

SUCH GREAT HEIGHTS



VISION

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

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

MISSION

OUR PHILOSOPHY

Customers

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

Team Spirit

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

Other Stakeholders

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

Environment

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

Organisational Excellence

Be the premier leasing Company in Sri Lanka.

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Economic viability, environmental responsibility and social accountability.

OUR CORE VALUES

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SUCH GREAT HEIGHTS

Higher and higher; our motto, our vision, our dream, realised. And as we survey the vast and endless opportunities from our vantage point as a market leader, we have recognised that this is only just the beginning. Our aim is to sustain our stature, increase our network and continue to be the best in an environment that encourages us to do so. And the numbers will only prove our hard work and the trust that we have earned from our valued stakeholders. From such great heights, we will aspire to greater things.

People's Leasing Group

Rs.

4.5 Bn
Profit after tax

Rs.

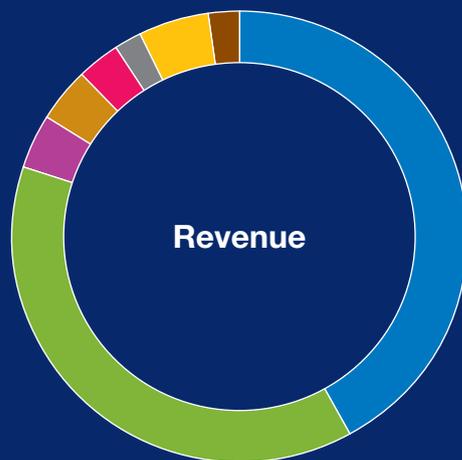
96.1 Bn
Total Assets

Rs.

60.5 Bn
Grantings

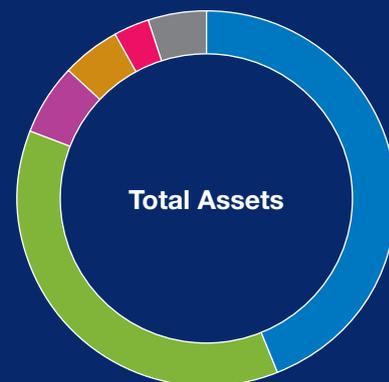
Rs.

3.33
Earnings Per Share



Revenue grew by 49.10% to Rs. 15,896.71 million spiraling upwards from Rs.10,661.76 million in the financial year 2010/11.

Income from hire purchase facilities	42%
Income from finance leases	38%
Income from Islamic finance	4%
Income from loans & advances	4%
Fees and commission income	3%
Income from deposits	2%
Sale of vehicles	5%
Other income	2%



Interest generating assets represent over 90% of the total assets.

Lease	44%
Hire purchase	38%
Loans and advances	6%
Government securities and deposits	4%
Fixed assets	3%
Other assets	5%

Momentous Events 2011/12

- April**
The Grandpass branch was opened on the 28th April.
- May**
The Bulathsinhala window office was opened on the 9th May and Monaragala mini branch on the 23rd May.
Held the “Best Branch” competition at the Heritage Hotel in Ahungalla.
People’s Leasing Company celebrated its 15th anniversary on the 31st May.
- June**
The Horana mini branch was opened on the 22nd June.
- July**
The Wennappuwa mini branch was opened on the 17th July and Pugoda window office on the 22nd July.
The Company moved to the new Head Office building situated at Borella.
- August**
Kurunegala Branch organised a Softball Cricket tournament between PLC and People’s Bank staff members within the area.
A Board Sub Committee, ‘Remuneration Committee’ was formed on the 22nd August.
- September**
Kirindiwela, Meerigama, Ja-Ela, Kanthale mini branches, Bandarawela branch and Kalpitiya window office were opened in September.
- October**
Ambalangoda, Balangoda and Kaduwela mini branches were opened in October.
- November**
The Initial Public Offer (IPO) was opened on the 3rd November.
The Gomarankadawala window office was opened on the 23rd November.
The IPO was closed on the 24th November with a oversubscription of Rs. 2,300 million.
- December**
Retained the Gold award in the leasing sector for the 4th consecutive year in the Annual Report competition organised by the Institute of Chartered Accountants of Sri Lanka.
Kirillawala, Kuliypitiya mini branches and the Nawalapitiya main branch were opened in December.
- January**
The Kadawatha mini branch and two window offices were opened at Bakamuna and Galewela on the 18th January.
The Company was awarded the “Gold Rating” for Corporate Accountability by Sting Consultants.
Fitch Ratings Lanka upgraded the Company’s National Long-Term rating to ‘A+(lka)’ from ‘A(lka)’.
- February**
The Deniyaya mini branch was opened on the 10th February and Neluwa mini branch was opened on the 11th February 2012.
The Company received a “Commendation Award – Medium Scale Category” at the Sustainability Reporting Awards 2011, from the Association of Chartered Certified Accountants, Sri Lanka.
- March**
The Group exceeded its grantings of Rs. 60 billion in just 12 months.

Financial Highlights and Achievements

Company	2011/12	Change %	2010/11	2009/10	
Financial Performance (Rs. million)					
Revenue	13,991	42.50	9,818	7,783	
Operating income	7,065	24.58	5,671	4,022	
Profit from operations	6,351	55.13	4,094	2,375	
Net profit before taxation	5,983	60.79	3,721	2,100	
Income tax expense	1,776	55.52	1,142	900	
Net profit for the year	4,207	63.06	2,580	1,200	
Revenue to the Government	2,626	14.37	2,296	1,547	
Financial Position (Rs. million)					
Gross rentals receivable	87,245	37.19	63,595	37,019	
Total assets	79,628	42.58	55,849	30,848	
Borrowings	55,289	38.46	39,930	20,072	
Shareholders' funds	18,270	116.42	8,442	6,229	
Information per Ordinary Share (Rs.)					
Earnings (Basic/Diluted)	3.11	51.71	2.05	0.82	
Effective dividends	1.00	(33.33)	1.50	1.50	
Net assets	11.13	76.11	6.32	4.34	
Market value *	11.60	-	-	-	
Key Performance Indicators					
Interest cover (times)	1.97	(3.43)	2.04	1.65	
Dividend cover on ordinary shares (times)	2.59	(91.90)	31.96	12.86	
Return on equity (%)	32.62	(15.14)	38.44	20.80	
Equity : Assets ratio (times)	4.58	(39.42)	7.56	6.07	
Return on average assets (%) (before tax)	8.83	2.79	8.59	7.45	
Dividend pay-out ratio- ordinary shares (%)	38.62	1,133.87	3.13	7.77	
Statutory Requirement Compliance Threshold					
Debt : Equity ratio (times)	Maximum 7	3.23	(41.70)	5.54	4.18
Capital funds (Rs. million)	100	18,270	116.42	8,442	6,229
Core Capital (Tier1 Capital) - (Rs. million)	100	60,985	-	-	-
Core Capital Ratio**(%)	Minimum 5	25.5	-	-	-
Total Capital Ratio**(%)	Minimum 10	25.5	-	-	-

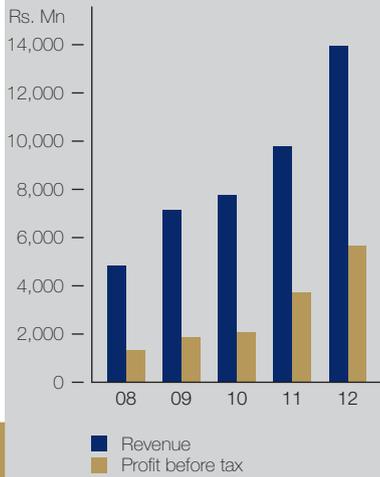
Financial Goals and Achievements

Company	Goal	2012 Achievement
Profit before taxation (Rs. million)	Over 3,500	5,983
Net profit for the year (Rs. million)	Over 2,500	4,207
Annual grantings (Rs. million)	Over 60,000	48,857
Return on average assets (%)	Over 8	8.83
Non-performing advance ratio (%)	Under 2	0.65

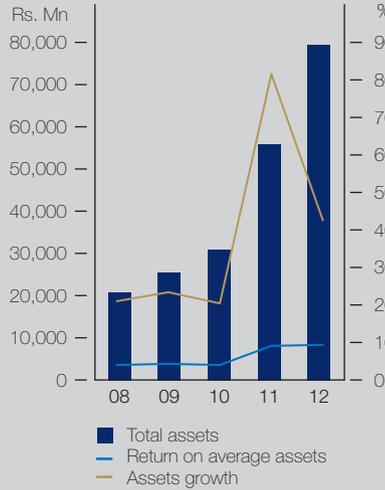
* The Company was listed in the Colombo Stock Exchange in November 2011.

** Finance Leasing (Capital Adequacy Ratio) Direction No. 1 of 2011 came into effect from 1st July 2011.

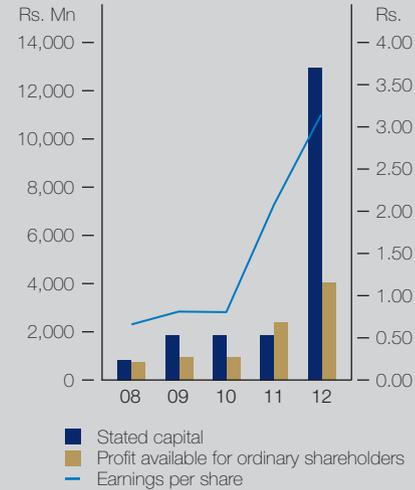
Revenue & Profit before Tax



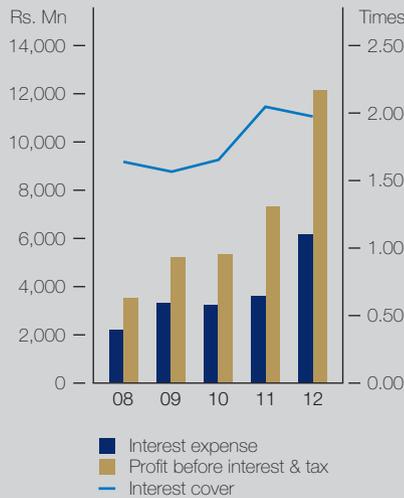
Assets Growth



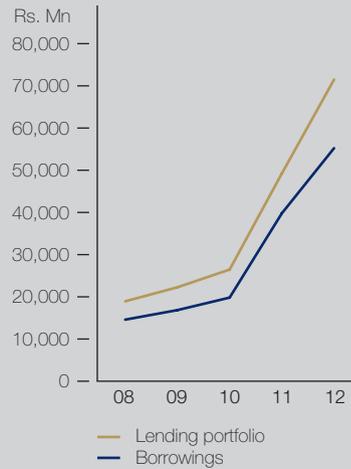
Shareholders' Return



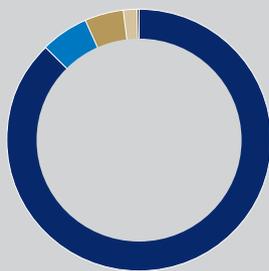
Interest Analysis



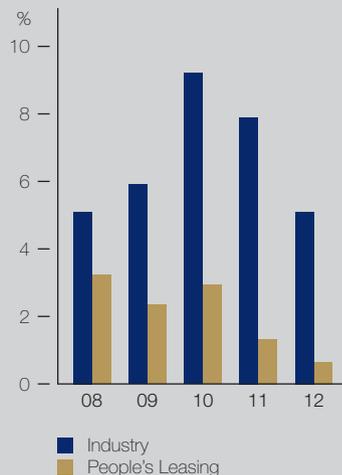
Interest bearing Assets & Liabilities



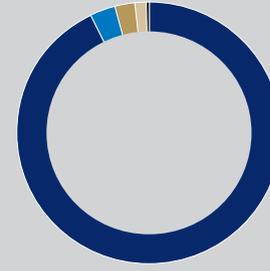
Segment Revenue



Company's NP against Industry



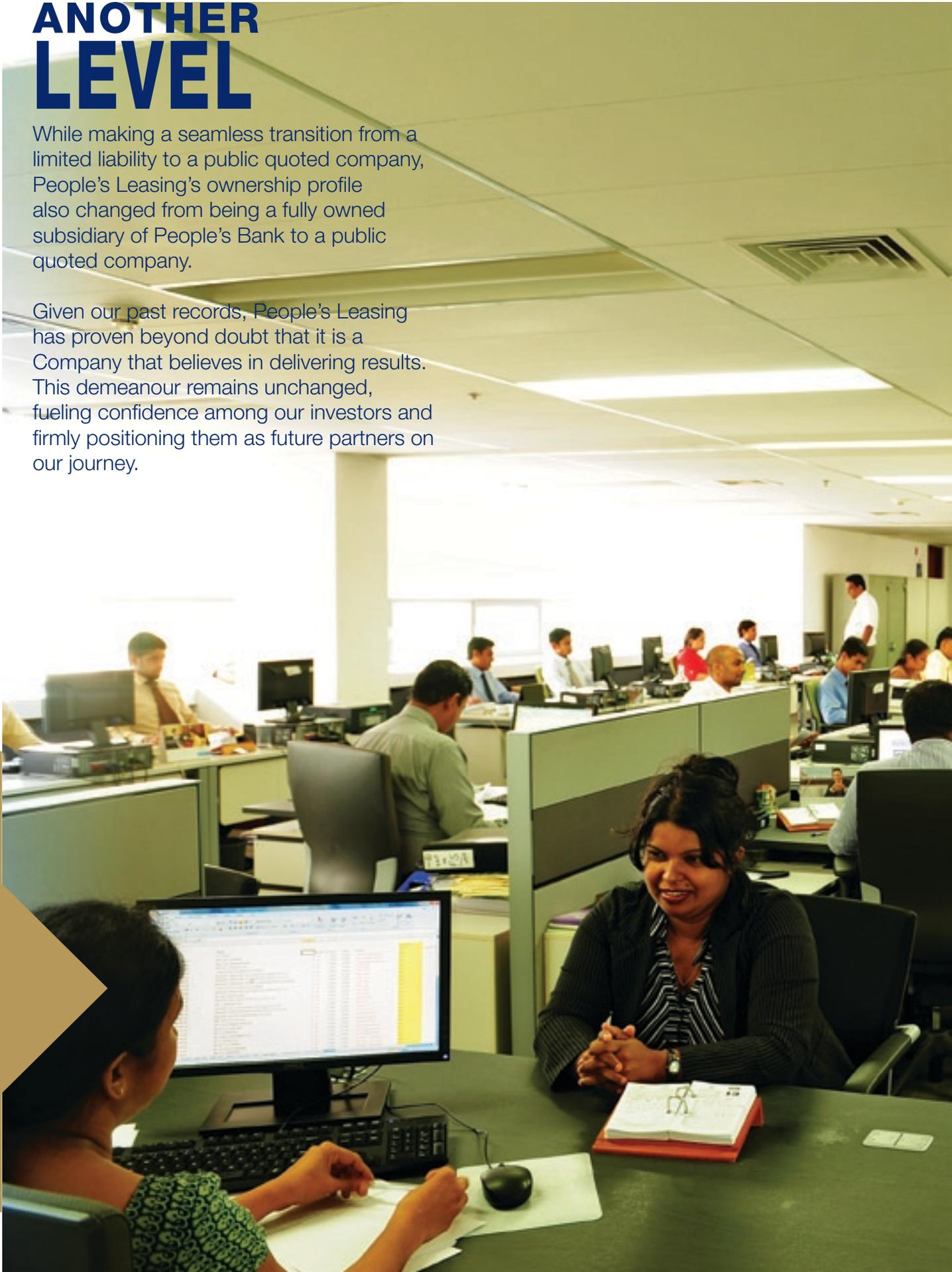
Distribution of Shareholders



ANOTHER LEVEL

While making a seamless transition from a limited liability to a public quoted company, People's Leasing's ownership profile also changed from being a fully owned subsidiary of People's Bank to a public quoted company.

Given our past records, People's Leasing has proven beyond doubt that it is a Company that believes in delivering results. This demeanour remains unchanged, fueling confidence among our investors and firmly positioning them as future partners on our journey.







Chairman's Message

“ We have journeyed to ‘Such Great Heights’ that we have grasped the endless opportunities that have emerged in the fifteen years we have had a presence in the industry, worked on a platform of inclusive sustainable development and created a strong base of fundamentals that will only lead us to even greater heights.”

“ With your Company most committed to being a driver of national development, whether in macro infrastructure or in building entrepreneurs, People’s Leasing’s ground breaking initiatives saw extraordinary results once again this year.”



- 11% Employees
- 24% Providers of capital
- 23% Government
- 42% Expansion and growth

Profit before tax is displayed at Rs. 5,983 million compared to last year's Rs. 3,721 million, a significant growth of 60.79%.

Dear Stakeholder,

Being at the zenith of any industry can be somewhat challenging to maintain but for People's Leasing Company PLC (PLC), remaining at the helm and a spearhead of the industry comes naturally. Constantly setting our targets into higher and higher realm with a commitment to achieving them, we have an ambitious demeanour but characteristically very attuned to the external milieu around us. We have journeyed to 'Such Great Heights' that we have grasped the endless opportunities that have emerged in the fifteen years we have had a presence in the industry, worked on a platform of inclusive sustainable development and created a strong base of fundamentals that will only lead us to even greater heights.

The Annual Report and the Financial Statements for the year ended 31st March 2012 that I present to you displays the unwavering commitment your company has demonstrated in ensuring that its goals and objectives are met, both quantitatively and qualitatively. It also affirms the astute policies and strategies that have been infused continuously into PLC, ensuring that the Company, remains above all, a well governed, transparent, accountable and truly sustainable company committed to making a difference to each of our stakeholders, which has in perspective, commanded confidence and trust.

We have as a country conquered one of the worst battles in history and embarked on a path of development that is designed to take Sri Lanka into its vision of becoming South Asia's Economic Hub. However, global events have and continue to pose numerous challenges but as can be seen from the achievements of our Key Performance Indicators, Sri Lanka has worked on a pragmatic plan that will stymie the risks and difficulties, transforming itself into continuing its development agenda, while countering the emerging global travails. This external milieu of planned yet visionary development therefore has augured well for your Company and has seen it perform admirably in a year that was considered a mixed potpourri of opportunities, new lessons, potential and nurturing of strengths.

Global Economic Summary

The year has been one fraught with unprecedented challenges. Some Eurozone countries were on the brink of bankruptcy or placed on credit watch,

bailouts were becoming the order of the day and the US struggled with declining or stagnant economic indicators and rising unemployment. We also saw the Arab Spring taking root, 'Occupy Wall Street' spreading across nations and the UK seeing riot which had the world encountering its fair share of battles. Add the debilitating impacts of climate change that took the world by surprise including the tsunami in Japan and the cataclysmic nuclear issues emanating in Fukushima, droughts and floods in Africa and parts of Asia, earthquakes in Turkey, New Zealand and Japan and tornadoes in the United States and the world had much to cope with. Then there was that recurring volatility of oil prices which began its spiraling ascent, high unemployment, loss of jobs and financial quagmires, all of which pointed to world trade diving towards unimaginable depths and certainly having permeating effects on South Asia as well.

Global growth at end 2011 descended to 3.9% according to the IMF (International Monetary Fund), compared to 2010's Gross Domestic Product (GDP) of 5.3%, with projections for 2012 and 2013 YOY remaining at similar levels at 3.5% and 4.1%. Advanced economies showcased a dismal 1.6% GDP growth from 3.2% last year and are predicted to dawdle under 2% for the next year. The 'Chindian Century' as dub by global economists is believed to lie in the hands of China and India, which will drive emerging and developing economies, activating its economies well ahead of global growth percentages. 2011 growth for this region stood at 6.2%, even though there was a slight dip in growth rates compared to last year's 7.5%, with a further fall envisaged in 2012 to 5.7%. However, 2013 is believed to be the harbinger of better times and is envisaged to bring with it a growth figure of 6.0%.

Sri Lanka Economic Overview

From a growth perspective, the country did exceptionally well, showcasing 8.3% growth for 2011 and the highest in Sri Lanka's post independence history, with all key performance indicators aligned to forecasts. This growth was also the first time the country has showcased growth momentum above 8% for two consecutive years. Accelerated development, improved investor confidence, favourable macroeconomic conditions and renewed economic activity from geographic areas that for long remained laggards due to the conflict, were among the factors that underpinned the positive results.

Unemployment too recorded its lowest levels of 4.2% due to expanded economic activity around the country. The industry and services sectors were the key drivers of the economy, while the agriculture sector rebounded despite facing some adverse weather conditions. Per capita income, which was posted at US \$2,400 last year, increased to a noteworthy US \$2,836 and is aimed at US \$4,000 by 2016.

As envisaged, tight but pragmatic monetary controls and timely fiscal strategies contained inflation at single digit levels for the third consecutive year with YOY inflation posted at 4.9% in December 2011, while annual average inflation remained at 6.7%. In March 2012, inflation hovered at similar levels at 5.5% which examples that, despite oil prices taking its toll and the global milieu permeating some negativities including the economic sanctions on Iran taking its toll on our tea industry, Sri Lanka is infusing the apt strategies to counter the negative impacts.

Meanwhile the external sector which showed considerable strengthening in the first half of 2011 was pressurised thereafter due to the aforementioned global impacts and a rapidly increasing expenditure on the import portfolio by 50.7%, despite a healthy 22.4% increase in the expenditure on the export portfolio, widening the trade deficit sharply to 16.4% of GDP. This was assuaged with improved foreign inflows through private remittances, tourism revenue which saw earnings of US \$830 million contributed by over 850,000 arrivals and workers' remittances reaching US \$5.1 billion. The current account deficit as a percentage of GDP increased from 2.2% in 2010 to 7.8% in 2011.

However, the positive signs included FDIs exceeding US \$1.1 billion with the highest ever gross inflows for the first time in history, balance of payments recording a deficit of US \$1.1 billion and the rupee depreciation by 2.6% against the US dollar propping our export earnings. Then there was Sri Lanka's fourth international sovereign bond issue for US 1 billion which was successfully issued, Treasury Bills and Treasury Bonds reaching threshold levels of the outstanding amount prompting an increase to 12.5% in December 2011, inflows to the private sector increasing by the gradual relaxation of exchange control regulations enabling corporates to borrow from foreign sources and Gross Official Reserves being maintained at US \$6 billion.

Chairman's Message *contd.*

However it is the country's lofty ambitions since the end of the conflict that has infused the impetus for Sri Lanka to move ahead despite the external global negativities. As from the past lessons, Sri Lanka remains a good case study in successful fiscal management and visionary thinking, having chartered courses through quagmires that others would have found daunting that saw us move, not too long after the end to the conflict, into a Middle Income Emerging Market. One of the most significant steps taken in the year therefore was the augmenting of the Mahinda Chinthana Vision for accelerated development by unveiling of Sri Lanka's five year vision which evolved on the country working towards becoming South Asia's Economic Hub. Having identified five key drivers that would be trusses in achieving this goal, concrete initiatives are already being implemented according to a stringent but cohesive time plan. The five pronged economic drivers strategically mapped out to ensure that Sri Lanka will surely and steadily achieve this status lies in creating hubs for aviation, energy, maritime, knowledge and commercial.

There has always been a trend to make leasing the tool for financing the SME sectors and the Government's strong focus on adding fillip to the micro and SME sectors and boosting local entrepreneurship gave added credence to this trend. There has been a burgeoning influx of activity in reconstruction, infrastructure development and expansion of economic activity, which was amply exemplified in the results of the last year when industries like hospitality and agriculture opened up multiple avenues of employment and revenue generation. Mega infrastructure development saw Sri Lanka proudly opened her very first expressway, ports and aviation gaining a boost and the hospitality sector infusing large investments into this burgeoning industry, while foreign investment policy was deemed to attract large scale strategic investments.

The Leasing Industry

The Non-Bank Financial Institutions (NBFIs) comprises Licensed Finance Companies (LFC) and Specialised Leasing Companies (SLC), which both gained momentum during 2011, recording impressive growth in capital, profitability, asset quality, credit growth and deposit base. While the Central Bank of Sri Lanka (CBSL) continued to monitor the restructuring of several institutions to ensure financial stability in the sector, it must be noted that there has also been increased interest by Licensed

Commercial Banks to venture into the leasing industry due to the ability to claim capital allowances on account of leasing which could be set off against income from core banking activities. However, such advantages have been withdrawn from time to time and are currently non-existent although, the higher interest margin has been yet another enticing factor for banks to enter the leasing industry.

Currently, the sector has within it sixteen Specialised Leasing Companies with an outreach of 704 touch-points, an increase by 104 over last year, of which 28 were opened in the now vibrant Northern and Eastern provinces. There was also a migration of two SLCs to LFC status and the licenses of three SLCs were cancelled. Total profitability within the NBF sector benefited from the single digit interest rates that prevailed during the year, seeing it post a remarkable profit after tax of Rs. 16 billion, compared to last year's Rs. 5 billion.

The total asset base in the NBF sector grew 26% to Rs. 490 billion, compared to 31% growth showcased the previous year primarily due to the growth of the accommodations portfolio (comprising finance leases, hire purchases and other secured advances), which climbed by 46% to Rs. 388 billion. While the investment portfolio of the sector displays a decrease of 46% mainly due to the cancellation of the license of a diversified leasing company. It is finance leasing with a growth of 90% and pawning inclining 35% that contributed significantly to the sector's good results. Borrowings continued to be a major source of funding for SLCs which represented 35% of the total NBF liabilities, wherein the total borrowing portfolio reached Rs. 172 billion and 54% of this is attributed to SLCs as their major source of funding.

