audited and Quarterly Financial Statements before submission thereof to the Board for approval.</p>		
	(h) Responsibility of the Audit Committee to discuss issues, problems and reservations arising from the interim and final audits, and any matters the Auditor may wish to discuss	Complied	<p>During the year under review, the Board Audit Committee met the External Auditor without the presence of the Key Management Personnel for such purpose.</p>		

Corporate Governance – Annexes

Rule reference	Principle	Status of compliance	Manner of compliance	Progressive initiatives implemented in 2017/18	Focus areas for 2018/19
	(i) Responsibility of the Audit Committee to review the External Auditor's Management Letter and the Management's response thereto.	Complied	During the year, the Board Audit Committee reviewed the External Auditor's Management Letter for the year 2016/17 and the Management's responses thereto.		
	(j) Responsibility of the Audit Committee to take the following steps with regard to the internal audit function of the Company:				
	(i) review the adequacy of the scope, functions and resources of the Internal Audit Department:	Complied	The Board Audit Committee has reviewed and approved the Internal Audit Plan for the financial year 2017/18 presented by the Internal Audit Department prepared based on overall risk assessment and the significant audit observations made during the previous year. This plan also includes the scope, functions and the resources of the Internal Audit Department.		
	(ii) review the internal audit programme and results of the internal audit process:	Complied	The findings of the internal audits carried out during the year and the evaluation by the Internal Audit Department of the Company's internal controls and compliances were reviewed by the Committee.		
	(iii) review any appraisal or assessment of the performance of the head and senior staff members of the Internal Audit Department:	Complied	During the year 2017/18, the Committee assessed the performance of the Internal Audit Department as a whole as well as the performance of the Head of Internal Audit and senior members of the Internal Audit Department.		
	(iv) recommend any appointment or termination of the head, senior staff members and outsourced service providers to the internal audit function:	Complied	During the year 2017/18, the services of Mr R P U P Gunawardena, the Head of the Group Internal Audit were seconded to Lankan Alliance Finance Limited (Bangladesh) and Mr Aminda Rajapaksha was recommended by the Committee and approved by the Board as the new Head of the Group Internal Audit in Place of Mr R P U P Gunawardena.		
	(v) ensure that the committee is apprised of resignations of senior staff members of the Internal Audit Department including the Chief Internal Auditor and any outsourced service providers:	Complied	During the year 2017/18, the services of Mr R P U P Gunawardena, the Head of the Group Internal Audit were seconded to Lankan Alliance Finance Limited (Bangladesh).		
	(vi) ensure that the Internal Audit function is independent of the activities it audits:	Complied	Internal Audit function is independent as the Internal Audit Department reports directly to the Board Audit Committee.		

Corporate Governance – Annexes

Rule reference	Principle	Status of compliance	Manner of compliance	Progressive initiatives implemented in 2017/18	Focus areas for 2018/19
	(k) Responsibility of the Audit Committee to consider the major findings of internal investigations and Management's responses thereto	Complied	Based on the reports submitted by the Internal Audit Department, the Board Audit Committee reviews and considers major audit findings and the Management's responses thereto.		
	(l) Participants at the Audit Committee meetings and the need to meet with the External Auditor without the presence of the Executive Directors	Complied	Although the Board Audit Committee does not comprise any Executive Directors, the Committee met with the External Auditor during the year under review.		
	(m) Authority and resources of the Audit Committee	Complied	The Board approved Terms of Reference of the Board Audit Committee mandates explicit authority to investigate into any matter within its purview and take necessary action thereto. The Terms of Reference of the Board Audit Committee is given in the Audit Committee Report on pages 221 and 222 of this Report.		
	(n) Meetings of the Audit Committee	Complied	The Board Audit Committee met six times during the financial year under review.		
	(o) Disclosure of activities of the Audit Committee and attendance of members at meetings thereof in the Annual Report	Complied	The activities of the Board Audit Committee during 2017/18 and attendance of members at meetings of the Committee is set out in the Board Audit Committee Report on pages 221 and 222 of this Report.		
	(p) Recording and maintenance of detailed minutes of the Audit Committee meetings	Complied	In accordance with the Terms of Reference, Head of Internal Audit functions as the Secretary to the Board Audit Committee. The Secretary to the Committee records and maintains minutes of all Committee meetings in sufficient detail.		

Corporate Governance – Annexes

Rule reference	Principle	Status of compliance	Manner of compliance	Progressive initiatives implemented in 2017/18	Focus areas for 2018/19
	(q) Responsibility of the Audit Committee to review the process by which employees may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters	Complied	The Board has adopted a Whistle-blower Protection Policy that enables the employees to, in confidence, report violations of laws, rules, regulations or unethical conduct to the Board Audit Committee. Information routed through the Whistle-blower channel is verified carefully and appropriate actions are taken by the Committee. The confidentiality of those reporting violations is maintained and they are not subjected to any discriminatory action. The policy has been published in all three languages in the Company's intranet for information of all employees.		
8 (3) Integrated Risk Management Committee					
	(a) Composition of the Integrated Risk Management Committee and the duty of the Committee to work with Key Management Personnel closely and make decisions on behalf of the Board within the framework of authority	Complied	The 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. Compliance officer of the Company and Key Risk Owners of Subsidiaries attended Integrated Risk Management Committee meetings on invitation.		
	(b) Responsibility of the Integrated Risk Management Committee to assess all risks to the Company both on individual basis as well as group basis, monthly through appropriate risk indicators and management information	Complied	The 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. Integrated Risk Management Committee reviews the Risk dashboard reports of the Company and its subsidiaries that have commenced commercial operations 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.	The Committee reviewed the evaluation papers of new lending products from risk management perspective.	Reviewing and updating the Risk dashboard report in line within the business growth and the changes in the external environment

Corporate Governance – Annexes

Rule reference	Principle	Status of compliance	Manner of compliance	Progressive initiatives implemented in 2017/18	Focus areas for 2018/19
	(c) Responsibility of the Integrated Risk Management Committee to review the adequacy and effectiveness of all management level committees	Complied	<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 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> <p>The scope of the Integrated Risk Management Committee and its activities during 2017/18 can be found in the Integrated Risk Management Committee Report on pages 225 to 226 of this Report.</p>		
	(d) Responsibility of the Integrated Risk Management Committee to take prompt corrective action to mitigate the effects of specific risks which are at levels beyond the prudent levels decided by the committee	Complied	The Integrated Risk Management Committee has determined risk tolerance levels and each risk category in the risk profile of the Company has 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.		Reviewing and updating risk tolerance limits to be reflective of the business growth, regulatory and external environment changes
	(e) Responsibility of the Integrated Risk Management Committee to meet at least quarterly to assess all aspects of risk management	Complied	The Integrated Risk Management Committee met four times during the financial year 2017/18.		
	(f) Responsibility of the Integrated Risk Management Committee to take appropriate actions against the officers responsible for failure to identify specific risks and take prompt corrective actions as recommended by the committee, and/or as directed by the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka	Complied	Risks are identified collectively by the Integrated Risk Management Committee and Assets and Liabilities Committee (ALCO) and such decisions are taken collectively.		

Corporate Governance – Annexes

Rule reference	Principle	Status of compliance	Manner of compliance	Progressive initiatives implemented in 2017/18	Focus areas for 2018/19
	(g) Responsibility of the Integrated Risk Management Committee to submit a risk assessment report within a week of each meeting to the Board	Complied	Risk assessment reports are submitted by the Integrated Risk Management Committee at the Board meeting immediately following the Integrated Risk Management Committee meeting.		
	(h) Responsibility of the Integrated Risk Management Committee to establish a compliance function to assess the Company's compliance with laws, regulations, directions, rules, regulatory guidelines, internal controls and approved policies on all areas of business operations and the requirement for the compliance function to be a Key Management Personnel	Complied	<p>The Company has established a compliance function to assess the Company's compliance with laws, regulations and regulatory guidelines.</p> <p>The compliance function is headed by an Attorney-at-Law in the senior managerial cadre who directly reported to the Integrated Risk Management Committee on the Company's compliance with laws, regulations, directions, rules, regulatory guidelines and internal controls.</p> <p>The framework and activities of the compliance function is given on pages 153 to 155 of this Report.</p>	During the year under review, the Compliance Officer was designated by the Board as a Key Management Personnel for the purposes of Finance Companies (Corporate Governance) Directions.	

H — Related Party Transactions

The Code of Business Conduct and Ethics of the Company requires the Directors 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.

9 (2)	Responsibility of the Board to take necessary steps to avoid any conflicts of interest that may arise from any transaction of the Company with related parties	Complied	<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>	During the year 2017/18 the Company completed a review of its policies and procedures on related party transactions through an independent expert.	
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Corporate Governance – Annexes

Rule reference	Principle	Status of compliance	Manner of compliance	Progressive initiatives implemented in 2017/18	Focus areas for 2018/19
			<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 judgement. 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 strengthen the effective management and oversight of related party transactions.</p> <p>The details of the Related Party Transactions Review Committee can be found in the Related Party Transactions Review Committee Report on page 224 of this Report.</p>		
9 (3)	Nature of transactions with related parties to which the Corporate Governance Directions apply	Complied	The Related Party Transaction Policy of the Company covers all transactions with related parties irrespective of their nature and value.		
9 (4)	Responsibility of the Board to ensure that the Company does not engage in transactions with a related party in a manner that would grant such party “more favourable treatment” proprietary, confidential	Complied	<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 online preventive system which enables the Company to monitor and report related party transactions and retrieve data thereof throughout the Company’s network.</p>		

Corporate Governance – Annexes

Rule reference	Principle	Status of compliance	Manner of compliance	Progressive initiatives implemented in 2017/18	Focus areas for 2018/19
I — Disclosures					
The Company has at all times ensured that relevant and accurate information is timely disclosed to its stakeholders demonstrating the Company's accountability and transparency.					
10 (1) Responsibility of the Board on Disclosure of Financial Statements					
	(a) Preparation and publication of Annual Audited Financial Statements and periodical Financial Statements in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards	Complied	The Board ensured that the Annual Audited Financial Statements and periodical Financial Statements of the Company for the year 2017/18 were prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards.		
	(b) Publication of abovementioned statements in the newspapers in an abridged form, in Sinhala, Tamil and English	Complied	The Board ensured that the Financial Statements referred to in Rule 10 (1) (a) above were published in an abridged form in Sinhala, Tamil and English languages.		
10 (2) Responsibility of the Board to Ensure Appropriate Disclosures in the Annual Report					
	(a) A statement to the effect that the Annual Audited Financial Statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures	Complied	The confirmation on preparation of the Annual Audited Financial Statements in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures is contained in the Statement on Directors' Responsibility for Financial Reporting on pages 242 and 248 and the Independent Auditor's Report on pages 251 to 253 of this Report.		
	(b) A report by the Board on the Company's internal control mechanism confirming that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of Financial Statements has been done in accordance with relevant accounting principles and regulatory requirements.	Complied	The report of the Board on the effectiveness of the Company's internal control mechanism over financial reporting is contained in the Directors' Statement on Internal Control over Financial Reporting on page 249 of this Report.		
	(c) External Auditor's Certification on the effectiveness of the internal control mechanism	Complied	The Board has obtained the Assurance Report from the External Auditor on the Directors' Statement on Internal Controls over Financial Reporting.		

Corporate Governance – Annexes

Rule reference	Principle	Status of compliance	Manner of compliance	Progressive initiatives implemented in 2017/18	Focus areas for 2018/19												
	(d) Details of Directors, including names, transactions with the Company	Complied	Details of the Directors can be found on pages 143 to 145 of this Report while the details of their transactions with the Company are disclosed under Note 53.2 to the Financial Statements on pages 335 and 336.														
	(e) Fees/remuneration paid by the Company to the Directors in aggregate	Complied	The details of the remuneration paid to the Board of Directors are disclosed under Note 53.2.1 to the Financial Statements on page 335.														
	(f) Total net accommodation outstanding in respect of each category of related parties and the net accommodation outstanding in respect of each category of related parties as a percentage of the Company's capital funds	Complied	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 disclosed under Note 53.3 to the Financial Statements on page 336.														
	(g) aggregate values of remuneration paid by the Company to its Key Management Personnel and the aggregate values of the transactions of the Company with its Key Management Personnel during the financial year	Complied	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 2017/18 are disclosed below:														
			<table border="1"> <thead> <tr> <th></th> <th style="text-align: center;">Directors Rs. '000</th> <th style="text-align: center;">Corporate Management Rs. '000</th> </tr> </thead> <tbody> <tr> <td>Accommodation</td> <td style="text-align: center;">1,773</td> <td style="text-align: center;">132</td> </tr> <tr> <td>Deposits</td> <td style="text-align: center;">52,896</td> <td style="text-align: center;">208,587</td> </tr> <tr> <td>Remuneration</td> <td style="text-align: center;">8,392</td> <td style="text-align: center;">181,838</td> </tr> </tbody> </table>		Directors Rs. '000	Corporate Management Rs. '000	Accommodation	1,773	132	Deposits	52,896	208,587	Remuneration	8,392	181,838		
	Directors Rs. '000	Corporate Management Rs. '000															
Accommodation	1,773	132															
Deposits	52,896	208,587															
Remuneration	8,392	181,838															
	(h) a report containing details of compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any non-compliance	Complied	<p>The details on Company's compliance with prudential requirements, regulations, laws and internal controls during the year 2017/18 are explained in detail in the Annual Report of the Board of Directors on the Affairs of the Company on pages 164 to 168 and the Corporate Governance Report, on pages 154 to 163 of this 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 2017/18 affecting the Company.</p>														

Corporate Governance – Annexes

Rule reference	Principle	Status of compliance	Manner of compliance	Progressive initiatives implemented in 2017/18	Focus areas for 2018/19
	(i) A statement of the regulatory and supervisory concerns on lapses in the Company's risk management, or non-compliance (if any) with the Finance Business Act, and rules and directions that need to be disclosed to the public as directed by the Monetary Board	Complied	There were no supervisory concerns on lapses in the Company's risk management system or non-compliance with the Finance Business Act and rules and directions thereunder that have been required by the Monetary Board to be disclosed to the public.		
	(j) External Auditor Certification of the compliance with the Corporate Governance Directions	Complied	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 2017/18 as done previously.		
11	Compliance with the transitional provisions contained in this rule.	Complied			

Corporate Governance – Annexes

OUR COMPLIANCE WITH THE REQUIREMENTS ON THE CONTENT OF THE ANNUAL REPORT IN RULE 7.6 AND REQUIREMENTS ON CORPORATE GOVERNANCE IN RULE 7.10 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	✓	143 to 145
7.6 (ii)	Principal activities of the Company and its subsidiaries during the year and any changes therein	✓	261
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	✓	120
7.6 (iv)	The public holding percentage	✓	120
7.6 (v)	Directors' and Chief Executive Officer's holding in shares of the Company at the beginning and end of the financial year	✓	121
7.6 (vi)	Information pertaining to material foreseeable risk factors	✓	227 to 244
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.	
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	✓	307 and 311
7.6 (ix)	Number of shares representing the stated capital as at the end of the financial year	✓	329
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	✓	119
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)	✓	116 and 117
	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)	✓	122
	Any changes in credit ratings	✓	76
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	✓	311
7.6 (xiii)	Details of funds raised through a public issue, Rights Issue and a private placement during the year	✓	122
7.6 (xiv)	Information in respect of Employee Share Ownership or Stock Option Schemes	The Company does not have any Employee Share Ownership or Stock Option Schemes at present	
7.6 (xv)	Disclosures pertaining to Corporate Governance Practices in terms of Rules 7.10.3, 7.10.5 c. and 7.10.6 c. of Section 7 of the Listing Rules	✓	219
7.6 (xvi)	Related Party Transactions exceeding 10% of the Equity or 5% of the total assets of the Entity as per Audited Financial Statements, whichever is lower	The Company did not have any related party transaction exceeding this threshold during the year 2017/18. Apart from those disclosed in the Note 53 in the Financial Statements on pages 335 to 339.	

Corporate Governance – Annexes

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 eight Non-Executive Directors of the Company as at 31 March 2018, five 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 during the year under review.
7.10.3 (a)	Names of Independent Directors should be disclosed in the Annual Report	✔	Refer: Board of Directors, pages 143 to 145.
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, pages 143 to 145.
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	N/A	There were no new appointments to the Board during the year under review.
7.10.5	A listed company shall have a Remuneration Committee	✔	Refer: Remuneration and Nomination Committee Report, page 223.
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.	✔	During the year 2017/18, Remuneration and Nomination Committee comprised three Non-Executive Directors of whom two were Independent. The Chairman of the Committee was a Non-Executive, Non-Independent Director.
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, page 223.
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, page 223.
	(ii) A statement of Remuneration Policy	✔	Refer: Remuneration and Nomination Committee Report, page 223.
	(iii) Aggregate remuneration paid to Executive and Non-Executive Directors	✔	Refer: Note 53.2 of the Financial Statements on page 335.
7.10.6	A listed company shall have an Audit Committee	✔	Refer: Board Audit Committee Report, pages 221 and 222.
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.

Corporate Governance – Annexes

Rule No.	Disclosure requirement	Compliance status	Details
	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	✔	The Chairman of the Committee is a Fellow Member of The Institute of Chartered Accountants of Sri Lanka and is a Fellow Member of Chartered Management Accountants, UK.
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, pages 221 and 222.
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, pages 221 and 222.
	The Audit Committee shall make a determination of the independence of the Auditor and disclose the basis for such determination		Refer: Board Audit Committee Report, pages 221 and 222.
	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, pages 221 and 222.

Board Audit Committee Report

THE COMPOSITION OF THE BOARD AUDIT COMMITTEE

The Board Audit Committee (“the Committee”), appointed by the Board of Directors of People’s Leasing & Finance PLC comprises three Non-Executive Directors with two of them are Independent.

As of the financial year ended 31 March 2018, the Board Audit Committee comprised the following Directors:

Mr Jehan P Amaratunga – Chairman
Mr Michael Pradeep Amirthanayagam
Mr Mohamed Anise Mohamed Rizwan

The Chairman of the Committee, Mr Jehan P Amaratunga is a Non-Executive Director, who is a member of The Institute of Chartered Accountants of Sri Lanka and is a Fellow of Chartered Management Accountants. He has over 30 years of extensive experience in finance and management. He was also a Member of the Governing Council of The Institute of Chartered Accountants of Sri Lanka.

Other members of the Committee, namely Mr Michael Pradeep Amirthanayagam and Mr Mohamed Anise Mohamed Rizwan are Independent Non-Executive Directors.

The profiles of the members are given on pages 143 to 148.

Mr Aminda Rajapaksa is the Acting Head of the Internal Audit and acting Secretary to Board Audit Committee.

CHARTER OF THE COMMITTEE

The Terms of Reference of the Committee are clearly defined in the Charter of the Audit Committee. This process ensures that new development and concerns are adequately addressed. The Committee is responsible to the Board of Directors and reports on its activities regularly. The functions of the Committee are geared to assist the Board of Directors in its general oversight on financial reporting, internal and external audit, compliance with legal

and regulatory requirements and risk management.

THE OBJECTIVE AND ROLE

The Committee is expected to ensure:

- The integrity of the financial reporting of the Company and the compliance with financial reporting requirements, information requirements of the Companies Act and other related financial reporting regulations.
- The effectiveness of the internal control system and the Company’s Risk Management function.
- The Company’s ability to continue as a going concern in the foreseeable future.
- Independence and performance of the Company’s External Auditor.
- Performance of the Company’s internal audit function.
- The Company’s compliance with legal and regulatory requirements including the performance of the Company’s compliance function.

AUTHORITY

The Committee has the explicit authority to investigate into any matter, including call any employee to be questioned at a meeting of the Committee, full access to information; and authority to obtain external professional advice, at the Company’s expense.

BOARD AUDIT COMMITTEE MEETING

The Committee held six meetings during the financial year under review. The attendance of the committee members at the meetings was as follows:

Name of the member	Number of committee meetings held	Number of committee meetings attended
Mr Jehan P Amaratunga	6	5
Mr Michael Pradeep Amirthanayagam	6	6
Mr Mohamed Anise Mohamed Rizwan	6	6

On the invitation of the Committee, any officer of the Company, External Auditor and any outsider may attend all or part of any meeting. The proceedings of the Audit Committee meetings are recorded with adequate details and reported to the Board of Directors.

SUMMARY OF ACTIVITIES

FINANCIAL REPORTING

The Committee reviews the Financial Statements of the Company before submission to the Board, in order to monitor the integrity of the Financial Statements of the Company prepared for disclosure and the significant financial reporting judgements contained therein. In reviewing the Financial Statements prior to their release, the Committee focuses particularly on: (i) major judgemental areas; (ii) any changes in accounting policies and practices; (iii) significant adjustments arising from the audit; (iv) the going concern assumption; (v) the compliance with relevant accounting standards and other legal requirements.

The Committee assesses the Company’s compliance with financial reporting requirements, information requirements of the Companies Act, Finance Business Act and other relevant financial reporting related regulations and requirements.

INTERNAL CONTROLS, RISK MANAGEMENT FUNCTION AND GOING CONCERN

The Committee keeps under review the Company’s internal controls and risk management systems ensuring the procedures are adequate to meet the

Board Audit Committee Report

requirements of the Sri Lanka Auditing Standards. The Committee also assesses the Company's ability to continue as a going concern in the foreseeable future. The Committee reviewed and approved the Directors' Statements on Internal Controls System over Financial Reporting to be included in the Annual Report.

EXTERNAL AUDIT

The Committee monitors independence and objectivity of the audit processes of external audit in accordance with applicable standards of best practice. The Committee with the approval of the Board of Directors developed and implemented a policy for engagement of External Auditor to provide non-audit services to safeguard the Auditor's independence and objectivity.

The Audit Committee met the External Auditor Messrs Ernest & Young during the year and discussed the audit proposal and the scope and also provided the opportunity to the External Auditor to discuss the issues, problems and reservations arising from audits including those matters that may need to be discussed in the absence of Key Management Personnel (KMP).

The Committee also reviewed the External Auditor's Management Letter and Management's responses thereto.

INTERNAL AUDIT

The Committee reviews the adequacy of the scope, functions and resources of the Internal Audit Department, and satisfied itself that the Department has the necessary authority to carry out its work. The Committee also monitors and reviews the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system. The Committee ensured that the internal audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care.

The Committee also reviewed and monitors Management's responsiveness to the significant audit findings and recommendations of the Internal Auditor.

OVERSIGHT ON REGULATORY COMPLIANCE

The Committee with the assistance of internal audit closely scrutinises the compliance with mandatory statutory requirements and the systems and procedures in place to ensure compliance with such requirements.

ETHICS AND GOOD GOVERNANCE

The Committee promotes the good governance among the internal audit staff by reviewing the internal audit policy charter and among all staff by introducing the whistle-blower 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 whistle-blowing or identified through other means.

WHISTLE-BLOWING AND FRAUD

The Company's whistle-blower policy intends serving a wide-spread informal channel for the corporate fraud risk management. An employee, who observes or notices any improper or illegal activity or unethical practices in the Company or receives credible information of the same, may forthwith report the same to the Board Audit Committee.

The policy has been published in all three languages in the Company intranet. The policy guarantees the maintenance of strict confidentiality of the whistle-blowers.

REAPPOINTMENT OF THE EXTERNAL AUDITOR

The Audit Committee recommended to the Board that Messrs Ernst & Young; Chartered Accountants to be appointed as External Auditor of People's Leasing & Finance PLC for the financial year ending 31 March 2019, subject to the required approvals including from the shareholders at the next AGM.



Jehan P Amaratunga
Chairman
Board Audit Committee

17 May 2018
Colombo

Remuneration and Nomination Committee Report

GRI 102-35

GRI 102-36

COMPOSITION OF THE COMMITTEE

The Board appointed Remuneration and Nomination Committee is comprised of three Non-Executive Directors appointed from the Board inclusive of the Chairman whose Directorship status are set out below.

Mr Jehan Prasanna Amarathunga, Chairman to the Committee and the other two members to the Committee, Mr Michael Pradeep Amirthanayagam and Mr Johnson Anthony Fernando were appointed to the Committee with effect from 8 April 2015.

Brief profiles of the members to the Committee are given on pages 143 to 148 of this Annual Report.

COMMITTEE MEETINGS

The Committee held eight meetings during the year under review, and the Committee reported directly to the Board. The CEO/ GM attended the meetings by invitation. The attendance of the members for the meetings held during the period under review is set out below:

Members	Directorship Status	Attendance for the Meetings
Mr J P Amaratunga – Chairman	Non-Independent	8/8
Mr M P Amirthanayagam	Independent	7/8
Mr J A Fernando	Independent	7/8

TERMS OF REFERENCE OF THE COMMITTEE

The terms of reference of the Committee has been determined by the Board, and the duties of the Committee are two folded:

DUTIES IN RESPECT OF REMUNERATION MATTERS

- Make recommendations to the Board on the Company's framework of Executive Directors' remuneration and its cost and to determine on behalf of the Board, specific remuneration packages (including pension rights) for Executive Directors (which also includes that of the Chief Executive Officer and/or equivalent position thereof);
- Recommend any contract of employment or related contract with Executive Directors on behalf of the Company;

- Determine the terms of any compensation package in the event of early termination of the contract of any Executive Director.

DUTIES IN RESPECT OF NOMINATION MATTERS

- Identify suitable candidates to the Board, for the purpose of appointing the most suitable candidate/s to fill any vacancy/ vacancies of the Board and consider all reappointments to the Board;
- Act in accordance with the Corporate Governance Charter in recommending such appointment or reappointments of Directors;
- Provide advise and recommendations to the Board or the Chairman (as the case may be) on any such appointment.
- Regularly review the structure, size composition and competencies (including the skills, knowledge and experience) of the Board and make recommendations to the Board with regard to any change that needs to be introduced.

METHODOLOGY USED BY COMMITTEE – REWARDING

The Committee acknowledges that rewarding the employees influence employee behaviour, thus impact business results. The bonus plan based on predetermined performance parameters are designed to retain, motivate and attract potential and competent employees. Appropriate adjustments are made to the bonus pool depending on the achievement of the set performance parameters.

SUMMARY OF ACTIVITIES ORGANISATIONAL STRUCTURE REVISION

During the year 2017/18, the Committee has reviewed the current organisational structure and has completed the task of recommending a new organisational structure for next five years to the Board, which aligns with the strategies of the Company.

RETENTION OF COMPETENT HUMAN CAPITAL

The Committee has reviewed the skills and talents of potential candidates, internally and externally to fill Senior Management

positions of the Company, with a view of strengthening the organisational structure. Identifying the need of retaining and motivating the potential and competent human capital, the Committee recommended to the Board of Directors of the promotions and increments of the staff members including the KMPs.

REWARD STRATEGY

The Committee deliberated to encourage employees in their performance and to reward them appropriately. In furtherance of this effort, the Committee has made recommendations for a new bonus scheme and a scheme for annual increment.

FOCUS FOR YEAR 2018/19

The Committee in depth focuses on recommending a policy for promotions based on performance, reviewing the cadre requirement and formation of a succession plan for the KMPs in year 2018. The Committee also focuses on identifying central branch locations and the need to regionalise the Chief Managers in year 2018 to further strengthen the organisational structure.

PROFESSIONAL ADVISE

The Committee, by virtue of the authority vested on it under the Board Approved terms, is authorised to seek appropriate external and internal professional advice on matters under its purview, where necessary.

PERFORMANCE EVALUATION

The performance and effectiveness of the Committee was assessed by the Board, as part of the annual self-assessment of the Directors.

Details of the annual self-assessment of the Directors can be found on page 179 of this Annual Report.



Jehan P Amaratunga
Chairman
Remuneration and Nomination Committee

17 May 2018
Colombo

Related Party Transactions Review Committee Report

GRI 102-25

COMPOSITION OF THE COMMITTEE

The Board appointed Related Party Transactions Review Committee is comprised of three Non-Executive, Independent Directors appointed by the Board of Directors of the Company inclusive of the Chairman.

Mr Michael Pradeep Amirthanayagam, Chairman to the Committee, and the members of the Committee Mr Johnson Anthony Fernando and Mr Mohamed Anise Mohamed Rizwan were appointed to the Committee with effect from 8 April 2015.

Brief profiles of the members to the Committee are given on pages 143 to 148 of this Annual Report.

COMMITTEE MEETINGS

The Committee met three times during the year under review, and reported its proceedings directly to the Board. The Chief Executive Officer/GM attended meetings of the Committee by invitation. The attendance of the members for the meetings held during the period under review is set out below:

Members	Meeting Attendance
Mr M P Amirthanayagam (Chairman)	3/3
Mr J A Fernando	3/3
Mr M A M Rizwan	3/3

TERMS OF REFERENCE OF THE COMMITTEE

The Committee mandated by the Terms of Reference adopted by the Board of Directors on 25 February 2014, is established for the purpose of reviewing in advance all proposed related party transactions, except for transactions mentioned under Rule 27 of the Code of Best Practices on Related Party Transactions – December 2013.

All related party transactions except for the transactions expressly excluded are thus reviewed by the Committee either

prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.

METHODOLOGY USED BY THE COMMITTEE – AVOIDING CONFLICTS OF INTEREST

The Committee avoids “conflicts of interest” which may arise from any transaction entered into between the Company and any person, and ensure that related party dealings are carried out in an arm’s length.

SUMMARY OF ACTIVITIES

Discharging the duties entrusted to the Committee within its Terms of Reference, the Committee has reviewed all the related party transactions engaged into by the Company during the period under review, and has duly reported same to the Board of Directors and shareholders where necessary.

During the period under review, the Committee has reviewed various transactions falling within the ambit of the categories as set out below:

- Transactions with the Parent Company, People’s Bank;
- Transactions with subsidiaries of the Company;
- Transactions with Associate Companies;
- Transactions with the KMPs of the Company;
- Transactions with the Government of Sri Lanka.

Self-declarations from the Directors and KMPs are obtained in terms of the related party transaction guide for identifying parties related to them. Based on these declarations, information on related parties have been included in the inbank system, so that all related party transactions can be identified at the point of generation.

The Committee focuses on identifying gaps in the existing policy and processes, and developing a robust information system to be fully compliant with expected standards, and in furtherance of this purpose has sought professional advise as authorised by the Board.

RELATED PARTY TRANSACTIONS DURING 2016/17

Details of related party transactions during the period under review are disclosed under Note 53 on pages 335 to 339 Financial Statements.

PROFESSIONAL ADVISE

The Committee, by virtue of the authority vested on it under the Board approved terms, is authorised to seek appropriate external and internal professional advise on matters under its purview, where necessary.

PERFORMANCE EVALUATION

The performance and effectiveness of the Committee was assessed by the Board, as part of the annual self-assessment of the Directors.

Details of the annual self-assessment of the Directors can be found on page 179 of this Annual Report.

DECLARATION

The declaration by the Board of Directors that no related party transaction falling within the purview of the Listing Rules, was entered into by the Company during 2017/18 is contained in the Annual Report of the Board of Directors on the Affairs of the Company on pages 164 to 168.



M P Amirthanayagam
Chairman

Related Party Transactions Review
Committee

17 May 2018
Colombo

Integrated Risk Management Committee Report

INTEGRATED RISK MANAGEMENT COMMITTEE REPORT

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 a Board Subcommittee, the Integrated Risk Management Committee ("IRMC" 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. 3 of 2008.

TERMS OF REFERENCE (TOR)

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

COMPOSITION

The IRMC for the financial year 2017/18 comprised the following members and whose profiles are given on pages 143 to 147.

Name of the Board subcommittee member	Directorship status	Membership status
Mr M P Amirthanayagam	Non-Executive, Independent Deputy Chairman/Senior Independent Director	Chairman
Mr Rasitha Gunawardana	Non-Executive, Non-Independent Director	Member
Mr M A M Rizwan (Appointed w.e.f. 21 June 2017)	Non-Executive, Independent Director	Member
Mr Sabry Ibrahim (Chief Executive Officer/General Manager)	Non-Director	Member
Mr Sanjeewa Bandaranayake (SDGM – Operations)	Non-Director	Member
Mr Lionel Fernando (SDGM – Operations)	Non-Director	Member
Mr Rohan Tennakoon (DGM – Risk and Control)	Non-Director	Member

REGULAR ATTENDEES BY INVITATION

- Compliance Officer
- Key Management Personnel from People's Leasing Subsidiaries:
- Chief Executive Officer – People's Insurance PLC
- Technical Consultant – People's Insurance PLC
- DGM – Marketing – PLC/Head of People's Microfinance Limited
- DGM – Recoveries – PLC/Head of People's Leasing Fleet Management Limited

Ms Akila Samarasinghe – Deputy Manager – Risk and Control functioned as the Secretary to the IRMC.

MEETINGS

The Committee held four (4) quarterly meetings during the year under review. The attendance of the members of the Committee was as follows:

Name	Attended/ Eligible to attend
Mr M P Amirthanayagam	4/4
Mr Rasitha Gunawardana	3/4
Mr M A M Rizwan	3/3
Mr Sabry Ibrahim	4/4
Mr Sanjeewa Bandaranayake	4/4
Mr Lionel Fernando	4/4
Mr Rohan Tennakoon	4/4

Minutes of the Committee which include the deliberations and conclusions reached were submitted to the subsequent IRMC 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 seeking their views, concurrence and/or specific directions.

ACTIVITIES

The IRMC 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 quarterly meetings. The IRMC focused on the following activities during the year under review:

STRENGTHENING POLICY FRAMEWORK

- Reviewed the Risk Management Policy updated for operational and regulatory environment changes and recommended for the Board approval.
- Reviewed and approved the Business Continuity Plan (BCP) submitted by the BCP Consultant, Messrs Somarantna Consultants (Pvt) Ltd.
- Reviewed Risk Assessment Reports of new products submitted to the Committee.

CREDIT RISK

- Reviewed the portfolio quality covering non-performing loan analysis based on assets and products, the sector wise credit concentration and the compliance with the Single Borrower Limits etc.
- Reviewed the quarterly progress of identified asset categories with high NP ratios for its consistent improvement in the asset quality.
- 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, interest rate repricing gaps including the stress test results.

Integrated Risk Management Committee Report

- Reviewed the highlight reports of Assets and Liability Committee (ALCO) meetings submitted to the Committee on a quarterly basis in assessing the effectiveness of liquidity and market risk management.
- Reviewed the adequacy and effectiveness of the functions carried out by ALCO by reviewing the annual assessment performed against its TOR.

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 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 the existing regulations and proposed capital adequacy requirement by the Central Bank of Sri Lanka.

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. 3 of 2008, Section 8 (3) (b), the following subsidiary companies that are in operation,

submitted Risk Dash-Board/Key Risk Indicator Reports to the IRMC 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 Microfinance Limited (PML)

- PML, the Microfinance arm of People's Leasing involves in the business of providing microfinance facilities to ensure financial inclusivity of the underprivileged, 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

- IRMC quarterly reviewed the Risk Dash-Board Reports and Risk Indicator reports submitted by People's Leasing Fleet Management Limited and People's Leasing Property Development Limited respectively.
- The construction work of People's Leasing Havelock Properties Limited (PLHPL) was completed during the year under review. PLHPL is still in its initial stage of operations.

The Risk and Control Department coordinated with all 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 page 243 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.
- 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.

The Committee has reviewed the process for identification, evaluation and management of all significant risks throughout the Company and Group. During the year under review, the IRMC provided the necessary guidance in line with the risk appetite, in the execution of the business strategy emphasising the upside and downside risks which can have an impact on the Company.



M P Amirthanayagam
Chairman
Integrated Risk Management Committee

17 May 2018
Colombo

Risk Management at People's Leasing

OVERVIEW

Further to the Risk Overview on pages 34 to 41, this Risk Management Report details the operating environment, risk governance structure and how each of the main risk categories was managed during the period under review.

The Company regularly reviews the economic context in which the Company operates to identify risks and possible impact to the Company.

Economic indicators	Behaviour during the year	Impact to the Company
Economic growth	The economic growth slowed from 4.5% in 2016 to 3.1% in 2017	This had overall impact on the Company's lending activities as economy slowdown impacted negatively on the SME sector
Interest rates	Interest rates were high at the beginning of the year, but gradually declined towards the latter part of the year	This helped to reduce funding cost and thereby improved the interest margin
Inflation	Inflation increased in the first half of the financial year, but sharp decline noted during the second half	This is moderately impacted the Company mainly on operational expenses
Exchange rates	The rupee was sharply depreciated against the US dollar since the beginning of the 4th quarter of the financial year	Direct impact on exchange rate movement is less to the Company as the Company held no foreign currency exposure in open position

Risk mitigation strategies formulated to minimise the impact from turbulent economic and other operating environment changes have discussed under each risk category in this risk disclosure.

RISK GOVERNANCE



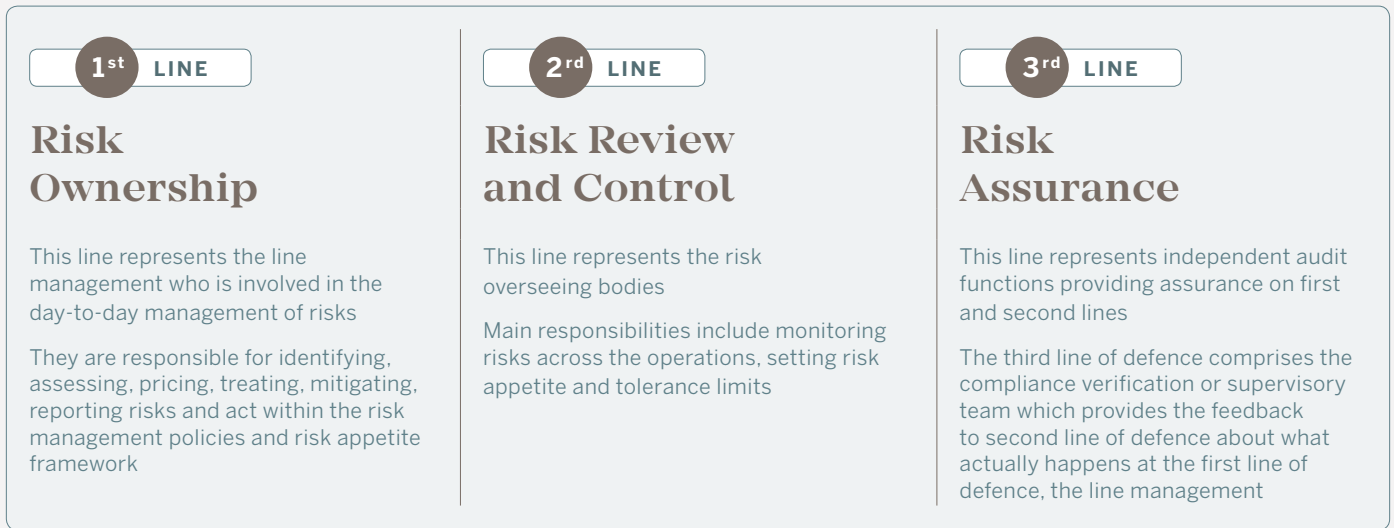
The Board is the apex body which sets the tone for effective risk management in the Company. Integrated Risk Management Committee with the delegated authority of the Board plays the oversight role by reviewing effectiveness of the Risk Management Framework. The activities carried out during the year are explained in the Integrated Risk Management Committee Report given on page 225.

Board is responsible for setting the risk appetite for the Company. Risk appetite is the level of risk that the Company is willing to accept in achieving its objectives and the risk tolerance levels are the defined limits of such risk appetite levels. The Company's risk appetite framework is influenced by the factors such as Company's vision, mission, values, key strategies, business model, key stakeholder expectations, risk capacity, regulatory changes and external environment etc. The Company will remain committed to maximise shareholder value by growing its business in line with the Board determined Risk Appetite.

During the period under review, the Board reviewed and approved the updated Risk Management Policy, Credit Policy and newly developed Business Continuity Policy.

The Three Lines of Defence model as depicted below 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. This helps to practice on-going risk management and sustain risk management activities across the Company.

Risk Management at People's Leasing



Effective risk management is further empowered by internal policies and procedures and the Code of Ethics. Code of Ethics shapes behaviour of employees. This allowed the Company to employ an accountable workforce with honesty and integrity. Further, this enables the Company to have ethical conduct in all its operations and reduce exposure to risks.

To ensure effective risk management in the Company, it uses a set of quantitative and qualitative tools. For an example, Risk Management Policy and other internal policies, authority limits, risk tolerance limits, stress testing, liquidity

and repricing risk analyses, insurance arrangements are such tools used in the risk management. These tools are subject to regular review.

MANAGING RISKS AT PEOPLE'S LEASING

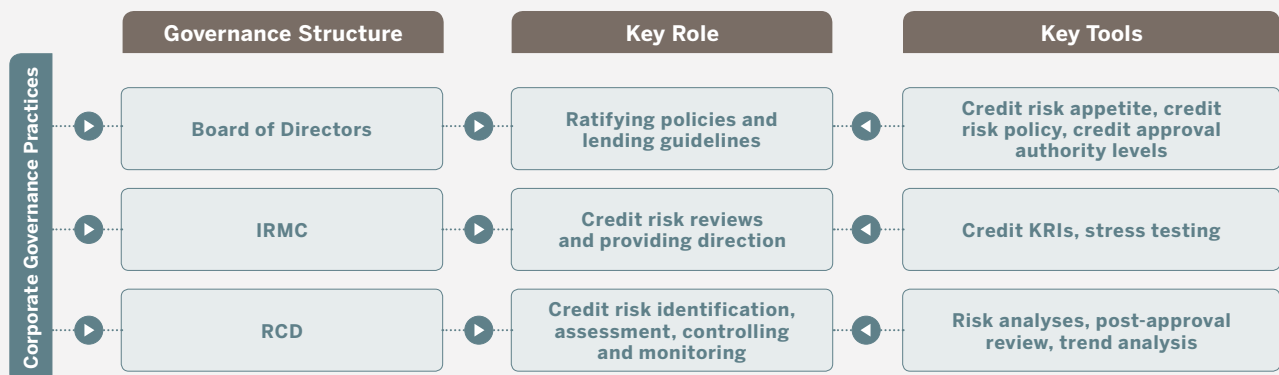
CREDIT RISK

Credit risk relates to the financial losses that may arise in the event that the counterparty 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. It may also lead to an overall deterioration of asset quality and even a rating downgrade.

At People's Leasing, the credit risk may arise on leases, hire purchases, loans and other lending products such as margin trading, factoring etc. which in effect account for over 86% of total assets.

CREDIT RISK GOVERNANCE



IRMC – Integrated Risk Management Committee
RCD – Risk and Control Department

Risk Management at People's Leasing

Risk and Control Department (RCD) plays a key role in managing credit risk of the Company. The Department is responsible for independently reviewing the credit proposals above prescribed limits and providing recommendations to the next authority levels. The Department liaises with other operational departments and branches to provide the required guidance in line with the Credit Policy of the Company. The Department promotes at all times the best practices in credit with the aim to inculcating a sound credit culture within the Company. The Department has initiated training programmes to create adequate awareness in the Company on credit evaluation, collateral valuation and inspection. The Department also conducts on-going monitoring on identified problem areas. Risk analyses are performed to identify reasons for problems. The Department prepares Risk Dashboard reports quarterly to forward to the IRMC. Further, the Department involves in reviewing the new lending products independently from risk management perspective.

CREDIT GRANTING PROCESS

Credit appraisal

All lending products of the Company except margin trading are originated at the branch level. The credit proposals are evaluated based on the credit policy and the operational guidelines issued from time to time by the Corporate Management.

Credit risk treatment

The Company considers the cash flow as the primary source of repayment for a borrower. Therefore, establishing repayment capacity is mandatory and the same should be supported by adequate evidences. It is the Company's policy to obtain a security as a secondary recourse in the form of movable property, immovable property, cash, trade debtors or personal guarantees etc. In the case of immovable properties, the Company has created a panel of reputed professional valuers to ensure obtaining accurate valuations.

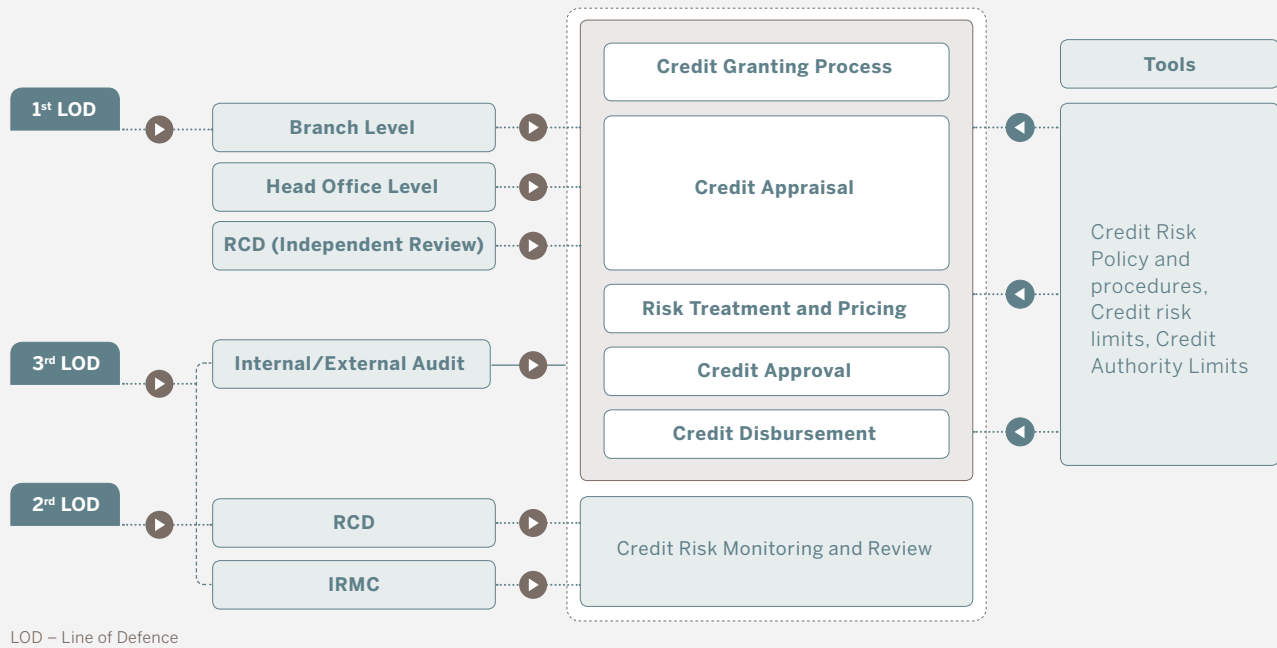
Credit approval

Credit approvals are in line with the delegated authority. The Board is the highest authority to approve credit facilities at upper limits of exposure. CEO, SDGMs – Operations, AGM – Operations, Chief Managers and Senior Managers – Operations have the authority to approve credit facilities forwarded by branches within prescribed authority limits. Branch Manager is the highest authority at the branch level to approve credit facilities subject to the prescribed credit limits. Risk and Control Department shall make recommendations to the next authority levels after independently evaluating credit proposals above prescribed limits forwarded by Branches.

Credit disbursement

The Documentation Unit of Branch Operations Department which operates centrally at the Head Office, ensures that all security documents related to the facilities are completed and are in

CREDIT RISK MANAGEMENT PROCESS



Risk Management at People's Leasing

order whilst the centralised payment function of the Finance Department is entrusted to release all disbursements of approved facilities.

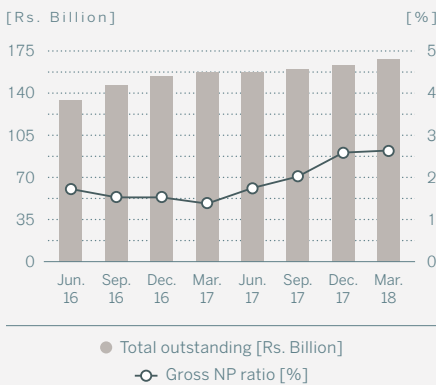
CREDIT RISK MONITORING AND REVIEW

The RCD provides required direction to Branch Operations Department to maintain the credit risk indicators within the stipulated risk tolerance levels. The IRMC assesses the credit portfolio performance against risk tolerance levels and reviews the Risk Dashboard reports to capture negative trends in the credit portfolio on a quarterly basis. The RCD monitors the KRIs on a monthly basis to identify negative trends and the same is communicated to the Corporate Management for immediate attention and action.

Comprehensive MIS reports are made available for the Corporate Management, Senior Management, every branch manager, second-in-command, and branch accountant. Accordingly, status of the credit portfolio is regularly tracked to detect early warning signals for any deterioration in the quality of the portfolio.

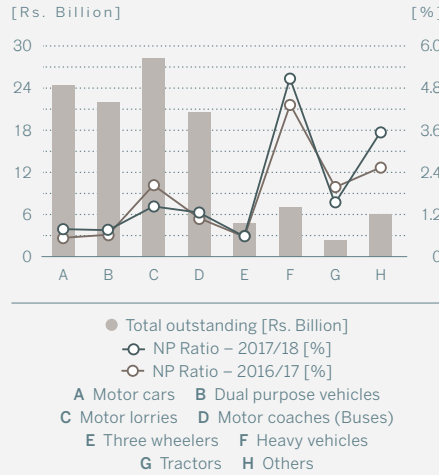
During the reporting period under review, the gross non-performing ratio was on the rise. The non-performing portfolio was analysed in detail to identify contributory factors or reasons.

GROSS NP RATIO AND TOTAL OUTSTANDING*

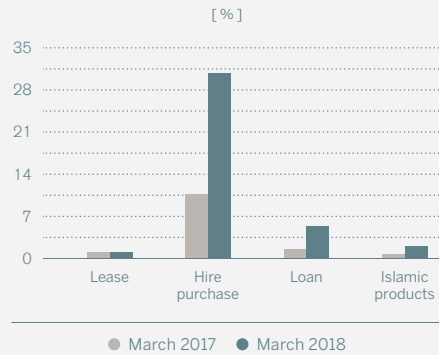


* Total outstanding = Future rental + Arrears rentals

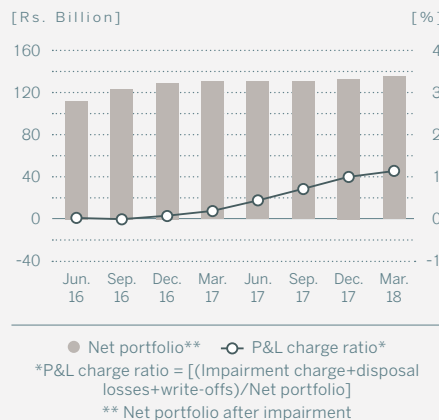
ASSET-WISE NP RATIO AND TOTAL OUTSTANDING AS AT 31 MARCH 2018 (LEASING AND HP)



PRODUCT-WISE NP RATIO COMPARISON

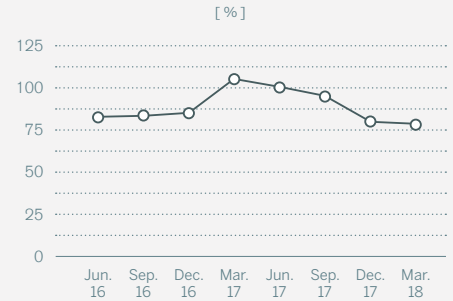


P&L CHARGE RATIO AND NET PORTFOLIO



*P&L charge ratio = [(Impairment charge+disposal losses+write-offs)/Net portfolio]
 ** Net portfolio after impairment

IMPAIRMENT COVERAGE RATIO



IMPAIRMENT STRESS TEST

Impact to the capital adequacy and the profitability under different impairment stress scenarios.

Scenario	1 %	2 %	3 %
Magnitude of shock	10	15	20
Capital adequacy ratio (core capital)	18.19	18.14	18.09
Return on assets	3.58	3.52	3.46

Hire purchase product is a discontinued product, NP ratio of which depicts significant increase as the existing portfolio is getting matured and NP portfolio is compared with a reduced portfolio. NP ratios of Lease and Islamic products were maintained well below the tolerance limits. However, the NP ratio of loan products has increased and the Company carefully analysed the contributing factors. According, the Company limited the exposure of certain loan products and grantings were done after careful scrutiny.

Increase in NP ratios caused higher impairment charges. The Company further strengthened its recovery effort to maintain arrears levels within the risk tolerance limits.

Risk Management at People's Leasing

Internal Audit, performing its assurance function conducts audit reviews at Branch level to check their compliance with the Credit Policy, lending guidelines etc. Any policy non-compliances identified at their audit reviews are then forwarded to the Risk and Control Department for information and action. Furthermore, internal audit carries out audit on Risk and Control Department for its role in establishing effective risk management framework within the Company.

CREDIT RISK MITIGATION

Making credit risk awareness

The Company has a credit policy updated during the year for operating environment, regulatory changes and business growth. Approval limits have been set considering the credit exposure levels. Branches are communicated as how to maintain a balanced portfolio whilst achieving business targets. Suitable exposure limits for borrowers including the single-borrower-limit and sector limits are established and monitored regularly.

The RCD initiated trainings to impart knowledge on credit evaluation to lending officers and also on selected areas such as collateral valuation and inspection. Customer repayment capacity, purpose to which the requested funds will be deployed, customer integrity are main factors that should be considered in evaluating credit proposals.

During the period under review, instructions were given to limit exposure to identified lending products and asset categories based on credit risk analyses.

Credit documentation

Determining completeness of credit documentation and ensuring its legal enforceability is the main task assigned to the centralised documentation unit. For this purpose, the unit coordinates with documentation officers attached to each branch while obtaining required consultation from the Legal Department. Credit disbursed only upon the completeness of documentation.

Prudential limits

The Company has established exposure limits for LTV ratios, single and group borrower limits as stipulated by the regulator. Risk tolerance levels have been set below the single and group borrower limits enabling identification of risks before breaching those regulatory limits. IT controls are also in place within the core system, In-bank to notify these credit limits.

Industry/sector limits are also established to ensure that the Company operations are not overly exposed to one sector. The compliance status of single borrower and sector exposure is reported quarterly to IRMC for review. The changes to the LTV limits by the regulator were timely communicated to the operational staff to ensure on-going compliance.

Credit recovery

With the increasing trend in the non-performing facilities in the reporting year, the Company further strengthened its recovery effort while making every effort to increase the knowledge and awareness at the front line on the credit evaluation and credit decision-making.

Recovery units established at the branch level are responsible for monitoring the branch lending portfolio for recoveries and identify the problem credits as early as possible by carrying out required follow-ups. Any unsettled overdue facilities at branch level are then forwarded to the Special Recovery Unit (SRU) at Head Office to expedite the recovery action. Facilities remaining unresolved at the SRU for more than nine months are forwarded to the legal recovery unit to initiate legal action.

In the case of leasing facilities, the Company will also initiate the repossession action in the event of breach of leasing contract and certain conditions are met as laid down in the relevant laws. The Disposal Loss Recovery Unit (DLRU) is mainly responsible for disposal of repossessed vehicles at a minimal loss to the Company.

SOCIAL AND ENVIRONMENTAL RISK

GRI-G4

G4-14

The environmental and social policies of the Company demonstrate the commitment to address environmental and social risks to which the Company might be exposed as a result of the operations of customers in the lending portfolio. It is the Company policy to refrain from providing financial facilities to the customers engaged in anti-social, unethical and environmentally harmful activities. When carrying out credit appraisal, it is necessary to thoroughly understand the nature of the activities carried out by the customer or the purpose for which the funds are intended to be deployed.

As a responsible corporate citizen, People's Leasing promotes green lending to reduce environmental footprint of borrowers. This was further encouraged by the Company with the increase of LTV limits by the regulator on the electric vehicles which came into effect in the latter part of the year.

Most of the lending facilities granted by People's Leasing are channelled to the Small and Medium Enterprises (SME) sector. SMEs play a critical role in job creation, income generation, economic empowerment, and the economic growth of the country. At People's Leasing, we are aware of the challenges that restrict the growth and development of SMEs and hence, remain committed to creating an enabling environment that provides opportunities for businesses to become sustainable and job-creating enterprises.

The Company's CSR strategies also have been formulated focusing on key areas such as carbon neutrality, road safety and accident prevention etc. CSR strategies are discussed in detail on pages 42 to 46.

At the portfolio level, the Company monitors the advances at the highest possible granularity to effectively capture portfolio characteristics and possible correlations between portfolios and environmental and social factors.

Risk Management at People's Leasing

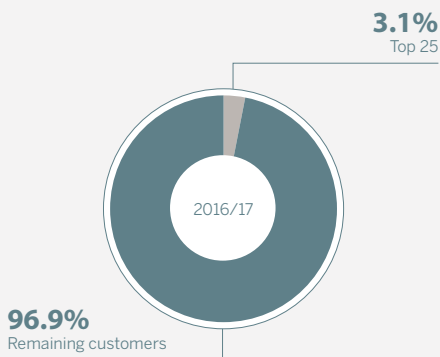
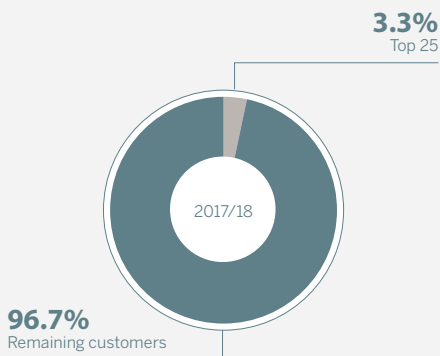
CREDIT CONCENTRATION RISK

This is the risk of uneven distribution of Company's loans and advances to individual counterparties, industry sectors or geographical regions. Concentration risk materialises when too many defaults occur at the same time in a particular category, sector or region with high concentration.

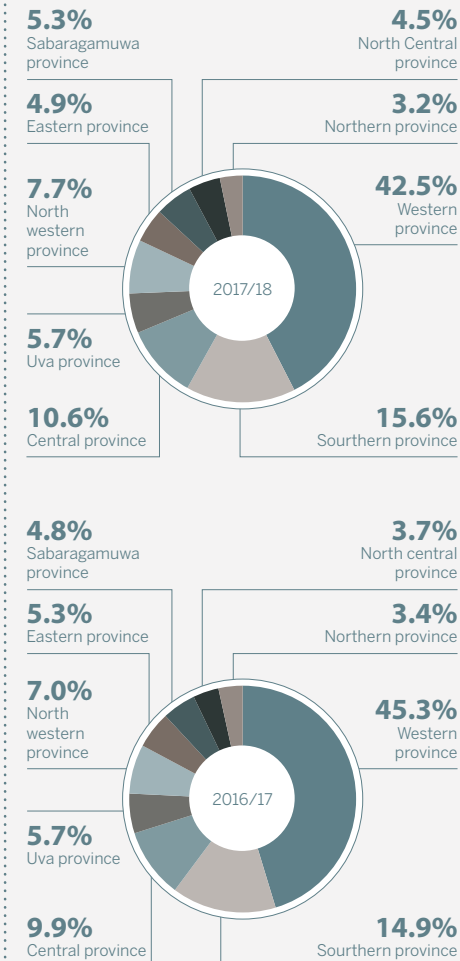
CREDIT CONCENTRATION RISK MONITORING AND REVIEW

The Company assesses two types of concentration risks, i.e., name concentration and sector-wise concentration. Name concentration measures the uneven distribution of exposures (or loans) to its borrowers. Sector-wise concentration is the uneven distribution of exposure to particular sectors, regions and products.

CUSTOMER CONCENTRATION (TOTAL OUTSTANDING)



GEOGRAPHICAL CONCENTRATION (DISBURSEMENTS)



CONCENTRATION RISK MITIGATION

Monitoring of credit concentration is an integral part of the credit risk monitoring process. These concentration limits are consistently monitored by the Risk and Control Department on a monthly basis. Directions are given by Risk and Control Department in case of breach of above limits to bring back within the tolerance limits.

System in-built application controls have been set to prevent providing lending facilities to customers exceeding single and group borrower limits. Its compliance status is reviewed quarterly by the IRMC.

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 category, there are three sub-categories affecting the Company's operations – interest rate risk, exchange rate risk and equity investment risk as detailed below:

HHI Score

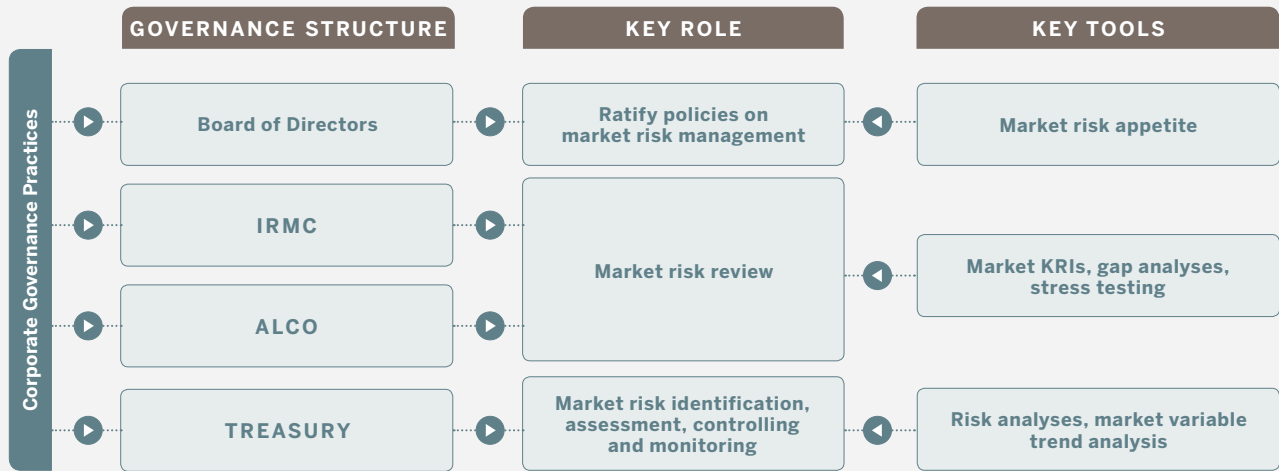
Industry concentration risk indicator	Maximum risk limit	As at 31 March 2017	As at 31 March 2018
HHI Score	<0.40	0.26	0.23

Risk Management at People's Leasing

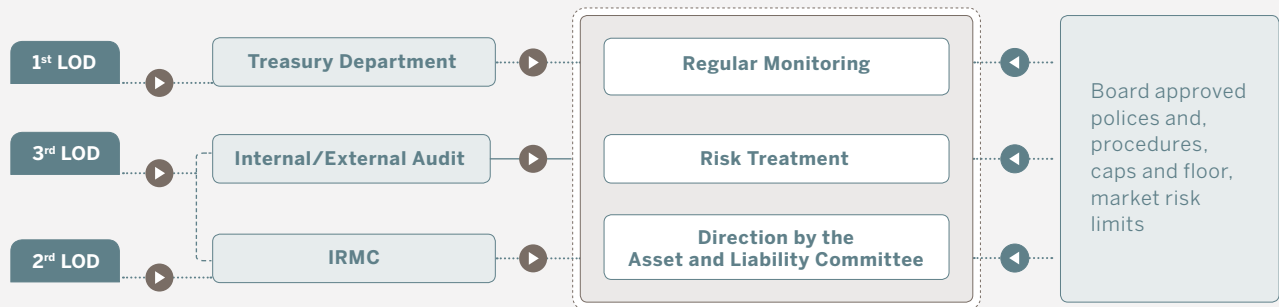
The Company has identified following market risk categories:

Market risk category	Description	Risk exposure to the Company
Interest rate	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
Basis	Basis risk results from differences in the relative movements of rate indices which are used for pricing instruments with similar characteristics.	Negligible
Foreign exchange	Foreign exchange risk relates to the losses from adverse exchange rate movements during a period in which the Company has an open position in a currency.	Low
Equity investment	Possible losses arising from adverse movement in the value of any equity investment held by the Company as a result of volatility in equity prices.	Negligible

MARKET RISK GOVERNANCE



MARKET RISK MANAGEMENT



Asset and Liability Committee is a management level committee that mainly involves in reviewing and managing assets and liabilities to optimise the Company's economic goals whilst maintaining liquidity and market risk within the Company's predetermined risk appetite and tolerance limits.

Risk Management at People's Leasing

ALCO is chaired by Chief Executive Officer/General Manager and has representatives from Treasury, Operations, FD and Savings, Risk and Finance Departments. The Committee meets monthly or more frequently to review the interest rate environment, asset and liability gaps and market trends to decide on deposit rates, internal transfer pricing and lending rates.

INTEREST RATE RISK

Given the volatility in interest rates, interest rate margin is constantly under pressure. In the reporting year, interest rates showed a decreasing trend towards the year-end which positively contributed to the interest margin.

INTEREST RATE RISK MONITORING AND REVIEW

Treasury Department plays a key role in managing market risk – interest rate risk in particular and underlying margins and mismatches in asset and liabilities. Treasury monitors the current 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 such as Treasury Bills. The Treasury provides a comprehensive report to the ALCO which contains the behaviour of interest rate environment for its review and helping it decide the Company's competitive lending and deposit rates ensuring desired margins.

The Treasury negotiates for favourable rates specially for the short-term funds to reduce the interest cost.

Key market risk indicators such as interest rate sensitivity and repricing gap ratio are reviewed by IRMC 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 IRMC.

The ALCO assesses the potential contribution of basis risk towards interest rate risk by monitoring movements in indices such as the AWPLR, and rates of government securities thereby, making appropriate decisions to reprice or rebalance the portfolios, as necessary.

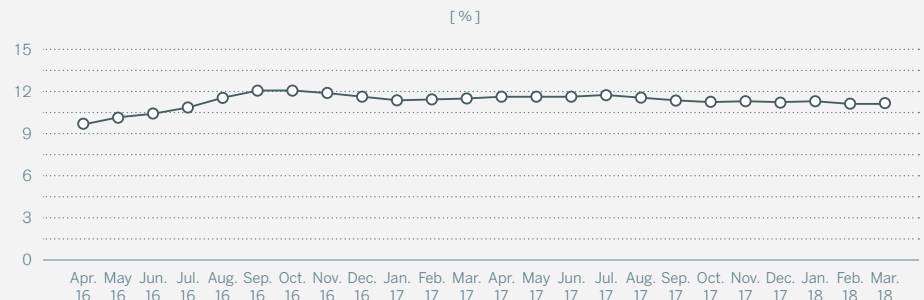
STRESS TEST ON INTEREST RATE MOVEMENT

STRESS TEST

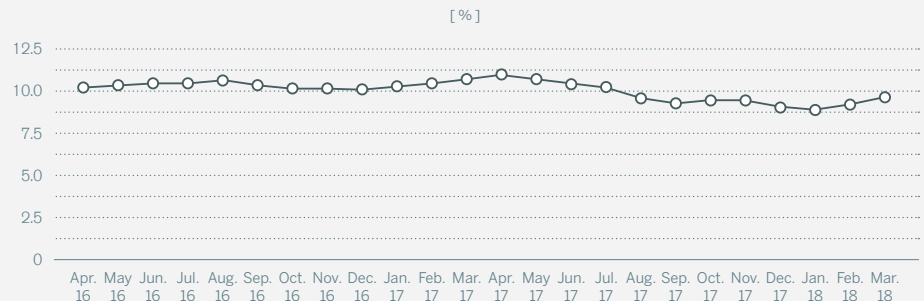
Impact of increasing interest rate on capital adequacy and the profitability

Scenario	1 %	2 %	3 %
Magnitude of shock	1	3	5
Capital adequacy ratio (core capital)	18.23	18.14	18.04
Return on assets	3.64	3.52	3.39

AWPLR MOVEMENT (AVG.)



TREASURY BILL RATE MOVEMENT (AVG.)



Risk Management at People's Leasing

INTEREST RATE RISK MITIGATION

Building low cost funding base

In managing interest rate risk, the Company took effort to build-up the savings base as a low cost funding avenue. Accordingly, the Company improved the fixed deposit base by 61.6% and savings deposits by 21.5%.

The Company also negotiated with local banks and other fund providers to raise required funding. The Company's local and international credit rating status was a key driver in negotiating those loans for low rates.

Introduce products at variable rates

Conventionally, the Company has offered all its lending products at fixed rates and it exposes the Company to a greater interest rate risk if there are negative interest rates movements. This was a major concern in maintaining consistent interest spread and the Company introduced variable rate auto loans in addressing this issue. Currently, auto loan product at fixed rates has a significant share in the lending portfolio. Given potentiality in the auto loan product, it is expected to promote the variable rate auto loan product with a view to minimise interest rate risk.

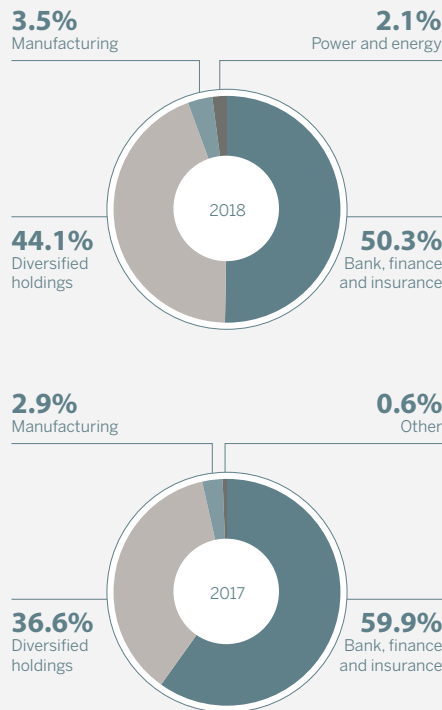
FOREIGN EXCHANGE RISK

In order to minimise the possibility of financial loss, it is essential to identify, measure and manage the foreign exchange risk effectively. 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. The Company obtained a foreign currency loan in April 2017. The underlying exchange risk exposure of the loan has been fully hedged.

EQUITY INVESTMENT RISK

The stock market prices can decline due to multiple reasons, including deterioration in performance or net asset value of the particular company. ALCO assesses the impact from adverse movements along with the unrealised gains/losses in the equity investment portfolio held by the Company.

EQUITY INVESTMENT- SECTOR CONCENTRATION AS AT 31 MARCH 2018 AND 2017



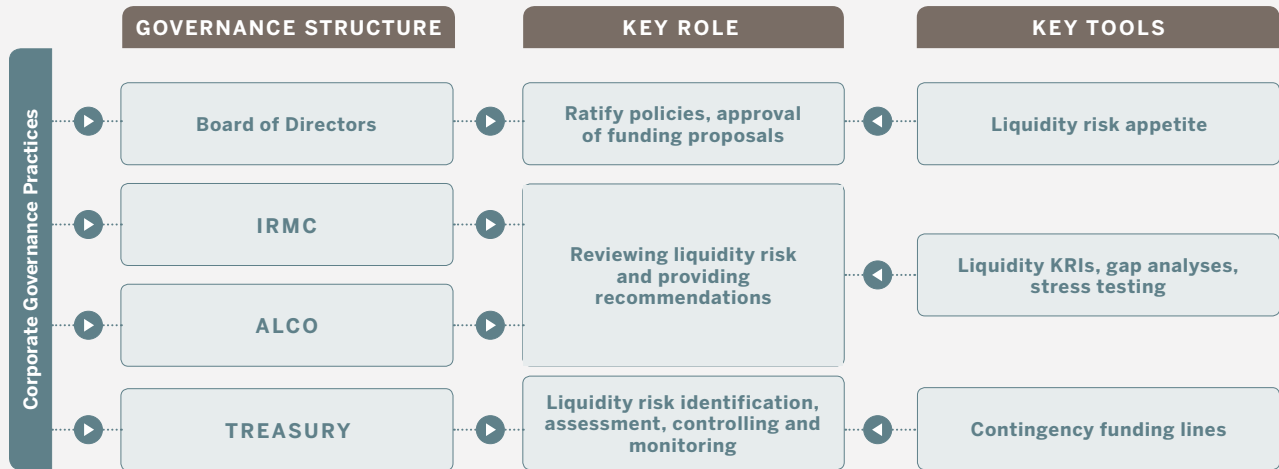
Margin Trading Department regularly monitors the movement in stock market prices, broader economic conditions and political environment which could potentially have impacts on share prices. ALCO reviews the equity investment report and gives any risk mitigation directions required. The equity portfolio recorded a market value of Rs. 174.67 million as at the year-end, which is insignificant compared to the size of the Company.

LIQUIDITY RISK

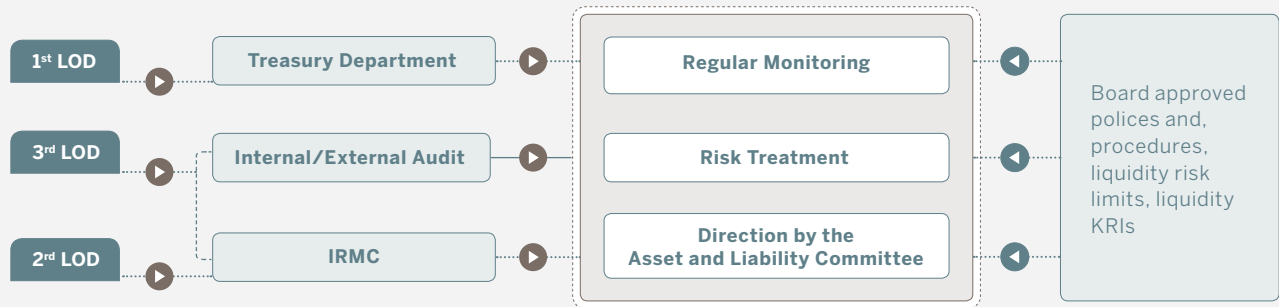
This risk arises from mismatches in the timing of cash flows. Effective management of liquidity is significant to ensure confidence and smooth operations to generate working capital under any circumstance. As stipulated by the CBSL direction, the Company is required to maintain certain amount of liquid assets in respect of fixed deposits, savings deposits and any unsecured borrowings.

Risk Management at People's Leasing

LIQUIDITY RISK GOVERNANCE



LIQUIDITY RISK MANAGEMENT



The key responsibility for the liquidity risk management rests with the ALCO. The Treasury Department is tasked with executing day-to-day liquidity management within the parameters set by the ALCO. The Treasury reports to the ALCO and implements the necessary policy changes as corrective measures. ALCO reports to the IRMC quarterly on the highlights of the businesses discussed at the ALCO. IRMC annually reviews the effective functionality of ALCO in respect of liquidity and market risk management. The ALCO also reports to the Board and recommends appropriate action it deems necessary to limit or mitigate and to manage such risks.

LIQUIDITY RISK MONITORING AND REVIEW

Operationally, the Treasury Department plays a key role in assessing and managing liquidity risk in day-to-day operations. The Department is entrusted with managing liquidity of the Company on real time basis to ensure smooth functioning of business operations of the Company. Based on the assessment of the current risks and the funding needs, the Treasury assesses the adequacy of funding lines.

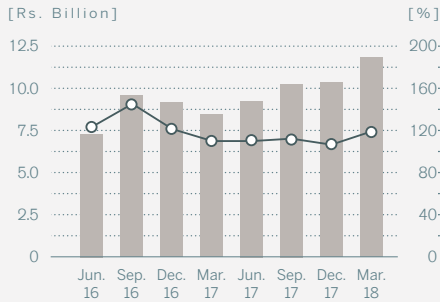
The Treasury is also responsible for monitoring the daily liquidity requirement and managing and controlling the overall liquidity position. The Treasury also

monitors the asset and liability maturities, their tenure mismatches, movement of deposits and equity investment portfolio. As a reviewing body of liquidity and market risk, the ALCO reviews the liquidity gap analysis, liquid asset ratio and capital adequacy ratios at its meetings.

The Treasury projects cash flow needs based on the scenario analysis and determines the level of liquidity required in response to the findings.

Risk Management at People's Leasing

LIQUID ASSETS AND LIQUID ASSETS RATIO



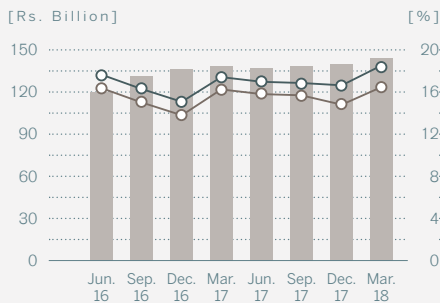
● Liquid assets [Rs. Billion] ○ Liquid assets ratio* [%]

*Liquid asset ratio: liquid assets available/liquid assets required as per CBSL Directions.

Throughout the reporting year, the Company maintained liquid asset ratio above the minimum regulatory requirement.

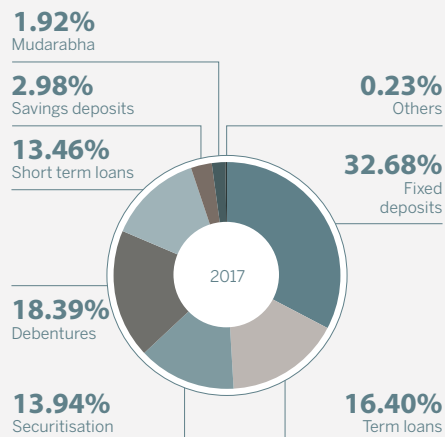
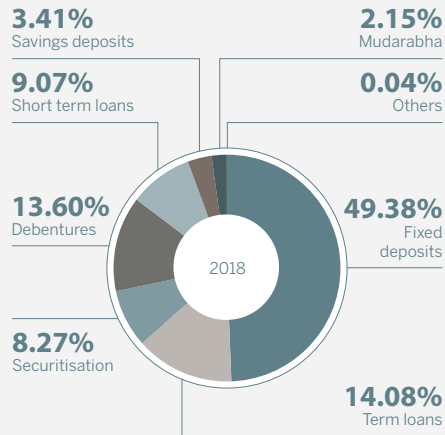
ALCO also emphasised the requirement of focusing on stable sources of funding in managing the liquidity risk. Towards end of the reporting year, ALCO approved a new debenture for an amount of Rs. 6 billion.

CAPITAL ADEQUACY



● Risk weighted assets [Rs. Billion]
○ Core capital ratio [%]
○ Total risk weighted capital ratio [%]

FUNDING CONCENTRATION AS AT 31ST MARCH 2018 AND 2017



People's Leasing Credit Ratings
AA-(Ika)/outlook stable
Fitch Ratings
B (outlook positive)
Fitch – International
B+/B (outlook negative)
Standard & Poor's – International

LIQUIDITY RISK MITIGATION

Contingent funding lines

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 acts as a buffer to support any deficiency in liquidity. The Company's strong standing in terms of credit rating helped it to have borrowing arrangements with banks and other lending institutions.

Diversified funding sources

The Company is committed to maintain diversified funding sources while considering the competitive environment, market conditions and regulatory facets. The Company's objective is to maintain a healthy funding mix at any given time. Term Deposits and long-term loans are the largest funding sources of the Company.

Deposit concentration

Risk and Control Department monitors the depositor concentration levels through Key Risk Indicators and the results are reported to the IRMC on a quarterly basis. The savings and FD Department also monitors the deposit base regularly along with the deposit balance movements.

Stress testing

Stress testing is performed and reported to the IRMC on a quarterly basis. Cash flows are consistently projected under various stress scenarios, supporting to determine the requisite level of liquid assets. The IRMC reviews impact on liquid assets under stress scenarios.

LIQUID ASSETS STRESS TEST

Immediate withdrawal of deposits

Scenario	1 %	2 %	3 %
Magnitude of Shock	10	15	20
Liquid Asset Ratio*	51.92	14.95 (25.13)	
Liquid Asset Ratio* – after adjusting for contingent funds	216.02	185.66	152.75

*Liquid asset ratio: liquid assets available/liquid assets required as per CBSL Directions.

Risk Management at People’s Leasing

OPERATIONAL RISK

Operational risk arises due to inadequate and inappropriate internal processes, systems and people or from external events. The Company has low risk appetite on operational risk and it has been recognised that it is inherent in all business activities and may bring unprecedented losses or damages to its business through direct or indirect

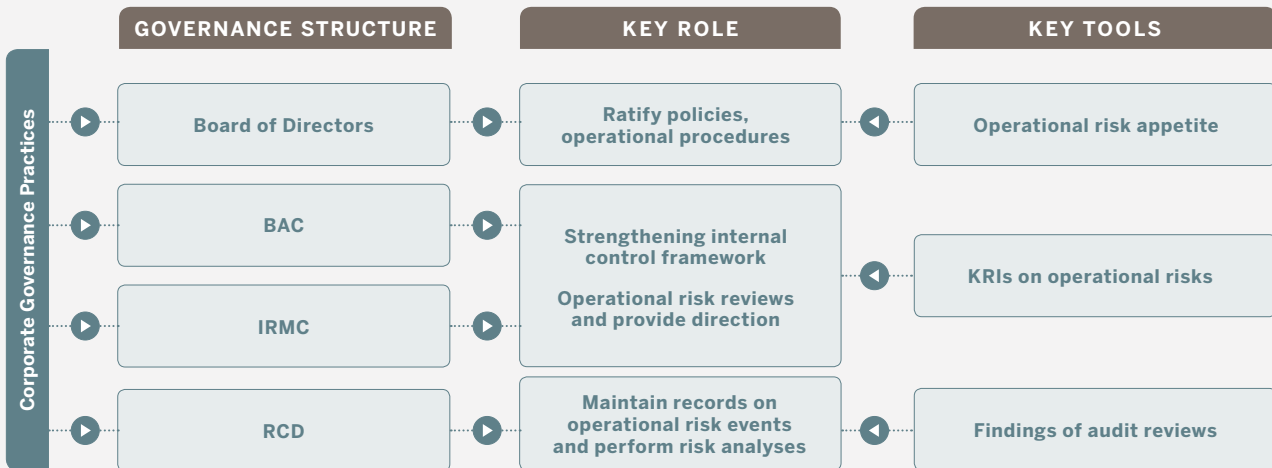
financial loss, brand or reputational damage, customer dissatisfaction, or legal or regulatory penalties, if such risks are not objectively managed.

Materialisation of operational risk may cause other risks such as reputational, compliance, credit, market and liquidity risks. Therefore, immediate

risk identification and mitigation is a priority of operational risk management of the Company. For the effective identification and management of risk, the sub categories of operational risk have been identified such as ICT-related risk, HR-related risk and Fraud risk External event risk which have been described in detail below:

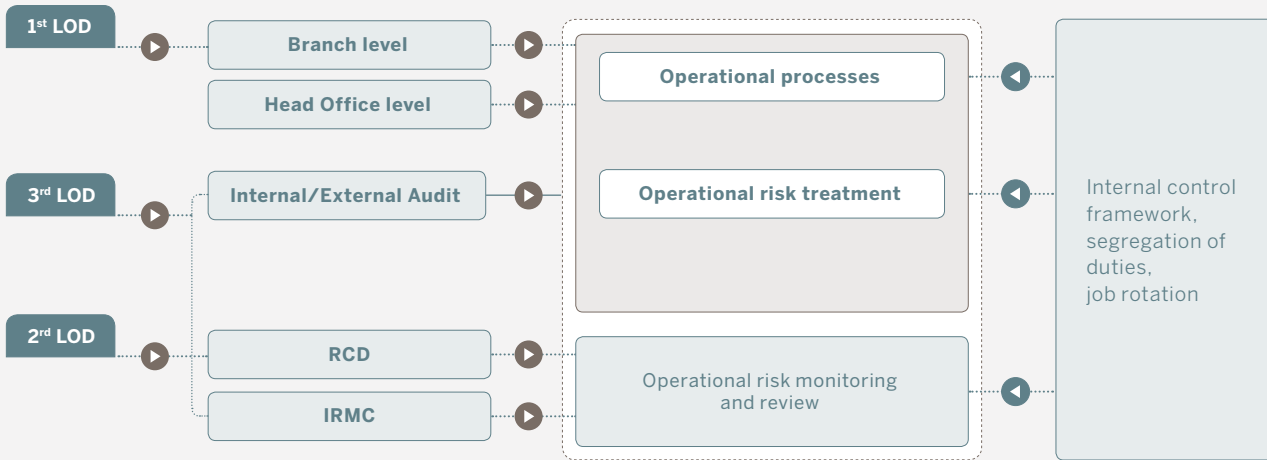
Subcategory	Description
Information and Communication Technology (ICT) – Related Risk	Business operations of the Company are highly system dependent and it is exposed to different forms of cyber risks. Breakdowns and failures in information systems and the use of obsolete systems will adversely affect the smooth operations of the Company.
Human Resources – Related Risk	This is the risk of deterioration in the competency and the productivity due to the turnover of trained and skilled staff or unable to attract right talent.
Fraud Risk	As a part of operational risk, fraud risk arises due to weaknesses in the internal controls, which could result in financial losses. Any bottleneck within operations could create an opportunity for malpractices. Therefore, regular and consistent reviews are warranted to avoid fraud risk including a future occurrence or repetition.
External Events	This refers to the risk of business operations being disrupted due to unexpected disaster events.

OPERATIONAL RISK GOVERNANCE



Risk Management at People's Leasing

OPERATIONAL RISK MANAGEMENT



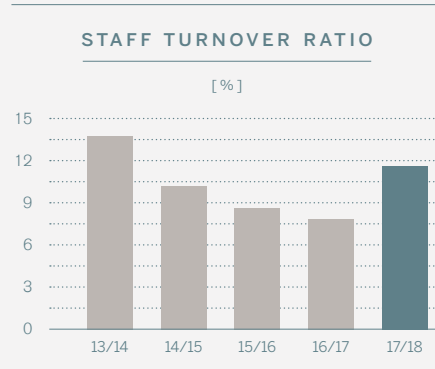
OPERATIONAL RISK MONITORING AND REVIEW

The Company's operational risk management mechanism enables identification, measurement, monitoring, controlling and reporting of inherent and emerging operational risks. The Company adopts several techniques to identify operational risks and risk events that give rise to operational risk. Tools such as Key Risk Indicators (KRIs) and audit findings are used to identify and assess these risk events. These KRIs are objective risk measurements which allow trends to be monitored and can be used to anticipate problems in advance.

Key Risk Indicator	Maximum Risk Tolerance Level	FY 2017/18
Losses from system failures Loss value as a % of opex	<0.5%	Nil
Losses from cyber attacks Loss value as a % of opex	<0.5%	Nil
Average time of data link breakdowns (monthly)	<4 hours	26 minutes

The data link break downs occur due to the failure of data link connection between the Head Office and the branches. ICT Department regularly monitors the data link connection and any breakdown is promptly reported to the telecommunication service provider and thereby takes necessary steps to restore the data link connection ensuring normal operations are resumed without material interruption of the regular business of the respective branches.

Disaster recovery replication is tested twice a day (8.00am – 8.30am) and (3.00pm – 3.30pm) once in two days. 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.



OPERATIONAL RISK MITIGATION

Strong internal control framework

In mitigating operational risk, 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 payment approval and thus, making employees accountable for their actions.

The Company ensures the appropriate segregation of duties to prevent a single person being allowed to carry out a given process from the beginning to the end; thus, prevent fraudulent practices. All key functions are subject to the scrutiny of another suitably skilled and authorised employee.

Risk Management at People's Leasing

Internal audits are carried out to check the effectiveness of the internal control framework of the Company. As the outcome of audits, they can determine the adequacy of existing controls to prevent or detect operational risks. The Internal Auditors also conduct audits on a regular basis in the areas which are susceptible to the occurrence of fraud.

As an operational risk mitigatory measure, the Company has given continuous focus on training programmes on staff to create awareness, including high standards of ethics and integrity. Improving the awareness on the code of conduct, Company's policies including risk management practices are highly sought after to inculcate integrity and professionalism within the workplace.

Information system security

The Company maintains a well-established IT governance structure. In an attempt to avoid risk of data loss, the Company maintains a separate back-up at an off-site location. Dedicated ICT Department and Risk and Control Department monitor this risk separately.

During the period under review, the Company was in compliance with the Standard ISO 27001: 2013. The process changes will be more aligned with the principles and guidance given in ISO 31000 (risk management). The disaster recovery site and other facilities are compliant with the said standard and it is annually reviewed and audited by External Auditors (DNV).

Human resource-related risks and fraud risks

In attracting necessary talent, the Company at all times search for employees with high level of integrity. During the reporting year, employee rotation and compulsory leave policies were brought in with a view to identify operational risk events and discourage malpractices.

The Company always recognises employees with potential to formulate a management succession plan and provide them with financial assistance for their higher studies as a capacity building measure. All staff members are free to meet their senior managers at any time,

for discussing their work-related matters or address their grievances.

The training needs are duly identified that are required to retain best employees ensuring sustainable growth. Accordingly, as an integral part of continuous improvement, employees are provided with in-house or external training for their career development. For new recruits, a comprehensive orientation programme is conducted including a familiarisation session on corporate policies, code of conduct and business operations.

People's Leasing has identified the importance of health and safety concerns of employees as a part of employees-related operational risk. The Company has established required safety measures to minimise work-related injuries.

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 misconduct through the whistle-blower link-which is also included in the People's Leasing intranet-whilest the anonymity of the whistleblower is strictly maintained.

Business continuity planning

In the reporting year, the Board adopted the Business Continuity Policy as the Company completed the development of Business Continuity Plan (BCP) in establishing the correct preparedness for low probability, but, high impact disaster situations (worst case scenarios). For this purpose, the Company obtained consultancy from Messrs Somaratna Consultants (Pvt) Limited (SCL) and the BCP was developed in compliance with the professional practices prescribed by the Disaster Recovery Institute International of USA-one of the apex organisations in the world. Once the development is completed, the next step is its effective implementation. Risk and Control Department is working with SCL to complete the action points in the implementation plan which mainly require the Company to have operational controls in place and conduct drills and trainings.

ICT controls	Control objective
Password and access controls	To authenticate the user access and necessary validation and verification functions are activated at the information entry level.
Logical controls	This includes Unified Threat Management and Sophos Endpoint Security and Control, IP-VAN.
Biometric controls	To avoid unauthorised access to ICT Department premises at Head Office and Disaster Recovery Site.
Fire-protection-GSM controls and smoke detectors	To detect heat at the Server rooms and UPS rooms.
Disaster recovery plan	To continue operations in the event the primary site becomes unavailable.

Risk Management at People's Leasing

Implementation progress is reviewed by the IRMC quarterly.

Insurance Arrangements

People's Leasing has comprehensive insurance policies as a measure to mitigate operational risk. These insurance policies cover areas such as property, money, electronic equipment, etc.

COMPLIANCE AND REGULATORY RISK

Compliance and regulatory risk may arise due to the failure to abide by any laws or regulatory requirements applicable to the Company. Non-compliance could lead to sanctions by regulatory bodies, penalties and reputational damage, which could have a material adverse effect on the Company's operations and financial condition or could even lead to the cancellation of license and discontinuation of operations. Such a situation could adversely impact the operations, good reputation, financial performance and position and future prospects. Regulators may also tighten the supervision over the Company's compliance on laws and regulations, particularly in the areas of lending exposure limits, funding, liquidity, capital adequacy, and prudential regulations.

The Compliance function of the Company oversees the Company's compliance with the relevant rules, regulations, and directions set by the Central Bank of Sri Lanka, Securities and Exchange Commission of Sri Lanka, the Companies Act and other relevant regulations. Further, 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 for which is also obtained from the respective Departments on a quarterly basis.

The Compliance Officer reports quarterly to the IRMC on the new directions issued by the regulator together with the Company's status of compliance with laws, regulations, directions issued, rules and regulatory guidelines and

internal control and approved policies. The Compliance function is also responsible for reviewing the changes in regulations and initiating necessary action to ensure that the Company is in compliance with the regulatory requirements.

The Company's culture and code of ethics too play a key role in managing this risk. Providing third line of defence, Internal Audit carries out compliance audit annually, the report of which is submitted to the Board Audit Committee.

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 also a part of operational risk. It includes but is not limited to, exposure to fines, penalties, claims, punitive damages resulting from supervisory actions, law suits against the Company by customers or external parties.

Legal risk is managed by the Legal Department of the Company ensuring that applicable regulations are fully taken into consideration in all relations and contract with customers. The Legal Department consists of experienced lawyers with the capability of handling legal issues. The Department supports whole Branch network on legal issues, matters with regard to collateral documentation and execution etc. Legal Department also involves in the new products development process to ensure product is complied with relevant laws and regulatory framework. Required third party consultations are also obtained, whenever required, in order to mitigate any legal risk exposure of the Company.

STRATEGIC RISK

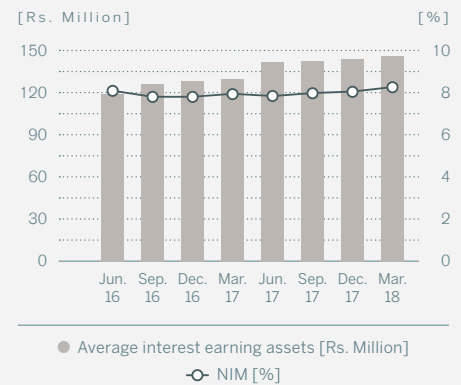
Strategic risk arises from adverse business decisions, improper implementation of decisions or lack of responsiveness to changes in the business environment. Therefore, strategy formulation is of paramount importance as a wrong strategy can have serious

implications on the operations. Equally, ineffectiveness of strategy execution also can bring unfavourable results to the Company. Therefore, the right strategy selection together with effective execution is a prerequisite in achieving strategic objectives.

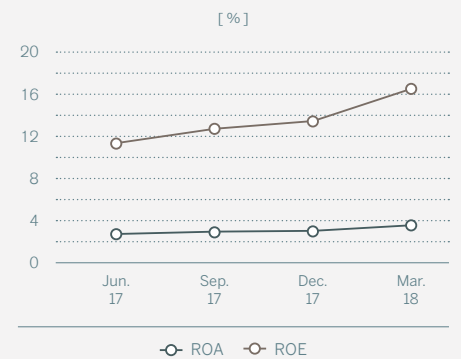
The Strategic Planning Session of the Company is conducted annually to devise strategies to achieve strategic objectives. Those strategies are formally documented in the three year strategic business plan and communicated to the staff through focused meetings for its effective implementation.

Strategic planning and budgeting process and review of its alignment to the Company's vision, mission, strategic objectives and risk appetite and tolerance statement facilitate management of strategic risk.

NET INTEREST MARGIN



ROA AND ROE - 2017/18



Risk Management at People's Leasing

The Company made its every effort to improve net interest margin by controlling interest expense while maintaining stable income levels. Other strategy was to promote savings product as a low cost funding source. Improving operational efficiency was a key area of concern in the year in reducing operational cost. In this regard, the Company focused on automating its manual processes.

At Senior Management meetings conducted on a monthly basis, significant attention and time is devoted to reviewing progress and identifying areas of concern requiring further attention and action. Regular monitoring is carried out by the Management on actual performance against the budget through MIS reports generated on a daily basis and monthly basis.

Apart from strategies formulated to achieve strategic objectives, strategies are also devised in response to the emerging risks from the external environment.

Further, the effectiveness and performance of subsidiaries are also assessed in order to mitigate the strategic risk of diversification.

BUSINESS RISK

Business risk is a part of strategic risk which arises from the competitiveness within the financial services industry. The financial services industry is intensely competitive and is flooded with numerous financial products and services introduced by competitors. The Competition has further intensified with entrance of mainstream banks aggressively offering NBFIs' conventional product - leasing.

The business volume is the key consideration under business risk and the same is assessed based on the variance in disbursements between budgeted and actuals. Monthly disbursements with regard to set targets are assessed regularly to identify any deviations and remedial measures are taken, where necessary.

Analysing competitive environment is an on-going process, to assess the adequacy of competitiveness of the Company and devising effective competitive strategies.

While maintaining a diversified product portfolio, the Company has been able to record high credit disbursement volume.

Given the performance-based culture, employees are motivated and encouraged to achieve business targets. Branch Competitions are conducted to identify top performers and they are rewarded at the Premier Award Ceremony held annually. Adequate trainings are conducted on an on-going basis to support the employee performance.

The Company entered into strategic tie-ups with vehicle partners and dealers with a view to tap new market segments. The Company focused on developing customer centric products and facilitating customers through mobile enabled applications. The Company is committed to maintain service quality levels by supporting customer needs while ensuring internal processes are adequately streamlined to enable efficiency and responsiveness in operations.

REPUTATIONAL RISK

Reputational risk is an event or incident that could adversely impact on earnings, assets and liabilities and brand value. This risk is always linked to how the operations are carried out in the Company. The Company understands risk interdependency as the reputational risk is also can be driven by a wide range of other risks such as credit, market and operational risk etc.

In the current context, 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 motto emphasises on delivery excellence to reach beyond the promise. Therefore, the Company manages its reputational risk by promoting strong corporate governance including risk management practices at all levels of the Company to improve the reputation of the Company. The ICT Department conducts on-going monitoring on a daily basis to ensure uninterrupted online real-time operations.