It is pertinent to note then that capital within the sector increased by 60% to Rs. 77 billion compared to the increase of 17% last year, attributed to the revival of distressed companies and sustained profitability. This was further buoyed through Rights Issues and IPOs that ensued contributing Rs. 9 billion, strategic investments adding Rs. 5.3 billion and private placements amounting to Rs. 7 billion. The total NPAs also decelerated to Rs. 20 billion with the exposure to NPAs relative to the total outstanding loans declining to 5.1% from 7.9%. Interest margins of the entire sector showed considerable gain, improving 6.4%, while net interest income also climbed by 33%.

With the new regulations pertaining to the Finance Companies Act No. 42 of 2011 coming into effect, SLCs are also required to maintain liquid assets of 5% by January 2012 and 10% of total liabilities by 1st January 2013.

There is a marked emphasis in buoying the inclusive growth policy herald in the Mahinda Chinthana vision, which has seen an unrelenting focus on balanced regional development, where the South as well as the North and East were included in a large-scale development programme, ensuring that development is equitable and balanced. This intensity to spur sustainable development and growth gained fillip this year with the financial services sector and in particular the leasing industry being urged to extend funding facilities not only for large scale development but also for micro and SME sectors as well.

Company Performance

Having completed fifteen years in the leasing industry and etching its leadership indelibly in the annals within the annals of Sri Lanka's leasing tomes, PLC's debut into the Colombo Stock Exchange (CSE) was truly historic. The epoch making Initial Public Offer (IPO) presented 390 million ordinary shares to the public at Rs. 18 each and was ranked as the second largest IPO in the country raising over Rs. 7 billion. More milestones were created as the IPO was oversubscribed by an unprecedented Rs. 2.3 billion within a few hours of the opening day, despite overall market sentiment being at the lowest ebb and investor confidence in the market seeing nosedives.

However, it is the Company's committed persona with its deep rooted transformational mindset over fifteen years to walk the extra mile, engage in competitive business areas, gain the confidence of private sector custom and retain them with customer service excellence and delivery promise that added to the success of the IPO. Over the years, PLC forged ahead with its own brand of innovation, created pioneering paths, went beyond the concept of specialised leases and has grown to become a formidable icon in the corporate annals of Sri Lanka. This IPO broad based ownership and brought PLC into compliance with the special directive of the Monetary Board of the Central Bank of Sri Lanka. Post the IPO, People's Leasing Company Limited effected a name change to People's Leasing Company PLC.

“ While our quantitative performance is amply qualified by the strong numbers, People’s Leasing’s very strong emphasis on governance, ethics, transparency and accountability were well maintained throughout the year.”

With your Company most committed to being a driver of national development, whether in macro infrastructure or in building entrepreneurs, PLC's ground breaking initiatives saw extraordinary results once again this year. Profit before tax is displayed at Rs. 5,983 million compared to last year's Rs. 3,721 million, a significant growth of 60.79%, while profit after tax improved as well to Rs. 4,207 million from Rs. 2,580 million, gaining nearly 63% growth. Revenue saw considerable growth of 42.50% as well, gaining to stand at Rs. 13,991 million from Rs. 9,818 million last year. As has become synonymous with the companies within this Group, NPAs were contained at an outstanding 0.65%, even better than the percentage of 1.33% of last year, and very impressive when compared to the industry average which hovered around 5%.

While our quantitative performance is amply qualified by the strong numbers, PLC's very strong emphasis on governance, ethics, transparency and accountability were well maintained throughout the year, your Company gained numerous kudos. Fitch Ratings Lanka upgraded PLC's long term rating to A+(lka) from A(lka). A coveted gold award was also conferred for the fourth consecutive year in the leasing sector at the Annual Report Awards organised by the Institute of Chartered Accountants of Sri Lanka re-iterating your Company's commitment to creating a milieu that goes beyond compliance. Similarly, Sting Consultants presented PLC with a Gold Rating for Corporate Accountability for

our inherent and responsible business practices, while ACCA credited the Company with a Sustainability Reporting Commendation Award for transparent and accountable sustainability reporting. We are most honoured to be considered by the Credit Information Bureau of Sri Lanka as a model entity for data accuracy having been ranked A+ for our institutional data quality with regard to credit.

With our extraordinary performance recorded this year, the Board paid an interim dividend of Rs. 0.50 per share amounting to a total of Rs. 780 million, of which parent People's Bank gained Rs. 585 million from the total dividend payment.

The Journey Ahead

The world will surely be journeying towards a year that will combine risks and recovery measures in its wake. The IMF predicts that while the USA will go into its election year with better growth prospects primarily due to its fiscal policy stimulus and accommodative monetary conditions, the Eurozone will continue declining into a mild recession. Emerging markets and advanced economies will be robust and continue to be the trusses upon which the global economy will lean on, albeit a little slower than anticipated. A concern in the coming year will be the high credit and asset price growth in these economies, which may be exacerbated if there are any disruptions in global oil supply.

While the year has been one of good results for Sri Lanka, it is observed that there are external trends that may require some changes to be effected. This has already begun with Central Bank of Sri Lanka revising the country's GDP forecast to 7.2% from the original 8% as a means of being more current and in taking the envisaged risks, threats and global dimensions into account. We also observe other correctional initiatives being implemented including the credit growth ceiling and floating of the rupee, which are all aimed towards better fiscal management in a year in which Sri Lanka will naturally feel the impacts of global turmoil.

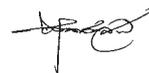
While this landscape may not be too optimistic for some companies, for PLC it presents opportunity. Your Company is on the threshold of reaching even greater heights, ready to transform and poised for growth. The results envisaged for the next year may not be as exemplary as those seen this year, but PLC remains confident

that the trajectory it has embarked on, will hold it in good stead to charter challenges and opportunities alike. We see mega infrastructure continuing and the focus on SMEs continuing as well. We also observe accent on accelerating the development of key economic drivers and a keen input towards inclusive sustainable development. With PLC having broad based our business competencies, this national focus augurs well for our journey ahead and the ethos of inclusive development adds credence to our ultimate vision.

Appreciations

We have seen a series of regulatory and compliance changes this year for the financial services industry sector. While we have always maintained a close relationship with the Central Bank of Sri Lanka, I reiterate that this year, the Governor and officials of the CBSL have been proactive in their advice and guidance to us and I thank them implicitly for that. With our maiden IPO making way for a listing on the CSE, I would also like to extend my appreciation to the Chairman and officials of the Securities and Exchange Commission who continue to be available to give us direction and counsel whenever required.

I like to welcome to the Board, Independent Directors Mr. P. A. I. S. Perera and Ms. M. G. Jinadasa wishing them a successful tenure on the Board of this very progressive company, while also thanking my fellow directors for their continued support in having led your Company to 'Such Great Heights'. My appreciation is also placed on record to the Managing Director/CEO and the team at PLC whose unrelenting focus to ensure that PLC remains at the helm and a leader worthy of emulation not only in the leasing industry but for Corporate Sri Lanka truly makes me proud. To our valued business partners, customers and other stakeholders, your continued loyalty and confidence in being a partner in our aspirations, deserves much appreciation.



W. Karunajeewa
Chairman

26th April 2012
Colombo

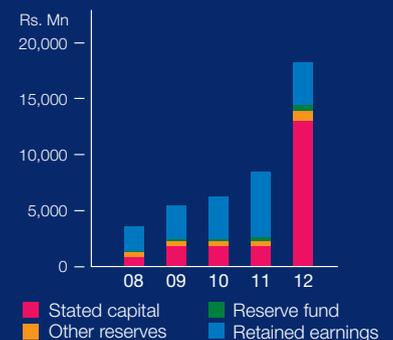


CEO's Review of Operations

“ In these fifteen years, we have opened chapters, rewritten them and made ourselves a successful case study and a model icon for corporate Sri Lanka to emulate. This is our simple recipe for achieving great things; ‘watch’, ‘learn’ and ‘lead’. This is how we have climbed to ‘Such Great Heights’.”

“ Hence, our debut on the Colombo Stock Exchange, in this year became yet another chapter that we wrote with great aplomb.”

Shareholders' Funds



Total shareholders' funds increased by 116% to Rs. 18,270 million from Rs. 8,442 million shown last year.

What an eventful year it has been for us! We have truly taken the maxim of 'Such Great Heights' to another plateau. In our fifteen years, which we celebrated, People's Leasing has etched its name indelibly as a spearhead, a leader, a trendsetter and an innovator and these are pronouncements made by our peers in both the industry and corporate sphere. We have, as you know, worked through eras that have been challenging and difficult. But, having foreseen these challenges and the trends that may ensue, People's Leasing retained its forward thinking stance and instituted the necessary rudiments to ensure that the Company was ready for the challenge. Into this equation, we continued to work with our stakeholders, proactively engaging them into our strategic plans and ensuring that we create a Company that they would truly be proud to be a part of. Similarly, we have also constantly sought opportunities that would give us firm footholds in our leadership stance and this spurred us to today to create one of the most dynamic Groups of Companies under the People's Bank umbrella.

And, in these fifteen years, we have opened chapters, rewritten them and made ourselves a successful case study and a model icon for corporate Sri Lanka to emulate. This is our simple recipe for achieving great things; 'watch', 'learn' and 'lead'. This is how we have climbed to 'Such Great Heights'.

Debuting on the Colombo Stock Exchange

A decade of market leadership and PLC was ready to take on the Colombo Bourse. Looking back, I do believe that in just five years since inception, we became the predominant leading player in the leasing industry and now ten years on, to continue at the zenith in this competitive milieu is truly remarkable. Hence, our debut on the Colombo Stock Exchange (CSE), in this our fifteenth year became yet another chapter that we wrote with great aplomb.

Our maiden Initial Public Offer (IPO), which came into the market with a listing of 390,000,040 Ordinary Voting shares at an issuing price of Rs. 18 per share broke

records. It was oversubscribed within a few hours of the opening day, despite coming into a milieu that held eroding market sentiments. PLC notched yet another record by becoming the second largest IPO in the history of the Colombo Bourse, raising over Rs. 7 billion.

The primary objective of this IPO was to broad base the ordinary voting share base, aligned to a directive of the Monetary Board of the Central Bank of Sri Lanka. While the IPO was designed to be compliant with this directive, I do believe that PLC was ready to become a listed company as it had already earned, instituted and enhanced the traits and characteristics required of a public company. The listing also effected a name change for the Company to People's Leasing Company PLC, which came into effect on the 9th of December 2011.

While making a seamless transition from a limited liability company to a public quoted one, PLC's ownership profile also changed from being a fully owned subsidiary of People's Bank to a public quoted company. As a result, shareholding patterns also changed from People's Bank having 100% ownership to 75% ownership, with 25% spread among other institutes and individuals. By 31st March 2012, share ownership was spread among 164 institutions and 9,949 individuals. Total shareholders' funds too as a result increased by 116% to Rs. 18,270 million from Rs. 8,442 million shown last year.

The IPO is not just significant due to the speed in which it fueled investment. The success is also unique for an indigenous institution. PLC, being a totally Sri Lankan company proved with this successful IPO, that investors recognise the merits of an astutely managed pragmatic company that has displayed consistent growth paradigms and is open, transparent, accountable for its actions, ethical and well-governed. This was amply proven when the IPO also attracted fourteen foreign investors, investing US \$16 million, which is truly noteworthy and augurs well not only for PLC, but for the industry and the country as a whole, in that it buoys investor confidence overall.

Another milestone was that the PLC IPO drew over six thousand new investors into the market. This is doubly significant because the CSE has been working on a number of initiatives to broad base the investor framework, promoting the advantages of investing in the market in both rural and urban spaces. The fact that PLC was able to entice this many investors, primarily smaller and medium based ones, is truly commendable and augurs well for the future of the market as these investors have now opened Central Depository System accounts and will undoubtedly begin investing in listed companies, making the market more active.

However, we have faced a challenge in that our share price at close of this review period has taken a fall, echoing systemic market characteristics. While this is reflective of overall investor confidence, I must reiterate that it is not reflective of investor confidence prevailing for PLC. What investors are pleased and continue to focus upon is PLC's ability to achieve targets and objectives both quantitative and qualitative. Given our past records even through some very difficult periods, PLC has proven beyond doubt that it is a Company that believes in delivering results and this demeanour remains unchanged, fueling confidence among our investors, firmly positioning our investors as future partners on our journey.

Making our Home in an Iconic Building

In celebrating our fifteenth year, PLC's dream of having its very own Head Office to become the axis of its core operations became a reality in July 2011. The state of the art 'Green' building with its twelve levels in the heart of the commercial locale of Colombo 8 is a revolution within the construction industry. We are also most proud that the Group's subsidiary, People's Leasing Property Development Limited, together with award winning construction partner MAGA Engineering completed the building on time and delivered the rigorous specifications we required of the building.

The new Head Office building of PLC is constructed using eco-friendly material and is designed to conserve energy.

CEO's Review of Operations *contd.*

"In celebrating our fifteenth year, People's Leasing's dream of having its very own Head Office to become the axis of its core operations became a reality in July 2011."

A state of the art 'building management system' effectively controls energy consumption in energy intensive areas, while the building is designed to take full advantage of natural light.

From an operational perspective, PLC head office now centralises systems and processes that earlier may have been disjointed or independent, requiring more manpower and time for decision making. Having installed one of the most sophisticated IT systems within Sri Lanka's leasing industry, PLC is now fully networked and automated, with the ICT department positioned within the Head Office, being the nucleus for the smooth workings of all operations.

We are also able to now make speedier and well informed decisions in minimum time, ultimately ensuring that our stakeholders benefit. This extends not only for customers, but for suppliers as well, with a sophisticated procurement process installed and imbues advantages for our HR processes and shareholders. Our eventual aim is to make PLC a paperless office.

Recognised and Applauded

Journeying towards 'Such Great Heights' is a process that requires a well chartered map. And this has been our strength, given that from inception, PLC has always mapped goals and ensured that it achieved them, no matter how ambitious. Our plans have been aggressive and deemed impossible at times, but in true measure, we have achieved and

journeyed to great heights. This then has been amply recognised and rewarded by professional and peer organisations, who have acknowledged that PLC goes beyond a culture of compliance and into a culture of spearhead. We have continuously been accorded awards and ratings for our consistent performance and imbuing of stringent governance and standards, which have in the main, all established only to ensure that our stakeholders are given a truly sustainable company.

From a quantitative perspective, there's no argument about our prowess. And this was further augmented when Fitch Ratings Lanka upgraded our national long term rating to A+(lka) from the existing A(lka). Similarly, the Credit Information Bureau of Sri Lanka (CRIB) titled PLC as a model company for data accuracy, granting PLC an A+ institutional data quality rating which is exemplary.

Qualitatively we are extremely focused on transparency, accountability, governance, ethics, social and environmental responsibility. The initiatives which have been uncompromising, stringent and very focused have been tirelessly incorporated into the Company's vision, mission and strategic policy and brought with it apt rewards from Sting Consultants, the Institute of Chartered Accountants of Sri Lanka and Association of Chartered Certified Accountants (ACCA) Sri Lanka. Sting Consultants conferred a Gold Rating for Corporate Accountability for the Company's inbuilt responsible business practices which meet the expectations of stakeholders, while ACCA Sri Lanka commended PLC for its transparency and accountability in sustainability reporting. PLC was also the only leasing company to be presented an award at this prestigious ceremony which rewards transparency and judges companies on their compliance to the stringent Global Reporting Initiative (GRI) guidelines which promotes responsible reporting. The Annual Report Awards organised by the Institute of Chartered Accountants of Sri Lanka presented PLC with a Gold Award for the fourth consecutive year for excellence in the leasing sector.

It must be noted that PLC has also continuously been placed among the Top State 20 organisations by LMD positioned at No. 12 in the July 2011 publication and among Sri Lanka's Leading Brands as adjudged by Brand Finance PLC. PLC etched itself into the Annual Brands Annual publication at No. 21, with a brand value of Rs. 3,015 million.

Looking at our Financial Performance

We are looking at a leasing industry that had a great year, especially in the first three quarters of the year under review. You would read a more detailed explanation of the Specialised Leasing Companies' performance in the Chairman's message but in a nutshell, with the single digit interest rate regime prevailing for most part of the year, the entire Non-banking Financial Institution (NBF) which encompasses leasing and finance, showcased a noteworthy profit figure of Rs. 16 billion, compared to Rs. 5 billion posted last year. However, it was also a milieu in which the Central Bank of Sri Lanka brought in the Finance Business Act of 2011 in order to introduce more stringent monitoring and control measures into an industry that did fall on hard times not too long ago. The diktats though stringent, are pragmatic as it implements numerous and expansive measures to ensure that stakeholders, especially depositors are protected from any ambiguity and adequate awareness and education pervades the market regarding deposit taking institutions.

PLC presents another record breaking year in profitability and in some Key Performance Indicators. Our profit after tax gained 63% from standing at Rs. 2,580 million in 2010/11 to Rs. 4,207 million this year. Similarly, profit before tax showed similar trends inclining 61% from Rs. 3,721 million to Rs. 5,983 million. The gamut of initiatives we continued to introduce throughout the year in product development, product innovations, expanding our product portfolio, accessibility and touchpoint network, while ensuring that our customer service levels achieve excellence continuously, are the vital attributes to this quantitative showcase of prowess. Revenue also increased to Rs. 13,991 million, a total of 43% from Rs.

9,818 million last year. Total assets too saw an increase of 43% to stand at Rs. 79,628 million, while total grantings upped 17% to Rs. 48,857 million.

One of our biggest achievements this year is in continuing to decrease our Non Performing Advances ratio (NPA), which is way below industry average at present. As a background note, I must mention that for many consecutive years, PLC has always maintained a healthy NPA ratio, well below industry average but this year marks the first time that we have maintained it even below the single digit, which we had last year at 1.33%. This year, with an NPA ratio at decimal points, 0.65% to be exact, our focus on emphatic monitoring and controls has assuredly borne fruition. It is also pertinent to note that PLC retains a very focused concentration on each of our customers and have, in difficult times in prior years, restructured and thus enabled customers to continue their entrepreneurial ventures and businesses. Being conscious of nurturing our partnerships in the best way possible to ensure sustainable growth for both the customer and the Company, we do believe it is this strong foundation of partnerships that has enabled us to grow a company that has a negligible Non-

“As a background note, I must mention that for many consecutive years, People’s Leasing has always maintained a healthy NPA ratio, well below industry average but this year marks the first time that we have maintained it even below the single digit.”

performing loan portfolio, which is most uncharacteristic within the financial services industry milieu.

Meanwhile, having evaluated the Company's lending portfolio and the more conducive macro economic milieu and market conditions prevailing, we decided to reverse the remaining general provision of Rs. 1,611.48 million, which saw us achieve a net gain of Rs. 1,063.03 million added to the Net Profit. Net provision meanwhile stands at a negative Rs. 1,434 million, while the Company has written off Rs. 135 million in bad debts. Our disposal loss is seen at Rs. 67 million .

Driving a Winning Team

To achieve great heights, the Company surely has to be driven by a winning team and I am most proud to have a team that espouses the foundations of leadership, team spirit, entrepreneurial spark, dynamism, innovation and is equipped with an attitude that believes in transforming word and deed ahead of time. Ours is a team that moves beyond the rhetoric and into action. This is amply evidenced in the results that PLC showcases year on year, consistent and very sustainable.

These results are not only in numbers. You will acknowledge that our team is totally stakeholder focused. Yes, growing our numbers are important to us, but so is responsibility and sincerity of action, building and nurturing partnerships, creating an empowering milieu for our communities and being environmentally conscious. This is a team that I see, as having the heart, body, mind and soul of winners; winners who care, who nurture, who give and who achieve.

Training and development therefore remains an ongoing process for our 1,050 strong team. We are keen on ensuring that they are equipped with the apt tools, skills and knowledge to make informed speedy and efficient decisions, continue to enhance their productivity and establish the right infrastructure including ICT enablers to ensure that they can perform to their optimum. We are also in the process of reviewing our HR manuals on training and

development, code of ethics, behavioural performance and other germane HR areas, all of which will be updated according to needs and expectations through next year.

One of our focus areas this year is in meeting the expectations and bridging the gaps that appeared in the independent Customer Service Survey implemented last year. Given that we walk the talk when it comes to customer service, we are extremely eager to ensure that we exceed customer expectations and having gained an insight into the gaps that exist and the expectations required from us, we initiated a series of workshops cascaded to the entire team. These detailed the gaps, suggested solutions and also brought the team into the discussion process in implementing the solutions. The improvement inputs already in motion has begun instituting methods, processes and systems that would see efficiency and productivity improvement, build and strengthen relationships, optimise resource utilisation and engage the team for added employee volunteerism and ownership in our social stewardship activities.

More information on our HR development and management initiatives is available in the PLC Sustainability Report.

Enhancing Accessibility

PLC has now grown into a formidable group of companies, bringing under its umbrella a plethora of synergies that have been designed to drive business into an era that will surely become challenging. We strongly believe that we are on the threshold of being able to provide total financial solutions given the wide competencies, business scope and networking capabilities that PLC has within its portals.

This year, People's Leasing expanded its branch network to 35, positioning ourselves strategically in Grandpass, Bandarawela and Nawalapitiya, while adding a total of 17 mini-branches as well. With the addition of two new window offices to total 126, our 178 touch-points are now expansive and strategic. We use our parent People's Bank's network for added accessibility, with trained personnel available within Bank

CEO's Review of Operations *contd.*

branch premises to execute business transactions. Similarly, we also enable our finance, Islamic finance and microfinance businesses to gain more accessibility by imbuing them into geographic localities where their presence is not yet afforded. This is a two-fold advantage in that it not only allows these business synergies to leverage on our presence, but it also allows these subsidiaries to analyse if there's a need for an individual presence before actually establishing hardware and infrastructure on the ground.

Adding Fillip to Social Stewardship

PLC has in the last five years been engaged in adhering to the Global Reporting Initiative guidelines in sustainability reporting. This reporting process has helped us to focus on ensuring that our sustainability policy in both social and environmental, matches our actions and that the targets set for the year are unequivocally met. We fully acknowledge and recognise that companies are no longer judged by profitability alone and our social responsibility strategy has been that we should be a company that promotes inclusive empowerment. We respond to all our stakeholders by imbuing the deliverable core values of economic viability, environmental responsibility and social accountability.

" We fully acknowledge and recognise that companies are no longer judged by profitability alone and our social responsibility strategy has been that we should be a company that promotes inclusive empowerment."

We have never believed in ad-hoc development nor philanthropy without long term sustainability. Each of our stakeholders must benefit optimally from our presence, input and impact and therefore, it is imperative that our social projects are focused and sustainable. The communities we engage with must be empowered and in turn, our employees must enjoy integrating and involving themselves in these communities, gaining a sense of ownership for the initiatives they engage in.

The sustainability reporting process we now adhere to has enabled us to identify four integral areas for us to focus upon as our social responsibility initiatives. These are education, health and wellness, cultural and religious appreciation and an overarching premise on enterprise development to spark both entrepreneurial enhancement and infrastructure development.

Similarly, our environmental consciousness has heightened. We are permeating waste management and energy conservation initiatives across the organisation, while also making a conscious effort to integrate the 3R (Re-use, Reduce and Recycle) concept into our daily operations. The fact that our Head Office is a 'Green' building and is a catalyst in encouraging this environmental consciousness adds to our emphasis in reducing our carbon footprint and building a cleaner greener planet.

Entering a different paradigm

Having observed macro economic trends both locally and globally, we realise that the coming year will not be an easy one. In fact, we plan for a year of consolidation, which we feel is prudent in the envisaged era ahead. Most of our expansion plans have been met during this year in anticipation of the inconsistent growth patterns we observed towards the end of the financial year. We have observed volatility in the interest regime, currency and thus in inflation which will remain characteristic in the short term at least in the coming year. This will naturally have a permeating impact on the leasing industry, touching our business prospects as well.

Similarly, another feature that will imbue significant impacts on the financial services industry in the coming year is the credit ceiling introduced in February by the Central Bank of Sri Lanka (CBSL), meant as a measure to rein in loan growth. This, coupled with the exchange rate float, is stated by the Monetary Authority as in turn narrowing the widening external deficit. The wider belief is that this measure will impact the smaller financial institutions but permeating results will only be seen at the end of the coming year.

Another policy measure that is going to affect the financial services industry and in particular the leasing industry is the revision of customs duty and excise duty on motor vehicles.

We have however, instituted the necessary fundamentals this year, to ensure that the stability and strength we have showcased will continue remain the foundation upon which we grow. We foresee the challenges henceforth and have instituted some strategic measures internally to ensure that our customers and potential customers will have options to work with. In addition, one of our targets for the coming year is to begin looking at foreign debt markets for investment potential as we believe that much opportunity lies in expanding our horizons into that area.

Aligned to our large stakeholder base and our unwavering stance of always engaging our stakeholders, the Company will form an Investor Relations Division to deal with queries, submissions and general investor information. The Officers manning the unit will always be accessible to investors and equipped with the apt knowledge to ensure that investor advice and counsel is judicious.

We are keen on adding more buoyancy to the country's industry and infrastructure development initiatives. While an accelerated development plan according to the national vision of making Sri Lanka South Asia's economic hub is currently well on target, we also see huge potential in investing in road, port and aviation

infrastructure which we intend to gain a larger foothold into. Seeing that the tourism industry too is a definite growth driver for the national economy, our investment horizons are expanding into this industry, as is the mixed development and condominium industries that are taking root.

Appreciating Our Spearheads and Stakeholders

As you know, we have been through a very momentous year, compounded with the facts that we are now a listed company and have been commended for our compliance in regulatory spheres. I must thank the Governor of the Central Bank of Sri Lanka and the officials who are always accessible to us, whenever we are in need of direction and guidance in these areas and similarly, the Chairman and officials of the Securities Exchange Commission of Sri Lanka, who have continued to reiterate their support and co-operation throughout the chapters we have opened this year.