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. CSR projects on waste management, environment, education and other community projects are carried out through the island-wide branch network. The Company also maintains its media presence to improve its brand visibility through on-going promotional activities.

People's Leasing, being a well-established financial institution of the country, it has been able to manage its reputational risk successfully which is evident from many awards and local and international ratings conferred on the Company.

*Refer: Intellectual Capital, pages 76 to 83
Relationship Capital – Customer, pages 95 to 125
Corporate Governance, pages 172 to 220*

MONEY LAUNDERING AND TERRORIST FINANCING (ML/TF) RISK

Money laundering can be simply defined as converting proceeds of crime (money obtained through illegal activity) into a legal status by investing same through the main financial system. In today's context, this has been a major concern due to the increase of money laundering and terrorist financing activities throughout the world and the financial institutions becoming the main mode through which the illegal money is transferred/transacted.

Risk Management at People's Leasing

In identifying and assessing this risk, the Company has already introduced a Customer Risk Rating Sheet to be completed at the Deposit accepting point together with other due diligence procedures in order to determine the risk profile of the customer. To educate the staff on these new requirements, a series of training sessions were conducted by the Compliance Officer covering the entire Branch network. The Company also reports transactions above Rs. 1 million to the Financial Intelligence Unit of the Central Bank of Sri Lanka.

In moving forward, the regulatory requirements to mitigate the ML/TF require changes to the existing operational processes and additional effort on assessing the same. However, the Company is in the process of incorporating required changes to the existing systems.

GROUP RISK

Group risk relates to the loss (financial or non-financial) incurred by People's Leasing through its wholly-owned subsidiaries and associates. There are five subsidiaries and one associate company, People's Merchant Finance PLC with a 37.06% stake.

GROUP RISK MONITORING AND REVIEW

Group risks are reviewed by the IRMC through Risk Dashboard reports and other reports submitted by the subsidiary companies. The representatives from each of the subsidiary companies participate at the IRMC meetings which are held on a quarterly basis.

People's Leasing Havelock Properties Limited completed its construction work of the office complex of Havelock City. Accordingly, the Company is still in its first year of operations.

People's Leasing's foreign subsidiary in Bangladesh, Lankan Alliance Finance Limited (LAFL) commenced commercial operations in December 2017. At present, LAFL has relatively small operations.

GROUP RISK MITIGATION

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 PLC is the largest subsidiary by size which is regulated by the Insurance Regulatory Commission of Sri Lanka (formerly known as Insurance Board of Sri Lanka).

Company	Relationship	Business operations	Reports submitted to IRMC	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, rent-a-car unit, fleet management unit	Risk dash-board Report	Quarterly
People's Microfinance Limited (PML)	Wholly-owned subsidiary	Providing microfinance facilities to the underprivileged, rural and urban population and providing hire purchase facilities	Risk dash-board Report	Quarterly
People's Leasing Property Development Limited (PLPDL)	Wholly-owned subsidiary	Property development	Risk indicator report	Quarterly
People's Leasing Havelock Properties Limited (PLHPL)	Wholly-owned subsidiary	Property development	Brief on operations	Quarterly

Subsidiary/Associate	Major Risk Categories							
	Credit	Concentration	Market	Liquidity	Operational	Compliance	Strategic	Underwriting
PI	✓	✓	✓	✓	✓	✓	✓	✓
PLFML	✓	✓	✓	✓	✓	✓	✓	-
PML	✓	✓	✓	✓	✓	✓	✓	-
PLPDL	✓	✓	✓	✓	✓	✓	✓	-

Risk Management at People's Leasing

DGM – Marketing – People's Leasing and DGM – Recoveries – People's Leasing have been appointed to oversee operations of People's Microfinance Limited and People's Leasing Fleet Management Limited, respectively.

CEO of People's Leasing represents the Boards of all subsidiary companies. All inter-company transactions are carried out at arms-length. People's Leasing is the holding company and owns the largest balance sheet. i.e. over 90% of the total assets and liabilities of the Group.

People's Leasing keeps abreast of the developments in the business environment in finance, insurance, microfinance and property development industries for mitigating the Group Risk.

WAY FORWARD

The Company is well aware of the necessity to be committed to risk management to ensure continued success in its corporate journey in the years ahead. People's Leasing will give precedence to effective risk policies and measures to adopt and proactively respond to the on-going changing *status-quo* within the non-bank financial arena.

Synopsis – Risk Management Measures and Future Plans

Element	Progress to Date	Way Forward
Credit Risk	Stringent Credit Risk Management Framework is in place	Impart knowledge on credit management at all levels of organisation
Stress Testing Framework	Stress testing is performed quarterly for credit risk, interest rate risk and liquidity risk	Perform stress tests under different stressed scenarios in assessing the impact on the Company
Business Continuity Plan (BCP)	The Company completed the development of BCP	Execute BCP action plans Conduct trainings and drills Conduct annual BCP review
Risk Reports	Risk dash-board report of People's Leasing was updated with the risk tolerance levels approved by the Board Additional reports related to risks were made available for IRMC's review	Review and update the Risk Dash-board report to be more relevant to the operating environment and regulatory changes
Risk Awareness	Risk and Control Department submitted reports to the IRMC and management to initiate a dialogue to meet emerging risks	Continuous monitoring of identified risks and submitting status report to the Management and the IRMC at regular intervals

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Financial Calendar

		2017/18	2018/19
Interim Financial Statements Publication 	Q1 ended 30 June	25 July 2017	Before 15 August 2018
	Q2 ended 30 September	25 October 2017	Before 15 November 2018
	Q3 ended 31 December	26 January 2018	Before 15 February 2019
	Q4 ended 31 March	14 May 2018	Before 30 May 2019
Half yearly Financial Statements Publication 	Year ended 31 March 2017	28 June 2017	
	Six months ended 30 September 2017	22 November 2017	
	Year ended 31 March 2018		Before 30 June 2018
	Six months ending 30 September 2018		Before 31 December 2018
Annual Report Publication 	Publication of Annual Report	6 June 2017	6 June 2018
Annual General Meeting 	Annual General Meeting	21st Annual General Meeting 30 June 2017	22nd Annual General Meeting 29 June 2018
Dividend Payment 	Interim Dividend Paid for the year ended 31 March 2018	26 December 2017	
	Final Dividend Paid for the year 31 March 2017	11 July 2017	
	Proposed for the year ended 31 March 2018		In July 2018

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. 7 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 2018 and the financial performance for the financial year then ended and place the same before the Annual General Meeting. These Financial Statements comprise of:

- Statement of Profit or Loss
- Statement of Comprehensive Income
- Statement of Financial Position
- 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, material departures, if any, have been disclosed and explained;
- All applicable accounting standards as relevant have been followed; and
- Judgements and estimates have been made which are reasonable and prudent.

The Directors of the Company and the Group have responsibility for ensuring that the Company and the Group keeps proper books of accounts of all the transactions as per Sections 150 (1), 151, 152 and 153 (1) & (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 Executive Officer, the officer responsible for their preparation as required by the Section 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 17 May 2018 as required by Sections 150 (1) (c) and 152 (1) (c) of the Companies Act No. 07 of 2007 and other regulatory requirement.

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 assists in determining the Company's financial position with reasonable accuracy at any time are maintained by the Company enabling the preparation of Financial Statements and further enabling the Financial Statements to be readily and properly audited.

The Financial Statements for the year 2017/18 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 thereto, the Code of Best Practice on Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the Securities and Exchange Commission of Sri Lanka (SEC).

The Directors are also responsible for taking reasonable steps to safeguard assets of the Company and the Group and in this regard to give proper consideration to the establishment of appropriate internal control systems in managing significant risks in the Company and the Group.

As required under Section 56 (2) of the Companies Act No. 07 of 2007, the Board of Directors wish to confirm that they have authorised the distribution of the interim dividend paid on 26 December 2017 as well as the proposed final dividend after being satisfied the solvency test immediately after such distributions are made in accordance with Section 57 of the Companies Act No. 07 of 2007 and have obtained in respect of dividends paid and proposed in respect of which approval is now sought, certificates of solvency from External Auditor.

The Board of Directors also wish 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. The Directors are of the view that they have discharged their responsibilities as set out in this Statement.

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.

By order of the Board,



Rohan Pathirage
Secretary to the Board

17 May 2018
Colombo

Directors' Statement on Internal Control Over Financial Reporting

RESPONSIBILITY

In line with the Section 10 (2) (b) of the Finance Companies (Corporate Governance) 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 internal control mechanism in place at People's Leasing & Finance PLC (the Company).

The Board has established an on-going process for identifying, evaluating and managing the significant risks faced by the Company and this process includes the system of Internal Control over Financial Reporting which, regularly reviewed by the Board.

The Board is of the view that the system of Internal Control over Financial Reporting in place is sound and adequate to provide reasonable assurance regarding the reliability of Financial Reporting, and that the preparation of Financial Statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

The Management assists the Board in the implementation of the Board's policies and procedures pertaining to Internal Control over Financial Reporting. The Management is 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 observe and checked by the Internal Audit Department of the Company for suitability of the design and implementation effectiveness, on an on-going basis.

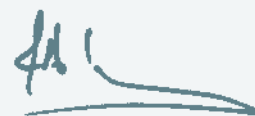
Since the adoption of Sri Lanka Accounting Standards comprising SLFRSs and LKASs in 2012/13, continuous monitoring is in progress and steps are being taken for improvements where required. The Company will continue to further strengthen the controls over processes pertaining to Financial Statements risk management disclosures, related party disclosures and management information system.

CONFIRMATION

Based on the above processes, the Board confirms that the Financial Reporting System of the Company has been designed to provide reasonable assurance regarding the reliability of Financial Reporting and the preparation of Financial Statements for external purposes and has been prepared 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 Auditor, Messrs Ernst & Young, has reviewed the above Directors' Statement on Internal Control for the year ended 31 March 2018 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 the internal control system of the Company.



Jehan P Amaratunga
Chairman
Board Audit Committee



Hemasiri Fernando
Chairman



M P Amirthanayagam
Deputy Chairman

17 May 2018
Colombo

Chief Executive Officer's and Chief Financial Officer's Responsibility Statement

The Financial Statements of People's Leasing & Finance PLC (the Company) and the Consolidated Financial Statements of the Company and its subsidiaries (the Group) as at 31 March 2018 are prepared and presented in conformity with the following requirements:

- Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka;
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995;
- Companies Act No. 07 of 2007,
- 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 jointly by The Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

The formats used in the preparation of the Financial Statements and disclosures made comply with the formats prescribed by the Central Bank of Sri Lanka. The Group on a quarterly basis presents Interim Financial Statements to its shareholders in compliance with the Listing Rules of the Colombo Stock Exchange.

The Accounting Policies used in the preparation of the Financial Statements are appropriate and are consistently applied by the Group. There are no departures from the prescribed Accounting Standards in their adoption. Comparative information has been reclassified wherever necessary to comply with the current presentation and material departures, if any, have been disclosed and explained. Significant accounting policies and estimates that involved a high degree of judgement and complexity were discussed with 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 has taken proper and sufficient care in installing a system of internal control and accounting records, for safeguarding assets and for preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis.

Internal Audit Department has conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company 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 page 221 of this Annual Report.

The Financial Statements of the Company and the Group were audited by Messrs Ernst & Young, Chartered Accountants and their Report is given on pages 251 to 253 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 48 of the Financial Statements of this Annual Report;
- All taxes, duties, levies and all statutory payments by the Group and all contributions, levies and taxes payable on behalf of and in respect of the employees of the Group as at 31 March 2018 have been paid, or where relevant provided for.



A S Ibrahim
Chief Executive Officer



Sanjeewa Bandaranayake
Chief Financial Officer

17 May 2018
Colombo

Independent Auditor's Report



Ernst & Young
Chartered Accountants
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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the Financial Statements of People's Leasing & Finance PLC ("the Company") and Consolidated Financial Statements of the Company and its subsidiaries ("the Group"), which comprise the Statement of Financial Position as at 31 March 2018, 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.

In our 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 2018, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

BASIS FOR OPINION

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements of the current period. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the Financial Statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying Financial Statements.

Independent Auditor's Report

Key audit matter

Allowance for impairment of loans and receivables

As at 31 March 2018, loans and receivables net of impairment amounted to 142,712,576 (Rs. '000). This contributed 83 % to the Group's total assets.

The allowance for impairment (both individual and collective) of these financial assets is estimated by management. The estimation involves a complex calculation. Assumptions used by management in this calculation are inherently judgmental. Note 23.3 to the Financial Statements more fully describes the assumptions to which this estimate is most sensitive.

We considered the estimation of allowance for impairment as a key audit matter due to sensitivity of reported results (on financial performance) to this allowance and the inherent uncertainty involved in its estimation.

How our audit addressed the key audit matter

To assess the reasonableness of the allowance for impairment, our audit procedures (among others) included the following:

- — We understood and evaluated the key internal controls over estimation of the allowance for impairment including those over identifying occurrence of loss events;
- — We test-checked the underlying calculations and data used in such calculations;
- — In addition to the above, focused procedures were performed as follows:
 - Allowance for Individual impairment:
For a sample of loans and receivables, management's forecasts of cash flows were test-checked to historical patterns of customer repayment. Among other procedures, forecast cash flows arising from collateral and other sources of expected recovery were verified to source documents;
 - Allowance for collective impairment:
For loss rates used by management, we assessed the appropriateness of the loss emergence period including consistency with historical loss experience; assumptions on effects arising from macroeconomic factors were compared to published data;
- — We assessed the adequacy of the related Financial Statement disclosures as set out in Notes 23.3 and 23.4.

OTHER INFORMATION INCLUDED IN THE 2017/18 ANNUAL REPORT

Other information consists of the information included in the Annual Report, other than the Financial Statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are 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 our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs 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.

Independent Auditor's Report

As part of an audit in accordance with SLAuSs, we exercise professional judgement and maintain professional skepticism throughout the audit. We 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 our 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 internal controls of the Company and the Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of 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 we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion.

Our conclusions are based on the audit evidence obtained up to the date of our 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period

and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by Section 163 (2) of the Companies Act No. 07 of 2007, 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.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2965.



17 May 2018
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. K R M Fernando FCA ACMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA
Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA Ms. P V K N Sanjeevani FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA

Principal T P M Ruberu FCMA FCCA

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Statement of Profit or Loss

For the year ended 31 March	Company					Group		
	Note	Page No.	2018	2017	Change %	2018	2017	Change %
			Rs. '000	Rs. '000		Rs. '000	Rs. '000	
Gross income	4	272	28,569,534	23,859,038	19.74	33,110,914	27,732,754	19.39
Interest income	5.1	273	26,704,635	22,041,263	21.16	27,582,045	22,784,273	21.06
Less: Interest expenses	5.2	273	14,500,158	11,829,601	22.58	14,626,672	11,819,756	23.75
Net interest income	5	272	12,204,477	10,211,662	19.52	12,955,373	10,964,517	18.16
Net earned premium	6	273	-	-	-	4,053,270	3,694,027	9.72
Fee and commission income	7	274	1,182,573	1,133,735	4.31	685,836	621,711	10.31
Net gains on financial assets – Held for trading	8	275	18,987	8,257	129.95	59,910	43,869	36.57
Other operating income	9	275	663,339	675,783	(1.84)	729,853	588,874	23.94
Total operating income			14,069,376	12,029,437	16.96	18,484,242	15,912,998	16.16
Less: Impairment charges for loans and receivables and other losses	10	276	1,592,256	215,765	637.96	1,632,347	282,819	477.17
Net operating income			12,477,120	11,813,672	5.62	16,851,895	15,630,179	7.82
Less:								
Personnel expenses	11	277	2,574,976	2,556,242	0.73	2,992,363	2,971,179	0.71
Depreciation and amortisation	12	277	192,506	186,993	2.95	294,235	276,408	6.45
Benefits, claims and underwriting expenditure	13	278	-	-	-	2,776,132	2,583,812	7.44
Other operating expenses	14	279	2,639,844	2,670,768	(1.16)	2,746,975	2,696,254	1.88
Total operating expenses			5,407,326	5,414,003	(0.12)	8,809,705	8,527,653	3.31
Operating profit before value added tax (VAT) and nation building tax (NBT) on financial services			7,069,794	6,399,669	10.47	8,042,190	7,102,526	13.23
Less: VAT and NBT on financial services	15	279	1,300,122	923,775	40.74	1,326,916	944,418	40.50
Operating profit after VAT and NBT on financial services			5,769,672	5,475,894	5.36	6,715,274	6,158,108	9.05
Share of loss of an associate (net of tax)	28.1.1	304	-	-	-	(52,942)	(73,875)	28.34
Profit before income tax expense			5,769,672	5,475,894	5.36	6,662,332	6,084,233	9.50
Less: Income tax expense	16	280	1,460,342	1,466,640	(0.43)	1,644,619	1,642,617	0.12
Profit for the year			4,309,330	4,009,254	7.48	5,017,713	4,441,616	12.97
Profit attributable to –								
Equity holders of the Company			4,309,330	4,009,254	7.48	4,816,920	4,255,132	13.20
Non-controlling interest			-	-	-	200,793	186,484	7.67
Profit for the year			4,309,330	4,009,254	7.48	5,017,713	4,441,616	12.97
Basic earnings per ordinary share (Rs.)	17	283				3.05	2.69	13.38
Dividend per ordinary share (Rs.)	18	283	1.25	1.25	-			

The above Statement of Profit or Loss should be read in conjunction with Notes, which form an integral part of the Financial Statements, disclosed on pages 261 to 374.

Statement of Comprehensive Income

For the year ended 31 March	Company			Group				
	Note	Page No.	2018 Rs. '000	2017 Rs. '000	Change %	2018 Rs. '000	2017 Rs. '000	Change %
Profit for the year			4,309,330	4,009,254	7.48	5,017,713	4,441,616	12.97
Other comprehensive income, Net of tax:								
Items to be reclassified to profit or loss in subsequent years (net of tax):								
Cash flow hedges								
Gains/(losses) on derivative financial investments	38	319	(879)	879	(200.00)	(879)	879	(200.00)
Net gains arising from translating the Financial Statements of the foreign subsidiary			-	-	-	2,828	-	100.00
Financial assets – Available for sale								
Net fair value gains/(losses) on remeasuring	25.2	300	15,860	(93,771)	116.91	25,507	(89,497)	128.50
Net items to be reclassified to profit or loss in subsequent years			14,981	(92,892)	116.13	27,456	(88,618)	130.98
Items not to be reclassified to profit or loss in subsequent years (net of tax):								
Actuarial losses on retirement benefit obligation	42.1	327	(23,554)	(22,380)	(5.25)	(24,936)	(25,157)	0.88
Deferred tax effect on actuarial losses	41.1	325	6,599	6,270	5.25	6,623	6,493	2.00
Net items not to be reclassified to profit or loss in subsequent years			(16,955)	(16,110)	(5.25)	(18,313)	(18,664)	1.88
Other comprehensive income for the year, net of tax			(1,974)	(109,002)	98.19	9,143	(107,282)	108.52
Total comprehensive income for the year			4,307,356	3,900,252	10.44	5,026,856	4,334,334	15.98
Attributable to:								
Equity holders of the Company			4,307,356	3,900,252	10.44	5,024,881	4,333,892	15.94
Non-controlling interest			-	-	-	1,975	442	346.83
Total comprehensive income for the year			4,307,356	3,900,252	10.44	5,026,856	4,334,334	15.98

The above Statement of Comprehensive Income should be read in conjunction with Notes, which form an integral part of the Financial Statements, disclosed on pages 261 to 374.

Statement of Financial Position

As at 31 March			Company			Group		
	Note	Page No.	2018	2017	Change %	2018	2017	Change %
			Rs. '000	Rs. '000		Rs. '000	Rs. '000	
Assets								
Cash and cash equivalents	20	286	4,414,083	5,591,170	(21.05)	4,766,920	6,379,909	(25.28)
Balances with banks and financial institutions	21	287	4,370,473	2,089,989	109.11	8,758,715	3,789,047	131.16
Financial assets – Held for trading	22	287	174,736	201,215	(13.16)	315,485	529,301	(40.40)
Loans and receivables	23	290	140,962,936	134,054,702	5.15	142,712,576	135,469,783	5.35
Insurance and reinsurance receivables	24	297	-	-	-	406,687	267,523	52.02
Financial assets – Available for sale	25	298	219,132	275,703	(20.52)	1,343,454	1,094,569	22.74
Financial assets – Held to maturity	26	300	4,889,641	2,968,042	64.74	4,889,641	2,968,042	64.74
Current tax receivables	40	323	89,849	-	100.00	89,849	-	100.00
Investments in subsidiaries	27	301	3,213,788	2,075,000	54.88	-	-	-
Investment in associate	28	303	586,427	586,427	-	423,439	476,382	(11.11)
Investment property	29	306	134,400	100,800	33.33	1,265,996	-	100.00
Property, plant and equipment	30	307	1,166,883	1,254,744	(7.00)	4,112,715	5,015,558	(18.00)
Goodwill and intangible assets	31	312	346,395	320,183	8.19	452,883	320,411	41.34
Leasehold property	32	314	87,131	90,197	(3.40)	87,131	90,197	(3.40)
Deferred tax assets	41	324	-	-	-	28,155	26,234	7.32
Other assets	33	314	832,219	848,591	(1.93)	1,299,753	936,441	38.80
Total assets			161,488,093	150,456,763	7.33	170,953,399	157,363,397	8.64
Liabilities								
Due to banks	34	315	29,423,568	35,584,408	(17.31)	31,336,173	37,085,398	(15.50)
Due to customers	35	316	69,763,219	44,722,552	55.99	69,377,794	44,465,568	56.03
Debt securities issued	36	317	26,281,723	38,673,277	(32.04)	26,281,723	38,569,262	(31.86)
Other financial liabilities	37	319	4,645,818	2,725,166	70.48	4,473,552	2,563,187	74.53
Derivative financial instruments	38	319	-	8,363	(100.00)	-	8,363	(100.00)
Insurance liabilities and reinsurance payable	39	321	-	-	-	4,054,586	3,537,110	14.63
Current tax liabilities	40	323	-	289,978	(100.00)	62,673	337,291	(81.42)
Deferred tax liabilities	41	324	2,275,868	1,923,171	18.34	2,338,807	1,975,528	18.39
Other liabilities	42	326	2,068,075	1,832,555	12.85	2,173,950	1,896,911	14.60
Total liabilities			134,458,271	125,759,470	6.92	140,099,258	130,438,618	7.41
Equity								
Capital	43	329	13,236,073	13,236,073	-	13,236,073	13,236,073	-
Statutory reserve fund	44	330	1,837,413	1,621,946	13.28	1,837,413	1,621,946	13.28
Retained earnings	45	330	11,502,165	9,400,084	22.36	13,167,172	10,560,834	24.68
Other reserves	46	331	454,171	439,190	3.41	448,413	420,957	6.52
Total equity attributable to equity holders of the Company			27,029,822	24,697,293	9.44	28,689,071	25,839,810	11.03
Non-controlling interest	47	331	-	-	-	2,165,070	1,084,969	99.55
Total equity			27,029,822	24,697,293	9.44	30,854,141	26,924,779	14.59
Total liabilities and equity			161,488,093	150,456,763	7.33	170,953,399	157,363,397	8.64
Contingent liabilities and commitments	48	332	7,470,875	6,439,978	16.01	7,623,364	6,715,524	13.52
Net asset value per ordinary share (Rs.)	49	334	17.11	15.63	9.46	18.16	16.36	11.03

The above Statement of Financial Position should be read in conjunction with Notes, which form an integral part of the Financial Statements, disclosed on pages 261 to 374. We certify that these Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.

Sanjeewa Bandaranayake
Chief Financial Officer

The Board of Directors is responsible for these Financial Statements.
Approved and signed for and on behalf of the Board by:

Hemasiri Fernando
Chairman

17 May 2018
Colombo

A S Ibrahim
Chief Executive Officer

M P Amirthanayagam
Deputy Chairman

Statement of Changes In Equity

Company	Other Reserves							Retained Earnings Rs. '000	Total Equity Rs. '000
	Capital Rs. '000	Reserve Fund Rs. '000	General Reserve Rs. '000	Tax Equalisation Reserve Rs. '000	Revaluation Reserve Rs. '000	Available-for-Sale Reserve Rs.'000	Cash Flow Hedge Reserve Rs. '000		
Balance as at 1 April 2016	13,136,073	1,421,483	300,000	100,000	7,302	124,780	-	7,682,230	22,771,868
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	-	-	4,009,254	4,009,254
Other comprehensive income (net of tax)	-	-	-	-	-	(93,771)	879	(16,110)	(109,002)
Total comprehensive income for the year	-	-	-	-	-	(93,771)	879	3,993,144	3,900,252
Transactions with equity holders, recognised directly in equity									
Transfer from preference shares on redemption	100,000	-	-	-	-	-	-	(100,000)	-
Transfers to reserves	-	200,463	-	-	-	-	-	(200,463)	-
Dividend paid	-	-	-	-	-	-	-	(1,974,827)	(1,974,827)
Total transactions with equity holders	100,000	200,463	-	-	-	-	-	(2,275,290)	(1,974,827)
Balance as at 31 March 2017	13,236,073	1,621,946	300,000	100,000	7,302	31,009	879	9,400,084	24,697,293
Balance as at 1 April 2017	13,236,073	1,621,946	300,000	100,000	7,302	31,009	879	9,400,084	24,697,293
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	-	-	4,309,330	4,309,330
Other comprehensive income (net of tax)	-	-	-	-	-	15,860	(879)	(16,955)	(1,974)
Total comprehensive income for the year	-	-	-	-	-	15,860	(879)	4,292,375	4,307,356
Transactions with equity holders, recognised directly in equity									
Transfers to reserves	-	215,467	-	-	-	-	-	(215,467)	-
Dividend paid	-	-	-	-	-	-	-	(1,974,827)	(1,974,827)
Total transactions with equity holders	-	215,467	-	-	-	-	-	(2,190,294)	(1,974,827)
Balance as at 31 March 2018	13,236,073	1,837,413	300,000	100,000	7,302	46,869	-	11,502,165	27,029,822

The above Statement of Changes in Equity should be read in conjunction with Notes, which form an integral part of the Financial Statements, disclosed on pages 261 to 374.

Statement of Changes In Equity

Group	Other Reserves							Retained Earnings	Total	Non-Controlling Interest	Total Equity
	Capital	Reserve Fund	General Reserve	Tax Equalisation Reserve	Available-for-Sale Reserve	Cash Flow Hedge Reserve	Foreign Currency Translation Reserve				
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 1 April 2016	13,136,073	1,421,483	300,000	100,000	109,575	-	-	8,600,098	23,667,229	1,003,043	24,670,272
Total comprehensive income for the year											
Profit for the year	-	-	-	-	-	-	-	4,255,132	4,255,132	186,484	4,441,616
Other comprehensive income (net of tax)	-	-	-	-	(89,497)	879	-	(19,106)	(107,724)	442	(107,282)
Total comprehensive income for the year	-	-	-	-	(89,497)	879	-	4,236,026	4,147,408	186,926	4,334,334
Transactions with equity holders, recognised directly in equity											
Transfer from preference shares on redemption	100,000	-	-	-	-	-	-	(100,000)	-	-	-
Transfers to reserves	-	200,463	-	-	-	-	-	(200,463)	-	-	-
Dividend paid	-	-	-	-	-	-	-	(1,974,827)	(1,974,827)	(105,000)	(2,079,827)
Total transactions with equity holders	100,000	200,463	-	-	-	-	-	(2,275,290)	(1,974,827)	(105,000)	(2,079,827)
Balance as at 31 March 2017	13,236,073	1,621,946	300,000	100,000	20,078	879	-	10,560,834	25,839,810	1,084,969	26,924,779
Balance as at 1 April 2017	13,236,073	1,621,946	300,000	100,000	20,078	879	-	10,560,834	25,839,810	1,084,969	26,924,779
Movement due to change in ownership	-	-	-	-	-	-	-	-	-	989,833	989,833
Total comprehensive income for the year											
Profit for the year	-	-	-	-	-	-	-	4,816,920	4,816,920	200,793	5,017,713
Other comprehensive income (net of tax)	-	-	-	-	25,507	(879)	2,828	(20,288)	7,168	1,975	9,143
Total comprehensive income for the year	-	-	-	-	25,507	(879)	2,828	4,796,632	4,824,088	1,192,601	6,016,689
Transactions with equity holders, recognised directly in equity											
Transfers to reserves	-	215,467	-	-	-	-	-	(215,467)	-	-	-
Dividend paid	-	-	-	-	-	-	-	(1,974,827)	(1,974,827)	(112,500)	(2,087,327)
Total transactions with equity holders	-	215,467	-	-	-	-	-	(2,190,294)	(1,974,827)	(112,500)	(2,087,327)
Balance as at 31 March 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

The above Statement of Changes in Equity should be read in conjunction with Notes, which form an integral part of the Financial Statements, disclosed on pages 261 to 374.

Statement of Cash Flows

For the year ended 31 March				Company		Group	
				2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Note	Page No.						
Cash flows from operating activities							
Profit before income tax				5,769,672	5,475,894	6,662,332	6,084,233
Adjustment for:							
Non-cash items included in profits before income tax	50	334	1,702,807	336,754	1,535,280	474,960	
Change in operating assets	51	334	(12,484,630)	(23,532,382)	(14,104,340)	(22,864,449)	
Change in operating liabilities	52	335	26,741,307	11,065,878	27,080,223	10,822,081	
Share of loss in associate (net of tax)	28.1.1	304	-	-	52,942	73,875	
Dividend income from investments			(444,503)	(399,854)	(26,610)	(51,626)	
Interest expense on due to banks	5.2	273	3,320,842	3,657,065	3,509,190	3,687,414	
Interest expense on debt securities issued	5.2	273	4,219,041	4,164,403	4,202,390	4,147,569	
Net unrealised gains arising from translating the Financial Statements of foreign subsidiary			-	-	2,828	-	
Benefits paid on retirement benefit obligation	42.1	327	(19,555)	(8,769)	(21,612)	(8,836)	
Income tax paid	40	323	(1,113,050)	(1,757,430)	(1,174,927)	(1,858,901)	
Net cash generated from/(used in) operating activities				27,691,931	(998,441)	27,717,696	506,320
Cash flows from investing activities							
Purchase of property, plant and equipment	30	307	(170,350)	(310,059)	(412,263)	(1,079,232)	
Proceeds from the sale of property, plant and equipment			99,468	41,195	121,980	52,057	
Purchase of intangible assets	31	312	(36,747)	-	(36,745)	-	
Investment in subsidiaries			(1,138,788)	(200,000)	-	-	
Investment in leasehold asset	32	314	-	(90,197)	-	(90,197)	
Net cash and cash equivalents on acquisition of subsidiary	27.2	303	-	-	(1,107,456)	-	
Dividend, received from investments			444,503	399,854	26,610	51,626	
Net cash used in investing activities				(801,914)	(159,207)	(1,407,874)	(1,065,746)
Cash flows from financing activities							
Proceeds from due to banks	34.1	316	55,180,000	50,660,000	55,550,481	51,564,146	
Repayment of due to banks	34.1	316	(65,310,618)	(45,780,193)	(65,536,775)	(46,726,038)	
Proceeds from issue of debt securities issued	36.1	317	1,000,000	14,066,600	1,000,000	14,066,600	
Redemption of debt securities issued	36.1	317	(13,255,994)	(10,212,536)	(13,222,468)	(10,212,536)	
Interest paid on debt securities issued	36.1	317	(4,354,601)	(3,732,867)	(4,354,601)	(3,628,852)	
Dividend paid to shareholders			(1,974,827)	(1,974,827)	(1,974,827)	(1,974,827)	
Dividend paid to non-controlling interest	47	331	-	-	(112,500)	(105,000)	
Redemption of preference shares	43	329	-	(100,000)	-	(100,000)	
Net cash from/(used in) financing activities				(28,716,040)	2,926,177	(28,650,690)	2,883,493
Net increase/(decrease) in cash and cash equivalents				(1,826,023)	1,768,529	(2,340,868)	2,324,067
Cash and cash equivalents at 1 April				4,974,811	3,206,282	5,503,315	3,179,248
Cash and cash equivalents at 31 March				3,148,788	4,974,811	3,162,447	5,503,315
Cash and cash equivalents	20	286	4,414,083	5,591,170	4,766,920	6,379,909	
Overdraft	34	315	(1,265,295)	(616,359)	(1,604,473)	(876,594)	
Cash and cash equivalents at 31 March				3,148,788	4,974,811	3,162,447	5,503,315

The above Statement of Cash Flows should be read in conjunction with Notes, which form an integral part of the Financial Statements, disclosed on pages 261 to 374

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 2 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.

Corporate information is presented in the inner back cover of this annual report.

CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements of the Group for the year ended 31 March 2018 comprise People's Leasing & Finance PLC (Parent Company), its subsidiaries (together referred to as the "Group") and the Group's interest in its associate company.

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 as at 31 March 2018 is 2,085 (2,085 as at 31 March 2017).

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.

SUBSIDIARIES AND ASSOCIATE

Name of the Company	Principal activities	Country of incorporation	% equity interest	
			2018	2017
Subsidiaries				
People's Leasing Fleet Management Limited	Fleet management, vehicle valuation, sale of vehicles, insurance assessment and vehicles repairing	Sri Lanka	100.00	100.00
People's Leasing Property Development Limited	Carrying out a mixed development projects and property development activities	Sri Lanka	100.00	100.00
People's Insurance PLC	Carrying out general insurance business	Sri Lanka	75.00	75.00
People's Leasing Havelock Properties Limited	Construct and operate an office complex	Sri Lanka	100.00	100.00
People's Microfinance Limited	Providing non-bank financial services to low income earners and micro enterprises	Sri Lanka	100.00	100.00
Lankan Alliance Finance Limited	Providing leasing of movable and immovable properties and provide loans	Bangladesh	51.00	—
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	37.06

There were no significant changes in the nature of the principal activities of the Company and the Group during the financial year under review. During the year 2017/18, the Company acquired 51% of shares in Lankan Alliance Finance Limited.

Notes to the Financial Statements

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 2018 and for 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 Statement of Cash Flows have been prepared based on accrual basis of accounting.

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 (Refer pages 255 to 256);
- a Statement of Financial Position providing the information on the financial position of the Company and the Group as at the year-end (Refer page 257);
- a Statement of Changes in Equity depicting all changes in shareholders' equity during the year under review of the Company and the Group (Refer pages 258 to 259);
- a Statement of Cash Flows providing the information to the users, on the ability of the Company and the Group to generate cash and cash equivalents and the needs of entity to utilise those cash flows (Refer page 260); and
- Notes to the Financial Statements comprising Accounting Policies and other explanatory information (Refer pages 261 to 374).

2.2 RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Board of Directors is responsible for preparation and presentation of these Financial Statements of the Company and the Group as per the provisions 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 on pages 164, 247 and 257 respectively.

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 2018 (including comparatives) were approved and authorised for issue on 17 May 2018 in accordance with the resolution of the Board of Directors on 17 May 2018.

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:

Item	Basis of measurement	Note	Page No.
Financial assets – Held for trading	Fair value	22	287
Financial assets – Available for sale	Fair value	25	298
Investment property	Fair value	29	306
Derivative financial instruments	Fair value	38	319
Retirement benefit obligation	Liability is recognised as the present value of the retirement benefit obligation, less the fair value of the plan assets.	42.1	327

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). No adjustments have been made for inflationary factors affecting the Financial Statements.

Financial assets and financial liabilities are offset and the net amount reported in the Consolidated Statement of Financial Position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to 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.

Notes to the Financial Statements

2.6 FUNCTIONAL AND PRESENTATION CURRENCY

The Financial Statements of the Company and the Group are presented in Sri Lankan Rupees (Rs.), which is the currency of primary economic environment, in which the Company and Group operates.

The information presented in US Dollars in the Section on "Supplementary Information" on pages 380 and 381 does not form part of the Financial Statements and is made available solely for the information of stakeholders.

2.7 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 on "Presentation of Financial Statements".

2.8 MATERIALITY AND AGGREGATION

In compliance with the Sri Lanka Accounting Standard – LKAS 1 on "Presentation of Financial Statements", each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions too are presented separately, unless they are immaterial.

2.9 STATEMENT OF CASH FLOWS

The Statement of Cash Flows has been prepared by using the "Indirect Method" of preparing cash flows in accordance with the Sri Lanka Accounting Standard – LKAS 7 – "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 334 to 335.

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.

IMPAIRMENT LOSSES ON LOANS AND RECEIVABLES

Details of the "Impairment losses on loans and receivables" are given in Note 23.3 to the Financial Statements.

IMPAIRMENT OF AVAILABLE-FOR-SALE ASSETS

Details of the "Impairment of available-for-sale assets" are given in Note 25 to the Financial Statements.

USEFUL LIFETIME 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 31 to the Financial Statements.

RETIREMENT BENEFIT OBLIGATION

Details of the "Retirement Benefit Obligation" are given in Note 42.1 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.

Notes to the Financial Statements

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.

COMMITMENTS AND CONTINGENCIES

Details of the "Commitments and Contingencies" are given in Note 48 to the Financial Statements.

2.11 COMPARATIVE INFORMATION

The comparative information is reclassified wherever necessary to conform to the current year's presentation, the details of which are given in Note 59 to the Financial Statements.

3 — GENERAL ACCOUNTING POLICIES

3.1 BASIS OF CONSOLIDATION

The Consolidated Financial Statements of the Group for the year ended 31 March 2018 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 Lanken Alliance Finance Limited, whose financial year ends on 31 December.

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 Company and the Group 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 Combinations 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. Subsequently, it is accounted for as an equity-accounted investee.

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.

Notes to the Financial Statements

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 effected. In this regard, the Group's practice is to use the middle rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the spot rate of exchange at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year adjusted for effective interest and payments during the year and the amortised cost in foreign currency translated at the exchange rate at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition. Non-monetary items measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value was determined.

3.3 FINANCIAL INSTRUMENTS – INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

3.3.1 DATE OF RECOGNITION

All financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Company and the Group become a party to the contractual provisions of the instrument.

3.3.2 CLASSIFICATION AND INITIAL MEASUREMENT OF FINANCIAL INSTRUMENTS

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the

Management's intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction costs that are directly attributable to acquisition or issue of such financial instrument, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss as per the Sri Lanka Accounting Standard – LKAS 39 – “Financial Instruments: Recognition and Measurement”.

3.3.3 CLASSIFICATION AND SUBSEQUENT MEASUREMENT OF FINANCIAL ASSETS

At inception a financial asset is classified under one of the following categories:

- (i) Financial assets at fair value through profit or loss (FVTPL);
 - Financial assets – Held for trading; or
 - Financial assets – Designated at fair value through profit or loss.
- (ii) Financial assets – Loans & receivables (L&R);
- (iii) Financial assets – Held to maturity (HTM); or
- (iv) Financial assets – Available for sale (AFS).

The Company and the Group determine the classification of its financial assets at initial recognition. The classification depends on the purpose for which the investments were acquired or originated (i.e., intention) and based on the ability to hold.

The subsequent measurement of financial assets depends on their classification.

3.3.3.1 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss.

Financial Assets – Designated at Fair Value through Profit or Loss

The Company and the Group designate financial assets at fair value through profit or loss in the following circumstances:

- The assets are managed, evaluated and reported internally at fair value;
- The designation eliminates or significantly reduces an accounting mismatch, which would otherwise have arisen; or
- The asset contains an embedded derivative that significantly modifies the cash flows that would otherwise have been required under the contract.

Financial assets designated at fair value through profit or loss is recorded in the Statement of Financial Position at fair value. Changes in fair value are recorded in “Net gains/(Loss) on financial assets – Held for trading”. Interest earned is accrued in “Interest Income” using EIR while dividend income is recorded in “Other Operating Income” when the right to receive the payment has been established.

Details of “Financial assets – Held for trading” are given in Note 22 on pages 287 to 289.

3.3.3.2 FINANCIAL ASSETS – LOANS & RECEIVABLES (L&R)

Details of “Financial assets – Loans and receivables” are given in Note 23 on pages 290 to 296.

3.3.3.3 FINANCIAL ASSETS – HELD TO MATURITY (HTM)

Details of “Financial assets – Held to maturity” are given in Note 26 on page 300.

3.3.3.4 FINANCIAL ASSETS – AVAILABLE FOR SALE (AFS)

Details of “Financial assets – Available for sale” are given in Note 25 on pages 298 to 300.

Notes to the Financial Statements

3.3.4 CLASSIFICATION AND SUBSEQUENT MEASUREMENT OF FINANCIAL LIABILITIES

At the inception the Company and the Group determines the classification of its financial liabilities. Accordingly, financial liabilities are classified as:

- (i) Financial liabilities at fair value through profit or loss (FVTPL);
 - Financial liabilities held for trading; or
 - Financial liabilities designated at fair value through profit or loss.
- (ii) Financial liabilities at amortised cost.

The subsequent measurement of financial liabilities depends on their classification.

3.3.4.1 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, and changes therein recognised in Statement of Profit or Loss.

Financial liabilities are classified as held for trading if they are acquired principally for the purpose of selling or repurchasing in the near term or holds as a part of a portfolio that is managed together for short-term profit or position taking. This category includes derivative Financial Instruments entered into by the Company and the Group that are not designated as hedging instruments in hedge relationships as defined by the Sri Lanka Accounting Standard – LKAS 39 – “Financial Instruments: Recognition and Measurement”. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the Statement of Profit or Loss.

3.3.4.2 FINANCIAL LIABILITIES AT AMORTISED COST

Financial Instruments issued by the Company and Group that are not designated at fair value through profit or loss, are classified as liabilities under “Due to banks”, “Due to customers”, “Debts securities issued” and “Other financial liabilities” as appropriate, where the substance of the contractual arrangement results in the Company and Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares at amortised cost using the EIR method.

After initial recognition, such financial liabilities are substantially measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. The EIR amortisation is included in “interest expenses” in the Statement of Profit or Loss. Gains and losses are recognised in the Statement of Profit or Loss when the liabilities are derecognised as well as through the EIR amortisation process.

The details of the Company's and Group's financial liabilities at amortised cost are shown in Note 19 on pages 283 to 286 to the Financial Statements.

3.3.5 RECLASSIFICATION OF FINANCIAL INSTRUMENTS

The Company and Group does not reclassify any financial instrument into the “fair value through profit or loss” category after initial recognition. Also the Company and Group does not reclassify any financial instrument out of the “fair value through profit or loss” category if upon initial recognition it was designated as at fair value through profit or loss.

The Company and Group reclassifies non-derivative financial assets out of the “Held for trading” category and into the “Available for sale”, “Loans and receivables”, or “Held-to-maturity” categories as permitted by the Sri Lanka Accounting Standard – LKAS 39 on “Financial Instruments: Recognition and Measurement”. In certain circumstances the Group is also permitted to reclassify financial assets out of the “Available-for-sale” category and into the “Loans and receivables”, “Held for trading” or “Held to maturity” category.

Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost.

For a financial asset reclassified out of the “Available-for-Sale” category, any previous gain or loss on that asset that has been recognised in Equity is amortised to Statement of Profit or Loss over the remaining life of the investment using the effective interest rate (EIR). Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in Equity is recycled to the Statement of Profit or Loss.

The Company/Group may reclassify a non-derivative trading asset out of the “Held-for-Trading” category and into the “Loans and Receivables” category if it meets the definition of Loans and receivables and the Company/Group has the intention and ability to hold the financial asset for the foreseeable future or until maturity. If a financial asset is reclassified, and if the Group subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Reclassification is at the election of management, and is determined on an instrument by instrument basis.

Notes to the Financial Statements

3.3.6 DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

FINANCIAL ASSETS

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset which have expired;
- The Company and the Group has transferred its rights to receive cash flows from the asset or have 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 Company and the Group has transferred substantially all the risks and rewards of the asset; or
- The Company and the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but have 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 Company and the Group have transferred rights to receive cash flows from an asset or have entered into a pass-through arrangement, and have 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.

3.3.7 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.

3.3.8 DETERMINATION OF FAIR VALUE

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 54.

3.4 IMPAIRMENT OF NON-FINANCIAL ASSETS

The carrying amounts of the Group’s non-financial assets, other than deferred tax assets are reviewed at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing of an asset is required, the Group estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s fair value less costs to sell and its value in use. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share price for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may have decreased. If such

Notes to the Financial Statements

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.

3.5 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 – “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.

3.6 BORROWING COSTS

As per Sri Lanka Accounting Standard – LKAS 23 – “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.

3.7 FIDUCIARY ASSETS

The Company provides trust and other fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in a fiduciary capacity are not reported in these Financial Statements as they do not belong to the Company.

3.8 CURRENT TAX

Details of the “Income Tax Expense” are given in Note 16 to the Financial Statements.

3.9 DEFERRED TAX

Details of the “Deferred Tax” are given in Note 41 to the Financial Statements.

3.10 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.

3.11 VALUE ADDED TAX (VAT) AND NATION BUILDING TAX (NBT) ON FINANCIAL SERVICES

Details of the “VAT and NBT on financial services” are given in Note 15 to the Financial Statements.

3.12 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following Sri Lanka Accounting Standards were issued by The Institute of Chartered Accountants of Sri Lanka but are not yet effective as at 31 March 2018. Accordingly these accounting standards have not been applied in the preparation of the Financial Statements for the year ended 31 March 2018.

SLFRS 9 – FINANCIAL INSTRUMENTS:

SLFRS 9 Financial Instruments will replace LKAS 39 for annual periods on or after 1 January 2018 with early adoption permitted. In 2016 the Company

set up a multidisciplinary implementation team (‘the Team’) with members from its Risk, Finance and Operations teams to prepare for SLFRS 9 implementation (‘the Project’). The Project is sponsored by the Chief Risk and Financial officers.

The Project has clear individual work streams within two sub-teams for classification and measurement and impairment. The initial assessment and analysis stage was completed for impairment in 2016/2017, and the sub team is finalising the classification and measurement phase.

The Company performed the Diagnostic Phase (Preliminary Impact Assessment exercise) and Implementation Phase (solution development) on SLFRS 9 Financial Instruments. The Company has undertaken a significant analysis of how SLFRS 9 should be implemented and has taken tentative accounting policy decisions.

CLASSIFICATION & MEASUREMENT

From a classification and measurement perspective, the new standard will require all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

Business Model Assessment

The Company determines its business model at the level that best reflects how it manages the financial assets to achieve its objectives. The Company's business model is not assessed on an instrument by instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- — How the performance of the business model and the financial asset held within that business model are evaluated and reported to the entity's key management personal

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- The risks that affects the performance of the business model (and the financial asset held within that business model) and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flow collected)
- The expected frequency, value and timing of sales are also important aspect of Company's assessment

The business model assessment is based on reasonably expected scenarios without taking "Worst case" or "Stress Case" scenarios in to account. If cash flows after initial recognition are realised in away that is different from the Company's original expectation, the Company 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.

Contractual Cash flow Characteristic Test

As the second test of the classification process the Company assesses the contractual terms of the financial asset to identify whether they meet Solely the Payment of Principle & Interest (SPPI)

Principle' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principle or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make SPPI assessment, the Company applies judgment and considers relevant factors such as currency in which the financial asset is denominated and the period for which the interest rate is set.

In contrast to contractual exposures that introduce a more than deminimis exposure to risk or volatility in the contractual cashflows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely the payment of principle and interest on the amount out standing. In such cases the financial asset is required to be measured at FVPL.

IMPAIRMENT OF FINANCIAL ASSETS

Overview of Expected Credit Loss Principle (ECL)

SLFRS 9 will principally change the Company's loan loss provision method by replacing LKAS 39 Financial Instrument Recognition & Measurement's incurred loss approach with a forward looking ECL Approach. ECL allowance will be based on credit losses expected to arise over the life of the asset (Lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination in which case the loss allowance will be 12 month expected credit loss (12mECL). 12mECL is the portion of LTECL that represent the ECL that results from default events on a financial instrument that are possible within 12 months after the reporting date.

The Company has established a policy to perform an assessment, at the end of each reporting period of whether a financial instrument's credit risk has increased significantly since initial recognition. Based on such process Company groups loans in to stage 1, stage 2, stage 3 as described below:

Stage 1

When loans are first recognised, the Company recognises an allowance based on 12mECL. Stage 1 loans also include the facilities where the credit risk has improved and the loans has been re-classified from Stage 2. Assessment of Stage 1 will be performed collectively.

Stage 2

When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from stage 2. Assessment of stage 2 will be performed collectively.

Stage 3

Loan considered to be credit Impaired/ contains objective evidence of incurred losses records an allowance for the LTECL. Stage 3 assessment will be performed Individual/Collectively.

Significant Increase in Credit Risk

The Company continuously monitors all assets subject to ECL, in order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Company assess whether there has been a significant increase in credit risk since initial recognition. The Company considers an exposure to have significantly increased in credit risk when the either of the following criterias are met:

- Facilities exceeding 30days past due.
- Re-structured facilities
- Secondary qualitative indicators triggering a significant increase in credit risk for an asset, such as moving a customer/facility to watchlist.

Individually Significant Assessment and Not Impaired Individually

Company will individually assess all customer exposures exceeding Rs. 100 million. Individual assessment will be performed for all the customers with objective evidence of incurred losses (under Stage 3). Loans which are individually significant but not

Notes to the Financial Statements

impaired will be assessed collectively for impairment either under Stage 1 or Stage 2 based on the criteria whether there have been significant credit deterioration since origination.

While establishing significant credit deterioration Company will consider the following criterias:

- Other changes in the rates or terms of an existing financial instrument that would be significantly different if the instrument was newly originated
- Existing or forecast adverse changes in business, financial or economic condition that are expected to cause a significant change in the borrower's ability to meet its obligation
- An actual or expected significant change in the operating results of the borrower in relating to actual/expected decline in revenue, Increase in operating risk, working capital deficiency, decrease in asset quality, Increase in gearing, liquidity management problems
- actual or expected significant adverse change in the regulatory, economic or technological environment of the borrower that result in a significant change in the borrower's ability to meet the debt obligation

Grouping financial assets measured on a collective basis

As explained above, Company calculates ECL either on a collective or individual basis. Asset classes where Company calculates ECL on an individual basis includes All Individually significant Assets which are belong to stage 3. All assets which belong stage 1 & 2 will be assessed collectively for Impairment.

Company groups these exposures for smaller homogeneous exposures, based on a combination of internal and external characteristics of the loan as described below:

- Product Type
- Type of Collateral
- Days Past Due

The Calculation of ECL

The Company calculates ECL based on 3 probability weighted scenarios to measure expected cash shortfalls, discounted at an approximation to the EIR.

The mechanics of the ECL calculation are outlined below and the key elements are as follows:

- PD : The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio
- EAD: Exposure At Default is the estimate of the exposure at a future default date, taking in to account expected changes in the exposure after the reporting date, including repayments of the principle and interest, whether scheduled by contract or otherwise, expected draw downs on committed facilities.
- LGD: Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cashflows due and those that the lenders would expect to receive, including realisation of any collateral.

When estimating the ECL, Company considers 3 scenarios (Base Case, Best Case & Worst Case). Each of these scenarios associated with different loss rates. For all products Company considers the maximum period of which the credit losses are determined is the contractual life of a financial instrument.

Forward Looking Information In its ECL model Company relies on broad range qualitative/quantitative forward looking information as economic input such as:

Quantitative	Qualitative
GDP Growth	Government Policies
Inflation	Status of the Industry Business
Unemployment	Regulatory Impact
Interest Rates	
Exchange Rates	

SLFRS 15 – REVENUE FROM CONTRACTS WITH CUSTOMERS

The objective of this Standard is to establish the principles that an entity shall apply to report useful information to users of Financial Statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

SLFRS 15 introduces a five-step approach for revenue recognition from contracts with customers and replaces all other currently applicable revenue Standards and related interpretations.

SLFRS 15 will become effective on 1 January 2018. The impact on the implementation of the above Standard has not been quantified yet.

Notes to the Financial Statements

SLFRS 16 – LEASES

SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e., the customer (“lessee”) and the supplier (“lessor”). SLFRS 16 will replace Sri Lanka Accounting Standard – LKAS 17 – “Leases and Related interpretations”. SLFRS 16 introduces a single accounting model for the lessee, eliminating the present classification of leases in LKAS 17 as either operating leases or finance leases.

SLFRS 16 will become effective on 1 January 2019. The impact on the implementation of the above Standard has not been quantified yet.

IFRIC INTERPRETATION 23 “UNCERTAINTY OVER INCOME TAX TREATMENT”

This interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of Sri Lanka Accounting Standards - LKAS 12 'income Tax' and 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 assumption 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 an entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. the approach that better predicts the resolution of the uncertainty should be followed.

the interpretation is effective for annual reporting periods beginning on or after 1st January 2019, the Group may need to establish processes and procedures to obtain information that is necessary to apply the interpretation on a timely basis.

Notes to the Financial Statements

4 — GROSS INCOME

ACCOUNTING POLICY

Income is recognised to the extent that it is probable that the economic benefits will flow to the Company and the Group and revenue can be reliably measured. The specific recognition criteria, for each type of income are given under the respective income notes.

For the year ended 31 March	Note	Page No.	Company		Group	
			2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Net interest income	5	272	26,704,635	22,041,263	27,582,045	22,784,273
Net earned premium	6	273	–	–	4,053,270	3,694,027
Fee and commission income	7	274	1,182,573	1,133,735	685,836	621,711
Net gains on financial assets – Held for trading	8	275	18,987	8,257	59,910	43,869
Other operating income	9	275	663,339	675,783	729,853	588,874
Total			28,569,534	23,859,038	33,110,914	27,732,754

5 — NET INTEREST INCOME

ACCOUNTING POLICY

RECOGNITION OF INCOME AND EXPENSES

Income is recognised to the extent that it is probable that the economic benefits will flow to the Company/Group and the revenue can be reliably measured.

INTEREST INCOME AND EXPENSES

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 Company/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/Group subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

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	
			2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Interest income	5.1	273	26,704,635	22,041,263	27,582,045	22,784,273
Interest expenses	5.2	273	14,500,158	11,829,601	14,626,672	11,819,756
Net interest income			12,204,477	10,211,662	12,955,373	10,964,517

Notes to the Financial Statements

5.1 INTEREST INCOME

For the year ended 31 March	Company		Group	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Cash and cash equivalents	91,536	177,077	121,284	206,825
Balances with banks and financial institutions	405,770	22,342	544,619	177,771
Loans and receivables	25,746,323	21,350,366	26,196,854	21,786,593
Finance lease and hire purchase	13,492,317	11,308,557	13,917,219	11,658,894
Loans and other advances	9,066,417	7,191,468	9,059,091	7,241,826
Interest on overdue rentals	1,814,016	1,678,939	1,846,971	1,714,471
Profit from Islamic finance	1,373,573	1,171,402	1,373,573	1,171,402
Financial assets – Available for sale	–	–	258,282	121,606
Financial assets – Held to maturity	461,006	491,478	461,006	491,478
Total interest income	26,704,635	22,041,263	27,582,045	22,784,273

5.2 INTEREST EXPENSES

For the year ended 31 March	Company		Group	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Due to banks	3,320,842	3,657,065	3,509,190	3,687,414
Due to customers	6,960,275	4,008,133	6,915,092	3,984,773
Debt securities issued	4,219,041	4,164,403	4,202,390	4,147,569
Total interest expenses	14,500,158	11,829,601	14,626,672	11,819,756

6 — NET EARNED PREMIUM

ACCOUNTING POLICY

INSURANCE – REVENUE RECOGNITION GROSS WRITTEN PREMIUM

Non-life insurance gross written premium comprises 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.

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6. NET EARNED PREMIUM (CONTD.)

UNEARNED REINSURANCE PREMIUM RESERVE

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premium is deferred over the term of the underlying direct insurance policies.

For the year ended 31 March	Company		Group	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Gross written premium	-	-	4,827,258	4,323,393
Less: Premium ceded to reinsurance	-	-	436,032	368,456
Less: Change in reserve unearned premium	-	-	337,956	260,910
Total	-	-	4,053,270	3,694,027

7 — FEE AND COMMISSION INCOME

ACCOUNTING POLICY

FEE AND COMMISSION INCOME

The Company/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.

For the year ended 31 March	Company		Group	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Service charges	522,058	497,632	132,692	136,657
Other fees and commission	660,515	636,103	553,144	485,054
Total	1,182,573	1,133,735	685,836	621,711

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8 — NET GAINS ON FINANCIAL ASSETS – HELD FOR TRADING

ACCOUNTING POLICY

This comprise all gains and losses from changes in fair value including realised and unrealised fair value changes for financial assets – “Held for trading”.

For the year ended 31 March	Company		Group	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Net gains on financial assets – held for trading				
Net mark-to-market (losses)/gains	(799)	(1,616)	23,522	17,394
Net capital gains	19,786	9,873	36,388	26,475
Total	18,987	8,257	59,910	43,869

9 — OTHER OPERATING INCOME

ACCOUNTING POLICY

Other operating income includes gains on property, plant and equipment, hiring income, rent income and dividend income etc.

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 been 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.

GAINS 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 hirer for the year.

OTHER INCOME

Other income is recognised on an accrual basis.

Notes to the Financial Statements

9. OTHER OPERATING INCOME (CONTD.)

For the year ended 31 March	Company		Group	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Gain on sale of property, plant and equipment	20,162	40,705	20,162	40,705
Hiring income	-	-	31,446	71,188
Operating leases income	-	5,671	15,577	11,951
Bad debts recovered	162,285	190,204	162,285	190,204
Net trading income from sale of vehicles	2,858	4,358	2,858	4,358
Dividend income from – Financial Assets – Available for sale	13,530	10,881	13,530	10,881
– Subsidiaries	423,227	371,890	-	-
– Financial Assets – Held for trading	7,746	17,083	13,080	40,745
Other income	33,531	34,991	470,915	218,842
Total	663,339	675,783	729,853	588,874

10 – IMPAIRMENT CHARGES FOR LOANS AND RECEIVABLES AND OTHER LOSSES

ACCOUNTING POLICY

The Company and the Group recognise the changes in the impairment provisions for loans and receivables which are assessed as per the Sri Lanka Accounting Standard – LKAS 39 – “Financial Instruments: Recognition and Measurement”. The methodology adopted by the Company and the Group is explained in Note 23.3 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.

For the year ended 31 March	Company		Group	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Impairment on loans and receivables				
Individual impairment	67,006	89,968	56,163	100,811
Collective impairment	1,338,957	(21,229)	1,386,301	32,327
Other receivable	-	-	3,590	-
Loss on disposal of collaterals including write-offs	186,293	147,026	186,293	149,681
Total	1,592,256	215,765	1,632,347	282,819

Notes to the Financial Statements

11 — PERSONNEL EXPENSES

ACCOUNTING POLICY

Personnel expenses include salaries and 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) contribution 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	
			2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Remuneration			2,307,835	2,315,180	2,682,842	2,693,152
Employee benefit – Defined contribution plans (EPF/ETF)			183,431	176,328	216,335	205,918
Employee benefit – Retirement benefit obligation – Gratuity	42.1.2	328	83,710	64,734	93,186	72,109
Total			2,574,976	2,556,242	2,992,363	2,971,179

12 — DEPRECIATION AND AMORTISATION

ACCOUNTING POLICY

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. Lands are not depreciated.

The estimated useful lives are as follows:

Class of asset	% 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 equipment	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 30 on pages 307 to 312.

Notes to the Financial Statements

12. DEPRECIATION AND AMORTISATION (CONTD.)

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	% Per annum	Period Years
Computer software	20	5
Customer List	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 31 on pages 312 to 314.

	Note	Page No.	Company		Group	
			2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Depreciation of property, plant and equipment	30	307	178,905	175,425	278,342	261,856
Amortisation of intangible assets	31	312	10,535	9,780	12,827	12,764
Amortisation of leasehold property	32	314	3,066	1,788	3,066	1,788
Total			192,506	186,993	294,235	276,408

13 — BENEFITS, CLAIMS AND UNDERWRITING EXPENDITURE

ACCOUNTING POLICY

INSURANCE – BENEFITS, CLAIMS AND EXPENSES RECOGNITION GROSS BENEFITS AND CLAIMS

Gross benefits and claims for non-life insurance include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries and any adjustments to claims outstanding from previous years.

Claims expenses and liabilities for outstanding claims are recognised in respect of direct insurance business. The liability covers claims reported but not yet paid, incurred but not reported claims (IBNR) and the anticipated direct and indirect costs of settling those claims. Claims outstanding are assessed by review of individual claim files and estimating changes in the ultimate cost of settling claim. The provision in respect of IBNR is actuarially valued on an annual basis to ensure a more realistic estimation of the future liability based on past experience and trends.

Notes to the Financial Statements

REINSURANCE CLAIMS

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

For the year ended 31 March	Company		Group	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Net benefits and claims	-	-	2,360,649	2,198,836
Underwritings and net acquisition costs	-	-	415,483	384,976
Total	-	-	2,776,132	2,583,812

14 — 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.

For the year ended 31 March	Company		Group	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Directors' emoluments	8,392	4,840	17,100	6,202
Auditors' remunerations	6,988	4,968	10,693	8,367
Non-audit fees to Auditors	4,354	3,502	6,666	4,510
Professional fees	13,169	15,775	19,798	17,937
Advertising expenses	46,482	37,800	106,328	40,463
Legal fees	13,585	4,502	13,585	4,502
Office administration and establishment expenses	2,546,874	2,599,381	2,572,805	2,614,273
Total	2,639,844	2,670,768	2,746,975	2,696,254

15 — VAT AND NBT 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.

Notes to the Financial Statements

15. VAT AND NBT ON FINANCIAL SERVICES (CONTD.)

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 at 2% of the value addition used for the purpose of VAT on financial services.

For the year ended 31 March	Company		Group	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
VAT on financial services	1,150,185	797,080	1,173,786	817,723
NBT on financial services	149,937	126,695	153,130	126,695
Total	1,300,122	923,775	1,326,916	944,418

16 — INCOME TAX EXPENSE

ACCOUNTING POLICY

CURRENT TAX

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Accordingly, provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and the amendments thereto and Bangladesh Income Tax Ordinance, 1984 and amendments made thereto at the rates specified below:

Company	Note	Page No.	Tax rate	
			2018 (%)	2017 (%)
People's Leasing & Finance PLC			28	28
People's Leasing Fleet Management Limited			28	28
People's Microfinance Limited			28	28
People's Insurance PLC	16.1	281	14	14
People's Leasing Property Development Limited	16.2	281	10/28	10/28
People's Leasing Havelock Properties Limited	16.3	281	Exempt	Exempt
Lankan Alliance Finance Limited	16.4	281	42.5	N/A*

* Lankan Alliance Finance Limited is acquired during the year 2017/18.

Notes to the Financial Statements

16.1 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, during the reporting period and income tax was calculated at 14% (2017 – 14%).

16.2 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 28%.

16.3 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 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.

16.4 LANKAN ALLIANCE FINANCE LIMITED

According to Bangladesh Income Tax Ordinance, 1984 and amendments made thereto, tax rate applicable for Lankan Alliance Finance Limited is 42.5%.

For the year ended 31 March	Note	Page No.	Company		Group	
			2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Statement of Profit or Loss						
Current income tax charge			1,101,046	1,359,096	1,276,638	1,527,554
Deferred tax charge for the year	41	324	359,296	107,544	367,981	115,063
Income tax expense recognised in Statement of Profit or Loss			1,460,342	1,466,640	1,644,619	1,642,617
Statement of Comprehensive Income						
Deferred tax charge for the year	41	324	6,599	6,270	6,623	6,493
Income tax charge recognised in Statement of Comprehensive Income			6,599	6,270	6,623	6,493
Effective tax rate (excluding deferred tax) (%)			19.08	24.82	19.16	25.11
Effective tax rate (%)			25.31	26.78	24.69	27.00

Notes to the Financial Statements

16. INCOME TAX EXPENSE (CONTD.)

16.5 RECONCILIATION OF ACCOUNTING PROFIT AND TAXABLE INCOME

For the year ended 31 March		Note		Page No.		Company		Group	
						2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Profit as per Statement of Profit or Loss						5,769,672	5,475,894	6,662,332	6,084,233
Add: Disallowable expenses						3,255,170	1,568,676	3,477,487	1,755,107
Add: Lease capital recoverable						22,999,249	23,267,266	22,999,290	23,341,141
Less: Allowable expenses						26,898,108	24,264,890	27,166,002	24,323,423
Less: Exempted/allowable income						821,813	431,150	1,035,171	589,490
Statutory income						4,304,170	5,615,796	4,937,936	6,267,568
Less: Tax loss set off						16.6	282	6,171	13,492
Assessable income						4,304,170	5,615,796	4,931,765	6,254,076
Taxable income						4,304,170	5,615,796	4,931,765	6,254,076
At the effective income tax rate						1,205,168	1,571,525	1,380,894	1,736,140
(Over) provision – previous years						40	323	(104,256)	(208,586)
Current tax on profits for the year						1,101,046	1,359,096	1,276,638	1,527,554
Deferred tax charged for the year						41.1	325	359,296	115,063
Tax expense for the year						1,460,342	1,466,640	1,644,619	1,642,617

16.6 TAX LOSSES BROUGHT FORWARD AND UTILISED DURING THE YEAR

For the year ended 31 March		Company		Group					
						2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Tax losses brought forward						-	-	117,137	101,361
Addition during the year						-	-	32,500	29,268
Tax losses utilised during the year						-	-	(6,171)	(13,492)
Tax losses not utilised and carried forward						-	-	143,466	117,137

Notes to the Financial Statements

17 — BASIC EARNINGS PER ORDINARY SHARE (EPS)

ACCOUNTING POLICY

Basic earnings 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	Group	
	2018	2017
Profit attributable to equity holders of the Company (Rs.)	4,816,917,885	4,255,132,605
Weighted average number of ordinary shares	1,579,862,482	1,579,862,482
Basic earnings per ordinary share (Rs.)	3.05	2.69

18 — DIVIDEND PER ORDINARY SHARE

For the year ended 31 March	Company	
	2018	2017
Ordinary shares		
Out of dividend received (Rs.)	302,777,708	244,088,046
Out of normal profits (Rs.)	1,504,936,585	1,558,236,718
Withholding tax deducted at source (Rs.)	167,113,810	172,503,339
Cash dividend paid (Rs.)	1,974,828,103	1,974,828,103
Weighted average number of ordinary shares	1,579,862,482	1,579,862,482
Dividend per ordinary share (Rs.)	1.25	1.25

A final dividend of Rs. 0.50 per share was paid for the year 2016/17 in July 2017. An interim dividend of Rs. 0.75 per share was paid in December 2017 to the ordinary shareholders of the Company for the year 2017/18 (interim dividend 2016/17 – Rs. 0.75). A final dividend of Rs. 0.50 per share has been proposed by the Board of Directors for the year 2017/18 to be approved at the Annual General Meeting. However, no provision is made for this proposed dividend in these Financial Statements in accordance with Sri Lanka Accounting Standard – LKAS 10 – “Events after the Reporting Period”.

19 — 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 – LKAS 39 – “Financial Instruments: Recognition and Measurement” under the headings of the Statement of Financial Position.

Notes to the Financial Statements

19. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS (CONTD.)

19.1 COMPANY

As at 31 March 2018	FVTPL Rs. '000	HTM Rs. '000	L & R Rs. '000	AFS Rs. '000	Total Rs. '000
Assets					
Cash and cash equivalents	-	-	4,414,083	-	4,414,083
Balances with banks and financial institutions	-	-	4,370,473	-	4,370,473
Financial assets – Held for trading	174,736	-	-	-	174,736
Loans and receivables	-	-	140,962,936	-	140,962,936
Financial assets – Available for sale	-	-	-	219,132	219,132
Financial assets – Held to maturity	-	4,889,641	-	-	4,889,641
Other financial assets	-	-	145,650	-	145,650
Total financial assets	174,736	4,889,641	149,893,142	219,132	155,176,651

As at 31 March 2018	FVTPL Rs. '000	Other amortised cost Rs. '000	Total Rs. '000
Liabilities			
Due to banks	-	29,423,568	29,423,568
Due to customers	-	69,763,219	69,763,219
Debt securities issued	-	26,281,723	26,281,723
Other financial liabilities	-	4,645,818	4,645,818
Total financial liabilities	-	130,114,328	130,114,328

19.2 COMPANY

As at 31 March 2017	FVTPL Rs. '000	HTM Rs. '000	L & R Rs. '000	AFS Rs. '000	Total Rs. '000
Assets					
Cash and cash equivalents	-	-	5,591,170	-	5,591,170
Balances with banks and financial institutions	-	-	2,089,989	-	2,089,989
Financial assets – Held for trading	201,215	-	-	-	201,215
Loans and receivables	-	-	134,054,702	-	134,054,702
Financial assets – Available for sale	-	-	-	275,703	275,703
Financial assets – Held to maturity	-	2,968,042	-	-	2,968,042
Other financial assets	-	-	121,615	-	121,615
Total financial assets	201,215	2,968,042	141,857,476	275,703	145,302,436

Notes to the Financial Statements

As at 31 March 2017	FVTPL Rs. '000	Other amortised cost Rs. '000	Total Rs. '000
Liabilities			
Due to banks	-	35,584,408	35,584,408
Due to customers	-	44,722,552	44,722,552
Debt securities issued	-	38,673,277	38,673,277
Other financial liabilities	-	2,725,166	2,725,166
Derivative financial instruments	8,363	-	8,363
Total financial liabilities	8,363	121,705,403	121,713,766

19.3 GROUP

As at 31 March 2018	FVTPL Rs. '000	HTM Rs. '000	L & R Rs. '000	AFS Rs. '000	Total Rs. '000
Assets					
Cash and cash equivalents	-	-	4,766,920	-	4,766,920
Balances with banks and financial institutions	-	-	8,758,715	-	8,758,715
Financial assets – Held for trading	315,485	-	-	-	315,485
Loans and receivables	-	-	142,712,576	-	142,712,576
Insurance and reinsurance receivables	-	-	406,687	-	406,687
Financial assets – Available for sale	-	-	-	1,343,454	1,343,454
Financial assets – Held to maturity	-	4,889,641	-	-	4,889,641
Total financial assets	315,485	4,889,641	156,644,898	1,343,454	163,193,478

As at 31 March 2018	FVTPL Rs. '000	Other amortised cost Rs. '000	Total Rs. '000
Liabilities			
Due to banks	-	31,336,173	31,336,173
Due to customers	-	69,377,794	69,377,794
Debt securities issued	-	26,281,723	26,281,723
Other financial liabilities	-	4,473,552	4,473,552
Insurance liabilities and reinsurance payable	-	72,117	72,117
Total financial liabilities	-	131,541,359	131,541,359

Notes to the Financial Statements

19. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS (CONTD.)

19.4 GROUP

As at 31 March 2017	FVTPL Rs. '000	HTM Rs. '000	L & R Rs. '000	AFS Rs. '000	Total Rs. '000
Assets					
Cash and cash equivalents	-	-	6,379,909	-	6,379,909
Balances with banks and financial institutions	-	-	3,789,047	-	3,789,047
Financial assets – Held for trading	529,301	-	-	-	529,301
Loans and receivables	-	-	135,469,783	-	135,469,783
Insurance and reinsurance receivables	-	-	267,523	-	267,523
Financial assets – Available for sale	-	-	-	1,094,569	1,094,569
Financial assets – Held to maturity	-	2,968,042	-	-	2,968,042
Total financial assets	529,301	2,968,042	145,906,262	1,094,569	150,498,174

As at 31 March 2017	FVTPL Rs. '000	Other amortised cost Rs. '000	Total Rs. '000
Liabilities			
Due to banks	-	37,085,398	37,085,398
Due to customers	-	44,465,568	44,465,568
Debt securities issued	-	38,569,262	38,569,262
Other financial liabilities	-	2,563,187	2,563,187
Derivative financial instruments	8,363	-	8,363
Insurance liabilities and reinsurance payable	-	55,879	55,879
Total financial liabilities	8,363	122,739,294	122,747,657

FVTPL: Fair value through profit or loss HTM: Held to maturity L & R: Loans and receivables AFS: Available for sale

20 — 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.

Notes to the Financial Statements

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	Company		Group	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Cash in hand	668,663	533,166	693,481	547,300
Balance with banks	3,578,608	2,544,977	3,852,983	2,796,563
Local banks	3,578,608	1,383,588	3,842,121	1,635,174
Foreign banks	-	1,161,389	10,862	1,161,389
Savings deposits with banks	58,719	57,528	58,841	57,554
Savings deposits in foreign currency	4,211	5,928	4,211	5,928
Securities under reverse repurchase agreements	103,882	2,449,571	157,404	2,972,564
Total	4,414,083	5,591,170	4,766,920	6,379,909

21 — 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	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Fixed deposits				
Local currency	4,370,473	2,089,989	8,753,342	3,778,347
Foreign currency	-	-	5,373	10,700
Total	4,370,473	2,089,989	8,758,715	3,789,047

22 — FINANCIAL ASSETS – HELD FOR TRADING

ACCOUNTING POLICY

Financial assets are classified as held for trading if they are acquired principally for the purpose of selling or repurchasing in the near term or holds as a part of a portfolio that is managed together for short-term profit or position taking. Financial assets held-for-trading are recorded in the Statement of Financial Position at fair value. Changes in fair value are recognised in "Net gain on financial assets – Held for sale". Interest and dividend income is recorded in "Other operating income" according to the terms of the contract, or when the right to receive the payment has been established.

Notes to the Financial Statements

22. FINANCIAL ASSETS – HELD FOR TRADING (CONTD.)

Financial assets held for trading include equities that have been acquired principally for the purpose of selling or repurchasing in the near term.

As at 31 March			Company		Group	
	Note	Page No.	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Quoted equity securities	22.1	288	174,736	201,215	315,485	529,301
Total			174,736	201,215	315,485	529,301

22.1 QUOTED EQUITY SECURITIES

COMPANY

As at 31 March	2018			2017		
	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						
Nations Trust Bank PLC	403,084	26,684	32,529	392,871	25,877	29,072
Commercial Bank of Ceylon PLC – Voting	220,887	22,468	29,996	218,084	21,771	28,438
Commercial Bank of Ceylon PLC – Non-voting	109,887	9,464	11,428	108,053	9,197	11,140
Sampath Bank PLC – Voting	-	-	-	130,752	25,655	33,865
Hatton National Bank PLC – Non-voting	-	-	-	10,523	1,260	1,947
Seylan Bank PLC – Voting	78,462	6,101	6,811	76,549	5,912	6,660
Seylan Bank PLC – Non-voting	118,324	4,002	6,520	170,721	5,605	9,338
Beverage food and tobacco						
Distilleries Company of Sri Lanka PLC	29,629	220	220	-	-	-
Diversified holdings						
Aitken Spence PLC	82,800	16,287	4,190	82,800	16,287	4,653
John Keells Holdings PLC	363,010	64,713	57,935	363,010	64,713	50,060
Melstacorp PLC	100,000	3,033	5,820	200,000	6,067	11,840
Hayleys PLC	3,800	1,249	763	3,800	1,249	1,007
Vallibel One PLC	350,000	8,769	7,910	350,000	8,769	6,125
Manufacturing						
Tokyo Cement Company (Lanka) PLC – Non-voting	132,000	4,906	6,072	110,000	4,650	5,830
Hotels and travels						
John Keells Hotels PLC	100,000	2,001	930	100,000	2,001	1,000
Power and energy						
Mackwoods energy PLC	100,000	1,400	210	100,000	1,400	240
LVL Energy Funds Limited	343,600	3,436	3,402	-	-	-
		174,733	174,736		200,413	201,215

Notes to the Financial Statements

GROUP

As at 31 March	2018			2017		
	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						
Nations Trust Bank PLC	403,084	26,684	32,529	392,871	25,877	29,072
Commercial Bank of Ceylon PLC – Voting	455,373	47,100	61,840	425,715	43,276	55,513
Commercial Bank of Ceylon PLC – Non-voting	191,128	16,283	19,877	171,812	14,405	17,714
Sampath Bank PLC – Voting	-	-	-	857,807	190,962	222,173
Hatton National Bank PLC – Non-voting	-	-	-	112,263	12,396	20,769
National Development Bank PLC	65,378	9,304	8,702	63,176	9,006	8,819
Seylan Bank PLC – Voting	78,462	6,101	6,811	76,549	5,912	6,660
Seylan Bank PLC – Non-voting	118,324	4,002	6,520	170,721	5,605	9,338
Beverage food and tobacco						
Distilleries Company of Sri Lanka PLC	44,443	405	569	-	-	-
Construction and engineering						
Access Engineering PLC	137,620	3,532	2,821	-	-	-
Diversified holdings						
Aitken Spence PLC	82,800	16,287	4,190	82,800	16,287	4,653
John Keells Holdings PLC	701,082	117,898	111,893	701,082	117,898	96,679
Melstacorp PLC	150,000	4,726	8,730	400,000	12,837	23,680
Hayleys PLC	3,800	1,249	763	3,800	1,249	1,007
Vallibel One PLC	350,000	8,769	7,910	350,000	8,769	6,125
Sunshine Holdings PLC	50,500	2,800	2,833	50,000	2,775	2,305
Chemicals and pharmaceuticals						
CIC Holdings PLC – Non-voting	87,000	6,740	3,524	87,000	6,740	5,429
Manufacturing						
Tokyo Cement Company (Lanka) PLC – Non-voting	132,000	4,906	6,072	110,000	4,650	5,830
Tokyo Cement Company (Lanka) PLC – Voting	50,000	3,605	2,700	-	-	-
TeeJay Lanka PLC	174,983	7,201	5,582	99,000	4,065	3,663
Kelani Cables PLC	20,000	2,522	1,860	20,000	2,522	2,350
Royal Ceramics Lanka PLC	30,000	3,750	3,162	-	-	-
Hotels and travels						
John Keells Hotels PLC	100,000	2,001	930	100,000	2,001	1,000
Motors						
United Motors Lanka PLC	50,000	5,000	3,800	50,000	5,000	3,900
Power and energy						
Mackwoods Energy PLC	100,000	1,400	210	100,000	1,400	240
LVL Energy Funds Limited	991,700	9,917	9,818	-	-	-
Land and property						
Overseas Realty (Ceylon) PLC	101,594	2,257	1,839	101,594	2,257	2,052
Plantation						
Horana Plantations PLC	-	-	-	20,000	768	330
		314,439	315,485		496,657	529,301

Notes to the Financial Statements

23 — LOANS AND RECEIVABLES

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 Company and the Group 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 Company and the Group, upon initial recognition, designate as available for sale; or
- — Those for which the Company and the Group may not recover substantially all of its initial investment, other than because of credit deterioration.

After initial measurement, "Loans and receivables" are subsequently measured at amortised cost using the (EIR), less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in "Interest 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 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 to use the asset.

GROUP/COMPANY AS A LESSEE

Leases that do not transfer to the Company/Group substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the 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 Company/Group does not transfer substantially all of the risk and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

RECEIVABLES ON LEASE, HIRE PURCHASE AND ISLAMIC FINANCE

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

"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.

Notes to the Financial Statements

RENEGOTIATED LOANS AND RECEIVABLES

Where possible, the Company/Group 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.

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.

As at 31 March	Note	Page No.	Company		Group	
			2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Loans and receivables	23.1.1	291	144,018,496	135,704,299	145,945,905	137,260,648
Less: Allowance for individual impairment	23.4	296	299,005	231,999	299,005	242,842
Less: Allowance for collective impairment	23.4	296	2,756,555	1,417,598	2,934,324	1,548,023
Net loans and receivables			140,962,936	134,054,702	142,712,576	135,469,783

23.1 ANALYSIS

23.1.1 ANALYSIS BY PRODUCT

As at 31 March	Note	Page No.	Company		Group	
			2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
By product						
Lease/Ijarah receivables			86,136,638	77,259,155	86,136,638	77,253,372
Hire purchase/murabaha receivables			1,878,489	5,070,292	3,567,634	6,310,400
Term loans/musharakah receivables			50,090,764	49,286,597	49,919,423	48,814,577
Staff loans			485,416	459,685	522,873	499,390
Related party receivables	23.1.1.1	292	1,159,384	962,219	-	25,160
Debentures			-	-	1,531,532	1,691,398
Margin trading receivables			2,631,939	1,772,360	2,631,939	1,772,360
Factoring receivables			1,635,866	893,991	1,635,866	893,991
Gross total			144,018,496	135,704,299	145,945,905	137,260,648

Notes to the Financial Statements

23. LOANS AND RECEIVABLES (CONTD.)

23.1.1.1 RELATED PARTY RECEIVABLES

As at 31 March	Company		Group	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
People's Bank	-	-	-	25,160
People's Leasing Property Development Limited	568,182	488,102	-	-
People's Leasing Fleet Management Limited	6,181	5,415	-	-
People's Leasing Havelock Properties Limited	529,203	463,077	-	-
People's Microfinance Limited	6,488	954	-	-
People's Insurance PLC	22,175	4,671	-	-
Lankan Alliance Finance Limited	27,155	-	-	-
Total	1,159,384	962,219	-	25,160

23.1.2 ANALYSIS BY CURRENCY

As at 31 March	Company		Group	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Sri Lankan Rupee	144,018,496	135,704,299	145,945,905	137,260,648
Gross total	144,018,496	135,704,299	145,945,905	137,260,648

23.1.3 ANALYSIS BY INDUSTRY

As at 31 March	Company		Group	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Agriculture	11,655,609	5,382,854	12,023,593	5,658,355
Manufacturing	2,325,111	1,548,465	2,335,057	1,556,278
Tourism	1,159,060	861,856	1,164,064	866,935
Transport	16,575,434	13,641,030	16,590,070	13,649,723
Construction	7,010,157	5,303,830	7,039,359	5,326,053
Traders	11,760,419	13,246,210	12,123,948	13,589,565
Services	56,640,052	53,944,797	57,358,561	54,446,462
Industry	331,763	631,935	608,791	810,306
Financial services	4,763,882	2,881,056	4,745,152	2,789,780
Others	31,797,009	38,262,266	31,957,310	38,567,191
Gross total	144,018,496	135,704,299	145,945,905	137,260,648

Notes to the Financial Statements

23.2 RENTALS RECEIVABLE ON LEASE, HIRE PURCHASE AND ISLAMIC FINANCE

As at 31 March	2018				2017			
	Within one year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000	Within one year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Lease								
Gross rentals receivable	42,142,739	62,397,347	11,848	104,551,934	36,083,408	56,344,774	14,642	92,442,824
Less: Unearned income	11,395,200	12,385,474	156	23,780,830	9,264,908	10,104,130	175	19,369,213
Net rentals receivable	30,747,539	50,011,873	11,692	80,771,104	26,818,500	46,240,644	14,467	73,073,611
Less: Rentals received in advance				8,917				19,607
Less: Allowance for impairment losses				887,390				720,089
Total net rentals receivable	30,747,539	50,011,873	11,692	79,874,797	26,818,500	46,240,644	14,467	72,333,915
Hire-purchase								
Gross rentals receivable	990,038	211,181	-	1,201,219	2,680,829	1,205,564	-	3,886,393
Less: Unearned income	71,254	7,315	-	78,569	292,067	99,053	-	391,120
Net rentals receivable	918,784	203,866	-	1,122,650	2,388,762	1,106,511	-	3,495,273
Less: Rentals received in advance				431				953
Less: Allowance for impairment losses				111,417				154,278
Total net rentals receivable	918,784	203,866	-	1,010,802	2,388,762	1,106,511	-	3,340,042
Ijarah/Murabaha								
Gross rentals receivable	3,405,750	4,397,844	1,441	7,805,035	3,007,685	4,189,365	710	7,197,760
Less: Unearned income	828,165	845,587	23	1,673,775	712,494	703,421	11	1,415,926
Net rentals receivable	2,577,585	3,552,257	1,418	6,131,260	2,295,191	3,485,944	699	5,781,834
Less: Rentals received in advance				539				711
Less: Allowance for impairment losses				27,996				23,343
Total net rentals receivable	2,577,585	3,552,257	1,418	6,102,725	2,295,191	3,485,944	699	5,757,780

23.3 IMPAIRMENT ALLOWANCE FOR LOANS AND RECEIVABLES

ACCOUNTING POLICY

IMPAIRMENT OF FINANCIAL ASSETS

The Company/Group assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets are impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an "Incurred loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Notes to the Financial Statements

23. LOANS AND RECEIVABLES (CONTD.)

LOANS AND RECEIVABLES

Losses for impaired loans and receivables are recognised promptly when there is objective evidence that impairment has occurred. Impairment allowances are calculated on individual and collective basis. Impairment losses are recorded as charges to the Statement of Profit or Loss. The carrying amount of impaired loans and receivables on the Statement of Financial Position is reduced through the use of impairment allowance accounts. Losses expected from future events are not recognised.

INDIVIDUALLY ASSESSED LOANS AND RECEIVABLES

For all loans and receivables that are considered individually significant, the Company and the Group assesses on a case-by-case basis at each reporting date whether there is any objective evidence that a loan is impaired. The criteria used to determine that there is such objective evidence include:

- known cash flow difficulties experienced by the borrower;
- past due contractual payments of either principal or interest;
- breach of covenants or conditions;
- the probability that the borrower will enter bankruptcy or other financial realisation; and
- a significant downgrading in credit rating by an external credit rating agency.

For those loans and receivables where objective evidence of impairment exists, impairment losses are determined considering the following factors:

- Company's aggregate exposure to the customer;
- the viability of the customer's business model and its capacity to trade successfully out of financial difficulties and generate sufficient cash flow to service debt obligations;
- the amount and timing of expected receipts and recoveries;
- the extent of other creditors' commitments ranking ahead of, or *pari passu* with, the Company and the likelihood of other creditors continuing to support the Company;
- the complexity of determining the aggregate amount and ranking of all creditor claims and the extent to which legal and insurance uncertainties are evident;
- the realisable value of security (or other credit mitigates) and likelihood of successful repossession;
- the likely deduction of any costs involved in recovery of amounts outstanding;
- the ability of the borrower to obtain, and make payments in, the currency of the loan if not denominated in local currency; and
- the likely dividend available on liquidation or bankruptcy;

Impairment losses are calculated by discounting the expected future cash flows of loans and receivables at its original effective interest rate and comparing the resultant present value with the loans and receivables current carrying amount. The impairment allowances on individually significant accounts are reviewed more regularly when circumstances require. This normally encompasses reassessment of the enforceability of any collateral held and the timing and amount of actual and anticipated receipts. Individually assessed impairment allowances are only released when there is reasonable and objective evidence of a reduction in the established loss estimate.

COLLECTIVELY ASSESSED LOANS AND RECEIVABLES

Impairment is assessed on a collective basis to cover losses which have been incurred but have not yet been identified on loans and receivables subject to individual assessment.

INCURRED BUT NOT YET IDENTIFIED IMPAIRMENT

Individually assessed loans and receivables for which no evidence of loss has been specifically identified on an individual basis are grouped together according to their credit risk characteristics for the purpose of calculating an estimated collective loss. This reflects impairment losses that the group has incurred as a result of events occurring before the reporting date, which the Company and the Group are not able to identify on an individual loan basis, and that can be reliably estimated. These losses will only be individually

Notes to the Financial Statements

identified in the future. As soon as information becomes available which identifies losses on individual loans within the Group, those loans and receivables are removed from the Group and assessed on an individual basis for impairment.

The collective impairment allowance is determined after taking into account;

- historical loss experienced in portfolios of similar credit risk; and
- the Management's experienced judgement as to whether current economic and credit conditions are such that the actual level of inherent losses at the reporting date is likely to be greater or less than that suggested by historical experience.

Loans and receivables are grouped into ranges according to the number of days in arrears and statistical analysis is used to estimate the likelihood that loans and receivables in each range will progress through the various stages of delinquency, and ultimately prove irrecoverable.

Current economic conditions and portfolio risk factors are also evaluated when calculating the appropriate level of allowance required to cover the inherent loss. These additional macro and portfolio risk factors may include:

- recent lending portfolio growth and product mix,
- unemployment rates, Gross Domestic Production (GDP) growth, inflation
- exchange rates, interest rates
- changes in laws and regulations

IMPAIRMENT ALLOWANCE FOR LOANS AND RECEIVABLES

The Company and the Group review its individually significant loans and receivables including rental receivable at each statement of financial position date to assess whether an impairment loss should be recorded 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 actual results may differ, resulting in future changes to the allowance.

Loans and receivables including rental receivable that have been assessed individually and found not to be impaired and all individually insignificant loans and receivables are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the loan portfolio (such as levels of arrears, characteristic of assets, etc.), and judgements on the effect of concentrations of risks and economic data (including levels of unemployment, real estate prices indices, country risk and the performance of different individual groups).

SENSITIVITY OF THE KEY ASSUMPTIONS EMPLOYED IN DETERMINATION OF THE COLLECTIVE IMPAIRMENT

The following table demonstrates the sensitivity to a reasonably possible change in the loss rate employed in the collective impairment measures:

Loss ratio	2018		2017	
	Effect on Statement of Profit or Loss increase/(reduction) in results for the year Rs. '000	Effect on collective impairment increase/(reduction) in the asset Rs. '000	Effect on Statement of Profit or Loss increase/(reduction) in results for the year Rs. '000	Effect on collective impairment increase/(reduction) in the asset Rs. '000
1 unit increase	(1,372,253)	(1,372,253)	(1,315,733)	(1,315,733)
1 unit decrease	595,925	595,925	532,983	532,983

Notes to the Financial Statements

23. LOANS AND RECEIVABLES (CONTD.)

23.4 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 2016	865,451	319,376	7,494	356,353	7,013	6,996	11,076	7,099	1,580,858
Charge/(Reversal) for the year	(145,362)	(165,098)	9,059	339,574	(1,618)	(206)	4,849	27,541	68,739
As at 31 March 2017	720,089	154,278	16,553	695,927	5,395	6,790	15,925	34,640	1,649,597
Individual impairment	82,813	7	-	148,280	899	-	-	-	231,999
Collective impairment	637,276	154,271	16,553	547,647	4,496	6,790	15,925	34,640	1,417,598
	720,089	154,278	16,553	695,927	5,395	6,790	15,925	34,640	1,649,597
As at 1 April 2017	720,089	154,278	16,553	695,927	5,395	6,790	15,925	34,640	1,649,597
Charge/(Reversal) for the year	167,301	(42,861)	4,708	1,160,953	18,392	(55)	62,730	34,795	1,405,963
As at 31 March 2018	887,390	111,417	21,261	1,856,880	23,787	6,735	78,655	69,435	3,055,560
Individual impairment	18,064	-	-	257,436	13,012	-	-	10,493	299,005
Collective impairment	869,326	111,417	21,261	1,599,444	10,775	6,735	78,655	58,942	2,756,555
	887,390	111,417	21,261	1,856,880	23,787	6,735	78,655	69,435	3,055,560

	Group								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 2016	865,451	322,763	7,494	429,835	7,013	6,996	11,076	7,099	1,657,727
Charge/(Reversal) for the year	(145,362)	(140,870)	9,059	379,745	(1,618)	(206)	4,849	27,541	133,138
As at 31 March 2017	720,089	181,893	16,553	809,580	5,395	6,790	15,925	34,640	1,790,865
Individual impairment	82,813	1,421	-	157,709	899	-	-	-	242,842
Collective impairment	637,276	180,472	16,553	651,871	4,496	6,790	15,925	34,640	1,548,023
	720,089	181,893	16,553	809,580	5,395	6,790	15,925	34,640	1,790,865
As at 1 April 2017	720,089	181,893	16,553	809,580	5,395	6,790	15,925	34,640	1,790,865
Charge/(Reversal) for the year	167,301	(26,859)	4,708	1,181,452	18,392	(55)	62,730	34,795	1,442,464
As at 31 March 2018	887,390	155,034	21,261	1,991,032	23,787	6,735	78,655	69,435	3,233,329
Individual impairment	18,064	-	-	257,436	13,012	-	-	10,493	299,005
Collective impairment	869,326	155,034	21,261	1,733,596	10,775	6,735	78,655	58,942	2,934,324
	887,390	155,034	21,261	1,991,032	23,787	6,735	78,655	69,435	3,233,329

Notes to the Financial Statements

24 — INSURANCE AND REINSURANCE RECEIVABLES

ACCOUNTING POLICY

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.

Notes to the Financial Statements

24. INSURANCE AND REINSURANCE RECEIVABLES (CONTD.)

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	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Reinsurance receivables	-	-	163,211	91,743
Insurance receivables	-	-	243,476	175,780
Total	-	-	406,687	267,523

25 — FINANCIAL ASSETS – AVAILABLE FOR SALE

ACCOUNTING POLICY

Available-for-sale financial assets include equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in response to changes in the market conditions.

The Company and the Group have not designated any loans or receivables as available for sale.

After initial measurement, available-for-sale financial assets are subsequently measured at fair value.

Unrealised gains and losses are recognised directly in equity (Other Comprehensive Income) in the "Available-for-sale reserve". When the investment is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the Statement of Profit or Loss in "Other operating income". Where the Company/Group hold more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. Interest earned whilst holding available-for-sale financial assets is reported as interest income using the effective interest rate (EIR).

Dividends earned whilst holding available-for-sale financial assets are recognised in the Statement of Profit or Loss as "Other operating income" when the right of the payment has been established. The losses arising from impairment of such investments are recognised in the Statement of Profit or Loss in "Impairment charges for loans and receivables and other losses" and removed from the "Available-for-sale reserve".

IMPAIRMENT OF AVAILABLE-FOR-SALE FINANCIAL ASSETS

For available-for-sale financial assets, the Company and the Group review its debt securities classified as available-for-sale investments at each reporting date to assess whether they are impaired. In the case of debt instruments classified as available for sale, the Company assesses individually whether there is objective evidence of impairment.

Notes to the Financial Statements

However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the Statement of Profit or Loss. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of "Interest income". If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognised in the Statement of Profit or Loss, the impairment loss is reversed through the Statement of Profit or Loss.

IMPAIRMENT OF AVAILABLE-FOR-SALE FINANCIAL ASSETS

The Company and the Group review its financial assets classified as available for sale at each reporting date to assess whether they are impaired. This requires similar judgements as applied to the individual assessment of loans and receivables.

In the case of equity investments classified as available for sale, objective evidence would also include a "significant" or "prolonged" decline in the fair value of the investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. The Group generally treats "significant" as 20% or more and "prolonged" as greater than six months. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the Statement of Profit or Loss is removed from equity and recognised in the Statement of Profit or Loss. Impairment losses on equity investments are not reversed through the Statement of Profit or Loss; increases in the fair value after impairment are recognised in Statement of Comprehensive Income.

As at 31 March	Note	Page No.	Company		Group	
			2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Equity securities	25.1	299	219,132	193,166	219,132	193,166
Treasury Bills			-	-	1,124,322	774,148
Unit trusts			-	82,537	-	127,255
Total			219,132	275,703	1,343,454	1,094,569

25.1 EQUITY SECURITIES – COMPANY AND GROUP

As at 31 March	Note	Page No.	2018			2017		
			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								
Sanasa Development Bank PLC			2,036,446	197,253	219,122	1,951,073	188,473	193,156
				197,253	219,122		188,473	193,156
Unquoted investments								
Credit Information Bureau of Sri Lanka			100	10	10	100	10	10
City Finance Corporation Limited	25.3	300	50,000,000	50,000	-	50,000,000	50,000	-
Total				247,263	219,132		238,483	193,166

Notes to the Financial Statements

25. FINANCIAL ASSETS – AVAILABLE FOR SALE (CONTD.)

25.2 MOVEMENTS IN AVAILABLE-FOR-SALE RESERVE

As at 31 March	Company		Group	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Balance as at 1 April	31,009	124,780	20,078	109,575
Gains/(losses) on remeasuring	15,860	(93,771)	25,507	(89,497)
Balance as at 31 March	46,869	31,009	45,585	20,078

25.3 CITY FINANCE CORPORATION LIMITED

As at 31 March	Company		Group	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Investment in City Finance Corporation Limited	50,000	50,000	50,000	50,000
Less: Allowance for impairment	(50,000)	(50,000)	(50,000)	(50,000)
Balance as at 31st March	-	-	-	-

26 — FINANCIAL ASSETS – HELD TO MATURITY

ACCOUNTING POLICY

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Company and the Group has the intention and ability to hold to maturity. After initial measurement, held-to-maturity financial assets are subsequently measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortisation is included in "Interest income" in the Statement of Profit or Loss. The losses arising from impairment of such investments are recognised in the Statement of Profit or Loss in "impairment charges for loans and receivables and other losses".