I have been most fortunate to have the good counsel, direction and leadership from a very pragmatic Chairman and Board of Directors, who truly believe in this Company's founding tenets. I'm also pleased to welcome to the Board, Independent Directors Mr. P.A.I.S. Perera and Ms. M.G. Jinadasa, knowing that PLC will benefit from the expertise and experience they will add to the Company.

My team is the best, undoubtedly so. And it is to them that I pledge a commitment that PLC will continue traveling to great heights. They have always been ambitious and aggressive when it comes to reaping results, while retaining a human feel for the stakeholders we deal with. Thank you for your efforts and your continued commitment which will hold us in good stead as we enter a year of different challenges.

My heartfelt thanks to our customers, who believe strongly in being a firm partner with us and have displayed exemplary loyalty throughout. Similarly to our valued business partners, who remain proactively engaged

with us and are consciously working on building strong relationship foundations for a win-win formula.

PLC is truly a benchmarked leader and intends to remain so. Today, it has six subsidiaries, a total of 1,500 team players within the Group, an expansive touch-point capability and an unwavering commitment to serve. This to us, is the formula that will make us continuously re-write the history books, map routes and embark on journeys. The year to come will not be easy given the trends of volatility and uncertainty especially in the economic milieu that we see, but for PLC, these will pose yet another *raison d'être* to lead the industry and create pathways for others to follow. We intend to continue this exciting journey that will take us to, 'Such Great Heights'.



D. P. Kumarage
Chief Executive Officer/ General Manager

26th April 2012
Colombo

Board of Directors



Mr. W. Karunajeewa
(Chairman)

Non-Independent, Non-Executive Director

Mr. W. Karunajeewa was appointed as the Chairman of the Board of People's Leasing Company PLC in July 2007. At present, he is the Chairman of People's Bank, People's Finance PLC, People's Leasing Fleet Management Limited, People's Leasing Property Development Limited, People's Leasing Havelock Properties Limited and People's Microfinance Limited. He holds a B.Com Degree from the University of Ceylon and is an Attorney-at-Law. Prior to his appointment as the Chairman of People's Bank, he also served as the Chairman of the Employees' Trust Fund (ETF) Board from December 2005 to May 2007 and as the Chairman of the Ceylon Fisheries Corporation from October 2000 to December 2001. He held the position of a Working Director at the Ceylon Fisheries Corporation during the period July 1996 to October 2000 and had been a Working Director of the ETF Board during the period January 1995 to June 1996. The Institute of Bankers of Sri Lanka recently awarded an Honorary Fellowship to Mr. Karunajeewa in recognition of the contribution, commitment and outstanding services rendered to the Sri Lankan Banking Industry.



Dr. D. J. D. Jayakody

(Non-Independent, Non-Executive Director)

Dr. D. J. D. Jayakody was appointed as a Director of People's Leasing Company PLC in July 2007. He is also a Director of People's Bank, People's Finance PLC, People's Leasing Fleet Management Limited, People's Leasing Property Development Limited and People's Leasing Havelock Properties Limited. He is a Management Consultant and was a Senior Lecturer in the Faculty of Business Studies and Finance at the Wayamba University. He obtained a Ph.D in Management from International University of America (UK) and holds a B. Sc. (Administration Special) Degree and also an MBA awarded by the Postgraduate Institute of Management (PIM) of the University of Sri Jayawardenepura. He is a Fellow member of the Institute of Public Finance and Development Accounts and a member of the Institute of Management of Sri Lanka. He is also a member of the Institute of Internal Auditors. He has Senior Management experience in accounting, finance, auditing, human resources, training, quality and productivity. He has served in capacities as Accountant, Chief Internal Auditor, Deputy General Manager and Additional General Manager. He was also a Reserve Assistant of Superintendent of Police and was in Charge of the Recruitments and Police Reserve Training Colleges. He has served as a member of the National Labour Advisory Council under the Ministry of Labour and as a Director of the National Livestock Development Board. He has served in the Faculties of Graduate Studies of Management and Finance and the University of Colombo as a visiting lecturer.

Mr. N. Vasantha Kumar

(Non Independent, Non Executive Director)

Mr. N. V. Kumar was appointed as a Director of People's Leasing Company PLC in July 2007. He is also a Director of People's Leasing Havelock Properties Limited and People's Travels Private Limited.

At present he serves as the Acting CEO/ General Manager of People's Bank. Prior to joining People's Bank in March 2001, he served as Treasurer at ANZ Grindlays Bank, Colombo. He holds a Master's Degree in Business Administration and counts nearly 32 years experience in Treasury Management. He was the Past President of the Association of Primary Dealers and of the Sri Lanka Forex Association.



Mr. W. S. S. Bandara

(Non-Independent, Non-Executive Director)

Mr. W. S. S. Bandara was re-appointed as a Director of People's Leasing Company PLC in June 2010 subsequent to his resignation in May 2010. He is also a Director of People's Finance PLC, People's Microfinance Limited and State Mortgage and Investment Bank. He is an Attorney-at-Law and Notary Public. He holds a BA (Hons.) Degree in Criminology and Criminal Justice and has served as a Director of the Ceramics Corporation.

Mr. P. A. I. S. Perera

(Independent, Non-Executive Director)

Mr. P. A. I. S. Perera was appointed as a Director of People's Leasing Company PLC in August 2011. He presently holds the position of Chairman of the Urban Development Authority, Lanka Logistics and Technologies Limited and Onally Holdings Limited. He also serves as an Independent Non-Executive Director of People's Finance PLC and a Director of Ocean View Development Company Limited, Peliyagoda Warehouse Company Limited, Urban Investment Development Company Limited, Urban Settlement Development Authority, Waters Edge Company Limited and Rest House Management Limited. He served as an Executive Consultant for Noritake Lanka Porcelain (Private) Limited and was the Director/General Manager at Noritake Lanka Porcelain (Private) Limited, Noritake Pannala Limited and Matale Packaging (Private) Limited. He has also served as a Director of Lanka Ceramics Limited and Lanka Salt Limited and as a member of the Labour Advisory Council. Mr. Perera was awarded the title of "Best Chief Executive" by the Sri Lanka Association of the Advancement of Quality and Productivity in 1998. From 1974 to 1979, Mr. Perera was employed at International Computers Limited., and M/s. R. K. Fryer & Co., Chartered Accountants in UK as an Accountant and Audit Senior respectively. Mr. Perera has completed up to the final stage of Association of Chartered Certified Accountants (U.K.) and is a holder of a Diploma in Accountancy and Higher National Diploma in Finance from U.K.



Ms. M. G. Jinadasa

(Independent, Non Executive Director)

Ms. M. G. Jinadasa was appointed as a Director of People's Leasing Company PLC in August 2011. She is an Attorney-at-Law with 16 years of active practice in the areas of Industrial Law, Constitutional Law, Administrative Law, Contracts, Torts and Commercial Law. Apart from her career as a legal practitioner, during the period 2005 to 2009, she served as the Ombudsman at Sri Lankan Airlines Limited for the Policy against Sexual Harassment. Presently she serves as a Independent Non Executive Director of People's Finance PLC.

Mr. Rohan Pathirage

(Secretary)

Mr. R. Pathirage was appointed as the Company Secretary of People's Leasing Company PLC in December 2007. At present, he is the Secretary to the Board of Directors of People's Bank. He serves as the Company Secretary of People's Travels (Pvt) Limited, People's Leasing Fleet Management Limited, People's Leasing Property Development Limited, People's Insurance Limited, People's Leasing Havelock Properties Limited and People's Microfinance Limited.

He is an Attorney-at-Law with a Bachelor of Laws Degree from the University of Colombo. He holds a MBA in Bank Management from the Massey University in New Zealand.

Senior Management



Mr. D. P. Kumarage

Chief Executive Officer /General Manager

Mr. Kumarage has been functioning as the CEO/GM of People's Leasing Company since September 1997. He is also the Managing Director of People's Finance PLC, People's Leasing Fleet Management Limited, People's Leasing Property Development Limited, People's Leasing Havelock Properties Limited, People's Microfinance Limited and People's Insurance Limited.

He has over 33 years of experience in Banking and Finance at People's Bank and retired as a Deputy General Manager. He holds a Postgraduate Diploma in Modern Banking and is a Passed Finalist of the Chartered Institute of Management Accountants, UK. He is the Vice President of the Asian Leasing and Finance Association and former Chairman of the Leasing Association of Sri Lanka. In addition, he serves as a Non Executive Director of SANASA Development Bank and Lanka Ashok Leyland PLC and is a Director of the Financial Ombudsman Sri Lanka (Guarantee) Limited (FOSL).

Mr. K. M. M. Jabir

Deputy General Manager – Operations

Mr. Jabir joined People's Leasing Company in 2005 as Assistant General Manager and currently functions as the Deputy General Manager - Operations. He holds a Bachelor's Degree in Commerce, and is a Fellow Member of the Institute of Bankers and a finalist of the Chartered Institute of Management Accountants, UK. He is also a panel lecturer of the Institute of Bankers, Sri Lanka. He has over 27 years experience in the finance sector, including commercial banking, merchant banking and leasing. He also serves as a member of the Management Committee of People's Finance PLC and overlooks Islamic Finance Unit 'Al Safa' of People's Finance PLC.

Mr. K. S. Bandaranayake

Deputy General Manager – Finance & Administration

Mr. Bandaranayake is an Associate of the Institute of Chartered Accountants of Sri Lanka since 1993, Member of the Institute of Certified Management Accountants of Australia, Fellow of the Society of Certified Management Accountants of Sri Lanka and a Finalist of the Chartered Institute of Management Accountants of UK and possesses 5 years experience at Ernst & Young Chartered Accountants. He has over 19 years of post qualifying experience at a very senior level in the finance sector and joined People's Leasing Company in July 2007.

He is a Vice President of the Asian Financial Services Association (AFSA). He was a former Chairman of the Leasing Association of Sri Lanka, a former Director of the Credit Information Bureau of Sri Lanka (CRIB), a former Committee Member of the Ceylon Chamber of Commerce and a former counsel member of the Sri Lanka Institute of Credit Management (SLICM).

Mr. Lionel Fernando

Assistant General Manager – Operations

Mr. Fernando joined People's Leasing Company in 1995 and has been the head of Marketing/Leasing for the past 16 years. He has over 24 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. He is also a member of the Taxation cluster of the National Budget of Sri Lanka since 2008.



Mr. Rohan Tennakoon

Chief Manager – Branch Operations

Mr. Tennakoon is presently serving in the capacity of a Chief Manager – Branch Operations, after serving in various capacities in the Company over a period of almost 14 years. He counts 22 years experience in many diversified fields such as accounting, manufacturing and exporting and banking prior to joining the Leasing Sector.

He holds a MBA from the University of Colombo, a MSc in Management from the University of Sri Jayawardenapura, a BSc in Business Administration – Special Degree (2nd Class Upper) from the University of Sri Jayawardenapura and is an Associate Member of the Institute of Bankers of Sri Lanka.

Mr. Laksanda Gunawardena

Chief Manager – Branch Operations

Mr. Gunawardena joined People's Leasing Company in 2002 and had been the Head of the Corporate Leasing Division for 9 years. He is presently serving as a Chief Manager – Branch Operations. He holds a Master's Degree in Business Administration. He also holds a Diploma in Credit Management from the Sri Lanka Institute of Credit Management and is an Associate member of the same institute. He has 18 years experience in the field of leasing, covering the areas of credit, marketing, recoveries, branch development & general management.

Mr. Damith Malavithanila

Chief Manager – Branch Operations

Mr. Malavithanila joined People's Leasing Company in 1996 and had been the head of Recoveries since the inception of the Company for 12 years. He is presently serving as a Chief Manager – Branch Operations and in charge of the North, North Central, North Western, Central and Sabaragamuwa provinces. He has over 24 years experience in banking and finance, and several years of experience in auditing and accounting. He is a finalist of The Institute of Chartered Accountants of Sri Lanka and an intermediate of the Institute of Bankers of Sri Lanka.

Mr. Pradeep Perera

Chief Manager - Finance

Mr. Perera joined People's Leasing Company in 2007 as the Senior Manager - Finance and was promoted as the Chief Manager - Finance in 2010. Prior to his appointment, he served as a Senior Manager - Assurance at Ernst & Young. He counts over 18 years of experience in the leasing, banking, finance and audit fields. He had the opportunity to work at Ernst & Young, New York. He was the Head of Finance at LB Finance PLC prior to joining Ernst & Young in 2002. He is an Associate Member of The Institute of Chartered Accountants of Sri Lanka and the Society of Certified Management Accountants of Sri Lanka. He holds a postgraduate Diploma in Business and Financial Administration from the Institute of Chartered Accountants of Sri Lanka. He has won several Prizes at his Professional Curricular.

Senior Management



Mr. Prabath Gunasena
Chief Manager ICT (Group)

Mr. Gunasena joined People's Leasing Company in 1999 and has been the Head of IT for the past 12 years. He holds a Master's Degree in Business Administration (MBA) from the University of Western Sydney (UWS). He holds a Diploma in Computer System Design from the National Institute of Business Management (NIBM), Sri Lanka. He is a member of the British Computer Society. He is also a member of the Management Committee of People's Finance PLC.

Mr. Udesh Gunawardena
Chief Manager Internal Audit (Group)

Mr. Gunawardena joined People's Leasing Company in 1999 as an Accountant and possesses over 12 years of experience. He is an Associate Member of the Institute of Professional Finance Managers (UK), Member of the Institute of Internal Auditors, Member of the Association of Treasury Managers of Sri Lanka and finalist of the Institute of Chartered Accountants of Sri Lanka. He holds a Diploma in Treasury, Investments and Risk Management from the Institute of Bankers of Sri Lanka and counts over 15 years experience in the field of finance covering accounting, auditing, financial management, treasury operations and management information systems. He is also a world prize winner of the Australian Computer Society. Presently, he serves as Secretary to Board Audit Committees of People's Leasing Company PLC, People's Finance PLC and People's Insurance Limited as appointed by the respective Boards.

Mr. J. Gamage
Senior Manager - Administration

Mr. Gamage joined People's Leasing Company in 1997 and has been the Head of Administration for the past 14 years. He has over 34 years experience in banking and holds a Bachelor's Degree in Arts from the University of Peradeniya.

Mr. Andy Ratnayake
Senior Manager - Risk Management & Control

Mr. Ratnayake joined People's Leasing Company in October 1997 and had been Head of Finance for ten years. For the last five years, he is the Head of Risk Management and involved in CSR/CRM initiatives of the Company.

He is a member of the Institute of Internal Auditors (USA) and holds two Bachelor's Degrees in Commerce (Peradeniya) and Arts – Pub. Adm. (J' pura). He is also a Fellow Member of the Chartered Institute of Management Accountants (UK), Chartered Global Management Accountant (CGMA) powered by the resources and expertise of CIMA (UK) and AICPA (USA) and possesses part qualifications of The Institute of Chartered Accountants of Sri Lanka and ACCA. Mr. Ratnayake is also a member of the Chartered Institute of Ship Brokers (UK), Chartered Institute of Transport (UK), and a holder of a Postgraduate Diploma in Shipping from the Norwegian Shipping Academy in Norway. He was fielded by UNCTAD Shipping Division in Geneva as a consultant based in Suva, Fiji Islands for a period of nearly one year.

Prior to joining the Company, he was the head of Internal Audit at Ceylon Shipping Corporation, General Manager at Central Freight Bureau and based in Riyadh Saudi Arabia as Audit Manager. He has over 37 years experience in auditing, accounting, shipping and general management. Presently, he is a Member and Secretary of the Senior Management Committee and Secretary to the Enterprise Risk Management committee.



Mr. Uresh Jayasekara

Senior Manager Human Resources (Group)

Mr. Jayasekara joined People's Leasing Company in 2007. He holds a Bachelor's Degree of Science (Honors) from the University of Kelaniya. He obtained his Diploma in Management from the Open University and postgraduate Diploma in Business Management from the University of Colombo. He also, holds a Master's Degree in Business Administration (MBA) specialised in Human Resources Management from the University of Colombo. He has altogether 14 years of experience in the field of Human Resources including the garments, hospital and financial sectors. He is also a member of the Management Committee of People's Finance PLC.

Mrs. Kamani Dematawewa

Senior Manager - Legal Recoveries

Mrs. Dematawewa joined People's Leasing Company in 2010. She is an Attorney –at –Law and Notary public and has over 24 years experience in the financial sector as a Senior Manager Legal Recoveries, and as a Company Secretary. She was a former Chairperson of the legal circle of the Finance Houses Association of Sri Lanka. She also holds a Diploma in Credit Management from the Sri Lanka Institute of Credit Management and won the President's award for Best results in year 2001 and is an Associate member of the same institute.

Mr. T. P. S. Peiris

Senior Manager - Branch Operations

Mr. Peiris joined People's Leasing Company in 2004 and has over 26 years experience in Commercial Banking and Financial Trade. He holds a Master's Degree in Business Administration (MBA) from the University of Sikkim Manipal in India. He is an Associate Member of the Institute of Bankers of Sri Lanka. He also holds a Diploma in Business Administration from the American College along with a Diploma in Hire Purchase and Leasing Businesses, and a Diploma in Airline Ticketing and International Management from the Indian Institute of Management and Technology in Chennai, India. Presently, he functions as the Senior Manager at Branch Operations.

Branch Managers



Mr. S. Liyanage
Senior Manager
Metropolitan



Mr. Y. Premarathne
Senior Manager
Rathnapura



Mr. M.G.L.H. De Silva
Senior Manager
Galle



Mr. S.S.D. Fernando
Senior Manager
Dehiwala



Mr. P.D.C.S. Mahanama
Senior Manager
Kurunegala



Mr. L.K.M.N. Thushantha
Senior Manager
Nuwara-Eliya



Mr. B.H.M.C.C. Herath
Senior Manager
Kelaniya



Mr. R.S. Ranasinghe
Senior Manager
Battaramulla



Mr. V.R. Ramanayake
Senior Manager
Nugegoda



Mr. M.G.R. Priyankara
Senior Manager
Negombo



Mr. T.K. Anantheraja
Branch Manager
Jaffna



Mr. M.B.P.N. De Silva
Branch Manager
Chilaw



Mr. U.N.P. Fernando
Branch Manager
Kalutara



Mrs. P.N. Wimalasena
Branch Manager
Awissawella



Mr. N.M. Asela Bandara
Branch Manager
Kandy



Mr. W.A.S.N. Weerakkody
Branch Manager
Gampaha



Mr. L.T.S. Priyantha
Branch Manager
Anuradhapura



Mr. S. Abeywickrama
Branch Manager
Embilipitiya



Mr. Y.M.W.P.C. Yapa
Deputy Manager
Badulla



Mrs. W.C. Wijenaik
Deputy Manager
Nawalapitiya



Mr. S. Senavirathne
Deputy Manager
Polonnaruwa



Mr. N.C. Weerasingha
Deputy Manager
Matara



Mr. W.M.D.W. Weerakoon
Deputy Manager
Wardplace



Mr. K.P.B.H. Wariyapola
Deputy Manager
Grandpass



Mr. G. Thushyanthan
Deputy Manager
Pettah



Mr. L.S.C. Fernando
Assistant Manager
Havelock



Mr. J.M.R.C. Jayaweera
Assistant Manager
Bandarawela



Mr. A.B. Sutharsan
Assistant Manager
Batticaloa



Mr. R.M.S.U.B. Rathnayaka
Assistant Manager
Kegalle



Mrs. L.S. Segarajasinghe
Assistant Manager
Vauniya



Mr. A.H.C. Samantha
Assistant Manager
Mahiyanganaya



Mr. M. Kirupakaran
Senior Executive
Trincomalee

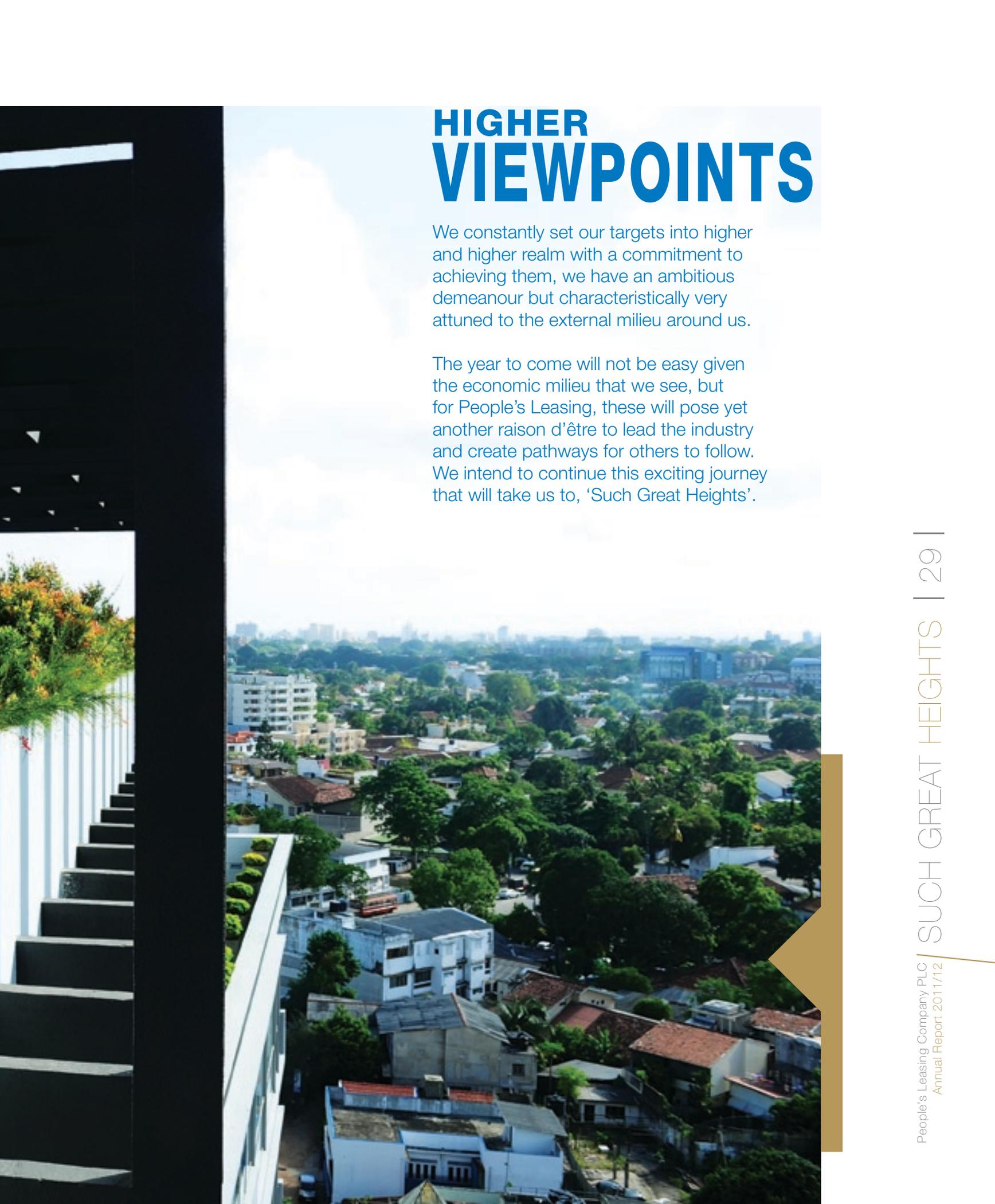


Mr. N.I.T.S. Senadheera
Senior Executive
Ambalantota



Mr. G.N.P.K.C. Karunaratna
Executive
Ampara





HIGHER VIEWPOINTS

We constantly set our targets into higher and higher realm with a commitment to achieving them, we have an ambitious demeanour but characteristically very attuned to the external milieu around us.

The year to come will not be easy given the economic milieu that we see, but for People's Leasing, these will pose yet another raison d'être to lead the industry and create pathways for others to follow. We intend to continue this exciting journey that will take us to, 'Such Great Heights'.

Corporate Governance

Our Commitment and Approach

The Board of Directors of People's Leasing Company PLC ("the Company") is well aware that a well-governed company takes a longer-term view that integrates environmental and social responsibilities in analysing risks, discovering opportunities and allocating capital in the best interests of its shareholders. This has implications for the Company behavior not only to shareholders but also to employees, customers, those financing the Company, and other stakeholders, including the communities in which the Company operates. Good corporate governance practices instill in companies the essential vision, processes, and structures to make decisions that ensure longer-term sustainability. The Board of Directors of the Company believes that these concerns help determine profits.

The recent financial crisis both locally and globally has heightened the need for the Boards of Directors to provide well-informed strategic direction and engage oversight that stretches beyond short-term financial performance. Doing so, the Company was tailored to more comprehensively address risks, by anticipating potentially adverse impacts on people and the environment and managing tangible and reputational risks. It can also generate wealth by creating shareholder value through an increase in business opportunities and broader access to markets. Therefore, the need to strictly adhere to the highest principles of Corporate Governance was focused upon by the Company during the year under review, as recent events in the business environment have perceptibly demonstrated the significance of good Corporate Governance practices particularly for organisations in the financial services industry.

Thus, the corporate culture of the Company was based on an organisational environment where sound corporate governance becomes a way of life for each member. This has been achieved by entrenching four key practices in group strategy: compliance with the law and commercial legitimacy; fair treatment of employees and business partners; responsibility to the environment and the community in which we operate; and probity, integrity and business ethics in operational practices.