If the Company/Group were to sell or reclassify more than an insignificant amount of held-to-maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would be reclassified as available for sale. Furthermore, the Company/Group would be prohibited from classifying any financial asset as held to maturity during the following two years.

IMPAIRMENT OF HELD-TO-MATURITY FINANCIAL ASSETS

An impairment loss in respect of held-to-maturity financial assets measured at amortised cost is calculated as the difference between its carrying amount and the present value of estimated future cash flows discounted at the asset's original EIR and is recognised in Statement of Profit or Loss. Interest on impaired assets continues to be recognised through the unwinding of discount. When a subsequent event caused the amount of impairment loss to decrease, the decrease in Impairment loss is reversed through Statement of Profit or Loss.

As at 31 March	Company		Group	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Treasury Bills	4,864,258	2,943,080	4,864,258	2,943,080
Treasury Bond	25,383	24,962	25,383	24,962
Total	4,889,641	2,968,042	4,889,641	2,968,042

Notes to the Financial Statements

27 — 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 – “Consolidated and Separate Financial Statements”.

Subsidiaries are entities that are controlled by the Company/Group. 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 except Lankan Alliance Finance Limited which was incorporated in Bangladesh. A list of subsidiaries with their principal activities are given in the Note 1.2.

As at 31 March	2018			2017		
	Holding %	Cost Rs. '000	Directors'/ Market valuation Rs. '000	Holding %	Cost Rs. '000	Directors'/ Market valuation Rs. '000
Company						
People's Leasing Fleet Management Limited	100.00	175,000	294,296	100.00	175,000	288,838
People's Leasing Property Development Limited	100.00	550,000	1,073,975	100.00	550,000	1,045,042
People's Leasing Havelock Properties Limited	100.00	600,000	571,580	100.00	600,000	566,204
People's Microfinance Limited	100.00	150,000	227,316	100.00	150,000	218,223
People's Insurance PLC	75.00	600,000	2,261,894	75.00	600,000	1,098,000
Lankan Alliance Finance Limited	51.00	1,138,788	1,040,807	–	–	–
Total		3,213,788	5,469,868		2,075,000	3,216,307

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.

Notes to the Financial Statements

27. INVESTMENTS IN SUBSIDIARIES (CONTD.)

27.1 SUMMARIES THE INFORMATION RELATING TO THE GROUP'S SUBSIDIARY THAT HAS A MATERIAL NON-CONTROLLING INTEREST (NCI)

The following table summarises the information relating to the Group's subsidiary that has a material non-controlling interest (NCI).

For the year ended 31 March	2018			2017
	People's Insurance PLC	Lankan Alliance Finance Limited	Total	People's Insurance PLC
Non-controlling interest (NCI) percentage	25%	49%		25%
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Net operating income	4,920,502	36,751	4,957,253	4,437,537
Less: Operating expenses	4,056,794	17,991	4,074,785	3,614,010
Profit before income tax	863,708	18,760	882,468	823,527
Less: Income tax expense	95,625	857	96,482	77,590
Profit after income tax	768,083	17,903	785,986	745,937
Profit allocated to Non-controlling interest (NCI)	192,021	8,772	200,793	186,484

As at 31 March	2018			2017
	People's Insurance PLC Rs. '000	Lankan Alliance Finance Limited Rs. '000	Total Rs. '000	People's Insurance PLC Rs. '000
Cash and cash equivalents	313,648	10,948	324,596	711,819
Balances with banks and financial institutions	2,660,287	2,023,265	4,683,552	1,914,778
Loans and receivables	1,658,288	-	1,658,288	1,820,649
Insurance and reinsurance receivables	1,015,106	-	1,015,106	779,616
Financial assets – Available for sale	1,124,322	-	1,124,322	818,866
Property, plant and equipment and intangible assets	89,545	21,786	111,331	41,380
Other assets	816,608	52,946	869,554	587,932
Total assets	7,677,804	2,108,945	9,786,749	6,675,040
Due to banks	106,944	-	106,944	-
Other financial liabilities	341,690	70,974	412,664	-
Other liabilities	97,628	-	97,628	-
Insurance liabilities and reinsurance payable	4,115,681	-	4,115,681	3,985,164
Total liabilities	4,661,943	70,974	4,732,917	3,985,164
Net assets value	3,015,861	2,037,971	5,053,832	2,689,876
Carrying amount of non-controlling interest (NCI)	753,965	998,606	1,752,571	672,469
Cash flows from operating activities	1,102,330	2,245	1,104,575	893,728
Cash flows from investing activities	765,376	(16,531)	748,845	(410,848)
Cash flows from financing activities	(350,000)	(490)	(350,490)	(420,000)
Net increase in cash and cash equivalents	1,517,706	(14,776)	1,502,930	62,880

Notes to the Financial Statements

27.2 IDENTIFIABLE ASSETS ACQUIRED AND LIABILITIES ASSUMED

	Rs. '000
Assets	
Cash and cash equivalents	31,332
Balances with banks and financial institutions	2,020,969
Property, plant and equipment and intangible assets	19,979
Other assets	9,474
Total assets	2,081,754
Liabilities	
Other liabilities	(61,687)
Total liabilities	(61,687)
Net identifiable net assets at the date of acquisition	2,020,067
People's Leasing & Finance PLC share	51%
Share of net identifiable net assets at the date of acquisition	1,030,234
Goodwill	
Goodwill arising from the acquisition has been recognised as the excess of the consideration transferred over the net identifiable assets acquired and liabilities assumed.	
Consideration transferred	1,138,788
Net identifiable net assets at the date of acquisition	(1,030,234)
Goodwill	108,554
Cost of acquisition of the subsidiary, net of cash acquired	
Purchase consideration transferred	1,138,788
Cash and cash equivalents acquired on business combination	(31,332)
Cost of acquisition of the subsidiary, net of cash acquired	1,107,456

28 — 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 – “Investments 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.

Notes to the Financial Statements

28. INVESTMENT IN ASSOCIATE (CONTD.)

The Consolidated Financial Statements include the Company's share of the income and expenses and equity movements of the Associate, after adjustments being made to align the accounting policies with those of the Group from the date that significant influence effectively commences until the date that significant influence effectively ceases.

When the Company's share of losses exceeds its interest in the Associate, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Company has an obligation or made payments on behalf of the Associate. If the Associate subsequently reports profits, the Company resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Profit and losses resulting from transactions between the Company and the Associate are eliminated to the extent of the interest in the Associate. The Company discontinues the use of the Equity method from the date that it ceases to have significant influence over an Associate and accounts for the investment cost in accordance with the Sri Lanka Accounting Standard – LKAS 39 – “Financial Instruments: Recognition and measurement”.

After application of the Equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its Associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the Associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the Associate and its carrying value, and recognises the loss in the Statement of Profit or Loss.

28.1 DETAILS OF ASSOCIATE

As at 31 March		Note	Page No.	Holding		Company		Group	
				2018 %	2017 %	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Quoted equity securities									
People's Merchant Finance PLC (25,014,002 ordinary shares)		28.1.2	305	37.06	37.06	586,427	586,427	423,439	476,382
Total						586,427	586,427	423,439	476,382

28.1.1 RECONCILIATION OF SUMMARISED FINANCIAL INFORMATION

As at 31 March		Company		Group	
		2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Cost of investment		586,427	586,427	586,427	586,427
Share of loss applicable to the Group					
Share of (loss) up to 1 April		-	-	(110,045)	(36,170)
Total share recognised during the year					
(Loss) for the year recognised in Statement of Profit or Loss, net of tax		-	-	(52,942)	(73,875)
Total		586,427	586,427	423,440	476,382

Notes to the Financial Statements

28.1.2 PEOPLE'S MERCHANT FINANCE PLC

Pursuant to a direction issued by the Monetary Board of the Central Bank of Sri Lanka to amalgamate People's Merchant Finance PLC with People's Leasing & Finance PLC ("the Company"), the Company made an announcement thereon to the Colombo Stock Exchange on 29 July 2016 and 31 March 2017.

However the Monetary Board of the Central Bank of Sri Lanka has granted an extension of six (06) months until 30 September 2018 to effect the merger of People's Merchant Finance PLC with the Company.

28.2 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:

PEOPLE'S MERCHANT FINANCE PLC – PERCENTAGE – 37.06%

For the year ended 31 March	People's Merchant Finance PLC	
	2018 Rs. '000	2017 Rs. '000
Ownership interest		
Net operating income	94,056	33,188
Less: Operating expenses	236,920	236,222
Loss before tax	(142,864)	(203,034)
Less: Income tax expense	-	(3,682)
Loss after tax	(142,864)	(199,352)
Share of results of equity accounted investee recognised in Statement of Profit or Loss	(52,942)	(73,875)

As at 31 March	People's Merchant Finance PLC	
	2018 Rs. '000	2017 Rs. '000
Ownership interest		
Total assets	2,938,139	3,462,512
Total liabilities	2,717,234	3,099,058
Net assets	220,905	363,454
Group's share of net assets	81,861	134,687

Notes to the Financial Statements

29 — 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 Company and the Group 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 Company and the Group 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.

Notes to the Financial Statements

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 Company/Group 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	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Balance as at 1 April	100,800	90,752	-	-
Gain from fair value adjustment	33,600	10,048	311,422	-
Adjustment due to change in intention	-	-	29,652	-
Transfer during the year	-	-	924,922	-
Balance as at 31 March	134,400	100,800	1,265,996	-

Land situated at No. 414, Wellangiriya, Singhapura, Hokandara is being constructed to rent out to People's Leasing Fleet Management Limited by the Company and the Company intent to earn rent income. Accordingly, these land and building have been classified as investment property in the Statement of Financial Position of the Company. However, according to Sri Lanka Accounting Standard – LKAS 40 – “Investment Property”, the said land and building are treated as property, plant and equipment in the Consolidated Statement of Financial Position since the property is owner-occupied from the perspective of the Group in the year 2017. But in 2018 Board of Directors decided to keep this investment property for the capital appreciation purpose. There are no rental income or direct operating expenses recognised during the year.

Land and building at No. 7 and 9, Havelock Road, Colombo 7 is rented to People's Bank, People's Insurance PLC and People's Leasing & 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 square feet rented.

The Company carries investment property at market value. market valuation of the above investment property was carried out as at 31 March 2018 by Mr K T D Tissera, FRICS (Eng), who is independent valuer not connected with the Company.

30 — 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.

Notes to the Financial Statements

30. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

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 record 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 Company/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.

CAPITAL WORK IN PROGRESS

These are expenses of a capital nature directly incurred in the construction of buildings, major plant and machinery and system development, awaiting capitalisation. These are stated in the Statement of Financial Position at cost.

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.

USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT

The Company and Group 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 Company and Group intends to derive future economic benefits from the use of the Company's/Group's property, plant and equipment. The residual value reflects Management's estimated amount that the Company/Group would currently obtain from the disposal of the asset, after deducting the estimated costs of disposal, as if the asset were already of the age and in the condition expected at the end of its useful life. Changes in the expected level of usage and technological developments could affect the economics, useful lives and the residual values of these assets which could then consequentially impact future depreciation charges.

Notes to the Financial Statements

30.1 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 2017	683,660	56,872	227,385	544,967	550,174	397,780	2,460,838
Additions	-	-	172	84,647	62,629	22,902	170,350
Disposals	(64,479)	-	(17,805)	(102)	(1,036)	(322)	(83,744)
Balance as at 31 March 2018	619,181	56,872	209,752	629,512	611,767	420,360	2,547,444
Less: Accumulated depreciation							
Balance as at 1 April 2017	2,526	56,717	51,935	418,500	365,122	311,294	1,206,094
Charge for the year	706	37	13,783	51,627	77,644	35,108	178,905
Disposals	-	-	(3,170)	(70)	(1,037)	(161)	(4,438)
Balance as at 31 March 2018	3,232	56,754	62,548	470,057	441,729	346,241	1,380,561
Net book value as at 31 March 2018	615,949	118	147,204	159,455	170,038	74,119	1,166,883

	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 2016	683,660	56,872	186,684	477,150	451,634	357,636	2,213,636
Additions	-	-	102,711	68,672	98,462	40,214	310,059
Disposals	-	-	(62,010)	(280)	(497)	(70)	(62,857)
Transfers/adjustments	-	-	-	(575)	575	-	-
Balance as at 31 March 2017	683,660	56,872	227,385	544,967	550,174	397,780	2,460,838
Less: Accumulated depreciation							
Balance as at 1 April 2016	1,820	56,516	99,954	371,632	293,278	269,836	1,093,036
Charge for the year	706	201	13,991	47,663	71,350	41,514	175,425
Disposals	-	-	(62,010)	(28)	(273)	(56)	(62,367)
Transfers/adjustments	-	-	-	(767)	767	-	-
Balance as at 31 March 2017	2,526	56,717	51,935	418,500	365,122	311,294	1,206,094
Net book value as at 31 March 2017	681,134	155	175,450	126,467	185,052	86,486	1,254,744

Notes to the Financial Statements

30. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

30.2 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	Work-in- progress Rs. '000	Total Rs. '000
Cost								
Balance as at 1 April 2017	2,841,602	58,583	588,436	612,507	805,106	417,001	1,327,085	6,650,320
Additions	-	-	81,275	94,295	77,847	64,450	94,396	412,263
Additions due to acquisition of subsidiary	-	-	-	-	-	19,979	-	19,979
Disposals	(64,479)	-	(82,017)	(6,438)	(1,220)	(7,437)	(14,196)	(175,787)
Transfers	482,363	-	-	-	-	-	(1,407,285)	(924,922)
Exchange rate variance	-	-	-	-	-	3,558	-	3,558
Balance as at 31 March 2018	3,259,486	58,583	587,694	700,364	881,733	497,551	-	5,985,411
Less: Accumulated depreciation								
Balance as at 1 April 2017	152,340	57,194	145,133	462,374	490,067	327,654	-	1,634,762
Charge for the year	45,943	37	42,497	61,901	85,390	42,574	-	278,342
Additions due to acquisition of subsidiary	-	-	-	-	-	3,526	-	3,526
Disposals	-	-	(29,719)	(6,364)	(1,221)	(7,013)	-	(44,317)
Exchange rate variance	-	-	-	-	-	383	-	383
Balance as at 31 March 2018	198,283	57,231	157,911	517,911	574,236	367,124	-	1,872,696
Net book value as at 31 March 2018	3,061,203	1,352	429,783	182,453	307,497	130,427	-	4,112,715

	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	Work-in- progress Rs. '000	Total Rs. '000
Cost								
Balance as at 1 April 2016	2,841,602	58,583	451,319	533,859	698,624	376,210	696,679	5,656,876
Additions	-	-	222,058	79,503	106,404	40,861	630,406	1,079,232
Disposals	-	-	(84,941)	(280)	(497)	(70)	-	(85,788)
Transfers/adjustments	-	-	-	(575)	575	-	-	-
Balance as at 31 March 2017	2,841,602	58,583	588,436	612,507	805,106	417,001	1,327,085	6,650,320
Less: Accumulated depreciation								
Balance as at 1 April 2016	108,094	56,681	180,853	405,609	412,215	283,891	-	1,447,343
Charge for the year	44,246	513	38,359	57,560	77,358	43,819	-	261,855
Disposals	-	-	(74,079)	(28)	(273)	(56)	-	(74,436)
Transfers	-	-	-	(767)	767	-	-	-
Balance as at 31 March 2017	152,340	57,194	145,133	462,374	490,067	327,654	-	1,634,762
Net book value as at 31 March 2017	2,689,262	1,389	443,303	150,133	315,039	89,347	1,327,085	5,015,558

Notes to the Financial Statements

30.3 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	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Improvement of leasehold properties	54,624	53,282	54,624	53,282
Motor vehicles	28,241	49,394	51,818	49,505
Computer hardware	357,737	311,932	381,263	328,857
Office equipment	267,334	184,603	287,137	196,314
Furniture and fittings	298,765	216,244	305,877	225,299
Total	1,006,701	815,455	1,080,719	853,257

30.4 GROUP FREEHOLD LAND AND BUILDINGS

Location	Address	Date of valuation	Method of valuation	Land extent "perches"	Building area (Sq.Ft)	2018 Cost Rs. '000	2018 Revaluation Rs. '000	2016/17 Revaluation Rs. '000
People's Leasing & Finance PLC								
Vehicle yards								
Makola	No. 496, Makola North, Makola	31.12.2016	MCM	90 perches	11,600	7,632	45,000	45,000
Mabima	No. 225/D, Nayagala Road, Heiyantuduwa, Mabima	31.12.2016	MCM	2 acres and 10.75 perches	820	21,722	68,000	68,000
Meegahamulla	Kandepalla, Beligamuwa, Galewala	31.12.2016	MCM	260 perches	1,836	27,558	13,754	13,754
Monaragala	No. 10, Pothuvil Road, Monaragala	31.12.2016	MCM	125.9 perches	1,376	41,056	45,000	45,000
Administrative purpose								
Bandarawela	No. 35/2D, Welimada Road, Bandarawela	31.12.2016	MCM	8.3 perches	5,194	31,257	40,000	40,000
Jaffna	No. 10, Mahathma Gandhi Road, Jaffna	31.12.2016	MCM	44.72 perches	-	45,764	155,063	155,063
Boralesgamuwa	No. 81, Old Kesbewa Road, Diulpitiya, Boralesgamuwa	31.12.2016	MCM	42 perches	13,366	52,000	50,000	50,000
Hokandara	No. 414, Wellangiriya, Singhapura, Hokandara	31.03.2018	MCM	224 perches	-	71,148	134,400	100,800
Matara	No. 367, Anagarika Dharmapala Mawatha, Matara	31.12.2016	MCM	40 perches	-	93,599	100,000	100,000
Kandy	No. 296, Senanayaka Road, Kandy	31.12.2016	MCM	47.1 perches	-	142,711	154,575	154,575
Anuradhapura	No. 50, Maithripala Senanayake Road, Anuradhapura	31.12.2016	MCM	40.51 perches	-	155,882	174,193	174,193
						690,329	979,985	946,385
People's Leasing Property Development Limited								
Borella	No. 1161, Maradana Road, Colombo 08	31.12.2016	MCM	104.90 perches	127,621	1,532,414	2,088,500	2,088,500
						1,532,414	2,088,500	2,088,500
People's Leasing Havelock Properties Limited								
Colombo 05	No. 07, Havelock Road, Colombo 05	31.03.2018	MCM	111.45 perches	84,024	1,973,087	2,600,000	1,000,000
						1,973,087	2,600,000	1,000,000

MCM: Market Comparable Method

Notes to the Financial Statements

30. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

TEMPORARILY IDLE PROPERTY, PLANT AND EQUIPMENT

There were no property, plant and equipment of the Company/Group idle as at 31 March 2018 and 31 March 2017.

PROPERTY, PLANT AND EQUIPMENT RETIRED FROM ACTIVE USE

There were no property, plant and equipment of the Company/Group retired from active use as at 31 March 2018 and 31 March 2017.

TITLE RESTRICTION ON PROPERTY, PLANT AND EQUIPMENT

There were no restriction on the title of property, plant and equipment of the Company/Group as at 31 March 2018 and 31 March 2017.

PROPERTY, PLANT AND EQUIPMENT PLEDGED AS SECURITY FOR LIABILITIES

There were no items of property, plant and equipment of the Company/Group 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 Company/Group that were impaired, lost or given up (2017: 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 in to Note 53.7 to the Financial Statements.

31 — 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 Company/Group 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.

Notes to the Financial Statements

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 2017	139,423	308,545	447,968	157,788	308,545	466,333
Additions	36,747	–	36,747	36,745	108,554	145,299
Balance as at 31 March 2018	176,170	308,545	484,715	194,533	417,099	611,632
Less: Accumulated amortisation						
Balance as at 1 April 2017	127,785	–	127,785	145,922	–	145,922
Amortisation	10,535	–	10,535	12,827	–	12,827
Balance as at 31 March 2018	138,320	–	138,320	158,749	–	158,749
Net book value as at 31 March 2018	37,850	308,545	346,395	35,784	417,099	452,883

	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 2016	139,423	308,545	447,968	157,788	308,545	466,333
Additions	–	–	–	–	–	–
Balance as at 31 March 2017	139,423	308,545	447,968	157,788	308,545	466,333
Less: Accumulated amortisation						
Balance as at 1 April 2016	118,005	–	118,005	133,158	–	133,158
Amortisation	9,780	–	9,780	12,764	–	12,764
Balance as at 31 March 2017	127,785	–	127,785	145,922	–	145,922
Net book value as at 31 March 2017	11,638	308,545	320,183	11,866	308,545	320,411

Intangible assets include fully-amortised software amounting to Rs. 111,700,952 as at 31 March 2018 (Rs. 100,625,192 – 31 March 2017), which are still in use as at the reporting date.

Notes to the Financial Statements

31. GOODWILL AND INTANGIBLE ASSETS (CONTD.)

IMPAIRMENT TESTS FOR GOODWILL

Goodwill acquired through business combinations has been allocated to lease and hire purchase unit. The Company/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 13.55% and the projected growth rate of 5% are the key assumptions used for this purpose. The discount rate was estimated based on an average percentage of weighted average cost of capital 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 Company/Group 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 2017/18.

32 — LEASEHOLD PROPERTY

ACCOUNTING POLICY

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	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Cost				
Balance as at 1 April	91,985	–	91,985	–
Additions	–	91,985	–	91,985
Balance as at 31 March	91,985	91,985	91,985	91,985
(Less): Accumulated amortisation				
Balance as at 1 April	1,788	–	1,788	–
Amortisation	3,066	1,788	3,066	1,788
Balance as at 31 March	4,854	1,788	4,854	1,788
Net book value at 31 March	87,131	90,197	87,131	90,197

Leasehold property consists of the property situated at Park Road, Nuwara Eliya acquired in the year 2016. The leasehold land is for 30 year and is being amortised over a period of 30 years commencing from 1 September 2016.

33 — 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.

Unsold vehicles at the reporting date are valued at the lower of cost and net realisable value, after making due allowances for obsolete and slow moving items. Net realisable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost necessary to make the sale.

Notes to the Financial Statements

Other inventory materials at reporting date are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

As at 31 March	Note	Page No.	Company		Group	
			2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Other financial assets			145,650	121,615	-	-
Non-financial assets	33.1	315	686,569	726,976	1,299,753	936,441
Total			832,219	848,591	1,299,753	936,441

33.1 NON-FINANCIAL ASSETS

As at 31 March	Company		Group	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Advance payments	236,506	261,698	382,303	272,449
VAT recoverable	-	-	-	316
Inventories	17,894	17,109	25,631	22,848
Other receivables	432,169	448,169	891,819	640,828
Total	686,569	726,976	1,299,753	936,441

34 — 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	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Overdraft	1,265,295	616,359	1,604,473	876,594
Bank borrowings – Long-term loans	17,903,759	19,574,112	19,477,186	20,814,867
Bank borrowings – Short-term loans	10,254,514	15,393,937	10,254,514	15,393,937
Total	29,423,568	35,584,408	31,336,173	37,085,398

Notes to the Financial Statements

34. DUE TO BANKS (CONTD.)

34.1 MOVEMENT OF DUE TO BANKS

As at 31 March	Company		Group	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Balance as at 1 April	34,968,049	26,431,177	36,208,804	27,683,282
Amount borrowed during the year	55,180,000	50,660,000	55,550,481	51,564,146
Repayments during the year	(65,310,618)	(45,780,193)	(65,536,775)	(46,726,038)
Interest expenses during the year	3,320,842	3,657,065	3,509,190	3,687,414
Subtotal	28,158,273	34,968,049	29,731,700	36,208,804
Overdrafts	1,265,295	616,359	1,604,473	876,594
Balance as at 31 March	29,423,568	35,584,408	31,336,173	37,085,398

34.2 LONG-TERM LOAN DETAILS

Name of the borrower	Granted date	Facility amount Rs. '000	Period	Interest rate %	Security status
Commercial Bank	01.09.2014	1,000,000	04 years	9.00	Secured
Commercial Bank	23.10.2014	3,000,000	04 years	8.00	Secured
Commercial Bank	06.02.2015	2,000,000	04 years	7.25% – 8.5	Secured
Commercial Bank	14.07.2015	2,000,000	04 years	7.25% – 10.5	Secured
Commercial Bank	08.09.2016	1,000,000	04 years	14.00	Secured
Sampath Bank	31.12.2014	2,000,000	05 years	7.00% – 8.5	Secured
Axis Bank	27.03.2017	150,000	04 years	AWPLR+1.25	Secured
Axis Bank	27.03.2017	250,000	04 years	AWPLR+1.25	Secured
People's Bank	22.01.2015	1,500,000	04 years	9.00	Secured
People's Bank	26.05.2015	4,250,000	04 years	8.50	Secured
People's Bank	27.11.2015	2,000,000	04 years	10.00	Secured
People's Bank	15.03.2016	2,000,000	04 years	AWPLR+1.75	Secured
People's Bank	02.06.2016	2,500,000	04 years	06 month SLIBOR+1.75	Secured
Hatton National Bank	30.01.2015	2,000,000	04 years	8.50	Secured
Bank of Ceylon	07.07.2016	3,000,000	04 years	11.50	Secured
RAK Bank/Standard Chartered Bank	27.04.2017	5,355,000	03 years	13.50	Secured
MCB Bank	26.09.2017	500,000	04 years	AWPLR+1.5%	Secured

Details of the securities are disclosed in Note 58 – “Assets Pledged” to the Financial Statements.

35 — 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.

Notes to the Financial Statements

As at 31 March	Company		Group	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Fixed deposits	65,428,595	41,171,241	65,072,264	40,948,079
Savings deposits	4,334,624	3,551,311	4,305,530	3,517,489
Total	69,763,219	44,722,552	69,377,794	44,465,568

36 — 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	
			2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Promissory Notes			13,032	16,199	13,032	16,199
Listed Debentures	36.2	318	15,770,470	21,877,658	15,770,470	21,773,643
Commercial Papers			-	190,114	-	190,114
Asset backed securities			10,498,221	16,589,306	10,498,221	16,589,306
Total			26,281,723	38,673,277	26,281,723	38,569,262

36.1 MOVEMENT OF DEBT SECURITIES ISSUED

As at 31 March	Company		Group	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Balance as at 1 April	38,673,277	34,387,677	38,656,402	34,283,621
Amount borrowed during the year	1,000,000	14,066,600	1,000,000	14,066,600
Redemption of debt securities issued	(13,255,994)	(10,212,536)	(13,222,468)	(10,212,536)
Interest expenses on debt securities issued	4,219,041	4,164,403	4,202,390	4,147,569
Interest paid on debt securities issued	(4,354,601)	(3,732,867)	(4,354,601)	(3,628,852)
Balance as at 31 March	26,281,723	38,673,277	26,281,723	38,656,402

Notes to the Financial Statements

36. DEBT SECURITIES ISSUED (CONTD.)

36.2 LISTED DEBENTURES

In 2013 the Company issued Rs 6,000 million worth of Senior, unsecured, redeemable, AA(-) rated four year (2013/2017) and five year (2013/2018) debentures of Rs 100/- each. In 2014 the Company issued Rs 3,000 million worth of senior, unsecured, redeemable, AA(-) rated three year (2014/2017) and four year (2014/2018) debentures of Rs. 100/- each. 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/- 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/- each.

As at 31 March	Face value Rs. '000	Interest rate %	Interest Repayment term	Issued date	Maturity date	Company		Group	
						2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Senior, unsecured, redeemable, AA(-) rated									
Option 02	1,583,500	16.75	Semi Annually	27 Mar 2013	26 Mar 2018	-	1,628,738	-	1,577,138
Option 03	2,430,000	17.00	Annually	27 Mar 2013	26 Mar 2018	-	2,655,027	-	2,602,612
Type A	1,800,070	8.75	Annually	15 Sep 2014	14 Sep 2017	-	1,835,393	-	1,835,393
Type B	1,199,930	9.63	Annually	15 Sep 2014	14 Sep 2018	1,228,001	1,225,666	1,228,001	1,225,666
Type A	2,175,780	9.60	Semi Annually	13 Nov 2015	12 Nov 2019	2,250,084	2,245,624	2,250,084	2,245,624
Type B	3,824,220	9.95	Annually	13 Nov 2015	12 Nov 2020	3,952,854	3,952,078	3,952,854	3,952,078
Type A	542,040	11.90	Semi Annually	16 Nov 2016	16 Nov 2019	564,149	563,496	564,149	563,496
Type B	659,350	12.25	Semi Annually	16 Nov 2016	16 Nov 2020	686,688	686,304	686,688	686,304
Type C	6,798,610	12.60	Semi Annually	16 Nov 2016	16 Nov 2021	7,088,694	7,085,332	7,088,694	7,085,332
Total	21,013,500					15,770,470	21,877,658	15,770,470	21,773,643

36.2.1 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)	% of total proceeds	Amounts utilised in Rs. '000 (B)	% 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

Notes to the Financial Statements

37 — 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.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date in accordance with the Sri Lanka Accounting Standard – LKAS 10 – “Events after the reporting period”.

WITHHOLDING TAX ON DIVIDENDS, DISTRIBUTED BY THE COMPANY AND SUBSIDIARIES

Withholding tax that arises from the distribution of dividends by the Company is recognised at the time the liability to pay the related dividend is recognised. Withholding tax on dividends distributed by the subsidiaries and associates dividends received by the Company from its subsidiaries and associates, have attracted a 10% deduction at source.

As at 31 March	Company		Group	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Amount payable to suppliers	2,302,981	1,905,190	2,515,858	1,973,684
Insurance payable	653,743	599,782	36,540	82,049
Dividend payable	17,275	15,031	17,275	15,031
Other payables	1,671,819	205,163	1,903,879	492,423
Total	4,645,818	2,725,166	4,473,552	2,563,187

38 — DERIVATIVE FINANCIAL INSTRUMENTS

ACCOUNTING POLICY

Derivatives are financial instruments that derive their value in response to changes in interest rates, financial instrument prices, commodity prices, foreign exchange rates, credit risk and induces. Derivatives are categorised as trading unless they are designated as hedging instruments.

All derivatives are initially recognised and subsequently measured at fair value, with all revaluation gains recognised in the Statement of Profit or Loss (except where cash flow or net investment hedging has been achieved, in which case the effective portion of changes in fair value is recognised within Statement of Comprehensive Income).

Fair values may be obtained from quoted market prices in active markets, recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. Where the initially recognised fair value of a derivative contract is based on a valuation model that uses inputs that are not observable in the market, it follows the same initial recognition accounting policy as for other financial assets and liabilities. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Certain derivatives embedded in other financial instruments, such as the conversion option in a convertible bond held, are valued as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value, with changes in fair value recognised in the Statement of Profit or Loss. Embedded derivatives continue to be presented with the host contract and are not separately disclosed or included within derivatives.

Notes to the Financial Statements

38. DERIVATIVE FINANCIAL INSTRUMENTS (CONTD.)

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company/Group designates certain derivatives as either –

- (1) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge);
- (2) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecast transaction (cash flow hedge); or
- (3) hedges of the net investment of a foreign operation (net investment hedges).

Hedge accounting is used for derivatives designated in this way provided certain criteria are met. The Company/Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company/Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

CASH FLOW HEDGE

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedging instruments is recognised in Equity. The gain or loss relating to the ineffective portion is recognised immediately in the Statement of Profit or Loss.

Amounts accumulated in Equity are reclassified to the Statement of Profit or Loss in the periods in which the hedged item affects profit or loss. When a hedging instrument expires or is sold or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in Equity at that time remains in Equity and is recognised when the forecast transaction is ultimately recognised in the Statement of Profit or Loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in Equity is immediately transferred to the Statement of Profit or Loss.

DERIVATIVES THAT DO NOT QUALIFY FOR HEDGE ACCOUNTING

Changes in the fair value of any derivative instruments not qualifying for hedge accounting are recognised immediately in the Statement of Profit or Loss.

COMPANY AND GROUP

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amounts indicate the volume of transactions outstanding at the year end and are indicative of neither the market risk nor the credit risk:

As at 31 March	2018		2017	
	Liability Rs. '000	Notional amount Rs. '000	Liability Rs. '000	Notional amount Rs. '000
Forward foreign exchange contracts	-	-	8,363	1,842,058
Total	-	-	8,363	1,842,058

HEDGE ACCOUNTING

The Company has raised USD 12 million on 25 April 2016 through foreign borrowings for a period of one year, against which a forward foreign exchange contracts arrangement has been entered into with the People's Bank for USD 12 million which was matured on 20 April 2017.

As per Sri Lanka Accounting Standard – LKAS 39 – “Financial Instruments: Recognition and Measurement” the Company has identified this particular transaction as a “Cash Flow Hedge” after documenting the hedge relationship.

Notes to the Financial Statements

The objective of the hedge is to reduce the variability of the cash flows of a foreign currency denominated above-mentioned borrowing (only the capital portion) attributable to changes in LKR/USD exchange rate.

Details	Description of the hedge
Hedge instrument	Forward foreign exchange contract
	Counterparty – People's Bank
	Notional amount – USD 12 million
Hedge item	USD denominated borrowing – USD 12 million Capital is repayable in full on 20 April 2017.
The periods when the cash flows are expected to occur	22 July 2016 to 20 April 2017
The amount recognised in Statement of Comprehensive Income during the year	Rs. 878,835
Fair value of the hedge item as at 31 March 2017	Rs. 1,824 million
Fair value of the hedge instrument as at 31 March 2017	Rs. 8 million
Any forecast transaction for which hedge accounting had previously been used but which is no longer expected to occur	None
The amount that was reclassified from equity to Statement of Profit or Loss as a reclassification adjustment	None

The expected impact to the Statement of Profit or Loss on the hedge is as follows:

As at 31 March	Less than one year Rs. '000
Forecast cash inflow	1,837,080
Less: Forecast cash outflow	1,823,820
Net effect	13,260

39 — INSURANCE LIABILITIES AND REINSURANCE PAYABLE

ACCOUNTING POLICY

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.

Notes to the Financial Statements

39. INSURANCE LIABILITIES AND REINSURANCE PAYABLE (CONTD.)

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 Messrs NMG Financial Services Consulting Pte Limited, Singapore.

As at 31 March	Note	Page No.	Company		Group	
			2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Insurance liabilities	39.1	323	-	-	3,982,469	3,481,231
Reinsurance payables			-	-	72,117	55,879
Total			-	-	4,054,586	3,537,110

Notes to the Financial Statements

39.1 INSURANCE LIABILITIES

As at 31 March	Company		Group	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Outstanding claims provision	-	-	1,491,902	1,275,074
Provision for unearned premiums (net)	-	-	2,490,567	2,206,157
Total	-	-	3,982,469	3,481,231

40 — CURRENT TAX LIABILITIES/(RECEIVABLES)

ACCOUNTING POLICY

The Company and the Group are 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	
			2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Income tax payables/(receivables)	40.1	323	(89,849)	289,978	62,673	337,291
Total			(89,849)	289,978	62,673	337,291

40.1 CURRENT TAX LIABILITIES/(RECEIVABLES)

As at 31 March	Company		Group	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Balance as at 1 April	289,978	937,999	337,291	1,017,694
Provision for the year	1,205,168	1,571,525	1,380,894	1,736,140
Over provision in respect of previous year	(104,122)	(212,429)	(104,256)	(208,586)
Payment of income tax	(1,113,050)	(1,757,430)	(1,174,927)	(1,858,901)
Tax credits*	(367,823)	(249,687)	(376,329)	(349,056)
Balance as at 31 March	(89,849)	289,978	62,673	337,291

* Tax credits include notional tax credit for withholding tax on Government Securities, economics service charge and withholding tax.

Notes to the Financial Statements

40. CURRENT TAX LIABILITIES/(RECEIVABLES) (CONTD.)

NOTIONAL TAX CREDIT FOR WITHHOLDING TAX ON GOVERNMENT SECURITIES

As per Section 137 of the Inland Revenue Act No. 10 of 2006 and amendments thereto, a company engaged in secondary market transactions involving Government Securities, Treasury Bills and Treasury Bonds on which income tax had been deducted at 10% per annum at the time of issue of such securities, is entitled to a notional tax credit of one-ninth of Net Interest Income earned from such secondary market transactions. As per the Inland Revenue Act No. 24 of 2017, the Company will not be entitled to accrue notional tax credit with effect from 1 April 2018.

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.

WITHHOLDING TAX (WHT) ON FIXED DEPOSITS AND SAVING 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.

41 — 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.

Notes to the Financial Statements

As at 31 March	Company		Group	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Recognised under assets	-	-	(28,155)	(26,234)
Recognised under liabilities	2,275,868	1,923,171	2,338,807	1,975,528
Total	2,275,868	1,923,171	2,310,652	1,949,294

Net deferred tax assets/liabilities of one entity cannot be 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.

41.1 MOVEMENT IN DEFERRED TAX

As at 31 March	Company		Group	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Balance as at 1 April	1,923,171	1,821,897	1,949,294	1,840,724
Charge for the year	359,296	107,544	367,981	115,063
Deferred tax charge relating to components of Statement of Comprehensive Income	(6,599)	(6,270)	(6,623)	(6,493)
Balance as at 31 March	2,275,868	1,923,171	2,310,652	1,949,294

As at 31 March 2018	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	Deferred tax assets Rs. '000	Deferred tax liabilities Rs. '000	Statement of profit or loss Rs. '000	Statement of comprehensive income Rs. '000
Retirement benefit obligation	110,053	-	(17,960)	6,599	119,430	-	(17,375)	6,623
Carry forward tax losses	-	-	-	-	26,623	-	-	-
Impairment allowances for loans and receivables	590,080	158,251	(454,747)	-	611,655	158,251	(453,549)	-
Accelerated depreciation allowance for tax purpose (Lease)	-	2,718,810	835,671	-	-	2,718,810	835,671	-
Accelerated depreciation allowance for tax purpose (PPE)	-	81,229	(21,379)	-	-	173,588	(14,477)	-
Fair value gains/losses – Freehold buildings	-	17,711	17,711	-	-	17,711	17,711	-
	700,133	2,976,001	359,296	6,599	757,708	3,068,360	367,981	6,623
Deferred tax effect on Profit or Loss and Other Comprehensive Income for the year	-	-	359,296	6,599	-	-	367,981	6,623
Recognised under assets	-	-	-	-	-	(28,155)	-	-
Recognised under liabilities	-	2,275,868	-	-	-	2,338,807	-	-
Net deferred tax liability as at 31 March	-	2,275,868	-	-	-	2,310,652	-	-

Notes to the Financial Statements

41. DEFERRED TAX LIABILITIES/(ASSETS) (CONTD.)

As at 31 March 2017	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	Deferred tax assets Rs. '000	Deferred tax liabilities Rs. '000	Statement of profit or loss Rs. '000	Statement of comprehensive income Rs. '000
Retirement benefit obligation	85,495	-	(15,671)	6,270	90,447	17	(13,763)	6,493
Carry forward tax losses	-	-	-	-	14,260	-	10,731	-
Impairment allowances for loans and receivables	70,560	93,479	22,919	-	95,119	93,479	9,067	-
Accelerated depreciation allowance for tax purpose (Lease)	-	1,883,139	66,604	-	-	1,883,140	66,809	-
Accelerated depreciation allowance for tax purpose (PPE)	-	100,563	33,692	-	-	170,439	42,219	-
Fair value gains/losses – Freehold buildings	-	2,045	-	-	-	2,045	-	-
	156,055	2,079,226	107,544	6,270	199,826	2,149,120	115,063	6,493
Deferred tax effect on Profit or Loss and Other Comprehensive Income for the year	-	-	107,544	6,270	-	-	115,063	6,493
Recognised under assets	-	-	-	-	-	(26,234)	-	-
Recognised under liabilities	-	1,923,171	-	-	-	1,975,528	-	-
Net deferred tax liability as at 31 March	-	1,923,171	-	-	-	1,949,294	-	-

Deferred tax assets/liabilities have been calculated at the tax rate specific to each company.

42 — OTHER LIABILITIES

ACCOUNTING POLICY

Other liabilities include VAT on financial services payable, VAT payables, retirement benefit obligation, Value Added Tax (VAT) payable and other payables. These liabilities are recorded at amounts expected to be payable at the reporting date.

VALUE ADDED TAX (VAT) ON FINANCIAL SERVICES

Value Added Tax (VAT) on financial services is calculated in accordance with Value Added Tax Act No. 14 of 2002 and subsequent amendments thereto. The base for value added tax computation of value added tax on financial services is the accounting profit before VAT and income tax adjusted for the economic depreciation and emoluments of employees computed on prescribed rates.

EMPLOYEE BENEFITS

RETIREMENT BENEFIT OBLIGATION – GRATUITY

The Company/Group 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".

Notes to the Financial Statements

RECOGNITION OF ACTUARIAL GAINS AND LOSSES

The Company/Group 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

The Company/Group and employees contribute, to the Employees' Provident Fund managed by the Central Bank of Sri Lanka, 12% and 8% respectively on the gross salary of each employee.

DEFINED CONTRIBUTION PLANS – EMPLOYEES' TRUST FUND

The Company/Group contributes to the Employees' Trust Fund 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	
			2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
VAT on financial services payable			192,287	100,331	193,128	101,529
Value Added Tax (VAT) payable			24,524	13,187	55,129	30,910
Retirement benefit obligation	42.1	327	393,048	305,339	423,788	327,278
Other Payable			1,458,216	1,413,698	1,501,905	1,437,194
Total			2,068,075	1,832,555	2,173,950	1,896,911

42.1 RETIREMENT BENEFIT OBLIGATION

As at 31 March	Note	Page No.	Company		Group	
			2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Balance as at 1 April			305,339	226,994	327,278	238,848
Amount recognised in Statement of Profit or Loss	42.1.2	328	83,710	64,734	93,186	72,109
Actuarial loss recognised in Statement of Comprehensive Income	42.1.3	328	23,554	22,380	24,936	25,157
Benefits paid during the year			(19,555)	(8,769)	(21,612)	(8,836)
Balance as at 31 March			393,048	305,339	423,788	327,278

Notes to the Financial Statements

42. OTHER LIABILITIES (CONTD.)

42.1.2 AMOUNT RECOGNISED IN STATEMENT OF PROFIT OR LOSS

As at 31 March	Company		Group	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Current service cost	44,627	37,495	54,481	43,577
Net interest on the net defined benefit liability	39,083	27,239	38,705	28,532
Total amount recognised in Statement of Profit or Loss	83,710	64,734	93,186	72,109

42.1.3 ACTUARIAL LOSS RECOGNISED IN STATEMENT OF COMPREHENSIVE INCOME

As at 31 March	Company		Group	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Losses/(Gains) due to changes in assumptions	35,188	(26,178)	36,570	(23,234)
Experience losses/(gains) arising during the year	(11,634)	48,558	(11,634)	48,391
Total actuarial losses recognised in Statement of Comprehensive Income	23,554	22,380	24,936	25,157

An actuarial valuation of the retirement benefit obligations was carried out as at 31 March 2018 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	
	2018	2017
Actuarial assumptions		
Discount rate	10.30%	12.80%
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 10.22 years for the year ended 31 March 2018. (10.38 – 2017).

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.

Notes to the Financial Statements

	2018		2017		
	%	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	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	24,854	(24,854)	17,391	(17,391)
	-1	(28,053)	28,053	(19,485)	19,485
Increase/(decrease) in salary increment	1	(28,694)	28,694	(20,302)	20,302
	-1	25,844	(25,844)	18,398	(18,398)

43 — CAPITAL

As at 31 March	Company/Group			
	2018		2017	
	Number	Rs. '000	Number	Rs. '000
Ordinary shares as at 1 April	1,579,862,482	13,236,073	1,579,862,482	13,136,073
Transfer from preference shares on redemption	-	-	-	100,000
Ordinary shares as at 31 March	1,579,862,482	13,236,073	1,579,862,482	13,236,073

43.1 STATED CAPITAL

As at 31 March	Company/Group			
	2018		2017	
	Number	Rs. '000	Number	Rs. '000
Fully-paid ordinary shares	1,579,862,482	11,886,073	1,579,862,482	11,886,073
Transfer from preference shares on redemption	-	1,350,000	-	1,350,000
Issued capital	1,579,862,482	13,236,073	1,579,862,482	13,236,073
Fully paid cumulative redeemable preference shares	135,000,000	1,350,000	135,000,000	1,350,000
Transfer to ordinary shares on redemption	(135,000,000)	(1,350,000)	(135,000,000)	(1,350,000)
Preference share capital	-	-	-	-
Total	1,579,862,482	13,236,073	1,579,862,482	13,236,073

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.

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.

Notes to the Financial Statements

43. CAPITAL (CONTD.)

The Company manages its capital structure and makes adjustments to it 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	2018		2017	
	Actual	Required	Actual	Required
Core capital (Rs. '000)	26,515,110	1,000,000	24,231,162	400,000
Core capital ratio (%)	18.38	5.00	17.56	5.00
Total risk weighted capital ratio (%)	16.46	10.00	16.37	10.00

Regulatory capital consists of core capital, which comprises stated capital, statutory reserved fund, retained earnings including current year profit, general and other reserves less goodwill.

44 — STATUTORY RESERVE FUND

As at 31 March	Company		Group	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Balance as at 1 April	1,621,946	1,421,483	1,621,946	1,421,483
Transfer during the year	215,467	200,463	215,467	200,463
Balance as at 31 March	1,837,413	1,621,946	1,837,413	1,621,946

"Statutory Reserve Fund" has been created during the year 2007 in accordance with the Finance Companies (Capital Funds) Direction No. 1 of 2003 issued by Central Bank of Sri Lanka. Accordingly 5% of the net profit for the period is transferred to the Statutory Reserve Fund during the financial year.

45 — RETAINED EARNINGS

As at 31 March	Company		Group	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Balance as at 1 April	9,400,084	7,682,230	10,560,834	8,600,098
Profit for the year	4,309,330	4,009,254	4,816,920	4,255,132
Comprehensive income	(16,955)	(16,110)	(20,288)	(19,106)
Transfers to reserves	(215,467)	(200,463)	(215,467)	(200,463)
Dividend paid	(1,974,827)	(1,974,827)	(1,974,827)	(1,974,827)
Redemption of preference shares	-	(100,000)	-	(100,000)
Balance as at 31 March	11,502,165	9,400,084	13,167,172	10,560,834

Notes to the Financial Statements

46—OTHER RESERVES

EQUITY RESERVES

The reserves recorded in equity on the Statement of Financial Position include:

- “Available-for-sale” reserve, which comprises changes in fair value of available-for-sale financial assets.
- “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 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 Comprehensive Income was translated at the average exchange rate of the period. The exchange differences arising on the translation of these Financial Statement is taken to foreign currency translation reserve through Statement of Comprehensive Income.

46.1 CURRENT YEAR 2018

	Company			Group		
	Opening balance as at 1 April 2017 Rs. '000	Movement/ Transfers Rs. '000	Closing balance as at 31 March 2018 Rs. '000	Opening balance as at 1 April 2017 Rs. '000	Movement/ Transfers Rs. '000	Closing balance as at 31 March 2018 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	31,009	15,860	46,869	20,078	25,507	45,585
Cash flow hedge reserve	879	(879)	—	879	(879)	—
Revaluation reserve	7,302	—	7,302	—	—	—
Foreign currency translation reserve	—	—	—	—	2,828	2,828
Total	439,190	14,981	454,171	420,957	27,456	448,413

46.2 PREVIOUS YEAR 2017

	Company			Group		
	Opening balance as at 1 April 2016 Rs. '000	Movement/ Transfers Rs. '000	Closing balance as at 31 March 2017 Rs. '000	Opening balance as at 1 April 2016 Rs. '000	Movement/ Transfers Rs. '000	Closing balance as at 31 March 2017 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	124,780	(93,771)	31,009	109,575	(89,497)	20,078
Cash flow hedge reserve	—	879	879	—	879	879
Revaluation reserve	7,302	—	7,302	—	—	—
Total	532,082	(92,892)	439,190	509,575	(88,618)	420,957

47—NON-CONTROLLING INTEREST

Non-controlling interests 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.

Notes to the Financial Statements

47. NON-CONTROLLING INTEREST (CONTD.)

As at 31 March	Group	
	2018 Rs. '000	2017 Rs. '000
Balance as at 1 April	1,084,969	1,003,043
Acquisition of a subsidiary with non-controlling interest	989,833	-
Profit for the year	200,793	186,484
Other comprehensive income	1,975	442
Dividend paid for the year	(112,500)	(105,000)
Balance as at 31 March	2,165,070	1,084,969

48 — 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 Company and the Group have formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Company and the Group make adjustments to account for any adverse effects which the claims may have on its financial standing. At the Reporting date the Company and the Group had several unresolved legal claims. The significant unresolved legal claims against the Company and Group for which legal advisor of the Company advised as the loss is possible, but not probable, that the action will succeed. Accordingly, no provision for any claims has been made in these Financial Statements.

CONTINGENT LIABILITIES, COMMITMENTS OF OTHER GROUP ENTITIES

The Company's/Group's share of any contingencies and capital commitments of a subsidiaries and an associate for which the Company is also liable severally or otherwise is included with appropriate disclosures.

PROVISIONS FOR LIABILITIES AND CONTINGENCIES

The Company/Group receives legal claims against it in the normal course of business. Management has made judgments as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depend on the due process in respective legal jurisdictions.

Information about significant areas of estimation uncertainty and critical 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	
			2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Contingent liabilities	48.1	333	757,492	978,275	757,492	978,275
Commitments	48.2	333	6,713,383	5,461,703	6,865,872	5,737,249
Total			7,470,875	6,439,978	7,623,364	6,715,524

Notes to the Financial Statements

48.1 CONTINGENT LIABILITIES

In the normal course of business, the Company and the Group make 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 the Company. However, no material losses are anticipated as a result of these transactions.

As at 31 March	Company		Group	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Accidents of leased out vehicles	149,387	292,912	149,387	292,912
Guarantees – Related parties	550,000	650,000	550,000	650,000
Guarantees – Others	32,977	30,935	32,977	30,935
Pending bill retirements	25,128	4,428	25,128	4,428
Total	757,492	978,275	757,492	978,275

48.2 COMMITMENTS

The Company/Group 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	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Capital Commitments				
Approved and contracted for	-	-	118,198	224,818
Approved but not contracted for	978,300	495,000	1,012,591	545,728
Derivative financial instruments	-	1,855,451	-	1,855,451
Sub total	978,300	2,350,451	1,130,789	2,625,997
Unutilised Facilities				
Margin trading	2,313,773	656,697	2,313,773	656,697
Fast track	3,083,975	2,218,805	3,083,975	2,218,805
Factoring	337,335	235,750	337,335	235,750
Sub total	5,735,083	3,111,252	5,735,083	3,111,252
Total	6,713,383	5,461,703	6,865,872	5,737,249

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. However, further adjustments are made to Financial Statements if necessary on the adverse effects of legal claims based on the professional advice obtained on the certainty of the outcome and also based on a reasonable estimate.

As of the date of the Statement of Financial Position, thirty (30) 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.

Notes to the Financial Statements

49 — NET ASSETS VALUE PER ORDINARY SHARE

As at 31 March	Company		Group	
	2018	2017	2018	2017
Total equity attributable to equity to equity holders of the Company (Rs. '000)	27,029,822	24,697,293	28,689,071	25,839,810
Total number of shares	1,579,862,482	1,579,862,482	1,579,862,482	1,579,862,482
Net assets value per share (Rs.)	17.11	15.63	18.16	16.36

50 — NON-CASH ITEMS INCLUDED IN PROFIT BEFORE TAX

As at 31 March	Company		Group	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Depreciation of property, plant and equipment	178,905	175,425	278,342	261,856
Amortisation of leasehold assets	3,066	1,788	3,066	1,788
Amortisation of intangible assets	10,535	9,780	12,827	12,764
Impairment losses on loans and receivables	1,592,256	215,761	1,632,347	282,819
Charge for retirement benefit obligation	83,710	64,734	93,186	72,109
Gains on sale of property, plant and equipment	(20,162)	(40,705)	(20,162)	(40,705)
Net trading income from sale of vehicles	(2,858)	(4,358)	(2,858)	(4,358)
Net gains on financial assets – Held for trading	(18,987)	(8,257)	(59,910)	(43,869)
Fair value gains on investment property	(33,600)	(10,048)	(311,422)	–
Grossed up notional tax and withholding tax credits	(90,058)	(67,366)	(90,136)	(67,444)
Total	1,702,807	336,754	1,535,280	474,960

51 — CHANGE IN OPERATING ASSETS

As at 31 March	Company		Group	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Net (increase) in balances with banks and financial institutions	(2,280,484)	(1,242,541)	(2,948,699)	(1,246,031)
Net decrease in financial assets – Held for trading	45,466	18,693	273,726	42,006
Net (increase) in loans and receivables	(8,497,595)	(24,393,694)	(8,868,655)	(24,591,807)
Net (increase)/decrease in derivative financial instrument	(9,242)	9,242	(9,242)	9,242
Net (increase) in insurance and reinsurance receivables	–	–	(139,164)	(61,220)
Net (increase)/decrease in financial assets – Available for sale	72,431	130,883	(223,378)	555,890
Net (increase)/decrease in financial assets – Held to maturity	(1,831,541)	2,029,560	(1,831,463)	2,029,638
Net (increase)/decrease in other assets	16,335	(84,525)	(357,465)	397,833
Total	(12,484,630)	(23,532,382)	(14,104,340)	(22,864,449)

Notes to the Financial Statements

52 — CHANGE IN OPERATING LIABILITIES

As at 31 March	Company		Group	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Net increase in due to customers	25,040,667	10,886,124	24,912,226	10,788,308
Net increase/(decrease) in other financial liabilities	1,920,652	(5,318)	1,848,678	(325,212)
Net increase in insurance liabilities and reinsurance payables	-	-	517,476	355,522
Net increase/(decrease) in other liabilities	(220,012)	185,072	(198,157)	3,463
Total	26,741,307	11,065,878	27,080,223	10,822,081

53 — RELATED PARTY DISCLOSURE

The Company and the Group 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:

53.1 PARENT AND ULTIMATE CONTROLLING PARTY

The Immediate Parent of the Company is People's Bank which is a Government owned entity.

53.2 TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL (KMP) AND THEIR FAMILY MEMBERS

As per the Sri Lanka Accounting Standard – LKAS 24 – “Related Party Disclosures”, the KMPs include those who are having authority and responsibility for planning, directing, and controlling the activities of the Company. Accordingly, the Board of Directors of the Company, Immediate Parent Company, and members of the Corporate Management of the Company have been classified as KMPs of the Company.

The Company carries out transactions with KMPs and their close family members in the ordinary course of its business on an arm's length basis at commercial rates.

53.2.1 TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL AND THEIR CLOSE FAMILY MEMBERS

REMUNERATION TO KEY MANAGEMENT PERSONNEL

For the year ended 31 March	Company		Group	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
(a) Remuneration to Board of Directors				
Short-term employees benefits	8,392	4,840	17,100	6,202
Total	8,392	4,840	17,100	6,202

For the year ended 31 March	Company/Group	
	2018 Rs. '000	2017 Rs. '000
(b) Remuneration to Corporate Management		
Short-term employees benefits	166,510	182,331
Post-employment benefits	15,328	15,229
Total	181,838	197,560

Notes to the Financial Statements

53. RELATED PARTY DISCLOSURE (CONTD.)

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.

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.

53.2.2 SHARE TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

For the year ended 31 March	Company		Group	
	2018	2017	2018	2017
No. of ordinary shares held	840,798	2,702,744	903,798	2,702,744
Dividend paid (Rs. '000)	962	3,080	1,090	3,080

53.2.3 TRANSACTIONS, ARRANGEMENTS AND AGREEMENTS INVOLVING KEY MANAGEMENT PERSONNEL (KMPs), THEIR CLOSE FAMILY MEMBERS (CFMs) AND OTHER RELATED ENTITIES

	Board of Directors		Corporate Management		Total	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
(a) Items in Statement of Profit or Loss						
Interest income	267	771	27	230	294	1,001
Interest expense	3,446	-	21,499	14,122	24,945	14,122
(b) Items in Statement of Financial Position						
Assets						
Loans and receivables	1,773	2,829	132	494	1,905	3,323
Total	1,773	2,829	132	494	1,905	3,323
Liabilities						
Due to customers	52,896	-	208,587	162,707	261,483	162,707
Total	52,896	-	208,587	162,707	261,483	162,707

53.3 NET ACCOMMODATION AND NET ACCOMMODATION AS A PERCENTAGE OF CAPITAL FUNDS

	2018 Rs. '000	2017 Rs. '000	2018 %	2017 %
People's Bank	-	-	-	-
People's Leasing Property Development Limited	568,182	488,102	2.10	1.98
People's Leasing Fleet Management Limited	15,704	10,936	0.06	0.04
People's Leasing Havelock Properties Limited	594,265	484,401	2.20	1.96
People's Microfinance Limited	430,745	880,976	1.59	3.57
People's Insurance PLC	22,175	4,671	0.08	0.02
Lankan Alliance Finance Limited	32,704	-	0.12	-
Board of Directors	1,773	2,829	0.01	0.01
Corporate Management and their close family members	132	494	0.00	0.00
Total net accommodation	1,665,680	1,872,409	6.16	7.58

Notes to the Financial Statements

53.4 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 a 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	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
(a) Items in Statement of Profit or Loss				
Interest income	30,736	46,894	30,736	46,894
Interest expense	1,020,688	1,344,676	1,020,688	1,344,676
(b) Items in Statement of Financial Position				
Assets				
Loans and receivables	152,241	284,511	152,241	284,511
Total	152,241	284,511	152,241	284,511
Liabilities				
Due to banks	8,558,812	12,897,806	8,558,812	12,897,806
Total	8,558,812	12,897,806	8,558,812	12,897,806

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 Bond
- Payments of statutory rates and taxes
- Payments for utilities mainly comprising of telephone, electricity and water
- Payments for employment retirement benefits – ETF
- Incidentals Payment such as RMV charges and CRIB fees that are paid based on standard rates.

(c) Individually Significant Transactions

There were no individually significant transactions with the Government of Sri Lanka and Government-related entities, other than on normal day-to-day business operations.

Notes to the Financial Statements

53. RELATED PARTY DISCLOSURE (CONTD.)

53.4.1 COMPANY

The Company had the undermentioned financial dealings during the financial year with the following related entities:

	Immediate Parent		Subsidiaries		Associate	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
(a) Items in Statement of Profit or Loss						
Interest income	755,332	527,828	45,183	23,361	6,154	-
Interest expense	1,059,939	1,269,208	251,147	231,574	-	-
Fee and commission income	-	343	622,541	575,332	-	-
Other operating income	-	-	517,742	457,676	-	5,000
Benefits, claims and underwriting expenditure	-	-	130,881	118,030	-	-
Other operating expenses	27,832	31,834	280,632	246,686	-	-
(b) Items in Statement of Financial Position						
Assets						
Cash and cash equivalents	3,636,360	2,813,229	-	-	-	-
Balances with banks and financial institutions	3,730,652	2,089,989	-	-	-	-
Loans and receivables	-	-	1,663,776	1,869,084	-	-
Financial assets – Held to maturity	3,204,688	2,446,154	-	-	-	-
Investments in subsidiaries/associate	-	-	3,213,788	2,075,000	586,427	586,427
Other assets	-	-	145,650	121,615	-	-
Total	10,571,700	7,349,372	5,023,214	4,065,699	586,427	586,427
Liabilities						
Due to banks	8,074,107	11,014,165	-	-	-	-
Due to customers	-	-	385,426	256,983	-	-
Debt securities issued	2,303,640	1,543,172	-	104,015	-	-
Other financial liabilities	-	-	765,756	563,240	-	-
Other liabilities	2,760	5,008	4,093	-	-	-
Total	10,380,507	12,562,345	1,155,275	924,238	-	-
(c) Transactions						
Transaction cost on debenture issue and securitisation	6,484	23,935	-	-	-	-
Dividend paid	1,481,121	1,481,121	-	-	-	-
Insurance premium paid in respect of customers introduced by People's Leasing & Finance PLC	-	-	3,480,949	3,186,968	-	-
Total	1,487,605	1,505,056	3,480,949	3,186,968	-	-
(d) Off-balance sheet items						
Guarantees	-	-	550,000	650,000	-	-
Total	-	-	550,000	650,000	-	-

Notes to the Financial Statements

53.4.2 GROUP

The Group had the undermentioned financial dealings during the financial year with the following related entities:

	Immediate Parent		Associate	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
(a) Items in Statement of Profit or Loss				
Interest income	771,960	534,922	6,154	-
Interest expenses	1,059,939	1,269,208	-	-
Net earned premiums	208,180	221,130	-	-
Fee and commission income	33,864	29,521	-	-
Other operating income	99,235	101,584	-	5,000
Benefits, claims and underwriting expenditure	55,687	51,846	-	-
Other operating expenses	28,732	32,734	-	-
(b) Items in Statement of Financial Position				
Assets				
Cash and cash equivalents	3,933,171	3,033,895	-	-
Balances with banks and financial institutions	4,107,354	2,201,190	-	-
Insurance and reinsurance receivables	20,185	18,847	-	-
Financial assets – Held to maturity	3,204,688	2,446,154	-	-
Investments in subsidiaries/associate	-	-	586,427	586,427
Other assets	60,019	34,879	-	-
Total	11,325,417	7,734,965	586,427	586,427
Liabilities				
Due to banks	8,181,052	11,060,754	-	-
Debt securities issued	2,303,640	1,543,172	-	-
Other liabilities	5,880	8,502	-	-
Total	10,490,572	12,612,428	-	-

Notes to the Financial Statements

54 — 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 Company's/Group's estimate of assumptions that a market participant would make when valuing the instruments.

54.1 FINANCIAL ASSETS – AVAILABLE FOR SALE

Available-for-sale financial assets 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.

54.2 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – HELD FOR TRADING

Held-for-trading financial assets 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.

54.3 DERIVATIVES – ASSETS AND LIABILITIES

Derivative product is forward foreign exchange contracts valued using a valuation technique with market-observable inputs. The most frequently applied valuation techniques include forward foreign exchange spot and forward premiums.

54.4 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.

54.5 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.

54.6 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.

Notes to the Financial Statements

54.7 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 2018	Company					Total Rs. '000
	Note	Date of Valuation	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	
Financial Assets						
Financial assets – Available-for-sale						
Equity investments		31 March 2018	219,132	–	–	219,132
			219,132	–	–	219,132
Financial assets – Held-for-trading						
Quoted equity securities		31 March 2018	174,736	–	–	174,736
			174,736	–	–	174,736
Non-financial assets – Investment property						
Lands and buildings		31 March 2018	–	–	134,400	134,400
			–	–	134,400	134,400
			393,868	–	134,400	528,268
Non-financial assets disclosed at fair value						
Freehold lands and buildings (Included under property, plant and equipment)	30.4		–	–	979,985	979,985
			–	–	979,985	979,985

Notes to the Financial Statements

54. FAIR VALUE OF ASSETS AND LIABILITIES (CONTD.)

As at 31 March 2017		Company				
Note	Date of valuation	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000	
Financial Assets						
Financial assets – Available for sale						
Equity investments	31 March 2017	193,166	–	–	193,166	
Unit trusts	31 March 2017	–	82,537	–	82,537	
		193,166	82,537	–	275,703	
Financial assets – Held for trading						
Quoted equity securities	31 March 2017	201,215	–	–	201,215	
		201,215	–	–	201,215	
Non-financial assets – Investment property						
Lands and buildings	31 March 2017	–	–	100,800	100,800	
		–	–	100,800	100,800	
		394,381	82,537	100,800	577,718	
Non-financial assets disclosed at fair value						
Freehold lands and buildings (Included under property, plant and equipment)	30.4	–	–	946,385	946,385	
		–	–	946,385	946,385	

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 2018		Group				
Note	Date of valuation	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000	
Financial Assets						
Financial Assets – Available for sale						
Equity Investments	31 March 2018	219,132	–	–	219,132	
Treasury bills	31 March 2018	1,124,322	–	–	1,124,322	
		1,343,454	–	–	1,343,454	
Financial assets – Held for trading						
Quoted equity securities	31 March 2018	315,485	–	–	315,485	
		315,485	–	–	315,485	
Non-financial assets – Investment property						
Lands and buildings	31 March 2018	–	–	1,265,996	1,265,996	
		–	–	1,265,996	1,265,996	
		1,658,939	–	1,265,996	2,924,935	
Non-financial assets disclosed at fair value						
Freehold lands and buildings (Included under property, plant and equipment)	30.4	–	–	5,668,485	5,668,485	
		–	–	5,668,485	5,668,485	

Notes to the Financial Statements

As at 31 March 2017		Group				Total Rs. '000
		Note	Date of Valuation	Level 1 Rs. '000	Level 2 Rs. '000	
Financial Assets						
Financial assets – Available-for-sale						
Equity Investments		31 March 2017	193,166	–	–	193,166
Treasury Bills		31 March 2017	774,148	–	–	774,148
Unit trusts		31 March 2017	–	127,255	–	127,255
			967,314	127,255	–	1,094,569
Financial assets – Held-for-trading						
Quoted equity securities		31 March 2017	529,301	–	–	529,301
			529,301	–	–	529,301
			1,496,615	127,255	–	1,623,870
Non-financial assets disclosed at fair value						
Freehold lands and buildings (Included under property, plant and equipment)	30.4		–	–	4,034,885	4,034,885
			–	–	4,034,885	4,034,885

There were no material transfers between Level 1 and Level 2 during the years 2017 and 2018. 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 shows total fair value gains/losses recognised in the 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	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Financial assets				
Financial assets – Held for trading				
Quoted investments	18,987	8,257	59,910	43,869
Total	18,987	8,257	59,910	43,869

Notes to the Financial Statements

54. FAIR VALUE OF ASSETS AND LIABILITIES (CONTD.)

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:

	Company		Group	
	Investment property Rs. '000	Freehold land and buildings Rs. '000	Investment property Rs. '000	Freehold land and buildings Rs. '000
Balance as at 1 April 2016	90,752	977,173	–	4,040,673
Additions	12,352	–	–	–
Total gains/(losses) recognised in profit or loss:				
Fair value recognised during the year	10,048	–	–	–
Depreciation of buildings	–	(706)	–	(44,246)
Fair value disclosed during the year	–	41,418		109,958
Balance as at 31 March 2017	113,152	1,017,885	–	4,106,385
Balance as at 1 April 2017	113,152	1,017,885	–	4,106,385
Additions	–	–	–	–
Disposals/transfers	(12,352)	–	954,574	482,363
Total gains/(losses) recognised in profit or loss:				
Fair value recognised during the year	33,600	–	311,422	–
Depreciation of buildings	–	(706)	–	(45,943)
Fair value disclosed during the year	–	34,306	–	1,679,543
Balance as at 31 March 2018	134,400	1,051,485	1,265,996	6,222,348

Notes to the Financial Statements

UNOBSERVABLE INPUTS USED IN MEASURING FAIR VALUE

The table below sets out information about significant unobservable inputs used as at 31 March 2018 and 31 March 2017 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 2018						
Investment property						
Freehold lands	31.03.2018	134,400	MCM	Estimated price per perch	Rs. 600,000	*
Property, plant and equipment						
Freehold lands	31.12.2016	920,731	MCM	Estimated price per perch	Rs. 50,000 – Rs. 4,300,000	*
Freehold buildings	31.12.2016	59,254	MCM	Estimated price per sq. ft.	Rs. 500 – Rs. 4,000	*
			Income basis	Estimated rental value per sq. ft.	Rs. 20 – Rs. 60	*
As at 31 March 2017						
Investment property						
Freehold lands	30.11.2017	100,800	MCM	Estimated price per perch	Rs. 450,000	*
Property, plant and equipment						
Freehold lands	31.12.2016	958,631	MCM	Estimated price per perch	Rs. 50,000 – Rs. 4,300,000	*
Freehold buildings	31.12.2016	59,254	MCM	Estimated price per sq. ft.	Rs. 500 – Rs. 4,000	*
			Income basis	Estimated rental value per sq. ft.	Rs. 20 – Rs. 60	*
Group						
As at 31 March 2018						
Investment property						
Freehold lands	31.03.2018	1,265,996	MCM	Estimated price per perch	Rs. 600,000 – Rs. 13,000,000	*
			MCM	Estimated price per sq. ft.	Rs. 200 – Rs. 300	*
			Income basis	Estimated rental value per sq. ft.	Rs. 14,500	*
Property, plant and equipment						
Freehold lands	31.12.2016	3,134,899	MCM	Estimated price per perch	Rs. 50,000 – Rs. 10,000,000	*
Freehold buildings	31.12.2016	2,533,586	MCM	Estimated price per sq. ft.	Rs. 500 – Rs. 11,000	*
			Income basis	Estimated rental value per sq. ft.	Rs. 15 – Rs. 250	*
As at 31 March 2017						
Property, plant and equipment						
Freehold land	31.12.2016	2,797,799	MCM	Estimated price per perch	Rs. 50,000 – Rs. 10,000,000	*
Freehold buildings	31.12.2016	1,308,586	MCM	Estimated price per sq.ft.	Rs. 500 – Rs. 11,000	*
			Income basis	Estimated rental value per sq.ft.	Rs. 15 – Rs. 250	*

MCM: Market comparable method.

* Significant increases/(decreases) in any of these inputs in isolation would result in a significantly higher/(lower) fair value.

Notes to the Financial Statements

54. FAIR VALUE OF ASSETS AND LIABILITIES (CONTD.)

54.8 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 Company's/Group'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			
		31 March 2018		31 March 2017	
		Fair value hierarchy	Carrying amount Rs. '000	Fair value Rs. '000	Carrying amount Rs. '000
Financial assets					
		4,414,083	4,414,083	5,591,170	5,591,170
Cash and cash equivalents					
Balances with banks and financial institutions		4,370,473	4,374,837	2,089,989	2,089,989
Loans and receivables	Level 2	140,962,936	136,508,924	134,054,702	129,572,102
Financial assets – Held to maturity	Level 1	4,889,641	4,886,099	2,968,042	2,964,614
Other financial assets	Level 2	145,650	145,650	121,615	121,615
Total		154,782,783	150,329,593	144,825,518	140,339,490
Financial liabilities					
Due to banks	Level 2	29,423,568	25,928,083	35,584,408	35,117,204
Due to customers	Level 2	69,763,219	69,777,391	44,722,552	44,563,734
Debt securities issued	Level 2	26,281,723	26,340,986	38,673,277	38,350,522
Other financial liabilities	Level 2	4,645,818	4,645,818	2,725,166	2,725,166
Total		130,114,328	126,692,278	121,705,403	120,756,626

		Group			
		31 March 2018		31 March 2017	
		Fair value hierarchy	Carrying amount Rs. '000	Fair value Rs. '000	Carrying amount Rs. '000
Financial assets					
		4,766,920	4,766,920	6,379,909	6,379,909
Cash and cash equivalents					
Balances with banks and financial institutions		8,758,715	8,758,715	3,789,047	3,789,047
Loans and receivables	Level 2	142,712,576	138,612,002	135,469,783	130,274,384
Insurance and reinsurance receivables		406,687	406,687	267,523	267,523
Financial assets – Held to maturity	Level 1	4,889,641	4,886,099	2,968,042	2,964,614
Total		161,534,539	157,430,423	148,874,304	143,675,477
Financial liabilities					
Due to banks	Level 2	31,336,173	27,840,688	37,085,398	36,618,194
Due to customers	Level 2	69,377,794	69,641,190	44,465,568	44,220,632
Debt securities issued	Level 2	26,281,723	26,230,315	38,569,262	38,239,851
Other financial liabilities	Level 2	4,473,552	4,473,552	2,563,187	2,563,187
Insurance liabilities and reinsurance payable		72,117	72,117	55,879	55,879
Total		131,541,359	128,257,862	122,739,294	121,697,743

Notes to the Financial Statements

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES NOT CARRIED AT 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 judgement 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.

Notes to the Financial Statements

55 — CURRENT/NON-CURRENT ANALYSIS

	Company					
	2018			2017		
	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	4,414,083	-	4,414,083	4,429,781	1,161,389	5,591,170
Balances with banks and financial institutions	4,370,473	-	4,370,473	2,089,989	-	2,089,989
Financial assets – Held for trading	174,736	-	174,736	201,215	-	201,215
Loans and receivables	62,248,236	78,714,700	140,962,936	61,044,051	73,010,651	134,054,702
Financial assets – Available for sale	219,122	10	219,132	275,693	10	275,703
Financial assets – Held to maturity	4,865,146	24,495	4,889,641	2,943,961	24,081	2,968,042
Investments in subsidiaries	-	3,213,788	3,213,788	-	2,075,000	2,075,000
Investment in associate	-	586,427	586,427	-	586,427	586,427
Investment property	-	134,400	134,400	-	100,800	100,800
Property, plant and equipment	-	1,166,883	1,166,883	-	1,254,744	1,254,744
Goodwill and intangible assets	-	346,395	346,395	-	320,183	320,183
Current tax receivables	89,849	-	89,849	-	-	-
Leasehold property	-	87,131	87,131	-	90,197	90,197
Other assets	660,814	171,405	832,219	680,926	167,665	848,591
Total assets	77,042,459	84,445,634	161,488,093	71,665,616	78,791,147	150,456,763
Liabilities						
Due to banks	23,093,045	6,330,523	29,423,568	25,289,517	10,294,891	35,584,408
Due to customers	57,300,137	12,463,082	69,763,219	39,114,584	5,607,968	44,722,552
Debt securities issued	9,371,915	16,909,808	26,281,723	15,611,133	23,062,144	38,673,277
Other financial liabilities	4,645,818	-	4,645,818	2,725,166	-	2,725,166
Derivative financial instruments	-	-	-	8,363	-	8,363
Current tax liabilities	-	-	-	289,978	-	289,978
Deferred tax liabilities	-	2,275,868	2,275,868	-	1,923,171	1,923,171
Other liabilities	2,068,075	-	2,068,075	1,832,555	-	1,832,555
Total liabilities	96,478,990	37,979,281	134,458,271	84,871,296	40,888,174	125,759,470
Net assets	(19,436,531)	46,466,353	27,029,822	(13,205,680)	37,902,973	24,697,293

Notes to the Financial Statements

	Group					
	2018			2017		
	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	4,766,920	-	4,766,920	5,218,520	1,161,389	6,379,909
Balances with banks and financial institutions	8,758,715	-	8,758,715	3,789,047	-	3,789,047
Financial assets – Held-for-trading	315,485	-	315,485	529,301	-	529,301
Loans and receivables	63,676,479	79,036,097	142,712,576	61,396,569	74,073,214	135,469,783
Insurance and reinsurance receivables	406,687	-	406,687	267,523	-	267,523
Financial assets – Available-for-sale	1,343,444	10	1,343,454	1,094,559	10	1,094,569
Financial assets – Held-to-maturity	4,865,146	24,495	4,889,641	2,943,961	24,081	2,968,042
Investment in associate	-	423,439	423,439	-	476,382	476,382
Investment properties	1,265,996	-	1,265,996	-	-	-
Property, plant and equipment	-	4,112,715	4,112,715	-	5,015,558	5,015,558
Goodwill and intangible assets	-	452,883	452,883	-	320,411	320,411
Current tax receivables	89,849	-	89,849	-	-	-
Leasehold property	-	87,131	87,131	-	90,197	90,197
Deferred tax assets	-	28,155	28,155	-	26,234	26,234
Other assets	1,128,348	171,405	1,299,753	768,776	167,665	936,441
Total assets	86,617,069	84,336,330	170,953,399	76,008,256	81,355,141	157,363,397
Liabilities						
Due to banks	23,852,346	7,483,827	31,336,173	25,870,218	11,215,180	37,085,398
Due to customers	56,914,712	12,463,082	69,377,794	38,857,600	5,607,968	44,465,568
Debt securities issued	9,371,915	16,909,808	26,281,723	15,507,118	23,062,144	38,569,262
Other financial liabilities	4,473,552	-	4,473,552	2,563,187	-	2,563,187
Derivative financial instruments	-	-	-	8,363	-	8,363
Insurance and reinsurance payable	-	4,054,586	4,054,586	-	3,537,110	3,537,110
Current tax liabilities	62,673	-	62,673	337,291	-	337,291
Deferred tax liabilities	-	2,338,807	2,338,807	-	1,975,528	1,975,528
Other liabilities	2,173,950	-	2,173,950	1,896,911	-	1,896,911
Total liabilities	96,849,148	43,250,110	140,099,258	85,040,688	45,397,930	130,438,618
Net assets	(10,232,079)	41,086,220	30,854,141	(9,032,432)	35,957,211	26,924,779

Notes to the Financial Statements

56 — FINANCIAL REPORTING BY SEGMENT

ACCOUNTING POLICY

The Group's segmental reporting is based on the following operating segments: Business segments and geographical segments.

A segment is a distinguishable component of the Group that is engaged in providing products and services. (Business segment, which is subject to risks and rewards that are different from those of other segments.)

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The accounting policies adopted for segment reporting are those accounting policies adopted for preparing the Financial Statements of the Group.

Inter-segment transfers are accounted for at competitive fair market prices charged to inter-company counterparts for similar services. Such services are eliminated on consolidation. As per the provision of Sri Lanka Financial Reporting Standard – SLFRS 8 – “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 considers 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 are 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, Murabaha and Trading Murabaha 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.

Notes to the Financial Statements

For the year ended 31 March	Lease and hire purchase		Loans		Islamic		Insurance		Other		Eliminations		Group	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Interest income	15,025,706	12,694,457	9,849,096	8,002,912	1,373,573	1,171,402	630,803	505,559	1,001,311	691,796	(298,444)	(281,853)	27,582,045	22,784,273
Net earned premium	-	-	-	-	-	-	4,201,862	3,826,629	-	-	(148,592)	(132,602)	4,053,270	3,694,027
Net fee and commission income	788,113	677,356	516,594	427,023	72,045	62,504	-	-	276,992	276,992	(967,908)	(822,164)	685,836	621,711
Net gains – Held for trading	-	-	-	-	-	-	40,922	35,612	18,988	8,257	-	-	59,910	43,869
Other operating income	527,892	387,488	346,024	244,282	48,257	35,756	46,914	69,737	256,413	304,931	(495,647)	(453,320)	729,853	588,874
Gross income	16,341,711	13,759,301	10,711,714	8,674,217	1,493,875	1,269,662	4,920,501	4,437,537	1,553,704	1,281,976	(1,910,591)	(1,689,939)	33,110,914	27,732,754
Interest expenses	8,101,635	6,709,632	5,310,486	4,229,924	740,610	619,142	-	-	770,271	625,147	(296,330)	(364,089)	14,626,672	11,819,756
Total operating income	8,240,076	7,049,669	5,401,228	4,444,293	753,265	650,520	4,920,501	4,437,537	783,433	656,829	(1,614,261)	(1,325,850)	18,484,242	15,912,998
Impairment charges	326,698	(136,551)	1,199,844	378,127	67,383	13,702	-	-	38,422	27,541	-	-	1,632,347	282,819
Net operating income	7,913,378	7,186,220	4,201,384	4,066,166	685,882	636,818	4,920,501	4,437,537	745,011	629,288	(1,614,261)	(1,325,850)	16,851,895	15,630,179
Depreciation	124,589	121,959	73,531	76,879	17,304	15,585	18,190	9,344	16,710	8,729	43,911	43,912	294,235	276,408
Segment result	3,985,512	3,469,915	2,612,434	2,187,524	364,335	320,192	863,708	1,119,089	378,926	323,298	(162,725)	(317,492)	8,042,190	7,102,526
VAT and NBT on financial services													1,326,916	944,418
Share of (loss) of an associate (net of tax)													(52,942)	(73,875)
Income tax expense													1,644,619	1,642,617
Profit attributable to equity holders													5,017,713	4,441,616
As at 31 March														
Segment assets	90,534,024	85,376,148	53,432,437	53,818,850	12,574,453	10,909,971	7,677,803	6,675,040	12,142,819	6,110,768	(5,408,137)	(5,527,380)	170,953,399	157,363,397
Total assets	90,534,024	85,376,148	53,432,437	53,818,850	12,574,453	10,909,971	7,677,803	6,675,040	12,142,819	6,110,768	(5,408,137)	(5,527,380)	170,953,399	157,363,397
Segment liabilities	74,321,371	70,720,693	43,863,862	44,580,442	10,322,645	9,037,193	4,661,944	3,985,164	9,968,307	5,061,809	(3,038,871)	(2,946,683)	140,099,258	130,438,618
Total liabilities	74,321,371	70,720,693	43,863,862	44,580,442	10,322,645	9,037,193	4,661,944	3,985,164	9,968,307	5,061,809	(3,038,871)	(2,946,683)	140,099,258	130,438,618

57 — 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 Board of Directors of the Company has proposed a final dividend of Rs. 0.50 per share for the Ordinary Shareholders of the Company for the year ended 31 March 2018. This will be declared at the Annual General Meeting to be held on 29 June 2018, upon approval of the shareholders.

In accordance with Sri Lanka Accounting Standard – LKAS 10 – “Events after the Reporting period”, this proposed final dividend has not been recognised as a liability as at 31 March 2018. As required by Section 56 (2) of the Companies Act No. 07 of 2007, the Board of Directors has confirmed that the Company has satisfied the “Solvency Test” in accordance with Section 57 of the Companies Act No. 07 of 2007, having obtained a certificate from the Auditors, prior to recommending the final dividend for the year.

Notes to the Financial Statements

58 — 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 2018 Rs. '000	31 March 2017 Rs. '000	31 March 2018 Rs. '000	31 March 2017 Rs. '000	
Rentals receivables on lease	Asset back Securitises	10,771,039	13,402,153	10,771,039	13,402,153	Loans and receivables
	Term loans	19,314,934	26,033,061	19,314,934	26,033,061	Loans and receivables
	Short-term loans	6,345,710	2,758,991	6,345,710	2,758,991	Loans and receivables
Rentals receivables on hire purchase	Asset back Securitises	277,350	1,072,458	277,350	1,072,458	Loans and receivables
	Term loans	335,802	1,326,592	335,802	1,326,592	Loans and receivables
	Short-term loans	53,962	168,767	53,962	168,767	Loans and receivables
Rentals receivables on loans	Asset back Securitises	10,087,862	12,276,325	10,087,862	12,276,325	Loans and receivables
Fixed deposits	Overdrafts	-	-	12,000	12,000	Balances with banks & financial institutions
Freehold lands and buildings	Term loans	-	-	3,800,740	3,706,345	Property, plant and equipment

59 — 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 1 – “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:

As at 31 March	Company			Group		
	As disclosed previously Rs. '000	Current presentation Rs. '000	Adjustment Rs. '000	As disclosed previously Rs. '000	Current presentation Rs. '000	Adjustment Rs. '000
Statement of Financial Position						
Leasehold property	-	90,197	(90,197)	-	90,197	(90,197)
Other assets	938,788	848,591	90,197	1,026,638	936,441	90,197

Leasehold property included in other assets reclassified to Leasehold property.

Notes to the Financial Statements

60 — RISK MANAGEMENT

60.1 INTRODUCTION

Risk is inherent in the Company's/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/Group's continuing profitability and each individual within the Company/Group is accountable for the risk exposures relating to his or her responsibilities. The Company/Group is primarily exposed to credit risk, liquidity risk and market risk. It is also subject to various operating risks.

RISK MANAGEMENT STRUCTURE

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles.

The Board has appointed a subcommittee, Integrated Risk Management (IRM) Committee, which has the responsibility to monitor the overall risk process within the Company.

The IRM Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. The IRM Committee is responsible for managing risk decisions and monitoring risk levels and reports on a periodical basis to the Board.

The Risk Management and Control Unit is responsible for monitoring compliance with risk principles, policies and limits across the Company.

ASSETS AND LIABILITIES COMMITTEE (ALCO)

ALCO is chaired by the Chief Executive Officer and has representatives from two Senior Deputy General Managers, Deputy General Manager - Risk and Control, Deputy General Manager – Recovery, Deputy General Manager – Marketing, Head of Deposits, Head of Finance, Head of Treasury and 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.

60.2 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 groups and by monitoring exposures in relation to such limits.

IMPAIRMENT ASSESSMENT

For accounting purposes, the Company uses a collective and individual model for the recognition of losses on impaired financial assets.

INDIVIDUALLY ASSESSED ALLOWANCES

The Company/Group determines the allowances appropriate for each individually significant leases, hire purchase and loan on an individual basis, including any overdue payments of interests or credit rating downgrades. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance if it is in a financial difficulty, projected receipts and the availability of other financial support, the realisable value of collateral and the timing of the expected cash flows. Impairment allowances are evaluated at each reporting date.

Notes to the Financial Statements

60. RISK MANAGEMENT (CONTD.)

COLLECTIVELY ASSESSED ALLOWANCES

Allowances are assessed collectively for losses on leases, hire purchase 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.

The Company/Group generally bases its analyses on historical experience. However, when there are significant market developments, regional and/or global, the Company/Group would include macroeconomic factors within its assessments. These factors include, depending on the characteristics of the individual or collective assessment: unemployment rates, current levels of bad debts, changes in laws, changes in regulations, bankruptcy trends and other consumer data. The Company/Group may use the aforementioned factors as appropriate to adjust the impairment allowances.

Allowances are evaluated separately at each reporting date with each portfolio.

The collective assessment is made for groups of assets with similar risk characteristics, in order to determine whether provision should be made, due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident in the individual loans assessments. The collective assessment takes account of data from the loan portfolio (such as historical losses on the portfolio, levels of arrears, loan to collateral ratios) or economic data (such as current economic conditions, unemployment levels and local or industry-specific problems). The approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance is also taken into consideration. The Management is responsible for deciding the length of this period, which can extend for as long as one year. The impairment allowance is then reviewed by the Management to ensure alignment with the Company's overall policy.

60.2.1 MAXIMUM EXPOSURE TO CREDIT RISK

CREDIT QUALITY BY CLASS OF FINANCIAL ASSETS

The Company/Group manages the credit quality of financial assets using internal evaluation ratings. 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/Group considers that any amounts uncollected one day or more beyond their contractual due date as "past due".

As at 31 March 2018	Company						Total Rs. '000
	Neither past due nor individually impaired Rs. '000	Past due but not individually impaired				Individually impaired 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)	3,745,420	-	-	-	-	-	3,745,420
Balances with banks and financial institutions	4,370,473	-	-	-	-	-	4,370,473
Financial assets – Held for trading	174,736	-	-	-	-	-	174,736
Loans and receivables	84,878,853	52,115,676	3,323,291	1,263,995	1,688,590	748,091	144,018,496
Financial assets – Available for sale	219,132	-	-	-	-	-	219,132
Financial assets – Held to maturity	4,889,641	-	-	-	-	-	4,889,641
Other financial assets	145,650	-	-	-	-	-	145,650
Total	98,423,905	52,115,676	3,323,291	1,263,995	1,688,590	748,091	157,563,548

Notes to the Financial Statements

As at 31 March 2017	Company						Total Rs. '000
	Neither past due nor individually impaired Rs. '000	Past due but not individually impaired				Individually impaired 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)	5,058,004	-	-	-	-	-	5,058,004
Balances with banks and financial institutions	2,089,989	-	-	-	-	-	2,089,989
Financial assets – Held for trading	201,215	-	-	-	-	-	201,215
Loans and receivables	88,291,009	42,821,353	2,312,348	510,330	1,105,133	664,126	135,704,299
Financial assets – Available for sale	275,703	-	-	-	-	-	275,703
Financial assets – Held to maturity	2,968,042	-	-	-	-	-	2,968,042
Other financial assets	121,615	-	-	-	-	-	121,615
Total	99,005,577	42,821,353	2,312,348	510,330	1,105,133	664,126	146,418,867

As at 31 March 2018	Group						Total Rs. '000
	Neither past due nor individually impaired Rs. '000	Past due but not individually impaired				Individually impaired 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)	4,073,439	-	-	-	-	-	4,073,439
Balances with banks and financial institutions	8,758,715	-	-	-	-	-	8,758,715
Financial assets – Held for trading	315,485	-	-	-	-	-	315,485
Loans and receivables	87,054,468	51,624,196	3,361,637	1,290,784	1,866,729	748,091	145,945,905
Insurance and reinsurance receivable	406,687	-	-	-	-	-	406,687
Financial assets – Available for sale	1,343,454	-	-	-	-	-	1,343,454
Financial assets – Held to maturity	4,889,641	-	-	-	-	-	4,889,641
Total	106,841,889	51,624,196	3,361,637	1,290,784	1,866,729	748,091	165,733,326

Notes to the Financial Statements

60. RISK MANAGEMENT (CONTD.)

As at 31 March 2017	Group						Individually impaired Rs. '000	Total Rs. '000
	Neither past due nor individually impaired Rs. '000	Past due but not individually impaired				Total		
		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)	5,832,609	-	-	-	-	-	5,832,609	
Balances with banks and financial institutions	3,789,047	-	-	-	-	-	3,789,047	
Financial assets – Held for trading	529,301	-	-	-	-	-	529,301	
Loans and receivables	90,557,422	41,902,162	2,326,225	534,450	1,265,420	674,969	137,260,648	
Insurance and reinsurance receivable	267,523	-	-	-	-	-	267,523	
Financial assets – Available for sale	1,094,569	-	-	-	-	-	1,094,569	
Financial assets – Held to maturity	2,968,042	-	-	-	-	-	2,968,042	
Total	105,038,513	41,902,162	2,326,225	534,450	1,265,420	674,969	151,741,739	

60.2.2 ANALYSIS OF RISK CONCENTRATION

The following table shows the risk concentration by industry for the components of the Statement of Financial Position:

INDUSTRY ANALYSIS

As at 31 March 2018	Company										Total Rs. '000
	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	
Cash and cash equivalents	4,414,083	-	-	-	-	-	-	-	-	-	4,414,083
Balances with Banks and financial institutions	4,370,473	-	-	-	-	-	-	-	-	-	4,370,473
Financial assets – Held for trading	90,906	-	12,655	930	-	-	-	62,125	-	8,120	174,736
Loans and receivables	4,763,882	11,655,609	2,325,111	1,159,060	16,575,434	7,010,157	11,760,419	56,640,052	331,763	31,797,009	144,018,496
Less – Impairment allowance	-	-	-	-	-	-	-	-	-	-	3,055,560
Net loans and receivables	-	-	-	-	-	-	-	-	-	-	140,962,936
Financial assets – Available for sale	219,122	-	-	-	-	-	-	10	-	-	219,132
Financial assets – Held to maturity	4,889,641	-	-	-	-	-	-	-	-	-	4,889,641
Other financial assets	145,650	-	-	-	-	-	-	-	-	-	145,650

Notes to the Financial Statements

As at 31 March 2017	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	5,591,170	-	-	-	-	-	-	-	-	-	5,591,170
Balances with Banks and financial institutions	2,089,989	-	-	-	-	-	-	-	-	-	2,089,989
Financial assets – Held for trading	120,460	-	18,677	1,000	-	-	-	54,713	-	6,365	201,215
Loans and receivables	2,881,056	5,382,854	1,548,465	861,856	13,641,030	5,303,830	13,246,210	53,944,797	631,935	38,262,266	135,704,299
Less – Impairment allowance											1,649,597
Net loans and receivables											134,054,702
Financial assets – Available for sale	275,693	-	-	-	-	-	-	10	-	-	275,703
Financial assets – Held to maturity	2,968,042	-	-	-	-	-	-	-	-	-	2,968,042
Other financial assets	121,615	-	-	-	-	-	-	-	-	-	121,615

* Financial services include banks, finance institutions and insurance companies.

As at 31 March 2018	Group										
	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	4,766,920	-	-	-	-	-	-	-	-	-	4,766,920
Balances with banks and financial institutions	8,758,715	-	-	-	-	-	-	-	-	-	8,758,715
Financial assets – Held for trading	155,349	-	26,531	930	-	-	3,800	116,083	-	12,792	315,485
Loans and receivables	4,745,152	12,023,593	2,335,057	1,164,064	16,590,070	7,039,359	12,123,948	57,358,561	608,791	31,957,310	145,945,905
Less – Impairment allowance											3,233,329
Net loans and receivables											142,712,576
Insurance and reinsurance receivable	-	-	-	-	-	-	-	-	-	406,687	406,687
Financial assets – Available for sale	1,343,444	-	-	-	-	-	-	10	-	-	1,343,454
Financial assets – Held to maturity	4,889,641	-	-	-	-	-	-	-	-	-	4,889,641

Notes to the Financial Statements

60. RISK MANAGEMENT (CONTD.)

As at 31 March 2017	Group										
	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	6,379,909	-	-	-	-	-	-	-	-	-	6,379,909
Balances with banks and financial institutions	3,789,047	-	-	-	-	-	-	-	-	-	3,789,047
Financial assets – Held for trading	370,058	330	41,959	1,000	-	-	3,900	101,332	-	10,722	529,301
Loans and receivables	2,789,780	5,658,355	1,556,278	866,935	13,649,723	5,326,053	13,589,565	54,446,462	810,306	38,567,191	137,260,648
Less – Impairment allowance											1,790,865
Net loans and receivables											135,469,783
Insurance and reinsurance receivable	-	-	-	-	-	-	-	-	-	267,523	267,523
Financial assets – Available for sale	1,094,559	-	-	-	-	-	-	10	-	-	1,094,569
Financial assets – Held to maturity	2,968,042	-	-	-	-	-	-	-	-	-	2,968,042

* Financial services include banks, finance institutions and insurance companies.

60.2.3 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 securities lending and reverse repurchase transactions, cash or securities
- 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.

Notes to the Financial Statements

The following table shows the fair value of collateral and credit enhancements held by the Company:

	31 March 2018		31 March 2017	
	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)	3,745,420	3,745,420	5,058,004	5,058,004
Balances with banks and financial institutions	4,370,473	4,370,473	2,089,989	2,089,989
Financial assets – Held for trading	174,736	174,736	201,215	201,215
Loans and receivables	140,962,936	357,761	134,054,702	507,129
Financial assets – Available for sale	219,132	219,132	275,703	275,703
Financial assets – Held to maturity	4,889,641	4,889,641	2,968,042	2,968,042
Other financial assets	145,650	145,650	121,615	121,615
Total	154,507,988	13,902,813	144,769,270	11,221,697

The following table shows the fair value of collateral and credit enhancements held by the Group:

	31 March 2018		31 March 2017	
	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)	4,073,439	4,073,439	5,832,609	5,832,609
Balances with banks and financial institutions	8,758,715	8,758,715	3,789,047	3,789,047
Financial assets – Held for trading	315,485	315,485	529,301	529,301
Loans and receivables	142,712,576	357,761	135,469,783	507,129
Insurance and reinsurance receivable	406,687	406,687	267,523	267,523
Financial assets – Available for sale	1,343,454	1,343,454	1,094,569	1,094,569
Financial assets – Held to maturity	4,889,641	4,889,641	2,968,042	2,968,042
Total	162,499,997	20,145,182	149,950,874	14,988,220

60.2.4 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.

60.2.5 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.

Notes to the Financial Statements

60. RISK MANAGEMENT (CONTD.)

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	2018			2017		
	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
Company and Group						
Financial assets						
Loans and receivables	5,186,045	2,014,343	3,171,702	3,380,401	1,208,411	2,171,990

60.3 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.

The Company maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. The Company also has committed lines of credit that it can access to meet liquidity needs.

A minimum holding of liquid assets in compliance with Finance Companies (Liquid Assets) Direction No. 4 of 2013 which shall not as the close of the business on any day, be less than the total of:

- a. 10% of the outstanding value of the time deposits and accrued interest payable at the close of the business on such day; and
- b. 15% of outstanding value of the savings deposits and accrued interest payable at the close of the business on such day; and
- c. 10% of the total outstanding borrowing and any payables.

Further, the Company maintaining 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 unsecured borrowings of the 12 months preceding financial year.

The most important of these is to maintain limits on the ratio of net liquid assets to customer liabilities, to reflect market conditions. Net liquid assets consist of cash, balances with banks and financial institutions and investment in Government Securities.

The Company stresses the importance of savings accounts as sources of funds to finance lending to customers. They are monitored using the advances to deposit ratio, which compares loans and advances to customers as a percentage of customer savings accounts and fixed deposits.

The ratios at the end of the year were as follows:

As at 31 March	Company		Group	
	2018	2017	2018	2017
Liquidity ratios				
Advances to deposits ratios (Times)	2.02	3.00	2.06	3.05
Liquidity assets to deposits (%)	17	19	21	25

Notes to the Financial Statements

60.3.1 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY REMAINING CONTRACTUAL MATURITIES

The table below summarises the maturity profile of the undiscounted cash flows of the Company's/Group's financial assets and liabilities as at 31 March 2018, and 31 March 2017.