In this process and in its continued commitment towards good Corporate Governance practices, the Company emphasised particularly on the following during the year under review;

- In pursuit of the highest standard of Corporate Governance, the Company applies Finance Leasing (Corporate Governance) Direction No. 4 of 2009 issued under section 34 of the Finance Leasing Act. No. 56 of 2000 which is effective from January 2010. The level of compliance with the said Direction is presented on pages 32 to 45 of this Annual Report.
- Ensured that the Company's Corporate Governance principles are set to comply with the updated Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka (ICASL) and the Securities and Exchange Commission (SEC). The Company has pursued most of the principles to ensure greater transparency, compliance, business integrity, and professionalism towards good corporate governance practices. Details on adherence with these principles are presented on pages 46 to 54 of this Annual Report.
- Ensured that the Company has complied with the Listing Rules of the Colombo Stock Exchange (CSE) upon the listing of ordinary shares of the Company on the main board of the Colombo Stock Exchange on 24th November 2011.
- The Company believes that good ethical behavior is a reflection of strong Corporate Governance practices. The Code of Business Ethics established by the Company provides guidance to its Directors, employees and the other stakeholders to the practices necessary to maintain and enhance confidence in the Company's integrity and the commitment towards good ethical practices.
- Information Technology (IT) Governance is a subset discipline of Corporate Governance focused on Information Technology systems and their performance and risk management. IT

Governance plays a vital role especially for the organisations which are highly dependent on Information Technology. Therefore, during the year under review the Company has strengthened its IT Governance to ensure that high quality information is used for financial reporting and their integrity is maintained. Details on IT Governance is presented on pages 57 to 59 of this Annual Report.

- Effective Risk Management is a reflection of strong Corporate Governance Practices. Establishment of risk governance structure encourages effective risk management, accountability and sound internal controls. The Risk Governance Structure and Risk Management is discussed in detail on pages 95 to 105 of this Annual Report.
- The Company is committed to fulfill the requirements of its diverse stakeholders. In the context of the shareholders, the Company is keen on giving a maximum return by enhancing the wealth of shareholders. With regard to the employees, the emphasis is given to develop a quality work life that ensures a healthy, safe and secured environment. Continuous customer satisfaction and customer relations are the primary factors that the Company is concerned in terms of the customers. The Company's commitment to compliance with laws and regulations applicable to the Company and philanthropy policy are the key concerns with regard to the community.

Governance Structure of the Company

The Company has a comprehensive set of policies in the area of Corporate Governance which provides a framework to guide the activities of its Board of Directors, the Chief Executive Officer (CEO), the Senior Management team, other levels of the Management and other employees. The governance structure of the Company demonstrates distinction of the functions between the Board and the Management while at the same time fostering accountability and effective co-ordination. The Governance Structure of the Company can be graphically presented as shown on page 31.

Major External Regulations	Major Internal Regulations
<ul style="list-style-type: none"> Companies Act No. 07 of 2007 Finance Leasing Act No. 56 of 2000 and amendments thereto Finance Leasing (Corporate Governance) Direction No. 04 of 2009 Code of Best Practice of Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka Section 7.10 of the Listing Rules of the Colombo Stock Exchange 	<ul style="list-style-type: none"> Articles of Association of the Company Board of Directors' working procedure Internal procedure manuals Integrated risk management procedures Processes for internal controls Company's codes of ethics

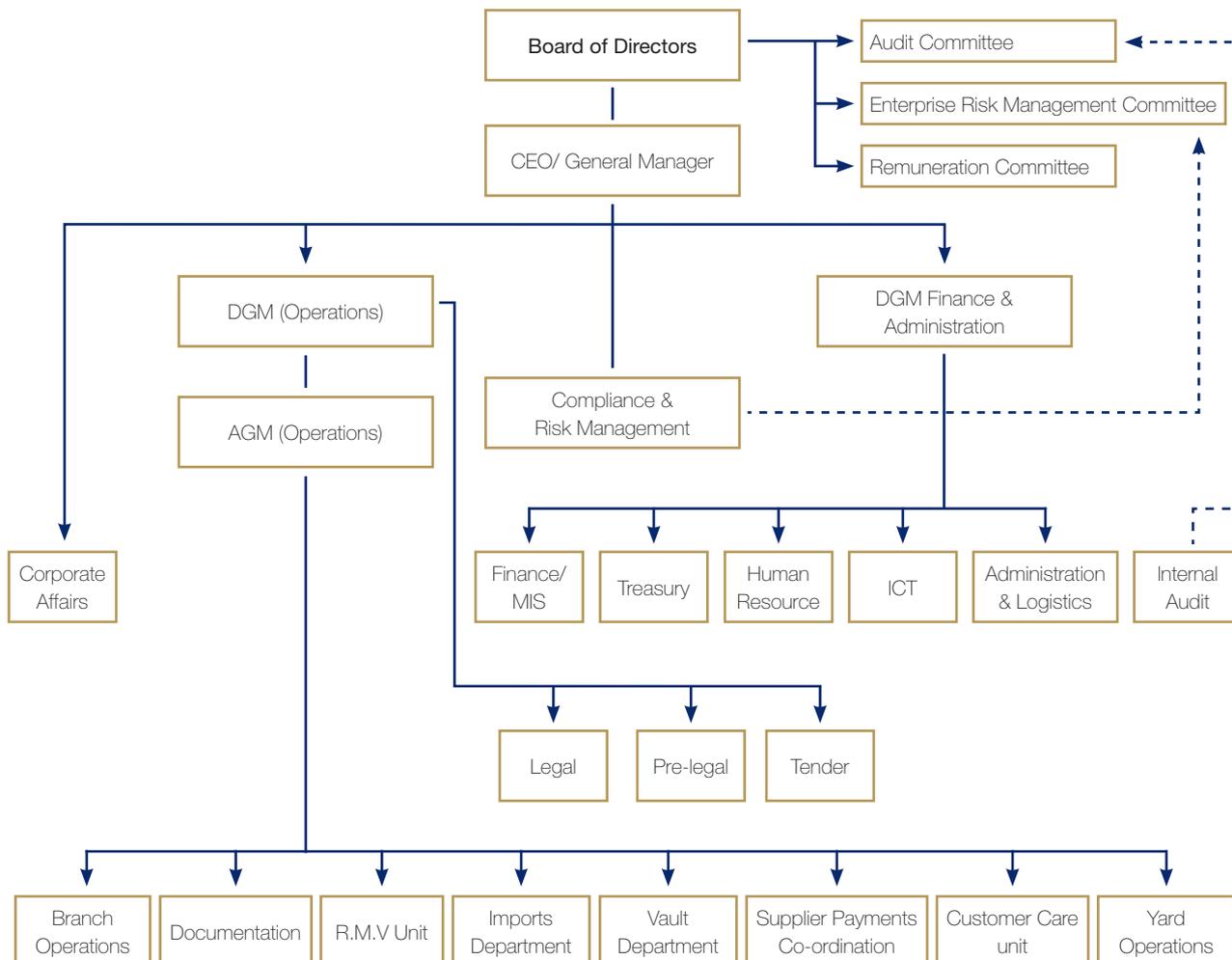
Internal Control Mechanisms

In compliance with the Finance Leasing (Corporate Governance) Direction No. 04 of 2009, the Board provided a report on the Company's internal control mechanism that confirms that the financial reporting system had been designed to provide reasonable assurance regarding the reliability of financial reporting and that the preparation of financial statements had been done in accordance with relevant accounting principles and regulatory requirements.

Further, the External Auditors' Certification on the effectiveness of such internal control mechanism on financial reporting has also been obtained.

Ownership Structure

The ownership structure of the Company changed during the year under review. The Company was listed on the Colombo Stock Exchange on 24th November 2011. Pursuant to the listing, the status of the Company changed from the status of a fully owned subsidiary of People's Bank to that of a Public Listed Company. According to the share register as at 31st March 2012, the Company had a total of 10,113 voting shareholders of which People's Bank was the largest shareholder of the Company with a stake of 75%.



Corporate Governance *contd.*

Section I

Report on the Compliance with The Finance Leasing (Corporate Governance) Direction No. 4 of 2009

Relevant paragraph number in the direction	Matter	Compliance
1. Responsibility of the Board of Directors		
2	(a)	<p>Approving and overseeing the relevant establishment's strategic objectives and corporate values and ensuring that such objectives and values are communicated throughout the relevant establishment.</p> <p>Complied with.</p> <p>Approving, overseeing, communicating and monitoring the strategic objectives, corporate values, overall business strategy and policies of the Company are addressed at the meetings of the Board of Directors held on a monthly basis.</p>
	(b)	<p>Approving the overall business strategy of the relevant establishment, including the overall risk policy and risk management procedures and mechanisms with measurable goals, for at least immediate next three years.</p> <p>Complied with.</p> <p>The Company has in place an overall business strategy which includes therein an overall risk policy and risk management procedure. Furthermore, from time to time the Board formulates strategies for the conduct of its business activities and have simultaneously reviewed the same and have taken prudent measures to minimise risk given the market conditions.</p>
	(c)	<p>Identifying risks and ensuring implementation of appropriate systems to manage the risks prudently.</p> <p>Complied with.</p> <p>The Board has appointed a Sub Committee on Enterprise Risk Management to identify risks and advise the management to implement appropriate systems to manage risks.</p>
	(d)	<p>Approving a policy of communication with all stakeholders, including lenders, creditors, share-holders and borrowers.</p> <p>A designated officer of the Company handles communication with all stakeholders, including lenders, creditors, shareholders and borrowers. A detailed policy on communication with the relevant stakeholders is in the process of being developed.</p>
	(e)	<p>Reviewing the adequacy and the integrity of the relevant establishment's internal control systems and management information systems.</p> <p>Complied with.</p> <p>The Internal Control Systems and Management Information Systems of the Company are reviewed by the Board Audit Committee and reported to the Board.</p>
	(f)	<p>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.</p> <p>Complied with.</p>
	(g)	<p>Defining the areas of authority and key responsibilities for the Board and for the key management personnel.</p> <p>Complied with.</p>
	(h)	<p>Ensuring that there is appropriate oversight of the affairs of the relevant establishment by key management personnel, that is consistent with the relevant establishment's policy.</p> <p>Complied with.</p> <p>The Key Management Personnel are represented at the meetings of the Board by the Chief Executive Officer who appraises the Board on the performance of the Company. The Board monitors the performance of the Company on a monthly basis.</p>

Relevant paragraph number in the direction	Matter	Compliance
	(i) Periodically assessing the effectiveness of its governance practices, including: (i) the selection, nomination and election of directors and appointment of key management personnel; (ii) the management of conflicts of interests; and (iii) the identification of weaknesses and implementation of changes where necessary.	Complied with. The Board ensures that it periodically assesses the selection, nomination and appointment of directors and key management personnel, management of conflicts of interests and identification of weaknesses and implement changes when deemed necessary.
	(j) Ensuring that the relevant establishment has an appropriate succession plan for key management personnel.	The Company has in place a Board approved organization chart. However, the Company is in the process of formulating an appropriate policy on the succession of key management personnel.
	(k) Meeting regularly with the key management personnel to review policies, establish lines of communication and monitor progress towards corporate objectives.	The CEO meets with the Board regularly and other key management personnel are invited to the Board when necessary.
	(l) Understanding the regulatory environment.	Complied with. The Board is apprised of any developments of the laws applicable to the business of the Company in two ways. Firstly by the appointment of a dedicated compliance officer that reports to the Board via the Chief Executive Officer of any developments in the law. Secondly via the Board Enterprise Risk Management Committee that monitors the inherent risks to the Company resulting from changes in the regulatory environment.
	(m) Exercising due diligence in the hiring and oversight of external auditors.	Complied with. The hiring and oversight of external auditors is carried out by the Board with the assistance of the Board Audit Committee.
2	(2) The Board shall appoint the chairman and the chief executive officer and define and approve the functions and responsibilities of the chairman and the chief executive officer in line with paragraph 7 of this Direction.	Complied with. The roles of the Chairman and Chief Executive Officer are separate. The Chairman is a Non Executive Director and the Chief Executive Officer functions as the apex executive-in-charge of the day-to-day management of the Company. Furthermore, the functions and responsibilities of the Chairman and Chief Executive Officer are in line with the terms of paragraph 7 of the said Direction. However, properly defined and approved terms in respect of same is yet to be formalised.

Corporate Governance *contd.*

Section I *contd.*

Relevant paragraph number in the direction	Matter	Compliance
2 (3)	There shall be a procedure determined by the Board to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the relevant establishment's expense. The Board shall resolve to provide separate independent professional advice to directors to assist the relevant director(s) to discharge the duties to the relevant establishment.	Complied with. The Directors are entitled to seek professional advice as and when necessary and the same is coordinated by the Company Secretary and any expenses in that regard is borne by the Company. The Company is in the process of implementing a procedure for the directors on seeking such independent professional advice.
2 (4)	A director shall abstain from voting on any Board resolution in relation to a matter in which he or any of his relatives or a concern, in which he has substantial interest, is interested, and he shall not be counted in the quorum for the relevant agenda item at the Board meeting.	The Directors where necessary have made every effort to ensure that they abstain from voting on any matter that may be regarded as them being interested in that particular matter.
2 (5)	The Board shall have a formal schedule of matters specifically reserved to it for decision to ensure that the direction and control of the relevant establishment is firmly under its authority.	Complied with.
2 (6)	The Board shall, if it considers that the relevant establishment is, or is likely to be, unable to meet its obligations or is about to become insolvent or is about to suspend payments due to lenders and other creditors, forthwith inform the Director of the Department of Supervision of Non-Bank Financial Institutions of the situation of the relevant establishment prior to taking any decision or action.	The Company has not faced such a situation. The Company on a regular basis reports to the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka on the liquidity position of the Company.
2 (7)	The Board shall include in the relevant establishment's Annual Report, an annual corporate governance report setting out the compliance with this Direction.	This Report serves the said requirement.
2 (8)	The Board shall adopt a scheme of self-assessment to be undertaken by each director annually, and maintain records of such assessments.	Complied with.
2. Board Meetings		
3 (1)	The Board shall meet at least twelve times a financial year at approximately monthly intervals. Obtaining the Board's consent through the circulation of written or electronic resolutions/papers shall be avoided as far as possible.	Complied with.
3 (2)	The Board shall ensure that arrangements are in place to enable all directors to include matters and proposals in the agenda for regular Board meetings where such matters and proposals relate to the promotion of business and the management of risks of the relevant establishment.	Complied with The Company Secretary facilitates any requests made by the Directors at the meetings or otherwise and ensures that the said matters and proposals are included in the agenda for the next meeting.
3 (3)	A notice of at least 7 days shall be given of a regular Board meeting to provide all directors an opportunity to attend. For other Board meetings, a reasonable notice shall be given.	Complied with.
3 (4)	A director who has not attended at least two-thirds of the meetings in the period of 12 months immediately preceding or has not attended the immediately preceding three consecutive meetings held, shall cease to be a director. Provided that participation at the directors' meetings through an alternate director shall, however, be acceptable as attendance.	Such an instance has not arisen in the Company however relevant provision for same is included in the Articles of Association of the Company.
3 (5)	The Board shall appoint a company secretary whose primary responsibilities shall be to handle the secretarial services to the Board and shareholder meetings and to carry out other functions specified in the statutes and other regulations.	Complied with. An Attorney-at-Law with adequate experience functions as the Secretary to the Board.

Relevant paragraph number in the direction	Matter	Compliance
3 (6)	If the chairman has delegated to the company secretary the function of preparing the agenda for a Board meeting, the company secretary shall be responsible for carrying out such function.	Complied with. The Chairman has delegated the function of preparing the Agenda to the Company Secretary. The Company Secretary ensures the preparation of the Agenda and circulation of Board Papers prior to meetings of the Board of Directors.
3 (7)	All directors shall have access to advice and services of the company secretary with a view to ensuring that Board procedures and all applicable laws, directions, rules and regulations are followed.	Complied with. All of the Directors have access to seek the advice of the Company Secretary. However, a detailed procedure on seeking such advice is in the process of being developed.
3 (8)	The company secretary shall maintain the minutes of Board meetings and such minutes shall be open for inspection at any reasonable time, on reasonable notice by any director.	Complied with. The Company Secretary maintains the minutes of the Board meetings in sufficient detail are readily available for inspection.
3 (9)	Minutes of Board meetings shall be recorded in sufficient detail so that it is possible to gather from the minutes, as to whether the Board acted with due care and prudence in performing its duties. The minutes of a Board meeting shall clearly contain or refer to the following: (a) a summary of data and information used by the Board in its deliberations; (b) the matters considered by the Board; (c) the fact-finding discussions and the issues of contention or dissent which may illustrate whether the Board was carrying out its duties with due care and prudence; (d) the explanations and confirmations of relevant executives which indicate compliance with the Board's strategies and policies and adherence to relevant laws and regulations; (e) the Board's knowledge and understanding of the risks to which the relevant establishment is exposed and an overview of the risk management measures adopted; and (f) the decisions and Board resolutions.	Complied with. The Company Secretary records the proceedings of the Board meetings and the decisions taken thereon in sufficient detail.
3. Composition of the Board		
4 (1)	Subject to the transitional provisions contained herein, the number of directors on the Board shall not be less than 5 and not more than 9.	Complied with. The Board consists of 6 Directors.
4 (2)	Subject to paragraph 5 (1) and the transitional provisions contained herein, the total period of service of a director other than a director who holds the position of chief executive officer or executive director shall not exceed nine years. The total period in office of a non executive director shall be inclusive of the total period of service served by such director up to the date of this Direction.	Complied with.
4 (3)	Subject to the transitional provisions contained herein, an employee of a relevant establishment may be appointed, elected or nominated as a director of the relevant establishment (hereinafter referred to as an "executive director") provided that the number of executive directors shall not exceed one-half of the number of directors of the Board. In such an event, one of the executive directors shall be the chief executive officer of the company.	Not Applicable. The Company does not have any Executive Directors.

Corporate Governance *contd.*

Section I *contd.*

Relevant paragraph number in the direction	Matter	Compliance
4 (4)	<p>Commencing 01.01.2013, the number of independent non-executive directors of the Board shall be at least one fourth of the total numbers of directors.</p> <p>A non-executive director shall not be considered independent if such director:</p> <ul style="list-style-type: none"> (a) has shares exceeding 2% of the paid up capital of the relevant establishment or 10% of the paid up capital of another relevant establishment; (b) has or had during the period of two years immediately preceding his appointment as director, any business transactions with the relevant establishment as described in paragraph 9 hereof, aggregate value outstanding of which at any particular time exceeds 10% of the capital funds of the relevant establishment as shown in its last audited balance sheet; (c) has been employed by the relevant establishment during the two year period immediately preceding the appointment as director; (d) has a relative, who is a director or chief executive officer or a key management personnel or holds shares exceeding 10% of the paid up capital of the relevant establishment or exceeding 12.5% of the paid up capital of another relevant establishment; (e) represents a shareholder, debtor, or such other similar stakeholder of the relevant establishment; (f) is an employee or a director or has a share holding of 10% or more of the paid up capital in a company or business organization: <ul style="list-style-type: none"> i. which has a transaction with the relevant establishment as defined in paragraph 9, aggregate value outstanding of which at any particular time exceeds 10% of the capital funds as shown in its last audited balance sheet of the relevant establishment; or ii. in which any of the other directors of the relevant establishment is employed or is a director or holds shares exceeding 10% of the capital funds as shown in its last audited balance sheet of the relevant establishment ; or iii. in which any of the other directors of the relevant establishment has a transaction as defined in paragraph 9, aggregate value outstanding of which at any particular time exceeds 10% of the capital funds, as shown in its last audited balance sheet of the relevant establishment. 	<p>Complied with.</p> <p>The Company has two Independent Non Executive Directors which constitutes one fourth of the total number of Directors.</p>
4 (5)	<p>In the event an alternate director is appointed to represent an independent non-executive director, the person so appointed shall also meet the criteria that apply to the independent non-executive director.</p>	<p>No such situation has arisen so far.</p>
4 (6)	<p>Non-executive directors shall have necessary skills and experience to bring an objective judgment to bear on issues of strategy, performance and resources.</p>	<p>Complied with. A Brief profile of each Director is disclosed in the Annual Report.</p>
4 (7)	<p>Commencing 01.01.2013, a meeting of the Board shall not be duly constituted, although the number of directors required to constitute the quorum at such meeting is present, unless at least one third of the number of directors that constitute the quorum at such meeting are non-executive directors.</p>	<p>Complied with in advance. The Board is comprised only of Non Executive Directors.</p>

Relevant paragraph number in the direction	Matter	Compliance
4 (8)	The independent non-executive directors shall be expressly identified as such in all corporate communications that disclose the names of directors of the relevant establishment. The relevant establishment shall disclose the composition of the Board, by category of directors, including the names of the chairman, executive directors, non-executive directors and independent non-executive directors in the annual corporate governance report which shall be an integral part of its Annual Report.	Complied with.
4 (9)	There shall be a formal, considered and transparent procedure for the appointment of new directors to the Board. There shall also be procedures in place for the orderly succession of appointments to the Board.	Appointment of Directors takes place in terms of the Articles of Association of the Company and the regulations applicable to the business of the Company. However, a procedure for the same is in the process of being developed.
4 (10)	All directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after their appointment.	Not Applicable.
4 (11)	If a director resigns or is removed from office, the Board shall announce to the shareholders and notify the Director of the Department of Supervision of Non-Bank Financial Institutions regarding the resignation of the director or removal and the reasons for such resignation or removal, including but not limited to information relating to the relevant director's disagreement with the Board, if any.	All resignations have been duly communicated to the shareholders and Director of the Department of Supervision of Non Bank Financial Institutions.
4. Criteria to assess the fitness and propriety of directors		
5 (1)	Subject to the transitional provisions contained herein, a person over the age of 70 years shall not serve as a director of a relevant establishment.	Complied with. The Board does not consist of any Directors over the age of 70 years.
5 (2)	A director of a relevant establishment shall not hold office as a director or any other equivalent position in more than 20 companies/societies/bodies corporate, including associate companies and subsidiaries of the relevant establishment. Provided that such director shall not hold office of a director or any other equivalent position in more than 10 companies that are classified as Specified Business Entities in terms of the Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995.	Complied with.
5. Management functions delegated by the board		
6 (1)	The Board shall not delegate any matters to a board committee, chief executive officer, executive directors or key management personnel, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.	Complied with. The delegation of any matters to a board committee, the chief executive officer or key management personnel is duly approved by the Board.
6 (2)	The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the relevant establishment.	Complied with.
6. The chairman and chief executive officer		
7 (1)	The roles of chairman and chief executive officer shall be separated and shall not be performed by the one and the same person after three years commencing from January 01, 2010.	Complied with. The roles of the Chairman and Chief Executive Officer are separate. The Chairman is a Non Executive Director and the Chief Executive Officer functions as the apex executive-in-charge of the day-to-day management of the Company.

Corporate Governance *contd.*

Section I *contd.*

Relevant paragraph number in the direction	Matter	Compliance
7 (2)	The chairman shall be a non-executive director. In the case where the chairman is not an independent non-executive director, the Board shall designate an independent non-executive director as the Senior Director with suitably documented terms of reference to ensure a greater independent element. The designation of the Senior Director shall be disclosed in the relevant establishment's Annual Report.	The Chairman is a Non Independent Non Executive Director. The Company is in the process of designating an Independent Non Executive Director as a Senior Director and documenting the terms of reference. However all decisions of the Board are made with the concurrence and consultation of the two Independent Non Executive Directors.
7 (3)	The Board shall disclose in its corporate governance report, which shall be an integral part of its Annual Report, the name of the chairman and the chief executive officer and the nature of any relationship [including financial, business, family or other material/relevant relationship(s)], if any, between the chairman and the chief executive officer and the relationships among members of the Board.	Complied with. The name of the Chairman and the Chief Executive Officer are disclosed in the Annual Report. The nature of any financial, business, family or other material/relevant relationship between the Chairman and the Chief Executive Officer or other members of the Board have been duly disclose in the Annual Report.
7 (4)	The chairman shall: (a) provide leadership to the Board; (b) ensure that the Board works effectively and discharges its responsibilities; and (c) ensure that all key issues are discussed by the Board in a timely manner.	Complied with.
7 (5)	The chairman shall be primarily responsible for the preparation of the agenda for each Board meeting. The chairman may delegate the function of preparing the agenda to the company secretary.	The Chairman has delegated the said function to the Company Secretary.
7 (6)	The chairman shall ensure that all directors are informed adequately and in a timely manner of the issues arising at each Board meeting.	Complied with.
7 (7)	The chairman shall encourage each director to make a full and active contribution to the Board's affairs and take the lead to ensure that the Board acts in the best interests of the relevant establishment.	Complied with.
7 (8)	The chairman shall facilitate the effective contribution of non-executive directors in particular and ensure constructive relationships between executive and non-executive directors.	Complied with.
7 (9)	The chairman, shall not engage in activities involving direct supervision of key management personnel or any other executive duties whatsoever.	Complied with.
7 (10)	The chairman shall ensure that appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board.	Complied with. Shareholders are given an opportunity to communicate with the Company at the Annual General Meeting.
7 (11)	The chief executive officer shall function as the apex executive-in-charge of the day-to-day-management of the relevant establishment's operations and business..	Complied with.
7. Board Appointed Committees		
8 (1)	Appointment of Audit Committee and Integrated Risk Management Committee. Present a Report on the performance of the Audit Committee and the Integrated Risk Management Committee, duties and functions of each committee at the Annual General Meeting.	Complied with A Report on the performance of the Audit Committee and the Integrated Risk Management Committee is contained in this Annual Report.

Relevant paragraph number in the direction		Matter	Compliance
8	(2)	Rules applicable to Audit Committee	
	(a)	The chairman of the committee shall be a non-executive director who possesses qualifications and experience in accountancy and/or audit.	Complied with. Chairman is a Non Executive Director who is a member of the Institute of Internal Auditors.
	(b)	The majority of Board members appointed to the committee shall be non-executive directors.	Complied with.
	(c)	The committee shall make recommendations on matters in connection with: <ul style="list-style-type: none"> (i) the appointment of the external auditor for audit services to be provided in compliance with the relevant statutes; (ii) the implementation of the Central Bank guidelines issued to external auditors from time to time; (iii) the application of the relevant accounting standards; and (iv) the service period, audit fee and any resignation or dismissal of the external auditor, provided that the engagement of an audit partner shall not exceed five years, and that the particular audit partner is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term. 	Complied with.
	(d)	The committee shall review and monitor the external auditor's independence and objectivity and the effectiveness of the audit processes in accordance with applicable standards and best practices.	Complied with.
	(e)	The committee shall develop and implement a policy with the approval of the Board on the engagement of an external auditor to provide non-audit services that are permitted under the relevant statutes, regulations, requirements and guidelines. In doing so, the committee shall ensure that the provision by an external auditor of non-audit services does not impair the external auditor's independence or objectivity. When assessing the external auditor's independence or objectivity in relation to the provision of non-audit services, the committee shall consider: <ul style="list-style-type: none"> (i) whether the skills and experience of the auditor make it a suitable provider of the non-audit services; (ii) whether there are safeguards in place to ensure that there is no threat to the objectivity and/or independence in the conduct of the audit resulting from the provision of such services by the external auditor; and (iii) whether the nature of the non-audit services, the related fee levels and the fee levels individually and in aggregate relative to the auditor, pose any threat to the objectivity and/or independence of the external auditor. 	The Company is in the process of implementing a policy on the engagement of an external auditor to provide non-audit services.
	(f)	The committee shall, before the audit commences, discuss and finalise with the external auditors the nature and scope of the audit, including: <ul style="list-style-type: none"> (i) an assessment of the relevant establishment's compliance with Directions issued under the Act and the management's internal controls over financial reporting; (ii) the preparation of financial statements in accordance with relevant accounting principles and reporting obligations; and (iii) the co-ordination between auditors where more than one auditor is involved. 	The Committee discussed the nature and scope of the external audit and noted the requirement of discussing the same with the external auditors.

Corporate Governance *contd.*

Section I *contd.*

Relevant paragraph number in the direction	Matter	Compliance
	(g) The committee shall review the financial information of the relevant establishment, in order to monitor the integrity of the financial statements of the relevant establishment, its Annual Report, accounts and periodical reports prepared for disclosure, and the significant financial reporting judgments contained therein. In reviewing the relevant establishment's Annual Report and accounts and periodical reports before submission to the Board, the committee shall focus particularly on: <ul style="list-style-type: none"> (i) major judgmental areas; (ii) any changes in accounting policies and practices; (iii) significant adjustments arising from the audit; (iv) the going concern assumption; and (v) the compliance with relevant accounting standards and other legal requirements. 	Complied with.
	(h) The committee shall discuss issues, problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss including those matters that may need to be discussed in the absence of key management personnel, if necessary.	Noted for compliance.
	(i) The committee shall review the external auditor's management letter and the management's response thereto.	Complied with.
	(j) The committee shall take the following steps with regard to the internal audit function of the relevant establishment: <ul style="list-style-type: none"> (i) Review the adequacy of the scope, functions and resources of the internal audit department, and satisfy itself that the department has the necessary authority to carry out its work; (ii) Review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit department; (iii) Review any appraisal or assessment of the performance of the head and senior staff members of the internal audit department; (iv) Recommend any appointment or termination of the head, senior staff members and outsourced service providers to the internal audit function; (v) Ensure that the committee is apprised of resignations of senior staff members of the internal audit department including the chief internal auditor and any outsourced service providers, and to provide an opportunity to the resigning senior staff members and outsourced service providers to submit reasons for resigning; (vi) Ensure that the internal audit function is independent of the activities, it audits and that it is performed with impartiality, proficiency and due professional care; 	Complied with.
	(k) The committee shall consider the major findings of internal investigations and management's responses thereto;	Complied with.
	(l) The Chief Finance Officer, the Chief Internal Auditor and a representative of the external auditors may normally attend meetings. Other Board members and the Chief Executive Officer may also attend meetings upon the invitation of the committee. However, at least once in six months, the committee shall meet with the external auditors without the executive directors being present.	The committee met with external auditors once in the financial year under review.

Relevant paragraph number in the direction	Matter	Compliance
	(m) The committee shall have: (i) explicit authority to investigate into any matter within its terms of reference; (ii) the resources which it needs to do so; (iii) full access to information; and (iv) authority to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary.	Complied with.
	(n) The committee shall meet regularly, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.	The Committee met 4 times during the year under review.
	(o) The Board shall, in the Annual Report, disclose in an informative way: (i) details of the activities of the audit committee; (ii) the number of audit committee meetings held in the year; and (iii) details of attendance of each individual member at such meetings.	Complied with.
	(p) The secretary to the committee (who may be the company secretary or the head of the internal audit function) shall record and keep detailed minutes of the committee meetings.	Complied with.
	(q) The committee shall review arrangements by which employees of the relevant establishment may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. Accordingly, the committee shall ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action and to act as the key representative body for overseeing the relevant establishment's relations with the external auditor.	The Committee has in place a procedure by which employees of the Company may raise concerns. The Company is in the process of formulating a Whistle Blower policy in this regard.
8	(3) Rules applicable to Integrated Risk Management Committee.	
	(a) The committee shall consist of at least one non-executive director, Chief Executive Officer and key management personnel supervising broad risk categories, (i.e., credit, market, liquidity, operational and strategic risks). The committee shall work with key management personnel closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the committee.	Complied with.
	(b) The committee shall assess all risks, i.e., credit, market, liquidity, operational and strategic risks to the relevant establishment on a monthly basis through appropriate risk indicators and management information. In the case of subsidiary companies and associate companies, risk management shall be done, both on the relevant establishment basis and group basis.	Complied with.
	(c) The committee shall review the adequacy and effectiveness of all management level committees such as the credit committee and the asset-liability committee to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the committee.	Complied with.
	(d) The committee shall take prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by the committee on the basis of the relevant establishment's policies and regulatory and supervisory requirements.	Complied with.
	(e) The committee shall, at least quarterly, assess all aspects of risk management including updated business continuity plans.	Complied with.
	(f) The committee shall 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.	No such situation has arisen so far.

Corporate Governance *contd.*

Section I *contd.*

Relevant paragraph number in the direction	Matter	Compliance
	(g) The committee shall submit a risk assessment report within a week of each meeting to the Board seeking the Board's views, concurrence and/or specific directions.	Complied with.
	(h) The committee shall establish a compliance function to assess the relevant establishment's compliance with laws, regulations, directions, rules, regulatory guidelines, internal controls and approved policies on all areas of business operations. A dedicated compliance officer selected from key management personnel shall carry out the compliance function and report to the committee periodically.	Complied with.
8. Related party transactions		
9	(2) The Board shall take necessary steps to avoid any conflicts of interest that may arise from any transaction of the relevant establishment with any person, and particularly with the following categories of persons who shall be considered as "related parties" for the purposes of this Direction: (a) A subsidiary of the relevant establishment; (b) Any associate company of the relevant establishment; (c) A director of the relevant establishment; (d) A key management personnel of the relevant establishment; (e) A relative of a director or a key management personnel of the relevant establishment; (f) A shareholder who owns shares exceeding 10% of the paid up capital of the relevant establishment; (g) A concern in which a director of the relevant establishment or a relative of a director or a shareholder who owns shares exceeding 10% of the paid up capital of the relevant establishment, has substantial interest.	The policies and procedures in relation to Related Party Transactions have been improved in the current year and the Company endeavors to continue to review and strengthen the same on an ongoing basis.
9	(3) The transactions with a related party that are covered in this Direction shall be the following: (a) Granting accommodation, (b) Creating liabilities to the relevant establishment in the form of borrowings and investments, (c) providing financial or non-financial services to the relevant establishment or obtaining those services from the relevant establishment, (d) creating or maintaining reporting lines and information flows between the relevant establishment and any related party which may lead to share proprietary, confidential or otherwise sensitive information that may give benefits to such related party.	Same as above.

Relevant paragraph number in the direction		Matter	Compliance
9	(4)	<p>The Board shall ensure that the relevant establishment does not engage in transactions with a related party in a manner that would grant such party "more favourable treatment" than that is accorded to an unrelated comparable counterparty of the relevant establishment. For the purpose of this paragraph, "more favourable treatment" shall mean:</p> <p>(a) Granting of "total net accommodation" to a related party, exceeding a prudent percentage of the relevant establishment's regulatory capital, as determined by the Board.</p> <p>The "total net accommodation" shall be computed by deducting from the total accommodation, the cash collateral and investments made by such related party in the relevant establishment's share capital and debt instruments with a remaining maturity of 5 years.</p> <p>(b) Charging a rate of interest lower than the relevant establishment's best lending rate or paying a rate of interest exceeding the rate paid for a comparable transaction with an unrelated comparable counterparty;</p> <p>(c) Providing preferential treatment, such as favourable terms, covering trade losses and/or waiving fees/commissions, that extends beyond the terms granted in the normal course of business with unrelated parties;</p> <p>(d) Providing or obtaining services to or from a related-party without a proper evaluation procedure;</p> <p>(e) Maintaining reporting lines and information flows between the relevant establishment and any related party which may lead to share proprietary, confidential or otherwise sensitive information that may give benefits to such related party, except as required for the performance of legitimate duties and functions.</p>	Same as above.
9. Disclosures			
10	(1)	The Board shall ensure that annual audited financial statements and periodical financial statements are prepared and published in accordance with the requirements of the regulatory and supervisory authorities and applicable accounting standards.	<p>Complied with.</p> <p>A copy of the Annual Report including therein the annual audited financial statements is circulated amongst the shareholders. Furthermore Interim Financial Statements are sent to the Colombo Stock Exchange for dissemination to the public.</p>
10	(2)	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 with.
	(b)	A report by the Board on the relevant establishment's internal control mechanism that confirms 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 with.
	(c)	The external auditor's certification on the effectiveness of the internal control mechanism in respect of any statements prepared or published after 01 January 2011.	Complied with.

Corporate Governance *contd.*

Section I *contd.*

Relevant paragraph number in the direction	Matter	Compliance
	(d) Details of directors, including names, transactions with the relevant establishment.	Complied with.
	(e) Fees/remuneration paid by the relevant establishment to the directors in aggregate, in the Annual Reports published after January 01, 2011.	Complied with.
	(f) Total net accommodation as defined in paragraph 9(7) 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 capital funds of the relevant establishment.	Complied with.
	(g) The aggregate values of remuneration paid by the relevant establishment to its key management personnel and the aggregate values of the transactions of the relevant establishment with its key management personnel during the financial year, set out by broad categories such as remuneration paid, accommodation granted and borrowing through debt instruments or investments made in the relevant establishment.	Complied with.
	(h) A report setting out the details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any non-compliance.	Complied with.
	(i) The external auditor's certification of the compliance with the Act and directions issued by the Director of Department of Supervision of Non-Bank Financial Institutions in the annual corporate governance reports published after January 01, 2012.	Certification has been obtained in respect of compliance with the Finance Leasing (Corporate Governance) Direction No. 4 of 2009.
10. Transitional provisions		
11	(1) If the number of directors on the Board of a relevant establishment is either less than 5 or exceed 9, such relevant establishment shall comply with paragraph 4(1) hereof, within three years from 01.01.2010.	Complied with.
	(2) If the number of executive directors in a relevant establishment is more than one half of the number of directors of the Board, the Board shall expressly identify the excess executive directors and inform the names of such excess executive directors to the Director of the Department of Supervision of Non-Bank Financial Institutions within three months from 01.01.2010. On the expiry of three years commencing 01.01.2010, such excess executive directors shall not be considered as members of the Board.	Not Applicable. The Board does not comprise of any Executive Directors.
	(3) The following transitional provision shall apply to the 9-year retirement requirement imposed under paragraph 4(2) of this Direction: A director who has completed nine years as at January 01, 2010 or who completes such term at any time prior to December 31, 2010, may continue for a further maximum period of 3 years commencing January 01, 2010.	Not Applicable. The Board does not comprise of any Directors who have served more than 9 years.
	(4) The following transitional provision shall apply to the maximum age limit imposed under paragraph 5(1) of this Direction: A director who has reached the age of 70 years as at January 01, 2010 or who would reach the age of 70 years prior to December 31, 2010, may continue in office for a further maximum period of three years commencing January 01, 2010.	Not Applicable. The Board does not comprise of any Directors who has reached the age of 70 years as at January 01, 2010 or who would reach the age of 70 years prior to December 31, 2010.

Relevant paragraph number in the direction	Matter	Compliance
(5)	<p>The following transitional provision shall apply to the maximum 20 company directorship limitation imposed under paragraph 5(2) of this Direction:</p> <p>If any person holds posts of director in excess of the limitation given in paragraph 5(2), such person shall within a period of three years from January 01, 2010, comply with the limitation and notify the Director of the Department of Supervision of Non-Bank Financial Institutions accordingly.</p>	<p>Not Applicable.</p> <p>The Board does not comprise of any Directors who holds posts of Director in excess of the limitation given in paragraph 5(2) of the said Direction.</p>
(6)	<p>If the Director of the Department of Supervision of Non-Bank Financial Institutions considers that exemptions referred to in sub-paragraphs 11(3), 11(4) and 11(5) should not be availed of for a person for any reason such as ill health or legal or personal incapacity of such person, such reason may be notified to such person by the Director of the Department of Supervision of Non-Bank Financial Institutions, and after a hearing, the Director of the Department of Supervision of Non-Bank Financial Institutions may limit the period of exemption.</p>	<p>Not Applicable.</p>

Corporate Governance *contd.*

Section II

Adherence with the Code of Best Practice on Corporate Governance issued jointly by the ICASL and the SEC and the Listing Rules of the CSE is tabulated below.

Principle	Reference to the Code of Best Practice issued by ICASL & SEC	Reference to Section 7.10 of the Listing Rules of the CSE	Details of Compliance
Board of Directors			
The Board should direct, lead and control the Company	A.1	-	Refer 2.(1) & 2.(5) on pages 32, 33 and 34 of Section I.
Board Meetings			
Frequency of Board meetings and Directors' attendance at Board Meetings	A.1.1	-	Refer 3.(1) & 3.(4) on page 34 of Section I. The number of meetings held and attendance of each Director at these meetings is presented on page 56 of this Annual Report.
Board Responsibilities			
Formulation and implementation of a sound strategy	A.1.2	-	Refer 2.(1)(a) & 2.(1) (b) on page 32 of Section I.
Competency of the CEO and the Senior Managers to implement the Company strategy	A.1.2	-	The CEO and the Senior Management team possesses extensive knowledge and skill with widespread experience in the industry in which the Company operates. The profiles of the CEO and the Senior Management are presented on pages 22 to 25 of this Annual Report.
Adoption of an effective CEO and Senior Management succession plan	A.1.2	-	Refer 2.(1)(j) on page 33 of Section I.
Effective systems to secure integrity of information, internal controls and risk management	A.1.2	-	Refer 2.(1)(c) & 2.(1)(e) on page 32 of Section I and Audit Committee Report on pages 116 to 117 and Enterprise Risk Management Committee Report on pages 118 to 119 of this Annual Report.
Compliance with laws, regulations and ethical standards	A.1.2	-	Refer 2.(1)(l) on page 33 of Section I. The Company's Code of Business Conduct and Ethics is presented on page 56 and 57 of this Annual Report.
Consideration of stakeholder interests in corporate decision making	A.1.2	-	Refer 2.(1)(d) on page 32 of Section I.
Adoption of appropriate Accounting policies and Fostering compliance with financial regulations	A.1.2	-	Refer 10.(1) on page 43 of Section I.
Fulfilling the other board Functions relevant to the organisation	A.1.2	-	Refer 2.(1)(i) on page 33 of Section I.
Act in accordance with the laws and regulations relevant to the organisation and procedures to obtain independent advice	A.1.3	-	Refer 2.(1)(l) & 2.(3) on pages 33 and 34 of Section I.
Access to the Company Secretary and functions of the Company Secretary	A.1.4	-	Refer 3.(5), 3.(6), 3.(7), 3.(8) & 3.(9) on pages 34 and 35 of Section I.
Independent judgment to bear on issues of strategy, performance, resources and standards of business conduct	A.1.5	-	The Board ensures effective evaluation of matters taken up for discussion ensuring correct decisions are made for the benefit of the Company. The independent judgment of each Director is preserved on issues of strategy, performance, resources and standards of business conduct.

Principle	Reference to the Code of Best Practice issued by ICASL & SEC	Reference to Section 7.10 of the Listing Rules of the CSE	Details of Compliance
Dedication of adequate time and effort for the matters of the Board and the Company	A.1.6	-	The number of meetings held and attended by each Director is presented on page 56 of this Annual Report. In addition, the Directors function as members of the Board Sub-Committees. Attendance of Directors at sub-committee meetings is presented on pages 56, 116 and 118 of this Annual Report.
Training for Directors	A.1.7	-	The Chairman is responsible to ensure that the Directors possess sound knowledge to carry out their duties in an effective manner. Further, the Directors have recognised the need for continuous training and expansion of knowledge and take part in such professional development as they consider in assisting them to fulfill their duties as Directors. Learning environment of the Company facilitates the Directors to enhance their knowledge on the leasing industry, general economic conditions, market developments and trends etc and where necessary the Directors have attended workshops and seminars that have been organized internally as well as externally.
Chairman and CEO	A.2 A.2.1	-	Refer 2.(2), 7.(2) & 7.(3) on pages 33 and 38 of Section I. The profiles of the Chairman and CEO are set out on pages 18 and 22 of this Annual Report.
Chairman's Role	A.3	-	Refer 7.(4) on page 38 of Section I.
Key responsibilities of Chairman	A.3.1	-	Refer 7.(5), 7.(6), 7.(7), 7.(8) & 2.(1)(k) on pages 33 and 38 of Section I.
Financial Acumen			
Availability of sufficient financial acumen and knowledge	A.4	-	The Board is comprised of two MBA holders, two degree holders and a professionally qualified accountant who are specialised in banking and finance. All members have a broad knowledge of the financial services industry. The Directors' financial acumen and knowledge is more-fully described under the Directors' Profile on pages 18 to 21 of this Annual Report.
Board Composition			
Board Composition	A.5	7.10.1 (a)	The composition of the Board by category including their names is set out on page 112 of this Annual Report.
Balance of Executive and Non-Executive Directors	A.5.1	7.10.1 (a)	Refer 4.(3) on page 35 of Section I.
Independent Directors	A.5.2, A.5.3, A.5.5	7.10.2 7.10.3 (a) 7.10.3 (b)	Refer 4.(4) on page 36 of Section I.
Submission of annual declaration of independence	A.5.4	-	All Non-Executive Directors have submitted a signed and dated declaration on his/ her Independency or Non-Independency.
Requirement to appointment Senior Independent Director	A.5.6, A.5.7	-	Refer 4.(5) on page 36 of Section I.

Corporate Governance *contd.*

Section II *contd.*

Principle	Reference to the Code of Best Practice issued by ICASL & SEC	Reference to Section 7.10 of the Listing Rules of the CSE	Details of Compliance
Meetings to be held with Non-Executive Directors only	A.5.8	-	At present, all the Directors are Non-Executive Directors.
Unresolved matters	A.5.9	-	The Directors' concerns pertaining to unresolved matters are discussed and recorded in the Board minutes and further discussions on these matters are pursued at the next Board meeting with a view to resolving them.
Supply of Information			
Management obligation for providing information in a timely manner	A.6.1	-	The Chairman ensures that all the Directors are adequately briefed on issues arising at Board meetings. Comprehensive information is essential for the decision making process at the Company. Therefore, the Senior Management provides accurate, timely, relevant and comprehensive financial and non-financial information to the Board to facilitate the decision making process. Further, the Directors are free to make inquiries for additional information where necessary.
Adequate time for effective Board meetings	A.6.2	-	Refer 3.(3) on page 34 of Section I.
Appointment to the Board			
Appointment of new Directors to the Board	A.7	-	Board performance is assessed to ensure that the experience and the exposure of the Board members are adequate to meet the strategic demands faced by the Company. The findings of the appraisals will be taken in to consideration in the appointment of new Directors.
Requirement of a Nomination Committee	A.7.1, A.7.2	-	The Company has not appointed a Nomination Committee as at the date of the Balance Sheet. However, as stated above, the performance of the Board is assessed to ensure that the Board is comprised of adequate resource persons to identify the needs of the Company.
Disclosure of profile of the newly appointed Director	A.7.3	7.10.3 (d)	Prior notice on the appointment of two new Directors during the financial year was given to the Director of Non-Bank Supervision of the Central Bank of Sri Lanka. A brief resume of newly appointed Directors including the nature of his/ her experience, the name of companies in which the Director holds directorships etc. are disclosed on pages 18 to 21 in the Directors profile of this Annual Report. There was no requirement to provide a brief resume of newly appointed Directors to the CSE for dissemination to the public as the Company was not listed on the Colombo Stock Exchange at the time of their appointments.
Appraisal of Board Performance and Functions			
Board Appraisal	A.9 A.9.1, A.9.2, A.9.3	-	Refer 2.(8) on page 34 of Section I.

Principle	Reference to the Code of Best Practice issued by ICASL & SEC	Reference to Section 7.10 of the Listing Rules of the CSE	Details of Compliance
Disclosure of Directors' Information			
Information in relation to each Director	A.10, A.10.1	7.10.3 (c)	<p>The profiles of all Board members are presented on pages 18 to 21 of this Annual Report.</p> <p>Related party transactions are presented on pages 154 and 155 of this Annual Report.</p> <p>Attendance of Directors at Board meetings is presented on page 56 of this Annual Report.</p> <p>Attendance of Directors at Committee meetings is presented on pages 56, 116 and 118 of this Annual Report.</p>
Appraisal of CEO			
Assessing the performance of the CEO	A.11	-	The Board assesses the performance of the CEO on an annual basis. The Board sets financial and non-financial goals and objectives for the CEO in line with the short, medium and long term goals of the Company and delegates appropriate authority to the Management to implement strategic objectives of the Company. The CEO is entrusted with the management of the Company's operations with decision making authority and he is fully accountable to the Board. The main corporate goals and objectives emanating from the Company's Corporate Plan and the Budget are incorporated as personal goals of the CEO, whose performance is assessed by the Chairman regularly and the assessment is ratified by the Board.
Finance and non financial targets for CEO	A.11.1	-	At the commencement of every financial period, the Board in consultation with the CEO, sets the targets and objectives that should be achieved by the CEO during the year.
Evaluation of performance of the CEO	A.11.2	-	The performance of the CEO is evaluated by the Board at the end of each financial year by comparing with the targets set and objectives, as stated above.
Directors' Remuneration and Remuneration Committee			
Directors' Remuneration	B.1	-	No Director is involved in deciding his own Remuneration.
Remuneration Committee and determining remuneration of the Directors	B.1.1, B.1.2, B.1.3, B.1.4, B.1.5	7.10.5	The remuneration of the Directors is determined by the Board of Directors.
The Level and Make up of Remuneration			
Level of Remuneration and Executive Share Options	B.2, B.2.1, B.2.2, B.2.3, B.2.4, B.2.5, B.2.6, B.2.7, B.2.8, B.2.9	-	<p>Remuneration of Directors is decided by the Board of Directors.</p> <p>The Company does not have any Executive Share option in place.</p>
Disclosure of Remuneration			
Disclosure of remuneration	B.3, B.3.1	7.10.5 (c)	The Directors' fees and remuneration are disclosed on pages 56 and 112 of this Annual Report.

Corporate Governance *contd.*

Section II *contd.*

Principle	Reference to the Code of Best Practice issued by ICASL & SEC	Reference to Section 7.10 of the Listing Rules of the CSE	Details of Compliance
Relations with Shareholders			
Constructive use of AGM and conduct of General Meetings	C.1	-	The Board uses Annual General Meetings (AGM) to communicate with shareholders and encourage their active participation. In this regard, all shareholders of the Company receive the notice of meeting within the statutory due dates.
Consideration of proxy votes	C.1.1	-	As a matter of practice, proxy votes together with the votes of the shareholders present at the AGM are considered for each resolution.
Separate resolutions on each substantially separate issues	C.1.2	-	The Company proposes separate resolutions on each substantially separate issue giving shareholders the opportunity to vote on each such issue separately. The adoption of the reports and accounts is proposed as a separate resolution.
Availability of Board sub Committee Chairmen to answer queries	C.1.3	-	If requested by the Chairman, the Chairman of the Audit Committee and Enterprise Risk Management Committee are available to answer any questions at the AGM.
Circulation of notice of AGM	C.1.4	-	The notice of meeting and related documents including a copy of Annual Report, a form of proxy and other resolutions, if any are circulated to the shareholders at least 15 working days prior to the AGM in compliance with the Companies Act.
Procedures governing voting at AGM	C.1.5	-	A summary of procedure relating to voting at General Meetings is generally set out in the Notice of Meeting sent to each shareholder.
Major Transactions			
Disclosure of major transactions	C.2	-	The Company has not entered into any major transactions which require approval of the shareholders by way of a special resolution during the year under review.
Disclosure of major Transactions which change the Group composition	C.2.1	-	The Directors have not proposed any transaction involving the acquisition, sale, or disposal of any subsidiary in the Group, which would amount to a major transaction.
Accountability and Audit			
Financial Reporting	D.1	-	The Financial Statements present a balanced and understandable assessment of the Company. The Company's position, performance and prospects have been discussed in detail in the following reports; <ul style="list-style-type: none"> Chairman's Message on pages 8 to 11 of this Annual Report. CEO's Review of Operations pages on pages 12 to 17 of this Annual Report. Management Discussion and Analysis on pages 64 to 76 of this Annual Report. Financial Review on pages 77 to 85 of this Annual Report.