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.

60.3.2 CONTRACTUAL MATURITIES OF UNDISCOUNTED CASH FLOWS OF FINANCIAL ASSETS AND LIABILITIES

As at 31 March 2018	Company						Total
	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	Rs. '000
Financial assets							
Cash and cash equivalents	4,310,201	103,882	-	-	-	-	4,414,083
Balances with banks and financial institutions	-	1,654,438	2,897,531	-	-	-	4,551,969
Financial assets – Held-for-trading	-	174,736	-	-	-	-	174,736
Loans and receivables	6,281,820	24,649,973	51,846,491	78,294,617	19,485,997	50,966	180,609,864
Financial assets – Available for sale	-	219,122	-	-	-	10	219,132
Financial assets – Held to maturity	-	3,313,331	1,663,460	25,000	-	-	5,001,791
Other financial assets	-	145,650	-	-	-	-	145,650
Total undiscounted financial assets	10,592,021	30,261,132	56,407,482	78,319,617	19,485,997	50,976	195,117,225
Financial liabilities							
Due to banks	1,265,295	13,873,354	9,189,958	6,316,034	74,216	-	30,718,857
Due to customers	4,256,747	20,433,978	36,363,366	9,879,947	6,566,297	65,109	77,565,444
Debt securities issued	13,032	6,843,342	7,929,491	14,268,123	7,655,235	-	36,709,223
Other financial liabilities	-	4,645,818	-	-	-	-	4,645,818
Derivative financial instruments	-	1,855,451	-	-	-	-	1,855,451
Total undiscounted financial liabilities	5,535,074	47,651,943	53,482,815	30,464,104	14,295,748	65,109	151,494,793
Net undiscounted financial assets/(liabilities)	5,056,947	(17,390,811)	2,924,667	47,855,513	5,190,249	(14,133)	43,622,432

Notes to the Financial Statements

60. RISK MANAGEMENT (CONTD.)

As at 31 March 2017	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	3,140,419	2,450,751	-	-	-	-	5,591,170
Restricted cash and cash equivalents	(1,161,389)	-	-	-	-	-	(1,161,389)
Balances with banks and financial institutions	-	2,064,822	90,112	-	-	-	2,154,934
Financial assets – Held for trading	-	201,215	-	-	-	-	201,215
Loans and receivables	4,206,791	22,722,355	50,825,961	71,595,125	16,461,779	56,169	165,868,180
Financial assets – Available for sale	-	275,693	-	-	-	10	275,703
Financial assets – Held to maturity	-	50,000	3,008,615	25,000	-	-	3,083,615
Other financial assets	-	121,615	-	-	-	-	121,615
Total undiscounted financial assets	6,185,821	27,886,451	53,924,688	71,620,125	16,461,779	56,179	176,135,043
Financial liabilities							
Due to banks	616,359	16,717,889	8,626,677	12,278,448	658,527	-	38,897,900
Due to customers	3,496,981	13,249,509	24,520,743	5,381,959	1,701,551	40,598	48,391,341
Debt securities issued	12,837	3,316,546	10,869,674	21,607,639	14,624,094	-	50,430,790
Other financial liabilities	-	2,725,166	-	-	-	-	2,725,166
Derivative financial instruments	-	1,855,451	-	-	-	-	1,855,451
Total undiscounted financial liabilities	4,126,177	37,864,561	44,017,094	39,268,046	16,984,172	40,598	142,300,648
Net undiscounted financial assets/(liabilities)	2,059,644	(9,978,110)	9,907,594	32,352,079	(522,393)	15,581	33,834,395

Notes to the Financial Statements

As at 31 March 2018	Group						Total
	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	Rs. '000
Financial assets							
Cash and cash equivalents	4,663,038	103,882	-	-	-	-	4,766,920
Balances with banks and financial institutions	-	1,910,757	5,126,525	-	-	-	7,037,282
Financial assets – Held for trading	-	315,485	-	-	-	-	315,485
Loans and receivables	6,529,648	24,939,245	53,032,792	80,363,024	20,102,201	298,309	185,265,219
Insurance and reinsurance receivable	251,348	851,895	-	-	-	-	1,103,243
Financial assets – Available for sale	-	1,343,444	-	-	-	10	1,343,454
Financial assets – Held to maturity	-	3,313,331	1,663,460	25,000	-	-	5,001,791
Total undiscounted financial assets	11,444,034	32,778,039	59,822,777	80,388,024	20,102,201	298,319	204,833,394
Financial liabilities							
Due to banks	1,384,394	14,055,407	9,968,895	7,315,510	476,747	113,610	33,314,563
Due to customers	4,256,747	20,365,178	36,059,413	9,879,947	6,566,297	65,109	77,192,691
Debt securities issued	13,032	6,839,166	7,916,746	14,147,318	7,655,235	-	36,571,497
Other financial liabilities	-	4,473,552	-	-	-	-	4,473,552
Derivative financial instruments	-	1,855,451	-	-	-	-	1,855,451
Insurance liabilities and reinsurance payable	-	72,117	-	-	-	-	72,117
Total undiscounted financial liabilities	5,654,173	47,660,871	53,945,054	31,342,775	14,698,279	178,719	153,479,871
Net undiscounted financial assets/(liabilities)	5,789,861	(14,882,832)	5,877,723	49,045,249	5,403,922	119,600	51,353,523

Notes to the Financial Statements

60. RISK MANAGEMENT (CONTD.)

As at 31 March 2017	Group						Total
	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	Rs. '000
Financial assets							
Cash and cash equivalents	3,929,158	2,450,751	–	–	–	–	6,379,909
Restricted cash and cash equivalents	(1,161,389)	–	–	–	–	–	(1,161,389)
Balances with banks and financial institutions	–	3,548,663	339,354	–	–	–	3,888,017
Financial assets – Held for trading	–	529,301	–	–	–	–	529,301
Loans and receivables	4,438,177	22,722,355	50,825,961	71,595,125	16,461,779	56,169	166,099,566
Insurance and reinsurance receivable	–	779,616	–	–	–	–	779,616
Financial assets – Available for sale	–	1,094,559	–	–	–	10	1,094,569
Financial assets – Held to maturity	–	50,000	3,008,615	25,000	–	–	3,083,615
Total undiscounted financial assets	7,205,946	31,175,245	54,173,930	71,620,125	16,461,779	56,179	180,693,204
Financial liabilities							
Due to banks	891,365	16,936,104	9,380,838	13,285,970	983,266	227,270	41,704,813
Due to customers	3,532,486	13,043,310	24,515,551	5,428,532	1,701,551	40,598	48,262,028
Debt securities issued	12,837	3,312,370	10,856,929	21,486,834	14,624,094	–	50,293,064
Other financial liabilities	–	2,563,187	–	–	–	–	2,563,187
Derivative financial instruments	–	1,855,451	–	–	–	–	1,855,451
Insurance liabilities and reinsurance payable	–	55,879	–	–	–	–	55,879
Total undiscounted financial liabilities	4,436,688	37,766,301	44,753,318	40,201,336	17,308,911	267,868	144,734,422
Net undiscounted financial assets/(liabilities)	2,769,258	(6,591,056)	9,420,612	31,418,789	(847,132)	(211,689)	35,958,782

60.3.3 COMMITMENTS AND GUARANTEES

The table below shows the contractual expiry by maturity of the Company's/Group'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.

Notes to the Financial Statements

As at 31 March 2018	Company					
	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	Total Rs. '000
Guarantees	-	4,282	578,195	500	-	582,977
Letters of credit	-	25,128	-	-	-	25,128
Accidents of leased out vehicles	-	94,940	54,447	-	-	149,387
Capital commitments	-	5,979,658	733,725	-	-	6,713,383
Total commitments and guarantees	-	6,104,008	1,366,367	500	-	7,470,875

As at 31 March 2017	Company					
	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	Total Rs. '000
Guarantees	-	102,875	377,560	200,500	-	680,935
Letters of credit	-	4,428	-	-	-	4,428
Accidents of leased out vehicles	-	89,123	203,789	-	-	292,912
Capital commitments	-	3,235,002	371,250	-	-	3,606,252
Forward exchange contracts	-	1,855,451	-	-	-	1,855,451
Total commitments and guarantees	-	5,286,879	952,599	200,500	-	6,439,978

As at 31 March 2018	Group					
	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	Total Rs. '000
Guarantees	-	4,282	578,195	500	-	582,977
Letters of credit	-	25,128	-	-	-	25,128
Accidents of leased out vehicles	-	94,940	54,447	-	-	149,387
Capital commitments	-	6,060,801	780,635	24,436	-	6,865,872
Total commitments and guarantees	-	6,185,151	1,413,277	24,936	-	7,623,364

As at 31 March 2017	Group					
	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	Total Rs. '000
Guarantees	-	102,875	377,560	200,500	-	680,935
Letters of credit	-	4,428	-	-	-	4,428
Accidents of leased out vehicles	-	89,123	203,789	-	-	292,912
Capital commitments	-	3,304,290	548,043	29,465	-	3,881,798
Forward exchange contracts	-	1,855,451	-	-	-	1,855,451
Total commitments and guarantees	-	5,356,167	1,129,392	229,965	-	6,715,524

The Company/Group expects that not all of the contingent liabilities or commitments will be drawn before expiry of the commitments.

Notes to the Financial Statements

60.4 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.

60.4.1 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 2018 and 31 March 2017 to a reasonably possible change in interest rates, with all other variables held:

As at 31 March	2018 Rs. '000	2017 Rs. '000
Impact on Statement of Profit or Loss due to interest rate shocks		
0.50%	(23,033)	(35,986)
1%	(46,066)	(71,972)
-0.50%	23,033	35,986
-1%	46,066	71,972

INTEREST RATE RISK EXPOSURE ON FINANCIAL ASSETS AND LIABILITIES

The table below analyses the Company's/Group's interest rate risk exposure on non-trading financial assets and liabilities. The Company's/Group's assets and liabilities are included at carrying amount and categorised by the earlier of contractual re-pricing or maturity dates.

Notes to the Financial Statements

As at 31 March 2018	Company							
	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	Non-interest bearing Rs. '000
Assets								
Cash and cash equivalents	4,414,083	62,930	103,882	-	-	-	-	4,247,271
Balances with banks and financial institutions	4,370,473	71,030	1,584,282	2,715,161	-	-	-	-
Financial assets – Held for trading	174,736	-	-	-	-	-	-	174,736
Loans and receivables	144,018,496	7,159,727	19,309,888	38,834,181	61,632,898	17,033,107	48,695	-
Impairment allowance	(3,055,560)	-	-	-	-	-	-	-
Net loans and receivables	140,962,936	-	-	-	-	-	-	-
Financial assets – Available for sale	219,132	-	-	-	-	-	-	219,132
Financial assets – Held to maturity	4,889,641	126,305	3,194,050	1,544,791	24,495	-	-	-
Other financial assets	145,650	-	-	-	-	-	-	145,650
Total	155,176,651	7,419,992	24,192,102	43,094,133	61,657,393	17,033,107	48,695	4,786,789
Liabilities								
Due to banks	29,423,568	1,457,671	16,188,096	7,257,667	4,520,134	-	-	-
Due to customers	69,763,219	7,076,810	18,714,380	31,508,947	7,267,053	5,130,920	65,109	-
Debt securities issued	26,281,723	2,355,950	2,618,580	5,260,112	9,276,697	6,770,384	-	-
Other financial liabilities	4,645,818	-	-	-	-	-	-	4,645,818
Total	130,114,328	10,890,431	37,521,056	44,026,726	21,063,884	11,901,304	65,109	4,645,818
Total interest sensitivity gap	25,062,323	(3,470,439)	(13,328,954)	(932,593)	40,593,509	5,131,803	(16,414)	-

Notes to the Financial Statements

60. RISK MANAGEMENT (CONTD.)

As at 31 March 2017	Company							
	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	Non-interest bearing Rs. '000
Assets								
Cash and cash equivalents	5,591,170	63,456	2,449,571	-	-	-	-	3,078,143
Balances with banks and financial institutions	2,089,989	8,807	2,000,000	81,182	-	-	-	-
Financial assets – Held for trading	201,215	-	-	-	-	-	-	201,215
Loans and receivables	135,704,299	5,022,358	17,954,401	39,716,889	58,336,489	14,620,301	53,861	-
Impairment allowance	(1,649,597)	-	-	-	-	-	-	-
Net loans and receivables	134,054,702	-	-	-	-	-	-	-
Financial assets – Available for sale	275,703	-	-	-	-	-	-	275,703
Financial assets – Held to maturity	2,968,042	59,782	45,455	2,838,724	24,081	-	-	-
Other financial assets	121,615	-	-	-	-	-	-	121,615
Total	145,302,436	5,154,403	22,449,427	42,636,795	58,360,570	14,620,301	53,861	3,676,676
Liabilities								
Due to banks	35,584,408	773,218	22,738,437	4,497,932	7,220,156	354,665	-	-
Due to customers	44,722,552	5,351,377	12,139,928	21,623,279	4,325,638	1,241,732	40,598	-
Debt securities issued	38,673,277	2,756,826	2,504,515	10,827,551	10,883,262	11,701,123	-	-
Other financial liabilities	2,725,166	-	-	-	-	-	-	2,725,166
Derivative financial instrument	8,363	-	-	-	-	-	-	8,363
Total	121,713,766	8,881,421	37,382,880	36,948,762	22,429,056	13,297,520	40,598	2,733,529
Total interest sensitivity gap	23,588,670	(3,727,018)	(14,933,453)	5,688,033	35,931,514	1,322,781	13,263	

Notes to the Financial Statements

INTEREST RATE RISK EXPOSURE ON FINANCIAL ASSETS AND LIABILITIES

The table below analyses the Company's/Group's interest rate risk exposure on non-trading financial assets and liabilities.

The Company's/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 2018	Group							
	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	Non-interest bearing Rs. '000
Assets								
Cash and cash equivalents	4,766,920	116,661	103,882	-	-	-	-	4,546,377
Balances with banks and financial institutions	8,758,715	67,544	3,899,546	4,791,625	-	-	-	-
Financial assets – Held for trading	315,485	-	-	-	-	-	-	315,485
Loans and receivables	145,945,905	7,239,637	19,366,201	40,303,970	61,789,624	17,197,778	48,695	-
Impairment allowance	(3,233,329)	-	-	-	-	-	-	-
Net loans and receivables	142,712,576	-	-	-	-	-	-	-
Insurance and reinsurance receivable	406,687	-	-	-	-	-	-	406,687
Financial assets – Available for sale	1,343,454	-	-	-	-	-	-	1,343,454
Financial assets – Held to maturity	4,889,641	126,305	3,194,050	1,544,791	24,495	-	-	-
Total	163,193,478	7,550,147	26,563,679	46,640,386	61,814,119	17,197,778	48,695	6,612,003
Liabilities								
Due to banks	31,336,173	1,812,950	16,285,644	7,564,141	4,848,572	561,956	262,910	-
Due to customers	69,377,794	7,043,261	18,644,414	31,227,037	7,267,053	5,130,920	65,109	-
Debt securities issued	26,281,723	2,355,950	2,618,580	5,260,112	9,276,697	6,770,384	-	-
Other financial liabilities	4,473,552	-	-	-	-	-	-	4,473,552
Insurance liabilities and reinsurance payables	4,054,586	-	-	-	-	-	-	4,054,586
Total	135,523,828	11,212,161	37,548,638	44,051,290	21,392,322	12,463,260	328,019	8,528,138
Total interest sensitivity gap	27,669,650	(3,662,014)	(10,984,959)	2,589,096	40,421,797	4,734,518	(279,324)	

Notes to the Financial Statements

60. RISK MANAGEMENT (CONTD.)

As at 31 March 2017	Group							
	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	Non-interest bearing Rs. '000
Assets								
Cash and cash equivalents	6,379,909	586,476	2,449,616	-	-	-	-	3,343,817
Balances with banks and financial institutions	3,789,047	8,807	3,460,375	319,865	-	-	-	-
Financial assets – Held for trading	529,301	-	-	-	-	-	-	529,301
Loans and receivables	137,260,648	5,267,124	17,631,264	40,289,046	58,104,928	15,789,079	179,207	-
Impairment allowance	(1,790,865)	-	-	-	-	-	-	-
Net loans and receivables	135,469,783	-	-	-	-	-	-	-
Insurance and reinsurance receivable	267,523	-	-	-	-	-	-	267,523
Financial assets – Available for sale	1,094,569	-	-	-	-	-	-	1,094,569
Financial assets – Held to maturity	2,968,042	59,782	45,455	2,838,724	24,081	-	-	-
Total	150,498,174	5,922,189	23,586,710	43,447,635	58,129,009	15,789,079	179,207	5,235,210
Liabilities								
Due to banks	37,085,398	1,048,224	22,826,549	4,715,515	7,626,785	641,055	227,270	-
Due to customers	44,465,568	5,300,093	11,938,867	21,618,640	4,325,638	1,241,732	40,598	-
Debt securities issued	38,569,262	2,752,811	2,504,515	10,727,551	10,883,262	11,701,123	-	-
Other financial liabilities	2,563,187	-	-	-	-	-	-	2,563,187
Derivative financial instrument	8,363	-	-	-	-	-	-	8,363
Insurance liabilities and reinsurance payables	3,537,110	-	-	-	-	-	-	3,537,110
Total	126,228,888	9,101,128	37,269,931	37,061,706	22,835,685	13,583,910	267,868	6,108,660
Total interest sensitivity gap	24,269,286	(3,178,939)	13,683,221	6,385,929	35,293,324	2,205,169	(88,661)	

60.4.2 CURRENCY RISK

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The tables below indicate the currencies to which the Company/Group had significant exposures as at 31 March 2018 and the effect to the Gains/Losses in case of market exchange rates go up/drop by 1%. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Sri Lankan Rupee, 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).

Notes to the Financial Statements

IMPACT ON STATEMENT OF PROFIT OR LOSS DUE TO EXCHANGE RATE SHOCKS

	Change in currency rate in %	Company		Group	
		2018 Effect on profit before tax Rs. '000	2017 Effect on profit before tax Rs. '000	2018 Effect on profit before tax Rs. '000	2017 Effect on profit before tax Rs. '000
USD	1	42	59	843	773
USD	-1	(42)	(59)	(843)	(773)
TAKA	1	-	11,337	-	11,337
TAKA	-1	-	(11,337)	-	(11,337)

60.4.3 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	2018			2017		
	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 – Held for trading	1,748	1,748	-	2,011	2,011	-
Financial assets – Available for sale	2,191	-	2,191	1,932	-	1,932
Group						
Financial assets – Held for trading	3,152	3,152	-	5,294	5,294	-
Financial assets – Available for sale	2,191	-	2,191	1,932	-	1,932

60.5 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.

60.6 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 financial year ended 31 March 2018.

Notes to the Financial Statements

60. RISK MANAGEMENT (CONTD.)

60.6.1 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.

60.6.2 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 2018			31 March 2017		
	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	444,580	26,081	418,499	1,040,398	20,237	1,020,161
Marine	1,517	32,018	(30,501)	3,412	2,380	1,032
Fire	49,245	1,234	48,011	115,433	62,940	52,493
Miscellaneous	69,153	19,733	49,420	265,351	6,187	259,164
Total	564,495	79,066	485,429	1,424,594	91,744	1,332,850

Notes to the Financial Statements

CLAIMS DEVELOPMENT TABLE

The following tables show the estimates of cumulative incurred claims for each quarter, together with cumulative payments to date:

GROSS NON-LIFE INSURANCE OUTSTANDING CLAIMS PROVISION FOR 2018

Accident period	Current estimate of cumulative claims incurred								
	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
2017/18	3,531,044	38,892	22,679	6,583	9,078	(1,418)	4,745	(844)	3,610,759
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	3,531,044	2,674,095	2,255,650	2,083,497	2,063,365	1,879,899	1,401,117	225,166	16,113,833

GROSS NON-LIFE INSURANCE OUTSTANDING CLAIMS PROVISION FOR 2017

Accident period	Cumulative payments to date								
	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
2017/18	(2,999,888)	(480,038)	(38,590)	(15,652)	(16,045)	(10,784)	(8,649)	(2,129)	(3,571,775)
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	(2,999,888)	(2,609,982)	(2,171,783)	(2,021,627)	(2,008,833)	(1,828,679)	(1,315,742)	(222,344)	(15,178,878)
Total gross claims outstanding	531,156	64,113	83,867	61,870	54,532	51,220	85,375	2,822	934,955

Notes to the Financial Statements

60. RISK MANAGEMENT (CONTD.)

NET NON-LIFE INSURANCE OUTSTANDING CLAIMS PROVISION FOR 2018

Accident period	Current estimate of cumulative claims incurred								Total 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	
2017/18	3,435,808	44,603	17,408	6,621	15,078	(1,418)	9,023	(844)	3,526,279
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	3,435,808	2,594,269	2,177,432	2,052,655	2,057,764	1,823,739	1,277,646	222,424	15,641,737

NET NON-LIFE INSURANCE OUTSTANDING CLAIMS PROVISION FOR 2017

Accident period	Cumulative payments to date								Total 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	
2017/18	(2,956,718)	(454,871)	(33,861)	(15,585)	(16,029)	(10,784)	(8,634)	(2,129)	(3,498,611)
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	(2,956,718)	(2,530,836)	(2,178,330)	(1,973,893)	(1,979,888)	(1,739,286)	(1,213,710)	(218,266)	(14,790,927)
Total gross claims outstanding	479,090	63,433	(898)	78,762	77,876	84,453	63,936	4,158	850,810

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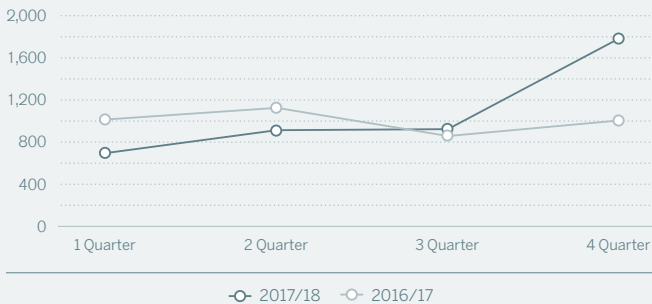
Quarterly Analysis

INCOME STATEMENT

Rs. million	Company									
	1st Quarter April-June		2nd Quarter July-September		3rd Quarter October-December		4th Quarter January-March		Total	
	2017	2016	2017	2016	2017	2016	2018	2017	2018	2017
Interest income	6,260	4,819	6,565	5,263	6,745	5,808	7,135	6,151	26,705	22,041
Less: Interest expenses	3,512	2,396	3,635	2,828	3,681	3,237	3,672	3,369	14,500	11,830
Net interest income	2,748	2,423	2,930	2,435	3,064	2,571	3,463	2,782	12,205	10,211
Fee and commission income	237	244	323	291	300	313	322	286	1,182	1,134
Net gains/losses on financial assets – held for trading	32	(3)	(12)	31	(7)	(8)	6	(12)	19	8
Other operating income	80	147	160	234	37	48	386	247	663	676
Total operating income	3,097	2,811	3,401	2,991	3,394	2,924	4,177	3,303	14,069	12,029
Less: Impairment charges for loans and receivables and other losses	539	(13)	398	(53)	445	121	210	161	1,592	216
Net operating income	2,558	2,824	3,003	3,044	2,949	2,803	3,967	3,142	12,477	11,813
Less:										
Personnel expenses	660	610	678	618	661	649	576	679	2,575	2,556
Depreciation of property, plant and equipment	43	48	46	43	46	42	47	44	182	177
Amortisation of intangible assets	2	3	3	2	3	2	3	3	11	10
Other operating expenses	684	587	710	679	681	702	566	702	2,641	2,670
Total operating expenses	1,389	1,248	1,437	1,342	1,391	1,395	1,191	1,428	5,408	5,413
Operating profit before VAT and NBT on financial services	1,169	1,576	1,566	1,702	1,558	1,408	2,776	1,714	7,069	6,400
Less: VAT and NBT on financial services	224	167	324	174	301	212	451	371	1,300	924
Operating profit after VAT and NBT on financial services	945	1,409	1,242	1,528	1,257	1,196	2,325	1,343	5,769	5,476
Less: Income tax expense	259	395	340	386	342	349	519	337	1,460	1,467
Profit for the period	686	1,014	902	1,142	915	847	1,806	1,006	4,309	4,009

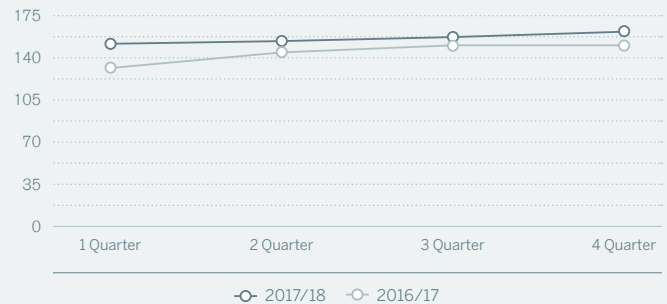
PROFIT AFTER TAX

[Rs. million]



TOTAL ASSETS

[Rs. billion]



Quarterly Analysis

STATEMENT OF FINANCIAL POSITION

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	
	2017	2016	2017	2016	2017	2016	2018	2017
Assets								
Cash and cash equivalents	4,541	2,891	3,682	5,051	3,908	7,292	4,414	5,591
Balances with banks and financial institutions	2,755	80	3,476	81	4,079	83	4,370	2,090
Derivative financial instruments	-	-	-	-	-	6	-	-
Financial assets – Held for trading	238	215	188	221	174	211	175	201
Loans and receivables	133,661	115,020	134,886	126,517	137,368	132,755	140,963	134,055
Financial assets – Available for sale	294	473	277	309	208	285	219	276
Financial assets – Held to maturity	3,992	4,887	5,177	4,994	4,787	4,898	4,890	2,968
Current tax receivables	-	-	-	-	-	-	90	-
Investments in subsidiaries	2,075	1,875	2,075	1,975	3,214	2,075	3,214	2,075
Investments in associates	586	586	586	586	586	586	586	586
Investment property	101	91	101	91	101	91	134	101
Property, plant and equipment	1,247	1,179	1,208	1,175	1,199	1,218	1,167	1,255
Goodwill and intangible assets	336	327	333	324	340	322	346	320
Leasehold Property	89	-	89	-	88	-	87	90
Other assets	915	2,731	962	2,870	947	982	833	849
Total assets	150,830	130,355	153,040	144,194	156,999	150,804	161,488	150,457
Liabilities								
Due to banks	33,363	33,038	28,437	37,448	27,155	32,476	29,424	35,584
Due to customers	48,202	34,875	58,543	39,257	65,110	42,637	69,763	44,723
Debt securities issued	36,767	31,726	33,442	35,619	32,196	43,139	26,282	38,673
Other financial liabilities	3,704	3,293	3,380	3,766	3,553	4,712	4,646	2,725
Derivative financial instruments	-	-	-	11	-	-	-	8
Current tax liabilities	309	1,051	263	532	239	456	-	290
Deferred tax liabilities	1,923	1,822	1,797	1,822	1,797	1,822	2,276	1,923
Other liabilities	1,961	1,592	1,692	1,652	1,722	1,830	2,068	1,834
Total liabilities	126,229	107,397	127,554	120,107	131,772	127,072	134,459	125,760
Equity								
Capital	13,236	13,186	13,236	13,236	13,236	13,236	13,236	13,236
Statutory reserve fund	1,656	1,472	1,701	1,529	1,747	1,572	1,837	1,622
Retained earnings	9,262	7,806	10,118	8,841	9,801	8,460	11,502	9,400
Other reserves	447	494	431	481	443	464	454	439
Total equity	24,601	22,958	25,486	24,087	25,227	23,732	27,029	24,697
Total liabilities and equity	150,830	130,355	153,040	144,194	156,999	150,804	161,488	150,457

Ten Year Summary

	Company									
	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09
FINANCIAL CAPITAL										
Operating result										
Income (Rs. million)	28,570	23,859	19,186	20,542	20,628	18,205	12,912	9,212	7,155	6,396
Interest income (Rs. million)	26,705	22,041	17,876	19,248	19,534	17,245	12,002	8,263	6,523	5,745
Interest expenses (Rs. million)	14,500	11,830	7,941	9,248	11,266	10,140	6,302	3,542	3,133	3,209
Net interest income (Rs. million)	12,204	10,212	9,935	10,000	8,268	7,105	5,700	4,722	3,390	2,536
Non-interest income (Rs. million)	1,865	1,818	1,310	1,294	1,094	960	910	949	632	651
Impairment charges and other losses (Rs. million)	1,592	216	258	1,645	1,218	698	308	18	533	55
Other operating expenses (Rs. million) [Note 2]	6,707	6,338	4,844	4,274	3,757	3,232	2,522	1,931	1,389	1,242
Profit before tax (PBT) (Rs. million)	5,770	5,476	6,143	5,375	4,387	4,135	3,781	3,721	2,100	1,890
Income tax expense (Rs. million)	1,460	1,467	1,796	1,622	1,263	1,285	1,206	1,142	900	843
Profit after tax (PAT) (Rs. million)	4,309	4,009	4,347	3,753	3,124	2,850	2,575	2,580	1,200	1,047
Return on assets (ROA) (%)	3.70	3.99	5.19	4.75	4.15	4.70	5.62	8.59	7.45	8.18
Cost to income ratio (%)	38.43	45.01	37.24	34.63	37.01	36.54	32.58	27.49	27.70	30.49
Financial position										
Cash, balances with banks and reverse repurchase agreements (Rs. million)	8,785	7,681	4,054	3,465	14,783	4,705	1,730	1,529	2,085	1,652
Loans and receivables (Rs. million)	140,963	134,055	109,872	98,411	90,218	88,404	71,289	49,385	26,717	22,533
Investments in subsidiaries (Rs. million)	3,214	2,075	1,875	1,875	1,475	1,475	3,118	1,805	900	225
Investments in Government Treasury Bills and Bonds (Rs. million)	4,890	2,968	4,930	5,266	4,747	540	-	-	-	-
Total assets (Rs. million)	161,488	150,457	124,336	112,323	113,776	97,437	78,658	55,849	30,848	25,558
Borrowings (Rs. million)	55,705	74,258	60,819	49,848	48,605	56,232	58,740	39,930	20,072	17,003
Deposits from customers (Rs. million) [Note 3]	69,763	44,723	33,836	34,094	40,921	18,847	-	-	-	-
Total equity (Rs. million)	27,030	24,697	22,772	21,136	19,196	18,023	16,809	8,442	6,229	5,447
Total liabilities and shareholders' funds (Rs. million)	161,488	150,457	124,336	112,323	113,776	97,437	78,658	55,849	30,848	25,558
Financial cash inlows/(outflows)										
Operating activities (Rs. million)	27,691	(998)	(8,533)	(7,351)	17,218	6,819	(4,956)	(19,535)	(1,257)	(1,458)
Investing activities (Rs. million)	(802)	(159)	(397)	(231)	(170)	(89)	(1,507)	(88)	(998)	(1,405)
Financing activities (Rs. million)	(28,716)	2,926	9,156	(738)	(8,927)	(4,007)	6,031	18,977	2,481	3,555
Net cash flows (Rs. million)	(1,826)	1,769	227	(8,320)	8,121	2,723	(432)	(646)	226	692
HUMAN CAPITAL										
Employees (Numbers)	2,085	2,085	1,834	1,666	1,575	1,184	1,050	855	586	498
PBT per employee (Rs. million)	2.77	2.79	3.51	3.32	2.96	3.39	3.97	5.16	3.87	4.02
Employees' salaries and benefits (Rs. million)	2,575	2,556	1,807	1,565	1,338	1,026	763	593	386	320
NATURAL CAPITAL										
Investment (Rs. million)	2.19	3.37	3.36	1.17	0.52	7.10	0.67	0.45	1.03	0.55
Trees planted/maintained (Numbers)	6,637	5,780	10,395	430	1,130	925	125	117	N/T	N/T
Carbon footprint (tCo ₂ e) (Note 4)	6,046	6,236	3,059	2,770	-	-	-	-	-	-
SOCIAL AND RELATIONSHIP CAPITAL										
Shareholders (Numbers)	8,801	9,176	9,407	8,880	10,054	9,488	10,113	8	9	9
Number of ordinary shares (Nos. million)	1,580	1,580	1,580	1,580	1,580	1,560	1,560	50	50	50
Earnings per share (EPS) (Company) (Rs.)	2.73	2.54	2.75	2.38	1.98	1.80	1.63	1.63	0.76	0.66
Net assets per share (NAPS) (Rs.)	17.11	15.63	14.41	13.38	12.15	11.41	10.64	5.34	3.94	3.45
Market price per share (Rs.) [Note 5]										
Highest	19.20	20.10	26.50	28.00	15.70	16.70	18.30	-	-	-
Lowest	15.50	15.30	15.40	14.20	13.00	10.30	11.00	-	-	-
Closing	15.80	15.60	16.00	22.10	14.30	13.10	11.60	-	-	-

Ten Year Summary

	Company									
	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09
Market capitalisation (Rs. million)	24,962	24,646	25,278	34,915	22,592	20,436	18,096	-	-	-
Price earnings ratio (PE) (Times)	5.79	6.15	5.82	9.30	7.23	7.28	7.12	-	-	-
Dividend per share (DPS) (Rs.)	1.25	1.25	1.25	1.25	1.25	1.25	1.00	1.50	1.50	1.50
Dividend paid (Rs. million)	1,975	1,975	1,975	1,975	1,975	1,950	855	75	75	75
Dividend yield (%)	7.91	8.01	7.81	5.66	8.74	9.54	8.62	-	-	-
Dividend cover (Times)	2.18	2.03	2.20	1.90	1.58	1.46	3.01	34.40	16.00	13.96
Dividend payout (%)	45.83	49.26	45.43	52.62	63.22	68.42	33.20	2.91	6.25	7.16
Return on equity (ROE) (%)	16.66	16.89	19.80	18.61	16.79	16.36	20.39	35.17	20.56	23.10
Return on capital employed (ROCE) (%)	13.29	12.04	11.99	13.92	14.40	15.33	13.35	15.02	19.90	22.71
Debt to equity (excluding deposits) (Times)	2.06	3.01	2.67	2.36	2.68	3.29	3.49	5.11	4.19	4.38
Debt to equity with contingent liabilities and commitments (Times)	2.34	3.25	2.77	2.57	2.80	3.39	3.51	5.12	4.19	4.39
Current ratio (Times)	0.80	0.84	0.85	0.93	0.88	0.85	0.58	0.71	0.82	0.92
Interest cover (Times)	1.40	1.46	1.77	1.58	1.39	1.41	1.60	2.05	1.67	1.59
Taxes paid to Government (Rs. million)	2,434	2,828	2,915	1,793	581	848	1,703	1,098	918	493
Taxes collected on behalf of Government (Rs. million)	1,277	1,048	1,313	1,250	1,411	908	706	539	1,491	933
Investment on community based CSR (Rs. million)	101.53	187.64	76.25	71.68	55.48	32.90	25.33	21.55	11.97	16.45
Capital adequacy ratios										
Core capital ratio (required minimum – 5%) (%)	18.38	17.56	19.56	20.22	19.12	21.15	25.50	-	-	-
Total risk weighted capital ratio (required minimum – 10%) (%)	16.46	16.37	18.14	19.04	18.05	20.06	25.50	-	-	-
MANUFACTURED AND INTELLECTUAL CAPITAL										
Branches (Nos.)	103	103	92	89	85	33	34	30	23	19
Brand value (Rs. million)	6,486	7,588	9,317	4,918	4,265	3,015	1,796	1,915	623	-
Credit Ratings and Key Accolades										
Fitch Ratings Lanka	AA-(lka)	AA-(lka)	AA-(lka)	AA-(lka)	AA-(lka)	AA-(lka)	A+(lka)	A(lka)	A-(lka)	A-(lka)
Fitch Ratings International	B	B	B	B+	B+	B+	-	-	-	-
Standard & Poor's	B+/B	B+/B	B+/B	B+/B	B+/B	B+/B	-	-	-	-
CA Sri Lanka Annual Report Awards:										
Overall – Financial reporting	-	-	-	Silver	-	-	-	-	-	-
Overall – CSR	Gold	-	-	Gold	-	-	-	-	-	-
Overall – Corporate Governance	-	Gold	-	-	-	-	-	-	-	-
Overall – Management Commentary	Bronze	-	Silver	-	-	-	-	-	-	-
Overall – Best Disclosure on Capital Management in IR Sector	Gold	Bronze	-	-	-	-	-	-	-	-
SLIM Nielsen – Financial Service Provider of the Year	Silver	Gold	Gold	Gold	Gold	Gold	Gold	Gold	Gold	Gold
Business Today – Top 30 Listed Corporate Entities	-	-	Winner	Winner	Winner	Winner	-	-	-	-
CCCSL – Ten Best Corporate Citizen Award	15th Position	14th Position	17th Position	14th Position	18th Position	-	-	-	-	-
SAFA – Best Presented Annual Report Award	One of the Ten	Second runner-up	Winner	Winner	-	Winner	-	Winner	Winner	-
	Second Runner-Up	Second Runner-Up	Second Runner-Up	Second Runner-Up	Certificate of Merit	Certificate of Merit	-	-	-	-

N/T – Not tracked

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 VAT & NBT 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 emission from 2014/15.
5. The Company's ordinary shares were quoted on the CSE on 3 November 2011.

Statement of Profit or Loss in USD

For the year ended 31 March	Company		Group	
	2018 USD '000	2017 USD '000	2018 USD '000	2017 USD '000
Income	183,456	156,977	212,619	182,463
Interest income	171,480	145,018	177,115	149,906
Less: Interest expenses	93,111	77,831	93,923	77,767
Net interest income	78,369	67,187	83,192	72,139
Net earned premiums	-	-	26,028	24,304
Fee and commission income	7,594	7,459	4,404	4,090
Net trading income	122	54	385	289
Other operating income	4,260	4,446	4,687	3,874
Total operating income	90,345	79,146	118,696	104,696
Less: Impairment charges for loans and receivables and other losses	10,224	1,420	10,482	1,861
Net operating income	80,121	77,726	108,214	102,835
Less:				
Personnel expenses	16,535	16,818	19,215	19,549
Depreciation and amortisation	1,236	1,230	1,889	1,819
Benefits, claims and underwriting expenditure	-	-	17,827	17,000
Other operating expenses	16,951	17,572	17,639	17,740
Total operating expenses	34,722	35,620	56,570	56,108
Operating profit before Value Added Tax (VAT) and Nation Building Tax (NBT) on financial services	45,399	42,106	51,644	46,727
Less :VAT and NBT on financial services	8,349	6,078	8,521	6,214
Operating profit after VAT and NBT on financial services	37,050	36,028	43,123	40,513
Share of profit/(loss) of the associate (net of tax)	-	-	(340)	(486)
Profit before income tax expense	37,050	36,028	42,783	40,027
Less : Income tax expense	9,377	9,650	10,561	10,807
Profit for the year	27,673	26,378	32,222	29,220

Exchange rate of USD was Rs. 155.73 as at 31 March 2018 (Rs. 151.99 as at 31 March 2017).

The above Statement of Profit or Loss is solely for the convenience of Stakeholders (shareholders, investors, bankers and other users of Financial Statements) and does not form part of the Financial Statements.

Statement of Financial Position in USD

As at 31 March	Company		Group	
	2018 USD '000	2017 USD '000	2018 USD '000	2017 USD '000
Assets				
Cash and cash equivalents	28,344	36,786	30,610	41,976
Balances with banks and financial institutions	28,064	13,751	56,243	24,930
Financial assets – Held-for-trading	1,122	1,324	2,026	3,482
Loans and receivables	905,175	881,997	916,410	891,307
Insurance and reinsurance receivables	–	–	2,611	1,760
Financial assets – Available-for-sale	1,407	1,814	8,627	7,202
Financial assets – Held-to-maturity	31,398	19,528	31,398	19,528
Investments in subsidiaries	20,637	13,652	–	–
Investment in associate	3,766	3,858	2,719	3,134
Investment property	863	663	8,129	–
Property, plant and equipment	7,493	8,255	26,409	32,999
Goodwill and intangible assets	2,224	2,107	2,908	2,108
Current tax receivables	577	–	577	–
Leasehold property	560	593	560	593
Deferred tax assets	–	–	181	173
Other assets	5,344	5,584	8,346	6,162
Total assets	1,036,974	989,912	1,097,754	1,035,354
Liabilities				
Due to banks	188,940	234,123	201,221	243,999
Due to customers	447,975	294,247	445,501	292,556
Debt securities issued	168,765	254,446	168,765	253,762
Other financial liabilities	29,833	17,930	28,726	16,864
Derivative financial instruments	–	55	–	55
Insurance liabilities and reinsurance payable	–	–	26,036	23,272
Current tax liabilities	–	1,908	402	2,219
Deferred tax liabilities	14,614	12,653	15,018	12,998
Other liabilities	13,278	12,057	13,959	12,481
Total liabilities	863,405	827,419	899,628	858,206
Equity				
Capital	84,994	87,085	84,994	87,085
Statutory reserve fund	11,799	10,671	11,799	10,671
Retained earnings	73,860	61,847	84,551	69,484
Other reserves	2,916	2,890	2,879	2,770
Total shareholders' equity	173,569	162,493	184,223	170,010
Non-controlling interest	–	–	13,903	7,138
Total equity	173,569	162,493	198,126	177,148
Total liabilities and equity	1,036,974	989,912	1,097,754	1,035,354
Contingent liabilities and commitments	47,973	42,371	48,952	44,184

Exchange rate of USD was Rs. 155.73 as at 31 March 2018 (Rs. 151.99 as at 31 March 2017).

The above Statement of Financial Position is solely for the convenience of Stakeholders (shareholders, investors, bankers and other users of Financial Statements) and does not form part of the Financial Statements.

Independent Assurance Report

GRI 102-56



Building a better
working world

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INDEPENDENT ASSURANCE REPORT TO PEOPLE'S LEASING AND FINANCE PLC ON THE SUSTAINABILITY REPORTING CRITERIA PRESENTED IN THE INTEGRATED ANNUAL REPORT – 2017/18

INTRODUCTION AND SCOPE OF THE ENGAGEMENT

The management of People's Leasing and Finance PLC ("the Company") engaged us to provide an independent assurance on the following elements of the sustainability reporting criteria presented in the annual report – 2017/18 ("the Report").

- Reasonable assurance on the information on financial performance as specified on pages 67 and 68 of the Report.
- Limited assurance on other information presented in the Report, prepared in accordance with the requirements of the Global Reporting Initiative GRI Standards: "In accordance" – Comprehensive guidelines.

BASIS OF OUR WORK AND LEVEL OF ASSURANCE

We performed our procedures to provide limited assurance in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE 3000): "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", issued by The Institute of Chartered Accountants of Sri Lanka ("CASL").

The evaluation criteria used for this limited assurance engagement are based on the Sustainability Reporting Guidelines ("GRI Guidelines") and related information in particular, the requirements to achieve GRI Standards "In accordance" – Comprehensive guideline publication, publicly available at GRI's global website at "www.globalreporting.org".

Our engagement provides limited assurance as well as reasonable assurance. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement conducted in accordance with SLSAE-3000 and consequently does not enable to

obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an opinion providing reasonable assurance.

MANAGEMENT OF THE COMPANY'S RESPONSIBILITY FOR THE REPORT

The management of the Company is responsible for the preparation of the self-declaration, the information and statements contained within the Report, and for maintaining adequate records and internal controls that are designed to support the sustainability reporting process in line with the GRI Sustainability Reporting Guidelines.

ERNST & YOUNG'S RESPONSIBILITY

Our responsibility is to express a conclusion as to whether we have become aware of any matter that causes us to believe that the Report is not prepared in accordance with the requirements of the Global Reporting Initiative, GRI Standards: "In accordance" – Comprehensive guidelines. This Report is made solely to the Company in accordance with our engagement letter dated 16 March 2018. We disclaim any assumption of responsibility for any reliance on this report to any person other than the Company or for any purpose other than that for which it was prepared. In conducting our engagement, we have complied with the independence requirements of the Code for Ethics for Professional Accountants issued by the CASL.

KEY ASSURANCE PROCEDURES

We planned and performed our procedures to obtain the information and explanations considered necessary to provide sufficient evidence to support our limited assurance conclusions. Key assurance procedures included:

- Interviewing relevant the Company's personnel to understand the process for collection, analysis, aggregation and presentation of data.
- Reviewing and validation of the information contained in the Report.

- Checking the calculations performed by the Company on a sample basis through recalculation.
- Reconciling and agreeing the data on financial performance are properly derived from the Company's audited Financial Statements for the year ended 31 March 2018.
- Comparison of the content of the Report against the criteria for a Global Reporting Initiative, GRI Standards: "In accordance" – Comprehensive guidelines.

Our procedures did not include testing electronic systems used to collect and aggregate the information.

LIMITATIONS AND CONSIDERATIONS

Environmental and social performance data are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data.

CONCLUSION

Based on the procedures performed, as described above, we conclude that:

The information on financial performance as specified on pages 67 and 68 of the Report are properly derived from the audited financial statements of the Company for the year ended 31 March 2018.

Nothing has come to our attention that causes us to believe that other information presented in the Report are not fairly presented, in all material respects, in accordance with the Company's sustainability practices and policies some of which are derived from Sustainability Reporting Guideline, GRI Standards – "In accordance" Comprehensive.

Chartered Accountants

17 May 2018
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. K R M Fernando FCA ACMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulanguwara FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA
Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA Ms. P V K N Sanjeevani FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA

Principal T P M Ruberu FCA FCMA

A member firm of Ernst & Young Global Limited

Subsidiary Information



Vision

To be appreciated for building lasting trust based on strength, stability and sustainability.

Mission

We will work with all our stakeholders with integrity and fairness, maintain high standards in sales and servicing, respect creativity and commitment of our staff and offer sound insurance solutions to our clients for a sustainable future.

Organisational Profile

Name of the Company	Date of Incorporation	Commenced Commercial Operations	Main Business	Industry
People's Insurance PLC (PI)	22 July 2009	January 2010	Registered as a non-life insurance provider under the Regulation of Insurance Act.	One of the most profitable non-life insurers in Sri Lanka with constant underwriting profits since 2012.

Ownership Structure



PRODUCTS

Lifestyle Products:

These products are specially designed to help families prepare for the unexpected and reduce the financial burden in times of loss. Currently offer Dwelling Fire Insurance, Home Insurance, Personal Accident Insurance, Motor Vehicle Insurance, Travel Insurance and Healthcare Insurance.

Business Products:

These products are targeted towards commercial operators and corporates. Currently offering Commercial Fire Insurance, Business Interruption (Consequential Loss) Insurance, Plate Glass Insurance, Burglary Insurance, Fidelity Guarantee Insurance, Machinery/Electronic Equipment Insurance, Contractors' All Risks Insurance, Workmen's Compensation Insurance, Motor Vehicle Insurance, Marine (Cargo) Insurance, Goods in Transit Insurance and Public Liability Insurance.