Principle	Reference to the Code of Best Practice issued by ICASL & SEC	Reference to Section 7.10 of the Listing Rules of the CSE	Details of Compliance												
Board responsibility in respect of financial reporting	D.1.1	-	<p>Regulatory reports which should be submitted to the Department of Inland Revenue, the Central Bank of Sri Lanka and the Colombo Stock Exchange have been submitted on due dates. In the preparation of quarterly and annual financial statements, the Company complied with the requirements of the Companies Act No. 07 of 2007, the Finance Leasing Act No. 56 of 2000 and amendments thereto and were prepared and presented in conformity with Sri Lanka Accounting Standards.</p> <p>The Board's responsibility in respect of financial reporting is stated in the Directors' Responsibility Statement on page 120 of this Annual Report.</p>												
Directors' Report	D.1.2	-	<p>Directors' declaration on the Company's governance is discussed in the Annual Report of the Board of Directors on the Affairs of the Company on pages 109 to 113 of this Annual Report.</p> <table border="1"> <thead> <tr> <th>Declaration</th> <th>Page</th> </tr> </thead> <tbody> <tr> <td>The company has not engaged in activities that contravene laws and regulations</td> <td>113</td> </tr> <tr> <td>Directors' interest in contracts with the Company</td> <td>112</td> </tr> <tr> <td>Equitable treatment to shareholders</td> <td>112</td> </tr> <tr> <td>Going concern of the business</td> <td>113</td> </tr> <tr> <td>Review of internal controls and reasonable assurance on their effectiveness</td> <td>114</td> </tr> </tbody> </table>	Declaration	Page	The company has not engaged in activities that contravene laws and regulations	113	Directors' interest in contracts with the Company	112	Equitable treatment to shareholders	112	Going concern of the business	113	Review of internal controls and reasonable assurance on their effectiveness	114
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Responsibilities of the Board and auditors for preparation of financial statements	D.1.3	-	<p>The Statement of Directors' Responsibility in preparation and presentation of financial statements are disclosed in the Statement on Directors' Responsibility on page 120 of this Annual Report.</p> <p>Auditors' responsibility over Financial Statements are set out in the Auditor's Report on page 121 of this Annual Report.</p>												

Corporate Governance *contd.*

Section II *contd.*

Principle	Reference to the Code of Best Practice issued by ICASL & SEC	Reference to Section 7.10 of the Listing Rules of the CSE	Details of Compliance																				
Management Discussion and Analysis	D.1.4	-	<p>The required information is provided in detail in the following reports:</p> <table border="1"> <thead> <tr> <th>Description</th> <th>Reference</th> </tr> </thead> <tbody> <tr> <td>Industry structure and developments</td> <td>Management Discussion and Analysis on pages 64 to 76.</td> </tr> <tr> <td>Opportunities and threats</td> <td>Management Discussion and Analysis on pages 74 to 75.</td> </tr> <tr> <td>Risks and concerns</td> <td>Enterprises Risk Management on pages 95 to 105.</td> </tr> <tr> <td>Internal control systems and their adequacy</td> <td>Enterprises Risk Management on pages 95 to 105. Board Audit Committee Report on pages 116 to 117.</td> </tr> <tr> <td>Social and environmental protection activities carried out by the Company</td> <td>Corporate Social Responsibility Report</td> </tr> <tr> <td>Branch distribution network</td> <td>Management Discussion and Analysis on pages 64 to 76.</td> </tr> <tr> <td>Financial performance</td> <td>Financial Review on pages 77 to 85.</td> </tr> <tr> <td>Material developments in human resource/ industrial relations</td> <td>Human Capital Management on pages 90 to 91 and Management Discussion and Analysis on pages 64 to 76.</td> </tr> <tr> <td>Prospects for the future</td> <td>Management Discussion and Analysis on pages 64 to 76 Chairman's Message on pages 8 to 11 CEO's Review of Operations on pages 12 to 17.</td> </tr> </tbody> </table>	Description	Reference	Industry structure and developments	Management Discussion and Analysis on pages 64 to 76.	Opportunities and threats	Management Discussion and Analysis on pages 74 to 75.	Risks and concerns	Enterprises Risk Management on pages 95 to 105.	Internal control systems and their adequacy	Enterprises Risk Management on pages 95 to 105. Board Audit Committee Report on pages 116 to 117.	Social and environmental protection activities carried out by the Company	Corporate Social Responsibility Report	Branch distribution network	Management Discussion and Analysis on pages 64 to 76.	Financial performance	Financial Review on pages 77 to 85.	Material developments in human resource/ industrial relations	Human Capital Management on pages 90 to 91 and Management Discussion and Analysis on pages 64 to 76.	Prospects for the future	Management Discussion and Analysis on pages 64 to 76 Chairman's Message on pages 8 to 11 CEO's Review of Operations on pages 12 to 17.
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Prospects for the future	Management Discussion and Analysis on pages 64 to 76 Chairman's Message on pages 8 to 11 CEO's Review of Operations on pages 12 to 17.																						
Declaration of going concern by the Directors	D.1.5	-	This information is provided in the Annual Report of the Board of Directors on the Affairs of the Company on page 113 of this Annual Report.																				
Extraordinary General Meetings in the event the net assets of the Company fall below 50% of the value of the Company's shareholders' funds	D.1.6	-	The Company has not faced such a situation during the financial year under review.																				
Internal Control																							
Implementation of sound system of internal control	D.2	-	Refer 2.(1)(e) & 10.(2)(c) on pages 32 and 43 of Section I.																				

Principle	Reference to the Code of Best Practice issued by ICASL & SEC	Reference to Section 7.10 of the Listing Rules of the CSE	Details of Compliance
Review of effectiveness of Group's system of internal control	D.2.1	-	In order to ensure an effective system of internal control within the Company, the Audit Committee with the assistance of the Management, internal auditors, external auditors and other parties review the existing system continuously and implement necessary improvements as required. The Audit Committee reviews the internal audit programmes and updates them periodically. Furthermore, the Company has obtained the External Auditor's Certificate on the effectiveness of the internal control mechanism of the Company.
Need to have an internal audit function	D.2.2	-	The Company has already identified the necessity of having an internal audit function. Consequently, the Internal Audit Department was established and it is headed by an experienced Chief Manager. The Internal Audit Department ensures that Internal Audit Reports are submitted to the Audit Committee in a timely manner.
Audit Committee			
Availability of an Audit Committee with written Terms of Reference	D.3	-	Refer 8.(1) & 8.(2) on pages 38 and 39 of Section I.
Composition of Audit Committee	D.3.1	7.10.6 (a)	Refer 8.(2)(a) & 8.(2)(b) on page 39 of Section I.
Independency and objectivity of the auditors	D.3.2	-	Refer 2.(1)(m) on page 33 of Section I.
Written Terms of Reference	D.3.3	7.10.6 (b)	This is presented in the Board Audit Committee Report on pages 116 to 117 of this Annual Report.
Name of Directors on the Audit Committee and basis of determination of independence of external auditors	D.3.4	7.10.6 (c)	The names of the Directors of the Audit Committee, its functions and meetings and the basis of determination of independence of auditors is disclosed in the Board Audit Committee Report on pages 116 to 117 of this Annual Report.
Code of Business Ethics			
Disclosure of Code of Business Conduct and Ethics	D.4	-	The Company believes that ethics are an integral part of good Corporate Governance. Therefore, it practices laid down business ethics across all sections of the Company. The Company's ethical principles are discussed on pages 56 to 57 of this Annual Report. There was no material violation of Code of Business Conduct and Ethics during the year under review.
Disclosure of Corporate Governance			
Corporate Governance Disclosure	D.5	-	The Company has complied with the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka, Finance Leasing (Corporate Governance) Direction, No. 4 of 2009 and Corporate Governance Rules for Listed Companies issued by the Colombo Stock Exchange.
Corporate Governance Report	D.5.1	-	This report from pages 30 to 59 serves this requirement.

Corporate Governance *contd.*

Section II *contd.*

Principle	Reference to the Code of Best Practice issued by ICASL & SEC	Reference to Section 7.10 of the Listing Rules of the CSE	Details of Compliance										
Institutional Investors and Shareholder Voting													
Encourage institutional Shareholders to translate their voting intentions into practice	E.1	-	All shareholders are encouraged to participate and vote at the Annual General Meeting (AGM).										
Regular and structured dialog with shareholders	E.1.1	-	AGM is used to have an effective dialogue with the shareholders. Voting of the shareholders is crucial in carrying a resolution at the AGM. The Chairman ensures that views and queries of shareholders are communicated to the Board as a whole.										
Evaluation of Governance Structure	E.2	-	The Governance Structure presented on page 30 of this Annual Report, is regularly reviewed at the Board level where the major shareholder is represented.										
Independent advice with regard to investing and divesting decisions	F.1	-	<p>The Annual Report is circulated to all shareholders in a timely manner and includes adequate information to enable the shareholders to make decisions relevant to their investment in the Company. The following reports aim at providing an overall assessment of the Company's activities and future prospects.</p> <table border="1"> <thead> <tr> <th>Description</th> <th>Reference page</th> </tr> </thead> <tbody> <tr> <td>Chairman's Message</td> <td>8 - 11</td> </tr> <tr> <td>CEO's Review of Operations</td> <td>12 - 17</td> </tr> <tr> <td>Management Discussion and analysis</td> <td>64 - 76</td> </tr> <tr> <td>Annual Financial Statements</td> <td>121 - 158</td> </tr> </tbody> </table> <p>Individual shareholders are encouraged to carry out adequate analysis or seek independent advice on investing, holding or divesting decisions.</p>	Description	Reference page	Chairman's Message	8 - 11	CEO's Review of Operations	12 - 17	Management Discussion and analysis	64 - 76	Annual Financial Statements	121 - 158
Description	Reference page												
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Annual Financial Statements	121 - 158												
Encourage individual shareholders to participate in General Meetings	F.2	-	The Company circulates the Notice of Meeting within the prescribed time thereby giving adequate time for shareholders to consider the matters to be taken up at all meetings and are encouraged to participate at such meetings.										

Section III

Compliance Report on the Contents of Annual Report in terms of the Listing Rules of the Colombo Stock Exchange Rule No. 7.6

Rule No.	Disclosure Requirement	Section/ Reference	Page/s
7.6 (i)	Names of persons who during the financial year were directors of the Company	Annual Report of the Board of Directors on the Affairs of the Company	112
7.6 (ii)	Principal activities of the Company and its subsidiaries during the year and any changes therein	Annual Report of the Board of Directors on the Affairs of the Company	109
		Note 1.2 in Notes to the Financial Statements	126
		Group Structure	177
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	Item 11 (a) of Shareholder Information (Non-voting shares do not exist in the Company)	163
7.6 (iv)	The public holding percentage	Item 10 of Shareholder Information	162
7.6 (v)	Directors' and Chief Executive Officer's holding in shares of the Company at the beginning and end of the financial year	Annual Report of the Board of Directors on the Affairs of the Company	113
		Item 12 of Shareholder Information	163
7.6 (vi)	Information pertaining to material foreseeable risk factors	Enterprise Risk Management	95 to 105
7.6 (vii)	Details of material issues pertaining to employees and industrial relations	There was no such issue pertaining to employees and industrial relations	-
7.6 (viii)	Extents, locations, valuations and the number of buildings of the land holdings and investment properties	Item 18 of Shareholder Information	165
7.6 (ix)	Number of shares representing the stated capital.	Note 35 to the Financial Statements on 'Stated Capital'	150
		Item 3 of Shareholder Information	160
7.6 (x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings in the following categories: No. of Holders Holdings Total Holdings % 1-1000 shares 1,001-10,000 shares 10,001-100,000 shares 100,001-1,000,000 shares Over 1,000,000 shares	Item 8 of Shareholder Information	161 to 162
7.6 (xi)	Ratios and market price information: Equity 1. Dividend per share 2. Dividend pay out 3. Net asset value per share 4. Market value per share (highest and lowest values recorded during the financial year and value as at the end of financial year) Debt (only if listed) 1. Interest rate of comparable government security 2. Debt/equity ratio 3. Interest cover 4. Quick asset ratio 5. The market prices & yield during the year 6. Any changes in credit rating	Item 4 (a) of Shareholder Information	161
		N/A	

Corporate Governance *contd.*

Section III *contd.*

Rule No.	Disclosure Requirement	Section/ Reference	Page/s
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;	Note 28 to the Financial Statements on 'Property, Plant & Equipment'	147
7.6 (xiii)	Details of funds raised through a initial public issue,	Item 3 of Shareholder Information	160
7.6 (xiv)	Information in respect of Employee Share Ownership or Stock Option Scheme - Total number of shares allotted during the financial year - Price at which shares were allotted - Highest, lowest & closing price of the share recorded during the financial year - Details of funding granted to employees (if any)	N/A	-
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 Rules.	Corporate Governance	47 to 49
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 which exceeds this threshold.	-

Number of Meetings Held and Attendance

Number of meetings held and attendance of each individual Director thereat is tabulated as follows;

Name of the Directors	Main Board		Board Integrated Risk Management Committee		Board Audit Committee	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
Mr. W. Karunajeewa	17	17	N/A	N/A	N/A	N/A
Mr. W. Swarna Sri Bandara	17	17	4	4	1	1
Dr. D. J. D. Jayakody	17	17	4	4	4	4
Mr. N. Vasantha Kumar	17	16	4	3	4	4
Mr. Yohan Soza*	6	6	N/A	N/A	1	Nil
Mr. P. A. I. S. Perera**	10	9	N/A	N/A	3	2
Ms. M.G. Jinadasa**	10	8	N/A	N/A	3	3

* Resigned as a Director of the Company on 22nd August 2011.

** Appointed as Board Members with effect from 22nd August 2011.

Disclosure of Remuneration

Directors' Fees and Remuneration	For the year ended 31st March 2012 (Rs.)
Directors' fee & Remuneration	1,616,802

Compliance with Tax regulations

Description	Number of Returns	Amount Paid (Rs.)
Stamp Duty	4	270,887,273
VAT on Financial Services	12	360,263,643
Tax Paid on Dividend Payments	5	93,241,263
Income Tax	4	1,438,076,485
Social Responsibility Levy on Income Tax	4	9,077,268
Economic Service Charge	4	120,000,000
Withholding Tax on Interest	12	332,943,621
Nation Building Tax	12	1,970,470
Total		2,626,460,023

Code of Business Conduct and Ethics Adaptation of Code of Business Conduct and Ethics

We practice laid down business ethics across all sections of the Company. We believe that the Company must do more than just behave ethically; it must articulate its own ethical principles and ensure that those principles are integrated into the entity's management. Our approach to ethics considers the effect of our actions on a broad range of stakeholders and risks to our reputation. The following are the business ethics embedded in our corporate culture.

- We will not risk the Company's reputation by knowingly associating with people, organisations, products or transactions that could potentially damage our reputation.
- We are positive about complying with our legal and regulatory obligations. This protects our stakeholders and us.
- Each member of the staff has a personal responsibility to contribute to the Company's success and reputation by carrying out his or her job conscientiously, efficiently and honestly and maintaining the highest standards of integrity and personal conduct in all matters, which affect the People's Leasing Group.

- We encourage the means whereby staff can report any suspicions of wrong doing to the Senior Management.
- We seek business relationships, which are mutually beneficial and lead to success through fair dealing and high standards of business integrity.
- We seek competitive proposals from suitable suppliers and service providers.
- We acknowledge responsibility for all employee related issues, including Health & Safety.
- We encourage a healthy work-life balance among our staff which is right for them.
- We believe it is important for all staff to be able to share the benefits of good performance by the Company.
- People's Leasing encourages employees to adopt a responsible attitude to work, encompassing self imposed discipline.
- The main aim of the People's Leasing Disciplinary Policy is to be corrective rather than punitive and is in line with the laws and regulations of the Country. It sets reasonable standards of performance and behaviour, and aims to ensure consistency and fairness of treatment of all employees when these standards are not met.
- We actively support local communities through charitable donations and gifts in kind and encourage the involvement of our staff in volunteer initiatives.
- We aim to lend responsibly and base our credit decisions on a thorough understanding of our customers' needs.
- We seek a clear link between equality and diversity and business excellence.

Declaration on Compliance

There have been no violations of the Code of Ethics by any of the Directors or any members of the Senior Management. The Management is not aware of any violation of the Company's Code of Ethics.

IT Governance

IT Governance focuses specifically on information technology systems, their performance and risk management. The primary goals of IT Governance are to assure that the investments in IT generate business value, and to mitigate the risks that are associated with IT. This can be done by implementing an organisational structure with well-defined roles for the responsibility of information, business processes, applications and infrastructure.

IT Governance should be viewed as how IT creates value that fits into the overall Corporate Governance Strategy of the organisation, and never be seen as a discipline on its own. In taking this approach, all stakeholders would be required to participate in the decision making process. This creates a shared acceptance of responsibility for critical systems and ensures that IT related decisions are made and driven by the business and not vice versa.

The purpose of IT Governance is to direct IT endeavours and to ensure that IT performance meets the following objectives:

- Aligning IT strategy with business strategy.
- Implementing and maintaining Information Security Management System (ISMS) align with ISO/IEC 27001
- Use of IT to enable the enterprise by exploiting opportunities and maximising benefits.
- Responsible use of IT resources.
- Appropriate management of IT-related risks.
- Measuring IT performance.
- Increase automation (makes the business effective).
- Decrease cost (makes the enterprise efficient).
- Manage risks (security, reliability and compliance).

Information Security Policy

The IT arm of People's Leasing is dedicated to provide trusted and managed information services to internal customers whilst maintaining effective information security management systems by achieving zero information incidents, promoting awareness, minimising identified significant risk categories, providing management direction and support for information security in accordance with business requirements and relevant laws and regulations in Sri Lanka benefiting both internal customers and other external stakeholders.

The security policy ensures that:

- Information will be protected against any unauthorised access;
- Confidentiality of information will be assured;
- Integrity of information will be maintained;
- Availability of information for business processes will be maintained;
- Legislative and regulatory requirements will be met;
- Business continuity plans will be developed, maintained and tested;
- Information security training will be available for all employees;
- All actual or suspected information security breaches will be reported to the Chief Information Security Officer and will be thoroughly investigated.
- Compliance with the information security policy is mandatory.

Corporate Governance *contd.*

Roles and Responsibilities for IT Governance

	Strategic Alignment	Value Delivery	IT Resource Management	Performance Management
Directors	<p>Ensure Management has put in place an effective strategic planning process.</p> <p>Ratify the aligned business and IT strategy.</p> <p>Ensure the IT organisational structure complements the business model and direction.</p>	<p>Ascertain that Management has put processes and practices in place that ensure IT delivers provable value to business.</p> <p>Ensure that IT investments represent a balance of risk and benefit and that budgets are acceptable.</p> <p>Confirm that the IT business architecture is designed to drive maximum business value from IT.</p> <p>Oversee the delivery of value by IT to the enterprise.</p> <p>Take into account return and competitive aspects of IT investments.</p>	<p>Monitor how Management determines what IT resources are needed to achieve strategic goals.</p> <p>Ensure a proper balance of IT investments for sustaining and growing the enterprise.</p> <p>Provide high-level direction for sourcing and use of IT resources.</p> <p>Oversee the aggregate funding of IT at enterprise level.</p>	<p>Assess Management's performance on IT strategies in operation.</p> <p>Work with the Executives to define and monitor high level IT performance.</p> <p>Verify strategy compliance that is achievement of strategic IT objectives.</p> <p>Review the measurement of IT performance and the contribution of IT to the business.</p>
CEO	<p>Align and integrate IT strategy with business goals.</p> <p>Align IT operations with business operations.</p> <p>Cascade strategy and goals down into the organisation.</p> <p>Mediate between imperatives of the business and technology.</p>	<p>Direct the optimisation of IT costs.</p> <p>Establish co-responsibility between the business and IT for IT investments.</p> <p>Ensure that the IT budget and investment plan are realistic and integrate into the overall financial plan.</p> <p>Ensure that financial reporting has accurate accounting of IT.</p>	<p>Ensure that the organisation is in the best position to capitalise on its information and knowledge.</p> <p>Establish business priorities and allocate resources to enable effective IT performance.</p> <p>Set up organisational structures and responsibilities that facilitate IT strategy implementation.</p> <p>Define and support the Head of IT's role, ensuring that he/she is a key business player and part of Executive decision-making.</p>	<p>Obtain assurance of the performance, control and risks of IT and independent confirmation of major IT decisions.</p> <p>Work with the Head of IT on developing an IT balanced scorecard ensuring that it is properly linked to business goals.</p>

	Strategic Alignment	Value Delivery	IT Resource Management	Performance Management
Head of IT	<p>Drive IT strategy development and execute it, ensuring that measurable value is delivered on time and budget, currently and in the future.</p> <p>Implement IT standards and policies.</p> <p>Educate Executives on dependence on IT, IT related costs, technology issues and insights, and IT capabilities.</p>	<p>Clarify and demonstrate the value of IT.</p> <p>Proactively seek ways to increase IT value contribution.</p> <p>Link IT budgets to strategic aims and objectives.</p> <p>Manage business and executive expectations relative to IT.</p> <p>Establish strong IT Project management disciplines.</p>	<p>Provide IT infrastructure that facilitates creation and sharing of business information at optimal cost.</p> <p>Ensure the availability of suitable IT resources, skills and infrastructure to meet strategic objectives.</p> <p>Ensure that roles critical for driving maximum value from IT are appropriately defined and staffed.</p> <p>Standardise architectures and technology.</p>	<p>Ensure the day-to-day Management and verification of IT processes and controls.</p> <p>Implement an ICT balanced scorecard with few but precise performance measures directly and demonstrably linked to the strategy.</p>
IT Executives	<p>Understand the enterprise's IT organisation, infrastructure and capabilities.</p> <p>Drive the definition of business requirements and own them.</p> <p>Act as sponsor for major IT projects.</p>	<p>Approve and control service levels.</p> <p>Act as customer for available IT services.</p> <p>Identify and acquire new IT services.</p> <p>Assess and publish operational benefits of owned IT investments.</p>	<p>Allocate business resources required to ensure effective IT governance over projects and operations.</p>	<p>Monitor service levels.</p> <p>Provide priorities for addressing IT performance problems and corrective actions.</p>

Awards and Achievements



Sustainability Reporting Award

The Company received a "Commendation Award – Medium Scale Category" at the sustainability reporting awards 2011, from the Association of Chartered Certified Accountants, Sri Lanka.

Gold Rating

The Company was awarded the "Gold Rating" for Corporate Accountability demonstrating the holistic integrated approach to Corporate Responsibility, Sustainability and Governance derived on a model developed by Sting Consultants.



Gold Award

The Company has successfully retained the "Gold Award" in the Leasing Sector for the fourth consecutive year at the Annual Report Awards 2011 organised by the Institute of Chartered Accountants of Sri Lanka.

Silver Award

People's Finance PLC, a subsidiary, was awarded with the "Silver Award" in the Finance Company Sector at the Annual Report Awards 2011. A step ahead of the Bronze received in the previous year.

ABOVE IT ALL

The many and invaluable achievements bagged by People's Leasing, displays its unwavering commitment demonstrated in ensuring that its goals and objectives are met, both quantitatively and qualitatively. It also affirms the astute policies and strategies that have been infused continuously into People's Leasing, ensuring that the Company, remains above all, a well governed, transparent, accountable and truly sustainable company committed to making a difference to each of our stakeholders, which has in perspective, commanded confidence and trust.





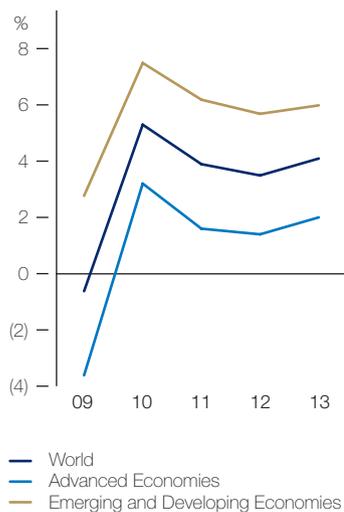
Management Discussion and Analysis

Economic Review

World Economy

The world economy has gradually strengthened after a major setback during 2011. The threat of a sharp global slowdown is reduced by improved activity in the United States in the second half of 2011 and improved policies in the Euro area. Recent improvements are fragile with major advanced economies recommencing with weak recovery whereas most emerging economies and developing countries will continue with relative solid activities. The effects of spillovers from Europe weakened Asia's exports. However in China, investment and private consumption remained strong marked by solid corporate profits and rising household income. In the Middle East and North Africa, activity remained subdued amid social unrest and geopolitical uncertainty. Stronger industrial production and trade in various Asian economies due to abating effects on the supply chains caused by the Thai floods. In addition, reconstruction continues to boost output in Japan.

World Economic Growth



Source: World Economic Outlook, April 2012, IMF

According to the International Monetary Fund (IMF), the world economy is projected to dip from about 4% in 2011 to about 3½% in 2012 as a result of weak activity during the second half of 2011 and first half of 2012. Most economies are expected to be fairly stronger with activity gaining momentum during the course of 2012 hence; world economy is expected to grow about 4% in 2013. Advanced economies

will continue to expand marginally as a result of the Euro crisis, expanding only by about 1½% in 2012 and by 2% in 2013. Growth in emerging and developing economies is projected to dip from 6¼% in 2011 to 5¾% in 2012 and then bounce back to 6% in 2013 as a result of easier macroeconomic policies and strengthening foreign demand.