Strategic Priorities for the Year (2017)

- Consolidate the captive market through parent entities, whilst increasing the market share in direct business through focused positioning and strategic distribution
- Increase outreach
- Recruit, develop and retain the best in-class expertise in the industry
- Understand customer needs and provide customised solutions to meet their needs
- Increase visibility and reinforce brand strength
- Uphold best practices in governance and comply with the regulatory requirements along with firmer internal controls and risk management

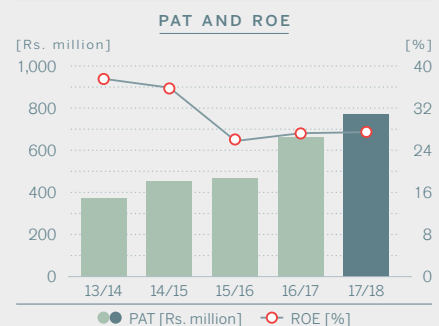
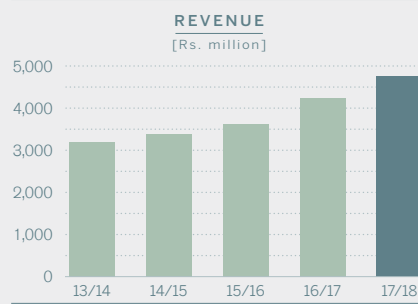
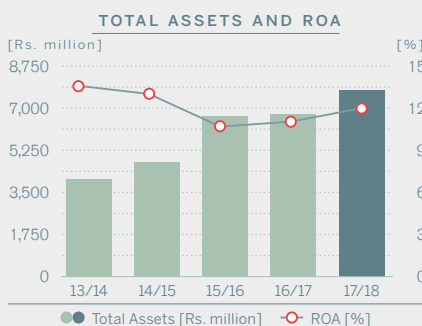
Key Activities During the Year (2017)

- Appointed a Chief Executive Officer with the retirement of the former Managing Director and three new Independent Non Executive Directors to the Board
- Reconstituted the Board Audit Committee, Remuneration and Nomination Committee, Related party Transactions Review Committee and Investment Committee
- Set up the internal audit function directly under the supervision of the Company
- Moved the Corporate office to the newly constructed iconic building
- New corporate logo was unveiled and the first advertising campaign was kicked off together with the first television commercial Initiated "GPTW" (Great Place to Work) survey Rolled out 5S programme

Strategic Priorities for the Year (2018)

- Consolidate the captive market through parent entities, whilst increasing the market share in direct business through focused positioning and strategic distribution
- Increase outreach
- Recruit, develop and retain the best in-class expertise in the industry
- Understand customer needs and provide customised solutions to meet their needs
- Increase visibility and reinforce brand strength
- Uphold best practices in governance and comply with the regulatory requirements along with firmer internal controls and risk management

FINANCIAL HIGHLIGHTS



*Note: PI's financial year end is 31 December.

Subsidiary Information



Vision

To improve sustainable livelihoods of the community and be the most sought after microfinance company in Sri Lanka.

Mission

To economically empower low income earners and micro entrepreneurs by providing inclusive finance in a sustainable ethical and profitable manner.

Organisational Profile

Name of the Company	Date of Incorporation	Commenced Commercial Operations	Main Business	Industry
People's Microfinance Limited (PML)	3 September 2010	March 2011	Providing microfinance facilities to the underprivileged, rural and urban population of Sri Lanka.	The company outreach as one of the key microfinance institutions in the country with past seven years of operation.
GRI 203-2				

Ownership Structure



PRODUCTS

Individual Business Loan (IBL) - Through developing SME product, the company targets those families who are economically active and specially engaged in small business. The company motivates the selected families to commence new income source and/or to expand their existing income sources. For example, the company caters to small enterprises such as agriculture, animal husbandry, small buying and selling businesses.

Asset-based Loans (Hire Purchase and Equipment Facilities) - The company's strategic objective of developing above product is providing microfinance facilities to the underprivileged, rural and urban population and providing asset backed facilities for SME client base as agricultural equipment, equipment required to animal husbandry, modified three wheelers, motor bikes.

Strategic Priorities for the Year (2017/18)

- Provide extensive training for front line officers of the company to further enhance and provide better customer service
- Conduct awareness programmes for customers to increase financial literacy
- Provide credit and support services to enhance customer loyalty
- Introduce new products to maintain a balanced product mix

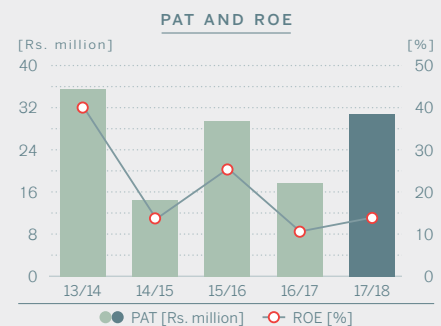
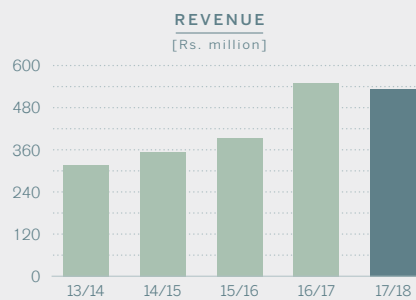
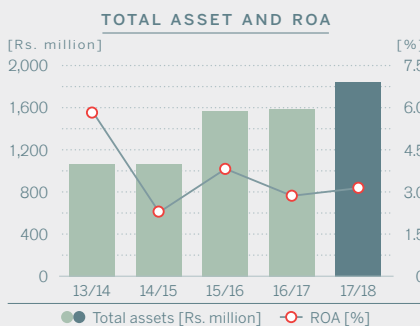
Key Activities during the Year (2017/18)

- New business promotion events were conducted
- Several training programmes were conducted to customer groups to enhance their financial literacy and leadership skills.
- Several special training programmes were conduct to front office employees, utilising existing trained staff
- Introduced policy guidelines to enhance the credit quality
- Created platform for greater employee participation in decision-making
- Identified future leaders within the organisation and groomed them for future expansion and business needs through comprehensive training

Strategic Priorities for the Year (2018/19)

- Expedite credit and support services to face the immense market competition through delegating authority levels over branch level
- Strengthen recovery steps together with strong monitoring of customer portfolio
- Identifying, retaining and motivating the existing talent through creating new opportunities
- Continuous business growth by maintaining right product mix

FINANCIAL HIGHLIGHTS



Subsidiary Information



Vision

Be the fleet solution provider to the future of mobility.

Mission

To be the most admired purpose driven eco-friendly service provider, embracing breakthrough business ideas towards digitalisation domain.

Organisational Profile

Name of the Company	Date of Incorporation	Commenced Commercial Operations	Main Business	Industry
People's Leasing Fleet Management Limited (PLFML)	6 August 2008	August 2008	The product and services include vehicle fleet management, vehicle valuations, rent-a-car service and vehicle sales.	A registered fleet management company in Sri Lanka, we continue to improve our position within the industry.

Ownership Structure



PRODUCTS

Vehicle Fleet Services – Vehicle Fleet services consist of long-term hiring, short-term hiring and recovery services.

Long-term hiring (operating lease) has a target market of corporate clients and Government institutions. Short-term hiring, in the form of rent-a-car services are destined towards individuals seeking a vehicle temporarily. Recovery services to provide towing and carrier services for vehicles.

Valuation Services – Valuations are of key importance to our Parent Company, People's Leasing & Finance PLC, as they underpin asset-backed loans and leasing facilities awarded to customers. Accurate and reliable valuations helps to improve the quality of credit. We also offer valuation services to third parties, and extend our valuation services to machinery and equipment as well. Further, we carry out insurance motor claim assessments for insurance companies mainly our affiliate, People's Insurance PLC.

Vehicle Sales – The Company purchase repossessed vehicle from Parent Company, People's Leasing & Finance PLC under general tender procedures and resell them within the market. This will result in a win-win situation for the both the Company and the Parent, offering fair values for repossessed assets.

Other Services – The main services provided by the Company includes towing services and a carrier service for internal and external customers. The Company generated bulk synergies by transporting disposed vehicles with due care on behalf of PL, thus enhancing clients' trust in the Company.

Strategic Priorities for the Year (2017/18)

- Expand island-wide coverage of Valuation Unit and Motor claim assessment
- Investment in operating lease product for the expansion
- Relocation of Fleet Management Head Office
- Obtain Carbon Neutral Certificate

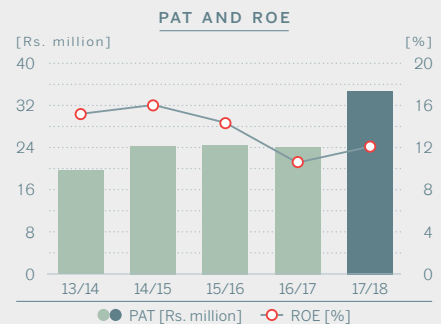
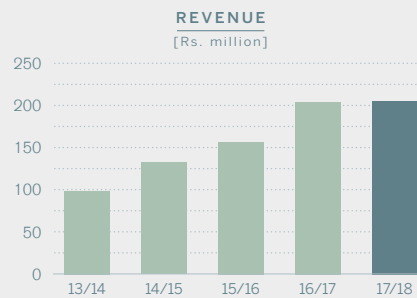
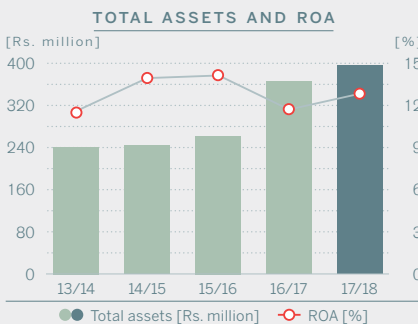
Key Activities during the Year (2017/18)

- Relocation of Fleet Management Head Office
- Development and expansion of Operating Lease Product with external financing
- Obtained Carbon Neutral Certificate

Strategic Priorities for the Year (2018/19)

- Develop the Rent-A-Car Unit and Operating Lease Product to a larger scale
- Streamline centralised operation of valuation unit and expand of Valuation Unit island-wide
- Strengthen and update the user friendly high end IT System to support Fleet Management operations
- Relocate Fleet Management Workshop

FINANCIAL HIGHLIGHTS



Subsidiary Information



Organisational Profile

Name of the Company	Date of Incorporation	Commenced Commercial Operations	Main Business	Industry
People's Leasing Property Development Limited (PLPDL)	15 August 2008	August 2011	The principal activity of the Company is property development activities and renting of properties. The Company mainly engages in the implementation of projects and monitoring of construction of branches for People's Bank and People's Leasing & Finance PLC.	Property development.

Ownership Structure



PRODUCTS

People's Leasing Property Development Limited chiefly engages in the property development projects of People's Bank and the People's Leasing group. The Company has already completed thirteen projects for People's Bank.

Strategic Priorities for the Year (2017/18)

- Negotiate with People's Bank for construct new projects
- Obtain service of other consultancy firms to improve competitiveness, quality of design and reduce dependency over a single firm.
- Strengthen the financial position of the Company
- Better coordination with contractors with the purpose of completing more projects in the future

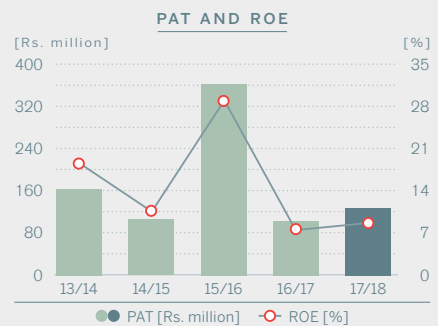
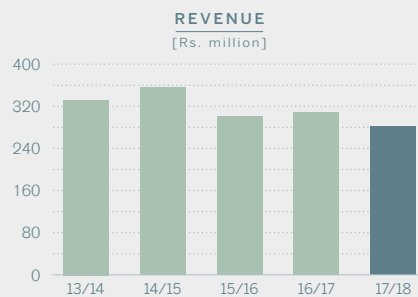
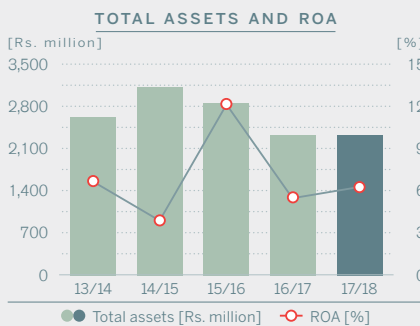
Key Activities during the Year (2017/18)

- Commenced construction works of two new projects for People's Bank, while six new branches are under the design stage
- Partnered with three new consultancy firms.

Strategic Priorities for the Year (2018/19)

- Complete major parts of the construction works of the two under construction projects.
- Start construction works of the six new projects
- Better coordination with contractors with the purpose of completing more projects in the future

FINANCIAL HIGHLIGHTS



Subsidiary Information



Organisational Profile

Name of the Company	Date of Incorporation	Commenced Commercial Operations	Main Business	Industry
People's Leasing Havelock Properties Limited (PLHPL)	12 August 2010	June 2017	The principal line of business is to construct and operate office complex.	Construction of office complex and operating as renting out or lease.

Ownership Structure



PRODUCTS

Carry out construction of office complex and operating as renting out or lease

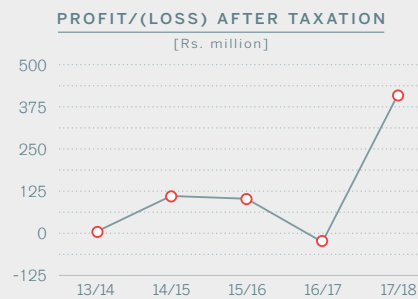
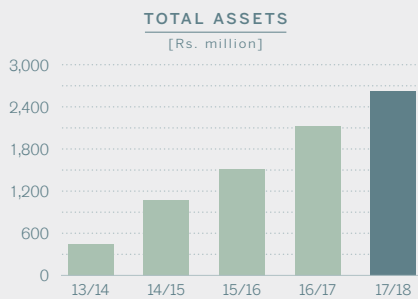
Strategic Priorities for the Year (2017/18)

- Start commercial operations of the Company
- Strengthen the financial position of the Company while reducing financial liabilities

Key Activities during the Year (2017/18)

- Initiated the commercial operations by entering into a rent agreement with People's Leasing & Finance PLC, People's Bank and People's Insurance PLC
- Settled major portion of financial liabilities

FINANCIAL HIGHLIGHTS



Subsidiary Information



Vision

To be the most innovative, dependable and customer-friendly Financial Institution in the country.

Mission

Maximise values for all stakeholders through uniqueness, dexterity and sustainable business practices. Ensuring superior and solution driven financing for our customers. inculcate a culture of meritocracy in the ethos/philosophy of the company. Establish a principled and compliant organisation which adheres to the best corporate governance practices.

Organisational Profile

Name of the Company	Date of Acquisition	Commenced Commercial Operations	Main Business	Industry
Lankan Alliance Finance Limited (LAF)	4 December 2017	December 2017	Provides leases and loans for movable and immovable properties, and accepts customer deposits.	Operates as a non-banking financial institution in Bangladesh.

Ownership Structure



PRODUCTS

Lending Products – Company involves in providing leasing facilities, Term loans and Working capital loans for Corporates, Consumers and SMEs.

Deposit Product – Currently Company accepts term deposits from customers.

Strategic Priorities for the Year (2017/18)

- Obtain license from Bangladesh Bank to operate as a Non-Banking Financial Institution.

Key Activities during the Year (2017/18)

- Obtained Non-Banking Financial Institutions license from Bangladesh Bank in June 2017 and commenced operations in December 2017.

Strategic Priorities of the Year (2018/19)

- As a newly-formed company our key strategic priority is to operate at break-even.

FINANCIAL HIGHLIGHTS

Net profit after tax
Rs. 1.15 million

Total assets
Rs. 2.11 billion

Shareholders' Equity
Rs. 2.03 billion

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Abbreviations

ACA	Associate Chartered Accountant	KMP	Key Management Personnel
ACMA	Associate Chartered Management Accountant	KPI	Key Performance Indicators
AGM	Annual General Meeting	KRI	Key Risk Indicators
ALCO	Assets and Liability Management Committee	LAF	Lankan Alliance Finance Limited
ATM	Automated Teller Machine	LFC	Licensed Financial Companies
AWPLR	Average Weighted Prime Lending Rate	LTV	Loan to Value Ratio
BA	Bachelor of Arts	MBA	Master of Business Administration
BAC	Board Audit Committee	MIS	Management Information Systems
B B Mgt	Bachelors in Business Management	MSc	Master of Science
B Com	Bachelor of Commerce	MVA	Market Value Added
BCP	Business Continuity Plan	NASCO	National Sales Congress
BSc	Bachelor of Science	NBFI	Non-Bank Financial Institution
CDSB	Climate Disclosure Standards Board	NBT	Nation Building Tax
CBSL	Central Bank of Sri Lanka	NCP	Natural Capital Partners of the UK
CEO	Chief Executive Officer	NIBM	National Institute of Business Management
CIM	Chartered Institute of Marketing	NIM	Net Interest Margin
CIMA	Chartered Institute of Management Accountants	NPL	Non-Performing Loan
CIB	Chartered Institute of Bankers	PAT	Profit After Tax
CMA	Certified Management Accountant	PBT	Profit Before Tax
CSE	Colombo Stock Exchange	PGDiP	Post Graduate Diploma
CSR	Corporate Social Responsibility	PI	People's Insurance PLC
DGM	Deputy General Manager	PLC	People's Leasing & Finance PLC
DNV	Det Norske Veritas	PLFML	People's Leasing Fleet Management Limited
DRP	Disaster Recovery Plan	PLHPL	People's Leasing Havelock Properties Limited
EPF	Employees' Provident Fund	PLPDL	People's Leasing Property Development Limited
EPS	Earnings Per Ordinary Share	PML	People's Microfinance Limited
ETF	Employees' Trust Fund	R&NC	Remuneration & Nomination Committee
EVA	Economic Value Addition	ROA	Return on Assets
FBIM	Fellowship of the British Institute of Management	ROCE	Return on Capital Employed
FCMA	Fellow Chartered Management Accountant	ROE	Return on Equity
GDP	Gross Domestic Product	RPT	Related Party Transactions
GHG	Greenhouse Gases	RPTRC	Related Party Transactions Review Committee
GL	General Ledger	SDG	Sustainable Development Goals
GRI	Global Reporting Initiative	SEC	Securities and Exchange Commission of Sri Lanka
HR	Human Resources	SLBC	Sri Lanka Broadcasting Corporation
IBSL	Insurance Board of Sri Lanka – (IBSL)	SLFRS/LKAS	Sri Lanka Accounting Standards
ICASL/CASL	Institute of Chartered Accountants of Sri Lanka	SLIBOR	Sri Lanka Inter Bank Offer Rate
ICT	Information and Communications Technology	SLICM	Sri Lanka Institute of Credit Management
IIA	Institute of Internal Auditors	SLITAD	Sri Lanka Institute of Training & Development
IRMC	Integrated Risk Management Committee	SMC	Senior Management Committee
IRMOC	Integrated Risk Management Operating Committee	SME	Small and Medium Enterprises
IPFM	Institute of Professional Finance Managers	TOR	Terms of Reference
IT	Information Technology	UNGC	United Nations Global Compact Advanced Principles
IUCN	International Union for Conservation of Nature	VAPT	Vulnerability Assessment and Penetration Test
		VAT	Value Added Tax

Basis of Ratios

Ratio	Formula
Earnings per ordinary share (Rs.)	Profit or loss attributable to ordinary shareholders/weighted average number of ordinary shares outstanding
Net assets value per share (Rs.)	Total shareholders' equity/Number of ordinary shares
Market capitalisation (Rs.)	Closing market price per share* Number of ordinary shares
Price earnings (PE) (Times)	Market price per share/Earnings per ordinary share
Dividend yield (%)	Dividend per ordinary share (DPS)*100/Market price per share
Dividend cover (Times)	Profit or loss attributable to ordinary shareholders/Total dividend paid to ordinary shareholders
Dividend payout (%)	Total dividend paid to ordinary shareholders*100/Profit or loss attributable to ordinary shareholders
Earnings yield (%)	Earnings per ordinary share*100/Market price per share
Return on equity (ROE) (%)	Profit or loss attributable to ordinary shareholders *100/Average shareholders' equity
Return on assets (ROA) (%)	Profit before tax*100/Average total assets
Return on capital employed (ROCE) (%)	Profit before interest and tax*100/(Borrowings+Deposits+Equity)
Debt to equity (Times)	Borrowings/Total shareholders' equity
Debt to equity with contingencies (Times)	(Borrowings+Contingencies)/Total shareholders' equity
Debt to total assets (Times)	Borrowings/Total assets
Cost to income ratio (%)	Total operating cost without VAT and NBT on financial services*100/Total operating income
Interest cover (Times)	Profit before interest and tax/Interest expenses
Operating profit margin (%)	Operating profit before VAT and NBT on financial services*100/Interest income
Net interest margin (%)	Net interest income*100/Average interest earning assets
Advances to deposits (Times)	Gross loans and receivables/Total deposits
Impairment cover ratio (%)	Impairment provision/Non-performing portfolio*100
Price to book value (PBV) (Times)	Market price per share/Net assets per share
Current ratio (Times)	Currents assets/Current liabilities
Employee turnover (%)	Number of attritions during the year*100/Average number of employees during the year
Total impairment provision to gross portfolio (%)	Total impairment provisions*100/Gross loans and receivables
Individual impairment to total loans and receivables (%)	Individual impairment*100/Gross loans and receivables
Collective impairment to total loans and receivables (%)	Collective impairment*100/Gross loans and receivables
Non-performing ratio (%)	Gross non-performing portfolio*100/Gross loans and receivables

Glossary

A

ACCOUNTING POLICIES

The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting Financial Statements.

ACCRUAL BASIS

Recognising the effects of transactions and other events as and when they occur without waiting for receipt or payment of cash or its equivalent.

AMORTISATION

The systematic allocation of the depreciable amount of an intangible asset over its useful life.

ASSOCIATE

An entity in which the investor has significant influence and which is neither a subsidiary nor an interest in a joint venture.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

Non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

C

CAPITAL ADEQUACY RATIO

The relationship between capital and risk-weighted assets as prescribed by the Central Bank of Sri Lanka.

CASH EQUIVALENTS

Short-term, highly liquid investments those are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

COLLECTIVE IMPAIRMENT

Impairment assessment on a collective basis for homogeneous groups of loans and receivables that are not considered individually significant and to cover losses which have been incurred but have not yet been identified at the reporting date.

COMMERCIAL PAPER

An unsecured, short-term debt instrument issued by a corporation, typically for the financing of accounts receivable, inventories and meeting short-term liabilities, which are debt, is usually issued at a discount, reflecting prevailing interest rates.

COMMITMENTS

Credit facilities approved but not utilised by the customers as at the reporting date.

CONSOLIDATED FINANCIAL STATEMENTS

Financial Statements of a holding (Parent) company and its subsidiaries based on their combined assets, liabilities and operating results.

CONTINGENCIES

A condition or situation existing on the reporting date where the outcome will be confirmed only by occurrence or non-occurrence of one or more future events.

CORPORATE GOVERNANCE

The process by which corporate entities are governed. It is concerned with the way in which power is exercised over the management and direction of entity, the supervision of executive actions and accountability to owners and others.

COST TO INCOME RATIO

Total operating expenses as a percentage of total operating income.

CREDIT RATINGS

An evaluation of a corporate's ability to repay its obligations or the likelihood of not defaulting, carried out by an independent rating agency.

CREDIT RISK

Credit risk is the potential that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms and conditions.

CURRENCY SWAPS

The simultaneous purchase of an amount of a currency for spot settlement and the sale of the same amount of the same currency for forward settlement.

CUSTOMER DEPOSITS

Money deposited by account holders. Such funds are recorded as liabilities.

D

DEFERRED TAXATION

Sum set aside for tax in the Financial Statements that may become payable/receivable in a financial year other than the current financial year.

DEPRECIATION

The systematic allocation of the depreciable amount of property, plant and equipment over its useful life.

DERECOGNITION

The removal of a previously recognised financial asset or financial liability from an entity's Statement of Financial Position.

DIVIDEND COVER

Profit attributable to shareholders divided by dividends paid to ordinary shareholders including tax withheld. This ratio measures the number of times dividend is covered by current year's attributable profits.

DIVIDEND YIELD

Dividend earned per share as a percentage of its market value.

E

EARNINGS PER SHARE (EPS)

Profit attributable to ordinary shareholders divided by the number of ordinary shares in use.

ECONOMIC VALUE ADDED (EVA)

A measure of productivity, which, takes into consideration cost of total invested equity.

EFFECTIVE INTEREST RATE (EIR)

The rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

EMPLOYEE RETENTION RATIO

Represents the number of employees retained out of the employees attrition during the year as a percentage of average number of employees for the year end.

EQUITY METHOD

Method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition changes in the investor's share of net assets of the investee. The profit or loss and other comprehensive income of the investor include the investor's share of the profit or loss and other comprehensive income of the investee.

EXPOSURE

A claim, contingent claim or position which carries a risk of financial loss.

Glossary

F

FAIR VALUE

The price that would be received to sell an asset or paid to transfer in an orderly transaction between market participants at the measurement date.

FINANCE LEASE

A lease in which, the lessee acquires all the financial benefits and risks attaching to ownership of the asset under lease.

FINANCIAL ASSET

Any asset that is cash, an equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity.

FINANCIAL LIABILITY

Is a contractual obligation to deliver cash or another financial asset to another entity.

FOREIGN EXCHANGE CONTRACT

Agreement between two parties to exchange one currency for another at a future date at a rate agreed upon today.

G

GEARING

Long-term borrowings divided by the total funds available for shareholders.

GROUP

A group is a parent and all its subsidiaries.

GROSS DIVIDEND

The portion of profits distributed to the shareholders including the tax withheld.

GUARANTEES

Three party agreement involving a promise by one party (the guarantor) to fulfil the obligations of a person owing a debt if that person fails to perform.

H

HEDGING

A strategy under which transactions are effected with the aim of providing cover against the risk of unfavourable price movements. (Interest rates, prices and commodities ect.).

HELD TO MATURITY INVESTMENTS (HTM)

Non-derivative financial assets with fixed or determinable payments and a fixed maturity that an entity has the positive intention and ability to hold to maturity.

HIRE PURCHASE

A contract between hirer and financier where the hirer takes on hire a particular article from the financier, with the option to purchase the article at the conclusion of the agreed rental payments.

I

IMPAIRED LOANS AND RECEIVABLES

Loans and receivables where the Group does not expect to collect all the contractual cash flows or expects to collect them later than they are contractually due.

IMPAIRMENT

This occurs when recoverable amount of an asset is less than its carrying amount.

IMPAIRMENT PROVISIONS/ALLOWANCES

Provision held as a result of the raising of a charge against profit for the incurred loss. An impairment provision may either be identified or unidentified and individual (specific) or collective (portfolio).

INDIVIDUAL IMPAIRMENT

Exposure to loss is assessed on all individually significant accounts that do not qualify for collective assessment.

INTANGIBLE ASSET

An identifiable non-monetary asset without physical substance.

INTEREST COVER

Number of times interest expense is covered by earnings before interest and tax.

INTEREST RATE RISK

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates.

INTEREST SPREAD

This represents the difference between the average interest rate earned assets and the average interest rate paid on interest-bearing liabilities.

INVESTMENT PROPERTIES

A property (land or a building – or part of a building – or both) held (by the owner or by lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for use or sale.

K

KEY MANAGEMENT PERSONNEL (KMP)

Those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

L

LIQUID ASSETS

Assets held in cash or in a form that can be converted to cash readily, such as short-term deposits with banks, bills of exchange and Treasury Bills.

LIQUIDITY RISK

The risk that an entity will encounter difficulty in meeting short-term obligations associated with financial liabilities.

LOSS GIVEN DEFAULT (LGD)

The actual loss that is experienced by the Company when a customer defaults on a loan from that company.

M

MARKET CAPITALISATION

Total market value of a company's outstanding shares.

MATERIALITY

The relative significance of a transaction or an event the omission or misstatement of which could influence the economic decisions of users of Financial Statements.

N

NET ASSETS VALUE PER SHARE

Shareholders' fund excluding preference shares if any, divided by the number of ordinary shares in issue.

NET INTEREST INCOME

The difference between income earned from interest-bearing assets and cost incurred on financial instrument/facilities used for funding the interest-bearing assets.

NET INTEREST MARGIN

Net interest income expressed as a percentage of average interest earning assets.

NON-PERFORMING PORTFOLIO

The aggregate value of the advances portfolio that has being delinquent for a period of more than six months.

NON-PERFORMING RATIO (NPA RATIO)

Non-performing advance portfolio expressed as a percentage of total advance portfolio.

Glossary

P

PARENT

A parent is an entity which has one or more subsidiaries.

PRICE EARNINGS RATIO (P/E RATIO)

Shows what the market is willing to pay for a stock based on its current earnings.

R

RELATED PARTIES

Parties where one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, directly or indirectly.

RETURN ON AVERAGE ASSETS (ROA)

Profit after tax expressed as a percentage of the average assets; indicates overall effectiveness in generating profits with available assets.

RETURN ON EQUITY (ROE)

Net profit attributable to owners, expressed as percentage of average ordinary shareholders' equity.

REVERSE REPURCHASE AGREEMENTS

A reverse repurchase agreement with the agreement to sell at a higher price at a specific future date.

RISK-WEIGHTED ASSETS

Sum total of assets as per the Statement of Financial Position and the credit equivalent of assets that are not on the Statement of Financial Position multiplied by the relevant risk weighting factors prescribed by the Central Bank of Sri Lanka.

S

SEGMENTAL ANALYSIS

Disclosure of Company's assets, income and other information; broken down by activity and geographical area.

SHAREHOLDERS' FUNDS

Consist of issued and fully-paid up ordinary shares, redeemable preference shares and other reserves.

STAFF TURNOVER RATIO

Represents the number of employees attrition during the year as a percentage of average number of employees for the year-end.

STATUTORY RESERVE FUND

A capital reserve created as per the provisions of Finance Companies (Capital Funds) Direction No. 1 of 2003.

SUBSIDIARY

An entity that is controlled by another entity which is known as the parent.

T

TIER I CAPITAL

Representing permanent shareholders' equity and reserves created or increased by appropriations of retained earnings or other surpluses.

TIER II CAPITAL

Representing general provisions and other capital instruments, which combine certain characteristics of equity and debt such as hybrid capital instruments and subordinated term debts.

V

VALUE ADDED

Value of wealth created by providing financial and other-related services less the cost of providing such services.

Y

YIELD

Rate of return on an investment in percentage terms, taking into account annual income and any change in capital value.

Branch Network

Branch name	Address	Telephone
Central		
Dambulla	No. 632, Anuradhapura Road, Dambulla	066-2 284 252
Digana	No. 118, Rajawella 2, Rajawella	081-2 376 923
Gampola	No. 131, Nuwara Eliya Road, Gampola	081-2 353 030
Hatton	No. 199/B/1, Dimbulla Road, Hatton	051-2 225 683
Kandy	No. 177, D S Senanayaka Weediya, Kandy	081-2 236 280
Kandy – Al Safa	No. 45, Katugastota Road, Kandy	081-2 205 043
Kandy – II	No. 483/B, William Gopallawa Mawatha, Kandy	081-2 238 051
Mahaiyawa	No. 288, Katugastota Road, Kandy	081-2 205 947
Matale	No. 568, Trincomalee Street, Matale	066-2 226 400
Nawalapitiya	No. 65, Ambagamuwa Road, Nawalapitiya	054-2 224 481/2/3
Nuwara Eliya	No. 36K, Ramanathan Complex, Park Road, Nuwara Eliya	052-2 224 120
Pilimathalawa	No. 174, Kandy Road, Pilimathalawa	081-2 056 336
Eastern		
Ampara	No. 149, Kumarasiri Building, Nidahas Mawatha, Ampara	063-2 223 053
Batticaloa	No. 26, New Kalmunai Road, Batticaloa	065-2 226 512
Kalawanchikudi	Ward No. 09, Main Street, Kalawanchikudi	065-2 251 660
Kalmunai	No. 82, Main Street, Kalmunai	067-2 225 486
Kantale	No. 72/1, Agrabodhi Mawatha, Kantale	026-2 234 484
Kattankudy	No. 187, Main Street, Kattankudy	065-2 248 341
Kinniya	No. 274, Main Street, Mancholaichenai, Kinniya	026-2 237 093/6854
Muttur	Main Street, Muttur	026-2 238 276
Trincomalee	No. 445/1, Dockyard Road, Trincomalee	026-2 225 285
North Central		
Anuradhapura	No. 387, Harischandra Mawatha, Anuradhapura	025-2 224 903
Kekirawa	No. 12/A, Thalawa Road, Kekirawa	025-2 264 821
Medawachchiya	No. 76/D, Jaffna Road, Medawachchiya	025-2 245 209
Polonnaruwa	No. 407, Main Street, Kaduruwela, Polonnaruwa	027-2 225 793
Thambuttegama	No. 326, Queens Junction, Kurunegala Road, Thambuttegama	025-2 276 180
North Western		
Chilaw	No. 10, Colombo Road, Chilaw	032-2 224 101
Giriulla	Sangarakshitha Vidyala Building, Ground Floor, Kurunegala Road, Giriulla	037-2 288 801
Kuliyapitiya	No. 88, Kurunegala Road, Kuliyapitiya	037-2 283 490/1353/1357
Kurunegala	No. 103 A, Colombo Road, Kurunegala	037-2 221 582
Melsiripura	No. 237, Dambulla Road, Melsiripura	037-2 250 229
Narammala	No. 105, Kuliyapitiya Road, Narammala	037-2 249 651
Nattandiya	No. 26, Rathmalwatta, Nattandiya	032-2 251 588
Puttalam	No. 97 B, Kurunegala Road, Puttalam	032-2 266 893
Wariyapola	No. 119, Kurunegala Road, Wariyapola	037-2 233 426
Wennappuwa	No. 327 1/1, Colombo Road, Wennappuwa	031-2 245 663

Branch Network

Branch name	Address	Telephone
Northern		
Chunnakam	No. 15, K K S Road, Chunnakam	021-2 241 105
Jaffna	No. 12, Stanley Road, Jaffna	021-2 228 031
Kilinochchi	No. 253, Kandy Road, Kilinochchi	021-2 280 125
Mannar	No. 109, Hospital Road, Sinnakadai, Mannar	023-2 251 342
Vavuniya	No. 42 & 46, 1st Cross Street, Vavuniya	024-2 225 860
Sabaragamuwa		
Balangoda	No. 118 A, Barns Ratwatte Mawatha, Balangoda	045-2 289 500
Embilipitiya	No. 122, New Town Road, Embilipitiya	047-2 261 971
Godakawela	No. 52, Main Street, Godakawela	045-2 240 607/8
Kalawana	No. 43, Mathugama Road Kalawana	045-2 256 001/2
Kegalle	No. 345, Main Street, Kegalle	035-2 230 101
Mawanella	No. 37, New Kandy Road, Mawanella	035-2 249 363
Pelmadulla	No. 118/1, Ratnapura Road, Pelmadulla	045-2 276 081
Ratnapura	No. 244, Moragahayata, Colombo Road, Ratnapura	045-2 224 755
Warakapola	No. 117, Kandy Road, Warakapola	035-2 268 114/24
Southern		
Akuressa	No. 77, Matara Road, Akuressa	041-2 284 711
Aluthgama	No. 415, Galle Road Aluthgama	034-2 271 630
Ambalangoda	No. 15A, Wickramasooriya Road, Ambalangoda	091-2 255 647
Ambalantota	No. 32 1/1, Tissa Road, Ambalantota	047-2 225 265
Deniyaya	No. 150, Akuressa Road, Deniyaya	041-2 273 341
Elpitiya	No. 40, Ambalangoda Road, Elpitiya	091-2 290 837/713/4
Galle	No. 118, Matara Road, Galle	091-2 247 521
Hambanthota	No. 102/K, Beddewela Road, Hambantota	047-2 221 276
Kamburupitiya	No. 217, Matara Road, Kamburupitiya	041-2 294 620
Matara	No. 45/A, Anagarika Dharmapala Mawatha, Matara	041-2 220 129
Neluwa	No. 08, Dellawa Road, Neluwa	091-2 255 647
Tangalle	No. 138 A, Matara Road, Tangalle	047-2 242 501/4
Tissamaharama	No. 171, Main Street, Tissamaharama	047- 2 239 703
Urubokka	No. 466D, Main Street, Urubokka	041-2 272 570
Walasmulla	No. 74, Beliatta Road, Walasmulla	047-2 245 651/652/653
Uva		
Badulla	No. 339, Modern Complex, Cocowatta Road, Badulla	055-2 239 03/4
Bandarawela	No. 35/2D, Welimada Road, Bandarawela	057-2 221 145
Mahiyanganaya	No. 3, Siri Jayasanka Building, Kandy Road, Mahiyanganaya	055-2 257 739
Monaragala	No. 32, Pothuvil Road, Monaragala	055-2 277 485
Welimada	No. 11 A, Boralanda Road, Welimada	057-2 244 994
Wellawaya	No. 128, Monaragala Road, Wellawaya	055-2 274 035

Branch Network

Branch name	Address	Telephone
Western		
Awissawella	No. 15, Kudagama Road, Awissawella	036-2 233 791
Battaramulla	No. 261, Main Street, Battaramulla	011-2 886 820
Colpetty	No. 385, Galle Road, Colombo 03	011-2 376 476
Gampaha	No. 65, Yakkala Road, Gampaha	033-2 232 732
Grandpass	No. 507, Sirimavo Bandaranaike Mawatha, Colombo 14	011-2 340 013
Hanwella	No. 132/3, Colombo Road, Hanwella	036-2 251 330/1
Havelock	No. 7, Havelock Road Colombo 05	011-2 592 424
Homagama	No. 121/3, High Level Road, Homagama	011-2 098 141
Horana	No. 101, Ratnapura Road, Horana	034-2 267 701/6
Ja-Ela	No. 112/A, Negombo Road, Ja-Ela	011-2 228 074
Kadawatha	No. 657A, Kandy Road, Bandarawatta, Kadawatha	011-2 926 908/10
Kaduwela	No. 349/A/1, New Kandy Road, Kothalawala, Kaduwela	011-2 548 578
Kalutara	No. 314 1/1, Main Street, Kalutara South	034-2 235 799
Kelaniya	No. 965, Kandy Road, Wedamulla, Kelaniya	011-2 914 112
Kirindiwela	No. 153, Sujaya Building, Gampaha Road, Kirindiwela	033-5 622 722
Maharagama	No. 215, High Level Road, Maharagama	011-2 851 628
Mathugama	No. 98/3, Agalawatta Road, Mathugama	034-2 249 230
Metropolitan	No. 67, Sir Chittampalam A Gardiner Mawatha, Colombo 02	011-2 481 000
Minuwangoda	No. 67 B, Colombo Road, Minuwangoda	011-2 298 641
Mirigama	No. 69/A, Giriulla Road, Mirigama	033-2 275 256/7/8
Moratuwa	No. 553, Galle Road, Rawathawatta, Moratuwa	011-2 648 471
Mount Lavinia	No. 271, Galle Road, Mount Lavinia	011-2 720 720
Negambo	No. 29/1, Colombo Road, Negombo	031-2 223 230
Nittambuwa	No. 83, Kandy Road, Nittambuwa	033-2 298 110
Nugegoda	No. 290, High Level Road, Nugegoda	011-2 813 990
Panadura	No. 482, Arthur V Dies Mawatha, Panadura	038-2 237 331
Pettah	No. 319, Main Street, Colombo	011-2 437 708
Piliyandala	No. 71, Moratuwa Road, Piliyandala	011-2 609 835
Union Place	No. 167, Union Place, Colombo 02	011-2 377 877
Ward Place	No. 24 A, Ward Place, Colombo 07	011-2 678 691
Wattala	No. 540, Negombo Road, Wattala	011-2 948 441
Wellawatta	No. 44, W A Silva Mawatha Colombo 06	011-2 361 562

Corporate Information

GRI 102-3

NAME OF COMPANY

People's Leasing & Finance PLC
(Subsidiary of People's Bank)

LEGAL FORM

Public Limited Liability Company
(Incorporated and domiciled in Sri Lanka) 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 three year (2014/17) and four year (2014/18) Debentures were listed on the Debt Securities Main Board of Colombo Stock Exchange on 3 October 2014.

Senior, Unsecured, Redeemable, Rated four year (2015/19) and five year (2015/20) Debentures were listed on the Debt Securities Main Board of Colombo Stock Exchange on 20 November 2015.

Senior, Unsecured, Redeemable, Rated three year (2016/19), 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 (2022/23) and five year (2023/24) Debentures were listed on the Debt Securities Main Board of Colombo Stock Exchange on 18 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
Email: plclease@plc.lk
Web Address: www.plc.lk

COMPANY SECRETARY

Mr Rohan Pathirage

REGISTRARS

SSP Corporate Services (Pvt) Ltd.
No. 101, Inner Flower Road, Colombo 03, Sri Lanka.
Phone: +94 11 257 3894, +94 11 257 6871
Fax: +94 11 257 3609
E-mail: sspsec@sltnet.lk

AUDITOR

Messrs Ernst & Young Chartered Accountants, 201, De Saram Place, P.O. Box 101, Colombo 10, Sri Lanka.

BANKERS

People's Bank
Sampath Bank PLC
Bank of Ceylon
Commercial Bank of Ceylon PLC
DFCC Bank PLC
Hatton National Bank PLC
HSBC
National Development Bank PLC
Nations Trust Bank PLC
Seylan Bank PLC
Standard Chartered Bank
Deutsche Bank
Habib Bank
Union Bank of Colombo PLC
Public Bank Berhad
Citibank N.A.
Indian Bank
Indian Overseas Bank
Pan Asia Banking Corporation PLC
Axis Bank

BRANCHES

Akuressa, Ambalangoda, Ambalanthota, Ampara, Anuradhapura, Awissawella, Badulla, Balangoda, Bandarawela, Battaramulla, Batticaloa, Benthota, Chilaw, Chunnakam, Colpetty, Dambulla, Dehiwala, Deniyaya, Digana, Elpitiya, Embilipitiya, Galle, Gampaha, Gampola, Giriulla, Godakawela, Grandpass, Hambanthota, Hanwella, Hatton, Havelock Town, Homagama, Horana, Ja-Ela, Jaffna, Kadawatha, Kaduwela, Kalawanchikudi, Kalawana, Kalmunai, Kamburupitiya, Kalutara, Kandy, Kandy II, Kandy - Al-Safa, Kanthale, Kattankudy, Kegalle, Kekirawa, Kelaniya, Kilinochchi, Kinniya, Kirindiwela, Kuliypitiya, Kurunegala, Mahaiyawa, Maharagama, Mahiyanganaya,

Mannar, Matale, Matara, Medawachchiya, Mathugama, Mawanella, Melsiripura, Mirigama, Metropolitan, Minuwangoda, Monaragala, Moratuwa, Muttur, Narammala, Nattandiya, Nawalapitiya, Negombo, Neluwa, Nittambuwa, Nugegoda, Nuwara Eliya, Panadura, Pelmadulla, Pettah, Pilimathalawa, Piliyandala, Polonnaruwa, Puttalam, Ratnapura, Tangalle, Thambuttegama, Tissamaharama, Trincomalee, Union Place, Urubokka, Vavuniya, Walasmulla, Warakapola, Ward Place, Wariyapola, Wattala, Welimada, Wellawaya, Wellawatta, Wennappuwa

BOARD OF DIRECTORS AND BOARD SUBCOMMITTEES

BOARD OF DIRECTORS

Mr Hemasiri Fernando – Chairman
Mr M P Amirthanayagam – Deputy Chairman
Mr J P Amaratunga
Mr J A Fernando
Mr M A M Rizwan
Mr R M Jayasena
Dr A A S Gulamhusein
Mr Rasitha Gunawardana

BOARD SUBCOMMITTEES

INTEGRATED RISK MANAGEMENT COMMITTEE

Mr M P Amirthanayagam – Chairman
Mr M A M Rizwan
Mr Rasitha Gunawardana
Mr A S Ibrahim
Mr Sanjeewa Bandaranayake
Mr Lionel Fernando
Mr Rohan Tennakoon

Corporate Information

BOARD AUDIT COMMITTEE

Mr J P Amaratunga – Chairman
Mr M P Amirthanayagam
Mr M A M Rizwan

REMUNERATION AND NOMINATION COMMITTEE

Mr J P Amaratunga – Chairman
Mr M P Amirthanayagam
Mr J A Fernando

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

Mr M P Amirthanayagam –
Chairman
Mr J A Fernando
Mr M A M Rizwan

SUBSIDIARY AND ASSOCIATE COMPANIES

SUBSIDIARY COMPANIES

People's Insurance PLC
People's Microfinance Limited
People's Leasing Fleet
Management Limited
People's Leasing Property
Development Limited
People's Leasing Havelock
Properties Limited
Lankan Alliance Finance Limited
(Incorporated in Bangladesh)

ASSOCIATE COMPANY

People's Merchant Finance PLC

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
No. 496, Makola North, Makola
No. 225/D, Nayagala Road,
Heiyanthuduwa, Mabima
No. 10, Pothuvil Road,
Monaragala
Kandepalla, Beligamuwa,
Galewela

TAX PAYER IDENTITY NUMBER (TIN)

114 156396 0000

VAT REGISTRATION NUMBER

114 156396 7000

CENTRAL BANK REGISTRATION NUMBER

046 (Under the Finance
Business Act No. 42 of 2011)

CREDIT AGENCY STATUS

An approved credit agency under the Mortgage Act No. 6 of 1949 and the Trust Receipt Ordinance No. 12 of 1947 by the Department of Commerce.

CREDIT RATING

“AA-” (Ika) stable by
Fitch Ratings Lanka Limited

“B+ /B” outlook stable by
Standard & Poor's Rating
Services

“B” outlook stable by
Fitch Ratings International

FOR ANY CLARIFICATION ON THIS REPORT PLEASE WRITE TO:

The Chief Financial Officer,
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

Notice of Meeting

NOTICE IS HEREBY GIVEN THAT the Twenty-Second (22) Annual General Meeting of People's Leasing & Finance PLC will be held on 29 June 2018 at 3.00pm at People's Bank Staff Training College Auditorium, 38, D R Wijewardhana Mawatha, Colombo 10 for the following purposes:

1. To receive and consider the Annual Report of the Board of Directors together with the Financial Statements of the Company for the year ended 31 March 2018 and the Report of the Auditors thereon.
2. To declare a Final Dividend of cents fifty (Rs. 0.50) per Ordinary Share, as recommended by the Board of Directors.
3. To reappoint Messrs Ernst & Young, Chartered Accountants, as the External Auditor of the Company until the next Annual General Meeting at a remuneration to be agreed upon with them by the Board of Directors and to audit the Financial Statements of the Company for the financial year ending 31 March 2019.
4. To authorise the Board of Directors to determine contributions to charities and other donations for the financial year ending 31 March 2019.

By Order of the Board,



Rohan Pathirage
Company Secretary

People's Leasing & Finance PLC
17 May 2018

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 17 May 2018.

Form of Proxy

I/ we..... of

being a member/s of People's Leasing & Finance PLC hereby appoint Mr/Mrs/Miss

(holder of N.I.C. No.) of whom failing:

- | | |
|---|--------------|
| 1. Mr Hemasiri Fernando | whom failing |
| 2. Mr Michael Pradeep Amirthanayagam | whom failing |
| 3. Mr Jehan Prasanna Amaratunga | whom failing |
| 4. Mr Johnson Anthony Fernando | whom failing |
| 5. Mr Mohamed Anise Mohamed Rizwan | whom failing |
| 6. Dr Ali Asgar Shabbir Gulamhusein | whom failing |
| 7. Mr Goluhewage Bindu Rasitha Poojitha Gunawardana | |

as my/our Proxy to represent me/us and vote on my/our behalf at the Twenty Second Annual General Meeting of the Company to be held on 29 June 2018 at 3.00pm at People's Bank Staff Training College Auditorium, 38, D R Wijewardhana Mawatha, Colombo 10 and at any adjournment thereof and at every poll which may be taken in consequence thereof to vote.

Please indicate your preference by placing a 'X' against the Resolution No. –

	FOR	AGAINST
1. To receive and consider the Annual Report of the Board of Directors together with the Financial Statements of the Company for the year ended 31 March 2018 and the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To declare a Final Dividend of cents fifty (Rs. 0.50) per Ordinary Share as recommended by the Board of Directors.	<input type="checkbox"/>	<input type="checkbox"/>
3. To reappoint Messrs Ernst & Young, Chartered Accountants, as the External Auditor of the Company until the next Annual General Meeting at a remuneration to be agreed upon with them by the Board of Directors and to audit the Financial Statements of the Company for the financial year ending 31 March 2019.	<input type="checkbox"/>	<input type="checkbox"/>
4. To authorise the Board of Directors to determine contributions to charities and other donations for the financial year ending 31 March 2019.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this day of 2018.

.....
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,

“15. 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.

18. 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.

22. 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 2017/18.

1 Your interest in People's Leasing performance is as a(n)

- Employee
- Customer
- Supplier
- Shareholder
- Investor
- Finance 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
- Stewardship
- Financial Reports
- Other

4 Which sections did you find least useful?

- Business Model
- Management Discussion
- 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 2017/18.

Your Name:

Your Email:

Ms Nadhra Zanoon
Deputy Manager –
Corporate Affairs
People's Leasing & Finance PLC
No. 1161, Maradana Road,
Colombo 08,
Sri Lanka.

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People's Leasing & Finance PLC

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