Sri Lanka Economy

The Sri Lankan economy sustained an unprecedented growth momentum of over 8% in two consecutive years, with a remarkable record growth rate of 8.3%, which is the highest in Sri Lanka's post independence history. The success of the above growth is reflected in improved consumer and investor confidence arising from the peace dividend, favourable macroeconomic conditions, increased capacity utilization, expansion of infrastructure facilities and renewed economic activities in the Northern and Eastern provinces. High growth momentum was driven by industry and service sectors. The agricultural sector bounced back from the output loss recorded due to adverse weather conditions during the beginning of the year.

The unemployment rate of 4.2% in 2011 was the lowest recorded which is testimony of the expansion in economic activity. Low inflation allowed the Central Bank to continue to easy monetary policy in January 2011, but cautious and gradual tightening was initiated thereafter as credit and monetary aggregates continued to grow at a rate higher than projected. The Government maintained the key fiscal indicators broadly in line with the budgetary estimates for 2011. Undeterred by the shortfall in revenue collection, prudent management of recurrent expenditure helped maintain the fiscal deficit of 6.9% of Gross Domestic Product (GDP), marginally above the budgetary target of 6.8% of GDP.

Credit granted by commercial banks to the private sector increased by 34.5%, YoY, in December 2011, substantially exceeding projections. Provisional estimates indicate that within the credit extended to the private sector by financial institutions, trade related credit and credit driven by import related items such as motor vehicles and consumer durables increased significantly. Import

related credit increased by over 34 per cent during 2011, while the increase in credit for export activity was only around 8 per cent during the year.

At the same time, excess liquidity in the domestic money market declined from Rs.124 billion as at end 2010 to the current level of around Rs. 15 to 20 billion, and such decline in liquidity in the domestic money market led to market interest rates to record an upward movement in recent months.

Taking into consideration these macroeconomic developments, the Central Bank decided to curtail import related credit, thereby reducing the trade deficit and the current account deficit. The Central Bank instructed commercial banks to moderate credit disbursements so that the overall credit growth in 2012 will not exceed 18 per cent of their respective loan book outstanding at the end of 2011, while credit growth of up to 23 per cent will be allowed for those banks, which finance the excess up to 5 per cent of the credit growth, from funds mobilized from overseas.

Further, the government raised taxes significantly on motor vehicles effective from 31st March 2012, as a measure to arrest the growing trade deficit and curtail the expenses the government incurring in importing fuel.

The strengthened external sector in the first half of 2011 came under pressure during the later part of the year as a result of adverse global developments and rapid growth in imports. In the face of healthy growth in exports, significantly high expenditure reflecting high oil prices and a surge in investment and intermediate goods imports, led to a rise in the trade deficit to an unprecedented high level. Substantial part of the deficit was covered with improved foreign inflows through private remittances and other inflows including tourism. Conducive macroeconomic conditions and strengthened supervision and regulation further improved the stability of the financial system. Sri Lanka's sustained growth momentum has taken the country to an elevated platform by the country being placed among middle-income economies in the world.

Gross Domestic Product (GDP)

The Sri Lankan economy has performed commendably across all key sectors of the economy resulting in two consecutive years of over 8% unprecedented economic growth in Sri Lanka's post independence history. The Sri Lankan economy grew by a remarkable 8.3% against the 8% growth in 2010. High economic growth is supported by strong growth in the industry and service sectors with a setback in the agricultural sector.

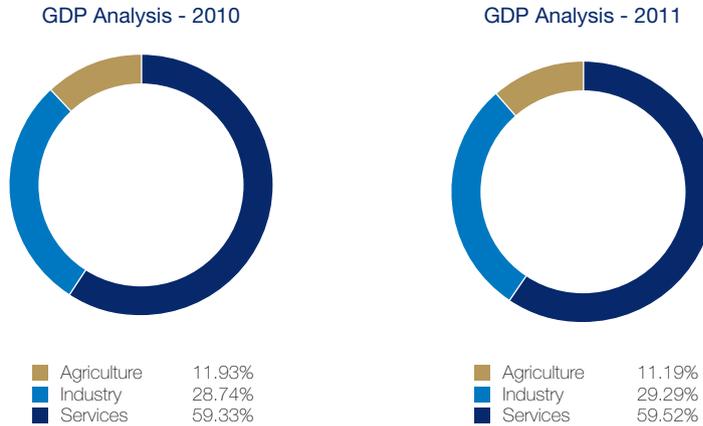
The agricultural sector recorded a modest growth of 1.5% compared to 7% in 2010, due to severe crop damage from the adverse weather conditions that prevailed during the first quarter of the year. In the second half of the year, the agricultural sector made a remarkable recovery. The recovery in the second half of the year is attributed to favourable yield in paddy cultivation, vegetables and highland crops as a result of improved weather conditions. Recovery in fishing activities in the Northern Province boosted fish production by an increase of 15.6%. Moreover, the agricultural sector benefited from the favourable prices that prevailed in 2011. Rubber prices increased significantly with the increase in demand for natural rubber from emerging economies. On the other hand, tea prices increased in the first quarter followed by a decline due to unrest in the major tea importing destinations in the Middle East.

The industrial sector grew by 10.3% compared to 8.4% in the previous year which was the highest recorded during the past 33 years in value added terms. Accordingly, the industrial sector increased its share in GDP to 29.3% in 2011 from 28.7% in the previous year. The industry sector growth was largely driven by factory industry and construction activities. Strong aggregate demand conditions in the domestic economy induced growth in demand for industrial products while industrial exports had a healthy growth despite slow recovery in the global economy. The construction sector surged to 14.2% in 2011 compared to 9.3% growth in 2010 comprising of major infrastructure development activities undertaken by the government and increased construction activities of the private sector.

The service sector maintained its growth momentum with a contribution of 61.8%

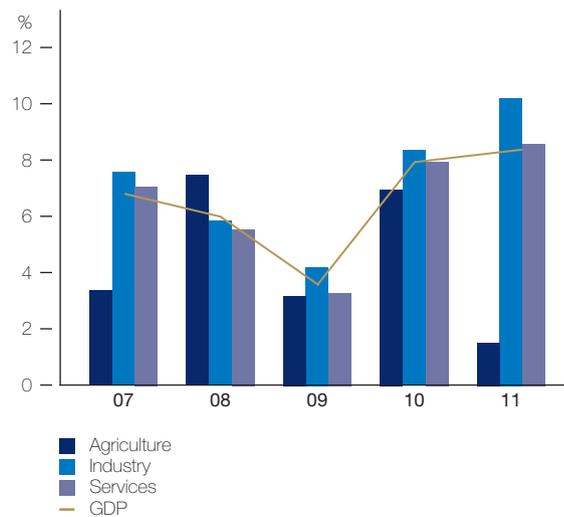
to the overall economic growth. The service sector recorded a growth rate of 8.6% in 2011 compared to 8% in the previous year. Contribution to the growth momentum in the service sector is from wholesale & retail trade, transport, communication, banking, insurance and real estate subsectors.

The highest contribution to the economy's GDP was from the service sector contributing to 59.5%, while the industry sector and agriculture sector contributed 29.3% and 11.2% respectively.



Source: Annual Report 2011 - The Central Bank of Sri Lanka

Growth of Economy



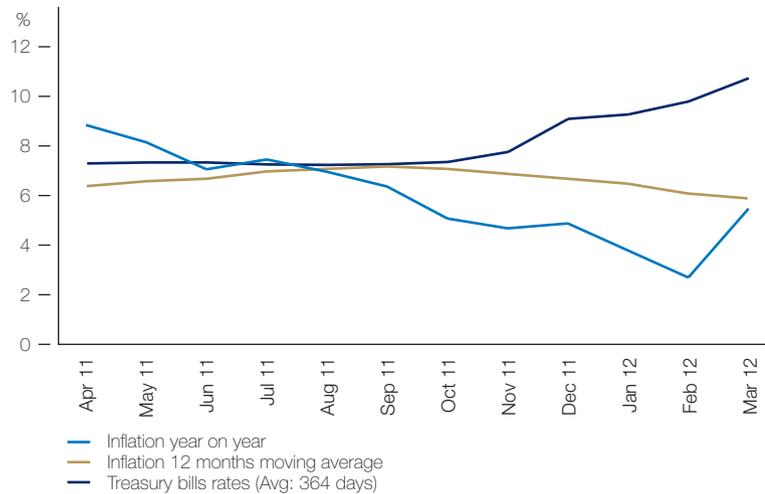
Source: Annual Report 2011 - The Central Bank of Sri Lanka

Inflation

Inflation maintained at a single digit level during the year. The rate of inflation as measured by the Colombo Consumers' Price Index (CCPI: 2006/7=100) on a year on year (YoY) basis declined to 5.5% in March 2012, from 7.7% in the previous year. On a year on year basis, the highest contribution to the overall increase came from non-food commodities, which increased by 7% in March 2012. The 12-month moving average inflation as measured by the CCPI stood at 5.9% in March 2012 as compared to 6.2% in 2011. For three consecutive years, inflation steadied at a single digit level demonstrated by the increase in domestic food supply including supply from the Northern and Eastern provinces. The Central Bank managed to maintain inflation at a single digit level with a cautious monetary policy and fiscal policies through the downward revision of tariff on some consumer items.

Management Discussion and Analysis *contd.*

Inflation & Treasury Bill Rates – 2011/12



Source: Annual Report 2011 - The Central Bank of Sri Lanka

Interest Rates

The downward adjusted policy interest rates of the Central Bank has remained constant during the year. The Repurchased and Reverse Repurchased rates were reduced by 25 basis points and 50 basis points respectively in January 2011 and stood at 7% and 8.5% respectively in order to facilitate investments further and to support continued economic expansion. Central Bank raised the Repurchased rate and the Reverse Repurchased rate by 50 points to 7.5% and 9% respectively in February 2012 as a result of expanding credit growth in the private sector, government and public corporations.

Company's Performance in Relation to the Industry

Key Financial Indicators	Non-Bank Financial Institutions * (NBFIs)	People's Leasing Company PLC
	As at 31st December 2011	As at 31st March 2012
Total borrowing to capital funds (gearing ratio) (times)	4.64	3.23
Non-performing accommodations to total accommodations (%)	5.10	0.65
Return on assets (before tax) (%)	4.60	8.83
Return on equity (%)	24.70	32.62
Net interest margin (%)	6.40	10.02

Indicators	NBFIs * (Rs. billion)	People's Leasing Company PLC As at 31st March 2012 (Rs. billion)	PLC's contribution to the Industry %
Income Statement	Year ended 31st December 2011		
Profit Before Tax (Rs. Bn)	22.3	6.0	26.91
Profit After Tax (Rs. Bn)	15.8	4.2	26.58
Net Interest Income (Rs. Bn)	31.1	6.1	19.61
Balance Sheet	As at 31st December 2011		
Total Accommodations (Rs.Bn)	388.4	72.1	18.56
Total Assets (Rs.Bn)	489.9	79.6	16.25
Total Capital Funds (Rs.Bn)	77.0	18.3	23.77

* Source: Annual Report 2011 - The Central Bank of Sri Lanka

The Non-Bank Financial Institutions (NBFIs) continued its growth momentum during 2011. The number of Specialized Leasing Companies (SLCs) as at the end of 2011 amounted to 16 as a result of two SLCs migrating to Licensed Finance Companies (LFCs) and the cancellation of licenses of three SLCs. There were 39 LFCs as at the end of the year. The branch network of the NBFIs sector increased by 104 to 704 in 2011. Potential growth in the Northern and Eastern provinces led to 28 new branches being opened during 2011. Growth in the accommodation portfolio was the main contributor to the growth of total asset base of NBFIs by 26% in 2011 to Rs. 490 billion compared to the growth of 30% in 2010. Finance Leases and Hire Purchases were the main contributors to the increase in accommodation contributing 43% and 31% of total accommodations respectively. The share of accommodation in total assets increased to 79.3% as a result of a 90% increase in finance leasing. Investments decreased by 46% as a consequence of cancellation of the licenses of a diversified leasing company and its migration to a holding company status.

Total borrowings reached Rs. 172 billion at the end of 2011, an increase of 24% compared to 49% recorded in 2010. Fifty four percent of the total borrowings have been made by the SLC sector as it was their main source of funding. Capital funds soared by 60% to Rs. 77 billion in 2011, compared to 17% increase in 2010 due to sustained profitability and the revival of companies in jeopardy.

The Non- Performing Accommodation (NPA) decreased by 6% in 2011 to Rs. 20 billion from Rs. 21 billion in 2010. The total provision coverage for NPA decreased to 55% in 2011 from 60% in 2010 as a result of increased risk weighted assets.

Profitability of the sector continues to gather momentum during 2011 as a result of positive business environment and the benefits from the single digit interest rates since 2010. Improved ROA (pre-tax) and ROE of 5% and 25% respectively reflects the increase in profits.

People's Leasing Company has an outstanding performance in comparison to the industry standards as indicated by

its key financial indicators. The Company has maintained its market leadership for a decade and its unprecedented market share of over 20%. The non-performing ratio of the Company plunged further to 0.65% as at 31st March 2012. This is a further decrease of 51% from the previous year reflecting the astute credit evaluation, risk management and recovery efforts, demonstrating the strength of People's Leasing Company.

The Company's Contribution to the National Economy

People's Leasing Company has been a responsible corporate citizen and believes in balancing its responsibility to the nation, economy and society in which it operates by way of both tangible and intangible contributions. The Company has further expanded its distribution channels by increasing its presence in rural areas as well as in unexploited areas in the Northern and Eastern provinces. During the financial year, People's Leasing Company opened four branches, fifteen mini branches and six window offices across the country.

People's Leasing Company has opened many branches, mini branches and window offices expanding its island wide coverage thus, creating employment in these areas, as it is the Company policy to employ staff from the locality in which the branch operates. During the financial year, the Company recruited 305 employees keeping abreast of its expansion. The Customer Relation Management / Corporate Social Responsibility Department (CRM/CSR) of People's Leasing Company has carried out several CSR projects aimed at elevating the community in which the Company operates in and continues to harness opportunities to make a positive difference to the community. The Company has spent Rs. 26 million on CSR projects during the year under review.

The Company has contributed significantly for the growth of the service sector of the country by financing more than 20,000 vehicles, which are primarily used for transporting goods and passengers.

The economic value addition amounted to Rs. 980.2 million in the financial year 2011/12 whereas the market value addition amounted to Rs. 725.7 million. People's Leasing Company paid a sum of over Rs. 2.6 billion in the form of taxes to the

Department of Inland Revenue during the financial year 2011/12. Additional details are available in other sections of this report.

People's Finance PLC, a subsidiary of People's Leasing Company, continued its momentum and achieved outstanding profits of Rs. 345 million, which is a 223% growth from the previous year. Astute marketing strategies coupled with expansion and relocation of some branches to improve services have contributed to the outstanding achievements. People's Microfinance Limited, a subsidiary of People's Leasing Company, provides financial services to the low-income segments of the society. People's Microfinance Limited has expanded its operations by opening ten new branches and reached customers with little or no access to financial services thus, elevating the low-income society of the country. People's Microfinance Limited recorded a pre-tax profit of Rs. 1.7 million compared to the pre-tax loss of Rs. 1.1 million in the prior year.

Significant Features in Operating Performance

Achieving great heights in the financial year 2011/12, the Company recorded a total grantings of Rs. 48.9 billion, which is an increase of 17% over the previous financial year. Monthly grantings gradually increased from Rs.3.6 billion in April to Rs.4.9 billion in June reaching great heights in August with Rs.5.5 billion and the momentum continued to late November 2011 with a decrease in grantings in the last few months. The increase in grantings is a result of a reduction in taxes, reduction in vehicle import duties and the decrease in average lending rates from 25% in 2009 to 16% in August 2011. However, lending rates gradually increased during the latter part of the year. Another contributing factor for the increase in grantings is the demand in the requirement of vehicles not only the commercial and passenger vehicles but an increase in the industrial vehicles as a result of infrastructure development taking place in the country after the war. The increase in the number of projects in the agriculture and construction sector has created a demand for agricultural equipments and commercial vehicles. Hence, People's Leasing branches in the rural areas benefited from the number of projects in these areas. Areas previously not cultivated due to the civil war have

commenced cultivation in the Northern and Eastern provinces creating a demand for harvesting machines, tractors and transportation vehicles with the opening and development of roads in the North and East. Hence, the Company has spread its branches to Batticaloa, Ampara, Trincomalee and Jaffna. Further expansion into untapped areas in Jaffna was carried out in this financial year with a total of six window offices in Jaffna. In the coming year, the Company hopes to convert its window office in Mannar to a branch.

The Company continued with its policy of carrying out its business from its branch network spread in all geographical segments throughout the country taking advantage of the potential business and minimizing exposure to risk. People's Leasing Company opened four new branches in Bandarawela, Nawalapitiya, Grandpass and Colombo 02. People's Leasing Company has access to rural areas through the utilization of mammoth branch network of People's Bank with Company's window offices located in People's Bank premises throughout the country. People's Leasing Company opened six window offices in Bakamuna, Galewela, Kalpitiya, Pugoda, Bulathsinghala and Gomarankandawala.

Increasing potential in some of the window offices led the Company to convert them to mini branches, which are not fully-fledged branches. People's Leasing Company with its window offices covering an extensive geographical area throughout the country is now focusing on converting its potential window offices into mini branches and finally into fully fledged branches after completing an year of operation. Some window offices will remain as feeders for the mini branches. People's Leasing Company has opened 15 mini branches during the financial year in Kaduwela, Monaragala, Neluwa, Ambalangoda, Kirindiwela, Merigama, Kirillawala, Horana, Kadawatha, Kuliypitiya, Wennappuwa, Ja-Ela, Balangoda, Kanthale and Deniyaya. A couple of highly potential mini branches have been identified and will be converted to branches in the near future.

People's Leasing Company's majority share of revenue comes from the Western province as the population and economic activities are concentrated in the Western province.

Management Discussion and Analysis *contd.*

People's Microfinance Limited, a subsidiary established by People's Leasing Company in the financial year 2010/11 commenced its commercial operations in March 2011. There are 32 employees of the People's Microfinance Company in 14 branches of the People's Leasing Company. The Company's target segment is the low-income group under Microfinance. The Company provides support in their business operations by providing technical advice from respective bodies and in the management of their finance. In the future, the Company hopes to elevate the status of microfinance customers and give them the opportunity to the facilities of the parent leasing company. During the year 2011/12, People's Microfinance made a profit and a customer base of about 4,300. In the future, People's Microfinance is planning to extend to another 10 branches including Ambilipitiya, Tangalle, Matara, Galle, Neluwa, Ambalangoda, Dambulla, Horana, Chilav and Trincomalee.

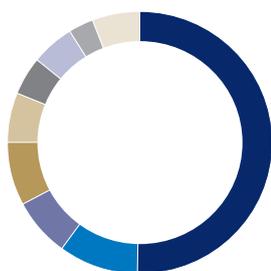
Majority of People's Leasing branches have People's Insurance employees in keeping with the Group policy of Group synergy.

The operations of the Company have expanded significantly during the financial year with lease and hire purchase portfolio increasing by 45.3% from Rs. 46.4 billion in 2010/11 to Rs. 67.4 billion in 2011/12.

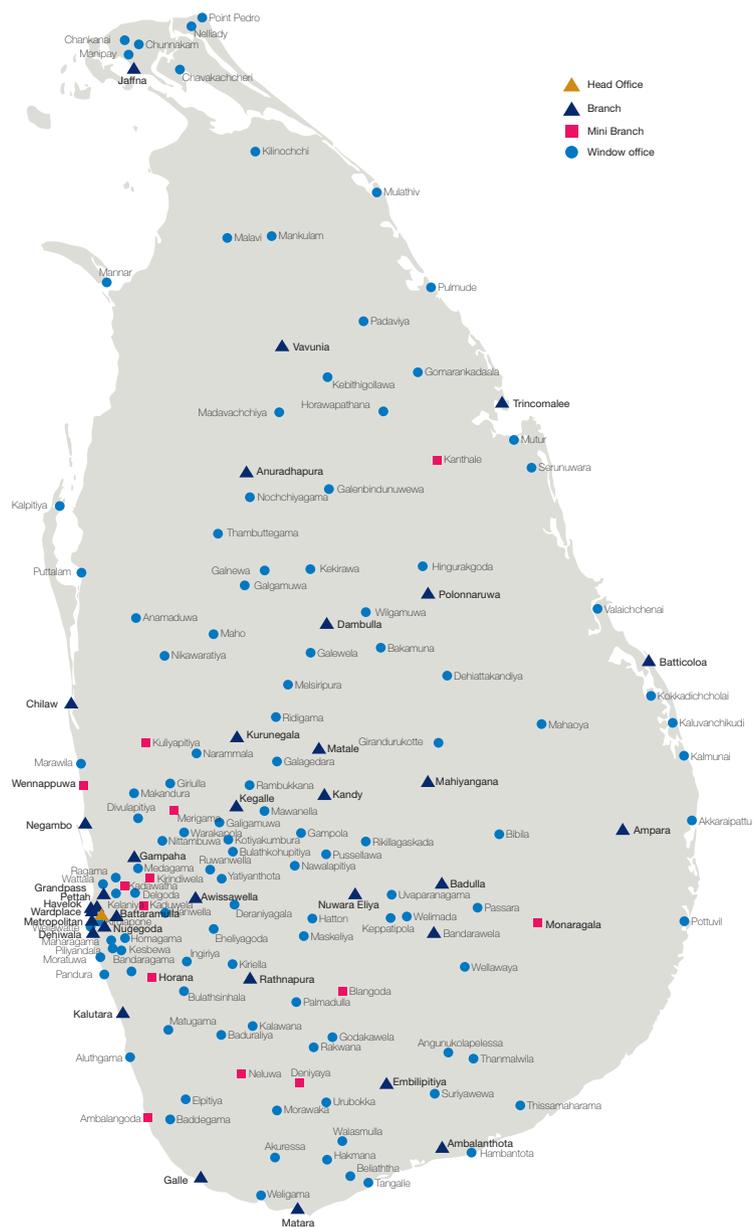
Grantings for 2011/12 - People's Leasing Group (Rs. million)

Province	People's Leasing Company PLC	People's Finance PLC	People's Microfinance Limited	People's Leasing Group	%
Western	23,856.36	6,667.05	41.57	30,564.98	50.54
Southern	4,524.77	1,398.04	-	5,922.81	9.79
Eastern	3,122.94	1,106.91	40.15	4,271.87	7.06
Central	3,585.39	1,218.98	3.38	4,807.75	7.95
Sabaragamuwa	3,190.52	464.57	27.73	3,682.82	6.09
North Central	2,552.01	310.27	20.57	2,882.85	4.77
North Western	2,911.49	290.90	6.81	3,209.20	5.31
Northern	1,775.13	-	-	1,775.13	2.94
Uva	3,338.01	-	25.77	3,363.78	5.56
Total	48,856.64	11,456.71	165.98	60,479.03	100.00

Grantings by Province



Western	50.54%
Southern	9.79%
Eastern	7.06%
Central	7.95%
Sabaragamuwa	6.09%
North Central	4.77%
North Western	5.31%
Northern	2.94%
Uva	5.56%



Performance by Segment

The Company's lease, hire purchase and loan portfolio at the end of the year is distributed in the following manner.

	2010/11 %	2011/12 %
Lease	43.8	50.9
Hire Purchase	50.2	43.5
Loans and other advances	6.0	5.6

Distribution of Core Business

The majority of the Company's revenue was generated from lease and hire purchase operations contributing more than 80% of the total revenue. The Company offers an array of leasing facilities to cater to the needs of different customer segments. People's Leasing Company is geared to cater to the diverse borrowing needs of the customers with flexible loans schemes including mortgage loans, vehicle loans and short term loans.

Distribution of Profits

In keeping with the Company policy of concentrating business from its branch network, its island wide branch network records all the Company's profits.

Finance Lease and Hire Purchase Facilities

The reduction in interest rates during the year and a gradual increase towards the latter part of the year has contributed to the significant increase in the lease and hire purchase portfolio during the first three quarters of the year and a slight decrease in the portfolio towards the latter part of the year. Slightly higher revenue was recorded for hire purchase compared to finance leases, as the hire purchase rates are higher than the finance leases. An additional margin is kept for hire purchase for VAT on financial service tax and for the risk as hire purchase mainly caters for registered vehicles where as finance leases cater for new and unregistered vehicles. Finance leases are highly competitive with banks and other finance companies offering lower rates. The net finance lease portfolio increased by 67.80% to Rs. 36.3 billion, while the net hire purchase portfolio also increased by 25.28% to Rs. 31.1 billion. Interest rates gradually increased towards the latter part of the financial year leading to a reduction

in demand for leases. The Company is also curtailing lending as it foresees the spiraling of the interest rates taking advantage of grantings at higher levels in the future.

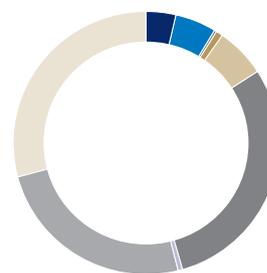
People's Leasing Company offers customized products for its customers, which sets it apart from its competitors that offer ready-made packages with fixed rates of interest throughout the lease period. The Company evaluates the client and structures the rental schedule with the client's repayment ability enhancing the Company recovery rate, which is below the industry average rate.

In the last couple of years, diversification was carried out through People's Leasing Company and with the identification of profitable ventures; they were converted into independent companies. People's Leasing Fleet Management Limited was incorporated to handle the ever-increasing operating leases. In keeping with the Group concept of total financial service provider, People's Microfinance Limited was incorporated with a huge demand for microfinance enabling the Company to concentrate on its core products. People's Leasing Company has 177 service points across the island including fully fledged branches, mini branches and window offices. One of the uncertainties facing the business is loss that the Company has to incur; as a result of fluctuations in interest rates and granting facilities are on fixed term basis. The Company has also funded government projects in terms of commercial vehicles and with the slow pace of the projects, the customers have difficulties in rental repayments.

Grantings Sector Wise

Sector	Rs. million
Agriculture	1,766.25
Constructions	2,556.74
Fisheries	23.23
Industry	482.13
Others	2,942.42
Services	14,606.13
Tourism	221.42
Trading	12,042.53
Transport	14,215.79
Total	48,856.64

Grantings Sector Wise



■ Agriculture	3.62%
■ Constructions	5.23%
■ Fisheries	0.05%
■ Industry	0.99%
■ Others	6.02%
■ Services	29.90%
■ Tourism	0.45%
■ Trading	24.65%
■ Transport	29.09%

Principal Risks and Uncertainties

Identification of High Risk Sectors

In mitigating the level of risk that the Company is exposed from its various business activities, the Company has endeavoured to incorporate a series of measures. The Company has identified sectors of the economy with high risk factors and set limits on the amount of credit provided to these sectors. The crucial factor in granting a facility is the repayment ability of the individual customer. The Company has identified construction and road development sectors as high-risk areas as some government projects are at an anemic pace. The Company has set limits on credit on these sectors. In the agriculture sector, the Company has been cautious in grantings, as the demand is less for second hand agricultural machinery including harvesting machinery.

Interest Rates

Interest rates were comparatively low in the last financial year following through to August 2011 with a gradual increase with continued momentum and the Company foresees this trend in increasing interest rates in the future. Customers are faced with a new risk of lower profit margins from their business with the increase in interest rates and the Company's risk is the ability of the customers in repayment of rentals.

Management Discussion and Analysis *contd.*

Commercial banks lending have been curtailed by the Central Bank of Sri Lanka with the increase in interest rates coupled with credit crunch and certain massive development projects of the government being postponed to the next financial year has a major impact on the market. Majority of the Company's business is from the lease of commercial vehicles and with the event of postponing government development projects; customers have difficulty in repayment of rentals. Hence, an increase in repossessed vehicles where the demand for second hand vehicles is low leading to increasing difficulties in disposing of the assets.

Assets Quality

Creditworthiness of the Company's customers is paramount in determining the quality of the Company's assets. The Company has stringent controls in all areas of its operation particularly in credit evaluation and recovery operations to mitigate the risk. Speedy and more accurate information from the Company's Management Information System coupled with benchmarks and stringent controls of all the branches has reduced the Company's non performing ratio. The quality of the assets is indicated by the low non-performing ratio of 0.65% which is well below the industrial average of 5.1%.

Intense Competition

There are 39 Registered Finance Leasing Establishments and 16 Specialized Leasing Establishments in operation in the leasing industry creating intense competition. The Company is competing with banks, finance and leasing companies and other companies offering similar products. People's Leasing Company has overcome the competition in various ways. People's leasing Company's geographical expansion is so vast with the branch network coupled with People's Bank image with new window office network covering all part of the island has enabled the Company to serve the customers within a short span of time. The Company has an excellent relationship with its stakeholders with the numerous CSR work carried out for the community in keeping with the Company's ethos of giving back and uplifting the society. The Company believes in imparting human touch at delivery points with the Company concept of well trained marketers cascading

from top management down through the Company. People's Leasing Company has maintained its position as the undisputed market leader in the leasing industry for the 10th consecutive year with the Company's unique service factor and other services rendered along with the products. The Company has secured in total a market share of over 20% in annual disbursements and in some regions the Company has secured 35% of the market share.

Business Review

Marketing Strategies

People's Leasing Company's effective marketing strategies adopted is reflected in the Company maintaining its market leadership in the leasing and hire purchase market amidst intense competition for the 10th consecutive year. The Company also bears a long term rating of 'A+(lka) Stable' from Fitch Ratings Lanka Limited, symbolizing the Company's strong credit profile and performance. The Company's corporate vision is achieved by linking the corporate strategies with the market strategies. The core strength of the Company is its island wide distribution network of branches, mini branches and window offices located at People's Bank branches. During the financial year, four branches, fifteen mini branches and six window offices were opened reaching out to untapped areas.

In terms of products, during the tax reduced period, there was a huge demand for leasing of unregistered vehicles. The trend changed towards hire purchase being more popular for registered vehicles as it is an alternative source of funding where the banks do not offer facilities and there is no VAT component in the rental including flexibility offered by the Company. People's Leasing Company were the pioneers in developing the product, when the prices of vehicles decreased, where the Company opt to import the vehicle of the customers choice. People's Leasing Company offered excellent service by coordinating with the bank in obtaining the Letters of Credit, clearing of the vehicle, provision of leasing facilities and insurance in a complete package. The Company's image was enhanced by electronic media and press advertisements covering the initial public offering and the Company's new impressive building. The Company's success has

been its unique concept of great emphasis placed in building sustainable relationships with the customers resulting in a majority of its customers generating repeat business for People's Leasing Company. This has reduced the necessity of significant costs of carrying out marketing campaigns and business promotions.

Adhoc regional campaigns are carried out by the Company's dedicated and competent Customer Relations Department with their propagandas vehicles at the request of the regional managers creating awareness and boosting the Company products and services. People's Leasing Company has strengthens its brand value by instilling the need to contribute directly towards the society by way of CSR projects in all branches. CSR projects are taken into the consideration of the inter-branch competition which provides encouragement for the branch employees to involve in CSR. Core marketing strategies are closely monitored by branch operations consisting of four segments handling the entire branch network. All branches are prudent in their credit evaluation and recoveries with their own regional strategies for recoveries. People's Leasing Company strives to continuously motivate, educate and develop the staff to meet multiple challenges in a dynamic business environment. The Company's specialized marketing staff is also specialized in credit evaluation with set targets, which they have to maintain. Management Information System plays a crucial role in keeping track of each and every employee specially the marketing officers. The Company continues to maintain its policy of recruiting marketing officers from the respective branch regions to ensure familiarity and maintain the service standards.

People's Leasing Company's culture of human touch and friendly approach towards people is shared and reinforced in all the branches creating sustainable relationship as most employees in the branches are from the respective areas. People's Leasing Company provides opportunity for principle customers to meet the top management on their visits to the branches enhancing direct approach of the top management by the customers on issues or concerns.

Customer Relationship Management (CRM)

People's Leasing Company continues its efforts in CRM activities thereby, strengthening the loyalty of existing customers and promoting the Company's reputation among potential customers.

The Company endeavours in maintaining sustainable relationships with the customer through constant contact by marketing and recovery officers meeting the customers' requirements and difficulties.

CRM activities were carried out by all branches in keeping with the Company's culture of serving the community in which it operates and enhance the brand image. CRM unit has two well-equipped audiovisual propaganda branded vehicles, which are sent on special events, such as, opening of new branches, an anniversary of a branch and CSR projects. The propagandas collect the basic source data from the community in the region and the Company gets a feedback on customers views, competitors and various ways the Company could assist its subsidiaries in the branches. The feedback information is printed on a newsletter on a quarterly basis. CRM/CSR Unit monitor all CSR projects in the Company. Majority of the CSR activities are carried out on customer request from the area and the branch in turn request from CRM/CSR unit thus, carrying out the stakeholder engagement. Requests are accommodated based on the necessity and the Company funding and allocation. People's Leasing Company encourages the respective branches to hold a large customer get-together extending invitations to People's Bank managers and their principal customers hence, cultivating close contacts with their customers and strengthening the Company's relationship with People's Bank. People's Leasing Company contributes to various social events in major regions including Kandy and Anuradhapura branch making substantial contributions for the Kandy Perahara and Poson respectively.

A customer satisfaction survey was conducted in the previous financial year 2010/11 and areas that needed further development were identified to enhance the customer satisfaction. The Company carried out vigorous mass scale training programs for the staff, held meetings, awareness

campaigns as well as focused group meetings at branch level in order to bridge the gap during the financial year under review. This ongoing process of bridging the gap of the survey will be carried on to the next financial year as well.

Door Step Marketing

People's Leasing Company's unique approach to reach customers is on a platform above its competitors with well trained and competent marketing officers placed in all branches, mini branches and window offices located in People's Bank geographically spread island wide hence, unwarranted brokers. The Company's concept of branches, mini branches and window offices permeate island wide, assists the marketing officers recruited from the respective branch areas to reach customers premises within a time span of half an hour enhancing astute credit evaluation and sustainable relationship. Thus keeping the Company one step ahead of its competitors.

Monitoring and Recoveries

The Company firmly believes that recovery commences at the point of granting. The Company's evaluation process is intense and fast. Majority of the customers are from the rural areas with minimum documentations. The Company's marketing officers are well trained to evaluate and assess the customer on repayments capacity. Being the market leader, the Company has a large customer base with new customers acquired through client referrals, which has been crucial in maintaining a low non-performing ratio. The Company's legal cases are just a fraction of the total portfolio due to the effective performance of the pre-legal function. All contracts with rentals of six months in arrears is considered non performing and immediately directed to pre legal and 75% of the files received are filtered from pre legal before it goes to legal recovery. Effective pre-legal actions are determined by teamwork, focus on the plan of recovery and the continuous follow up of rentals. Pre-legal Department follows pre set tools and ratios including recovery rates, non-performing ratios and provisioning against the portfolio of the branches. Non-performing ratio is analyzed on volume basis and evaluated on a daily basis against set targets for all branches. Branches are

monitored daily with recovery head in all branches monitoring with information from the system and advice of remedial action. Commencing provision in two months rental in order to have better control over recoveries further strengthens People's Leasing Company's provisioning policy of three months rental. The legal recovery department receiving only a few files for litigations due to effective pre legal function depicts the successful recovery system of the Company. The entire legal portfolio consists of 67 civil cases of which 5 cases have been entered into consent decrees.

Standing up for the Future

People's Leasing Company's strategy of synergy within the Group is reflected in "one manager concept" where the branch manager is responsible for operational aspects of the subsidiary companies under the branch, hence, achieve cost effectiveness. People's Leasing Company with six established subsidiaries under its wing has transformed the People's Leasing Group into a total financial solution provider. The success of the above strategy is reflected in the inclusion of some of the subsidiaries within the branch network including People's Microfinance Limited, People's Insurance Limited and People's Finance PLC. The Company's future concept is to have its subsidiary services attached to all branches across the country thus, providing total financial solutions to the customers under one roof, setting the Company on a elevated platform from its competitors.

Performance of the Branch Network

Continuing the previous year relocation strategy, two profit centres located at the head office were relocated as new branches during the financial year under review. Grandpass and Metropolitan branches were relocated as separate branches during the year under review. The Company's branch network accounts for its total turnover and profitability with the dismantling of head office operations and relocation of departments as new branches. Mt. Lavinia, Negombo, Kandy, Kurunegala and Gampaha branches recorded the highest portfolio growth level with a diversified portfolio in many sectors including agriculture, construction and service. All branches excelled in their profitability over the previous financial year, with increasing revenues and lower non-performing ratio

Management Discussion and Analysis *contd.*

along with remarkable cost effective management practices. The Company has observed over the years, a trend of lower level of risk in branches located outside of Colombo and this is reflected by the low non-performing ratios of the branches as depicted in the table below.

Province	NPA ratio
Central	0.21%
Sabaragamuwa	0.23%
Northern	0.29%
Eastern	0.32%
Northern Western	0.35%
Uva	0.37%
Southern	0.42%
Northern Central	0.66%
Western	0.93%
The Company	0.65%

Expansion of the Branch and Window Office Network

Overall expansion of the Company operations was attained with the backdrop of liberation from the civil war in the North and East and post economic growth in the country. This created a springboard for the Company to open several branches, mini branches and window offices located at People's Bank in various parts of the country. The Company opened four main branches in Bandarawela, Nawalapitiya, Grandpass and Colombo 02 and 5 mini branches in Awissawela, Badulla, Galle, Gampaha, Kalutara, Kelaniya, Kurunegala, Negombo, Rathnapura, Trincomalee and Matara. In addition to its existing window offices in People's Bank branches, the Company added a further six window offices in Polonnaruwa, Chilaw, Gampaha, Kalutara and Trincomalee further expanding the distribution channel across the country.

Healthy Competition; Branch Network

Healthy competition among branches is the key driving force and inspiration for outstanding performance in branches. All branches are evaluated on an array of criteria at the end of each financial year including profitability, revenue on portfolio, recovery ratio, percentage of profits to total profits of the Company, efficiency, effectiveness, non performing ratio, market volume targets achieved and disposal losses. The entire branch must perform well as opposed to a few individuals driving the performance of a branch. In addition,

the Company has another category for individuals that outperform in their respective branches including best performing marketing and recovery officers.

Best Branch Competition

People's Leasing Company has instilled competitive spirit in all its branches. Recognition of the branch status in the list of best branches has constructively motivated the staff of each branch to establish effectiveness and the efficiency in order to ensure that the respective branch is adjudged the best. Branches are assessed on a wide range of criteria. The portfolio of the branches is segregated into three categories including under Rs. 2 billion category, Rs. 2 to 3 billion category and the open category. In the financial year 2010/11 Gampaha branch coveted the title of "Best Branch" clinching the CEO's Challenge Trophy. Matara branch was bestowed with the prize for the under Rs. 2 billion category. In addition to the above, the Company awards the branch with the best CSR projects. Two projects are selected on a number of criteria including the branch contribution to the image of the Company, brand value and corporate communication.

Maximizing Synergy with People's Bank

People's Leasing Company relentless relationship with its parent company, People's Bank, has given the Company island wide coverage through the vast branch network of People's Bank and has gained the reputation of a stable and trusted financier. The window office network provides daily interaction between the parent company and subsidiary. Camaraderie is established between the staff of each window office and its respective People's Bank branch. This enables People's Bank to successfully harness the existing customer base of People's Bank with the added advantage of low cost of investment and overheads attributed to the window offices. Consequently, People's Bank portfolio products on offer for its customers have expanded with hire purchase, lease and other products offered by People's Leasing Company.

Diversification of Products and Services

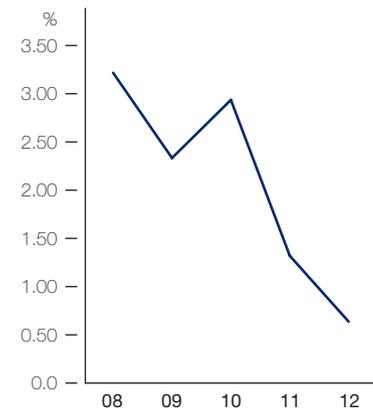
In addition to its core business activities of hire purchase and finance lease, People's Leasing Company provides a series of products and services to its customers. The Company has further diversified the

range of financial products and other related services with six established subsidiaries under its wing which provides services such as mobilization of funds, insurance, property development, fleet management, vehicle valuation and vehicle servicing.

Focus on Collection and the Non Performing Ratio

In mastering the art of maintaining its non performing ratio at the present low levels, People's Leasing Company endeavours to focus on timely collection from customers. People's Leasing Company maintains a lower non performing ratio of 0.65% as at 31st March 2012 compared to last year's ratio of 1.33%. This is well below the industry average of 5.1%. The Company constantly fine-tunes its recovery operation along with credit evaluation and marketing.

Non Performing Ratio



The Company firmly believes that the process of recovery commences at the initial contact with the customer as opposed to the end. The process commences with the identification of the customer, evaluation of the customer and finally leading to a smooth recovery process. The full involvement and accountability of the marketing officers in the recovery process substantially contributes to maintaining a low non-performing ratio.

People's Leasing Company's unique approach to recoveries resulted in remarkable results. The Company ethos of close relationship with all its customers enables regular monitoring of their financial status thus, the Company can identify problems in advance and assist the customers to recover from their financial difficulties. People's Leasing Company is

not only a lender or a marketer but also plays the role of advisory capacity in finding solutions for its customers and encourages customers going in for arbitration rather than pursuing matters in court. This has nurtured customer loyalty with repeat customer business. The Company's prudent provisioning policy has been a tremendous success in its recoveries. People's Leasing provisioning policy of 3 to 4 rentals was further enhanced to another segment of 2 to 3 rentals where as the Central Bank regulation stipulates the provision to be provided on 6 rental and above. Being more prudent from the beginning has enabled the Company to identify probable financial difficulties faced by the client and the Company's competent marketers goes in for intense recoveries. People's Leasing Company offers customized products to customers with structured rental schedule with the customer's repayment ability thus, enabling the Company to maintain its low non performing ratio. People's Leasing Company believes in having quality portfolio, which entails the quality of lending, the knowledge of the staff and the customer settlement.

Financing and Operations

The Company's reputation as an organization with best practices in all areas of operations and its unblemished record has reinforced its excellent relationship with its financiers including both domestic and international institutions. Therefore, the Company was able to finance its operations at a lower cost than its competitors, which enabled the Company to maintain healthy margin.

Margin Trading

People's Leasing Company commenced its margin trading operations in March 2011 on obtaining approval from the Security and Exchange Commission. The Company foresees a potential growth backed by strong economic growth in the country and it plans to capitalize on this opportunity in the future. In addition, the customized ICT system developed in-house will strengthen the operations.

Cost Management

Surging ahead, People's Leasing Company will be capable of encountering any challenge being a more competitive and streamlined Company as a result of excellent cost control methodologies.

The Company has further enhanced its controls on expenditure by implementing the equal standards across all its branches and window offices. Furthermore, the Company's Supply and Logistics Department's continuous support and vital role in managing the logistic requirements of the Company has assisted in cost controls. The Company continues to achieve positive results in its relentless efforts in stringent cost control measures.

Credit Lines at Concessionary Rates

Specialized concessionary credit to customers; supported by funds raised through specialized credit lines on concessionary terms from international agencies is one of People's Leasing Company's products among its complete portfolio of products. These include projects continued from last financial year such as Perennial Crop Development, E-Friends and Plantations Development loans.

Job Rotation

In the Company's endeavour to strengthen the branch network, head office experienced staff are rotated throughout the branches imparting their specialized knowledge to the branches. Branch staff in turn is sent to the head office on training on specific disciplines. Marketing and recovery staff is often rotated in keeping abreast with the dynamic marketing environment.

Actual Performance against Objectives

The Company surpassing virtually all of its targets reflects People's Leasing Company's commendable performance during the financial year under review. People's Leasing Company opened 4 branches and 15 mini branches and 6 window offices during the year which increased total number of branches, mini branches and window offices to 34, 17 and 126 respectively as at 31st March 2012. The first full year effect of the financial services VAT reduction from 20% to 12% and corporate tax from 35% to 28% contributed to the profit growth during the financial year under review.

In the financial year under review, the Company had a couple of achievements under its wing. The Company recorded annual grantings of Rs.48.9 billion for the financial year, which is 17% increase over previous year's Rs. 41.8 billion. Grantings achieved during the year was below its target level due to unfavourable economic

conditions prevailing in the country during the latter part of the year. The most significant and commendable achievement is People's Leasing Company's highest ever profit of Rs. 4.2 billion, a 63% increase from the previous year's Rs. 2.6 billion. The pre-tax profit of the Company amounted to Rs. 6.0 billion. People's Leasing Company PLC retained its market leadership in the Leasing Industry for the 9th consecutive year in 2010/11 and is undoubtedly the unbeatable market leader for the year 2011/12 creating a decade and a milestone. In July, the Company head office relocated to the new 12-storied state of art building in Borella, adding another milestone to the Company's history.

During the year under review, the total assets of the Company increased steadily and crossed the Rs. 75 billion milestone to reach Rs. 79.6 billion achieving a 42% growth. The astute credit policies and risk management practices, improved the asset quality of the Company. Stronger recoveries and a more conducive macroeconomic climate contributed to the significant reduction of People's Leasing Company's Non-performing Ratio from 1.33% in March 2011 to 0.65% in March 2012. Furthermore, the credit loss provision recorded a net reversal for the financial year including a one-off gain of Rs. 1,063.1 million arising from the reversal of the general provision of Rs. 1,611.5 million. A charge of Rs 50.0 million was made against the investment in associate of City Finance Corporation Ltd.

The Company offered 390 million shares to the public at Rs. 18 each on 3rd November 2011 and the issue was oversubscribed by 1.33 times within a few hours of the same day. This is the second largest IPO in the history of Sri Lanka to raise an amount over Rs. 7 billion creating another milestone for the Company. Fitch Ratings Lanka elevated People's Leasing Company PLC to 'A+(lka)' from 'A (lka)' reaffirming the stability of the Company.

Changes in the Group Structure

During the month of December 2011, People's Leasing Company acquired 27% holding in the associate company, City Finance Corporation Limited. The Company invested Rs. 175,351,800/- in 5,845,060 warrants of People's Finance PLC at Rs. 30/- each on 17th January 2012.

Management Discussion and Analysis *contd.*

Consequent to the investment, the effective holding of People's Finance PLC increased from 88.51% to 88.71%.

Subsidiary Review

People's Leasing Group consists of six subsidiaries and an associate. The total asset base of the People's Leasing Group amounted to Rs. 96.8 billion as at 31st March 2012, an increase of 52% compared to previous year of Rs. 63.8 billion. The Group recorded a net profit of Rs. 4.5 billion, an increase of 74% in comparison to the previous year of Rs. 2.6 billion.

People's Finance PLC (PF)

People's Leasing Finance PLC was renamed as People's Finance PLC with effect from July 2011 with the objective of enhancing brand image and to obtain a separate corporate identity. People's Finance PLC recorded a profit of Rs. 345 million for the financial year ended, an increase of 223% in comparison to the previous year profit of Rs. 107 million. The Company's total asset base increased to Rs. 15.3 billion as at 31st March 2012, a growth of over 90% from the previous year. The Company's total shareholders' funds increased to Rs. 1,888 million at the end of the financial year 2011/12, reflecting a growth of 117%, from Rs. 868 million in March 2011.

In addition, People's Finance PLC paid a dividend of Rs.1.25 per share amounting to a total dividend of Rs. 85.2 million in August 2011 being the highest dividend amount paid to its shareholders in the Company's history. Fitch Ratings Lanka elevated People's Finance PLC's National Long-Term rating to 'A-(lka)' from 'BBB(lka)' reaffirming the stability of the Company.

People's Leasing Fleet Management Limited (PLFML)

The Company is engaged in providing of vehicle hire facilities, vehicle service and valuations. The Company recorded a loss of Rs. 282,755/- during the year mainly due to the reduction of vehicle hiring income received as a repercussion of under utilization of vehicles and a reduction in the number of vehicles hired. The total assets base increased to Rs. 230 million after purchasing nine new vehicles in February 2012 to replace the existing vehicles hired. This would increase the Company's revenue in the next financial year.

People's Leasing Property Development Limited (PLPDL)

People's Leasing Property Development Limited completed the construction of the proposed Head Office building for People's Leasing Company PLC and the building was rented out to both People's Leasing Company PLC and People's Bank. The Company recorded a profit of Rs. 22 million during the year ended 31st March 2012. The asset base of the Company reached Rs.1,993 million as at 31st March 2012. In addition, the Company had undertaken to construct buildings for People's Bank branches at Tangalle, Vauniya, Piliyandala, Anamaduwa and Wilgamuwa. Tangalle branch is to be completed and handed over to People's Bank in April 2012. Further, the adjoined Utility Building to People's Leasing Company's head office is under construction. The Company has been capitalized Rs. 350 million by issuing People's Leasing Co. PLC 35 million shares at a consideration of Rs. 10/- for each.

People's Leasing Havelock Properties Limited (PLHPL)

People's Leasing Havelock Properties Limited was incorporated on 12th August 2010. Its primary purpose is the construction of an office complex. At the end of the financial year, People's Leasing Havelock Properties Limited has Rs.199 million worth of total assets which includes a land with an extent of 39.20 perches in Havelock Road, Colombo 05 amounting to Rs. 156 million as at 31st March 2012.

People's Insurance Limited (PIL)

People's Insurance Limited recorded a profit after tax of Rs. 75.2 million for the year ended 31st December 2011. People's Insurance Limited currently carries out business to the customers of the People's Leasing group with a high potential for making a significant contribution to the Group profits and become one of the key players in the insurance industry in the future. Total assets of the Company surpassed Rs. 2 billion and reached Rs. 2.4 billion at the end of 31st December 2011. The Company paid a dividend of Rs 0.20/- per share amounting to Rs. 12.0 million.

People's Microfinance Limited (PML)

People's Microfinance Limited has expanded its operation during the period under review by utilizing existing rural presence of People's Leasing Company and

reaching out to customers with little or no access to financial services. The Company made a revolutionary turnaround by converting its pre-tax loss of Rs. 1.1 million in the last financial period to a pre-tax profit of 1.7 million for the financial year ended 31st March 2012. The total asset base of the Company increased to Rs. 151.6 million. Increasing expansion of operations will enable People's Microfinance Limited to make a significant contribution to the performance of the People's Leasing Group in the future.

City Finance Corporation Limited (CFCL)

City Finance Corporation Limited became an associate in December 2011 by acquiring 28.5% ordinary shares.

Opportunities and Threats

Opportunities

The cessation of three decades of war has unlatched a plethora of opportunities for the country with expected economic development cascading down to all parts of the country. The financial service industry is expected to harness the above favourable economic environment whilst reaping significant benefits. People's Leasing Company has unique competitive advantage over its peers with its synergy with the parent company, People's Bank and its vast branch network.

Following the Group synergy vision of having its diversified products under one roof in its numerous branches is another opportunity to harness. At present, the Company offers insurance in almost all its branches where as microfinance has been incorporated in 14 of its branches and plans to incorporate microfinance in 10 branches in the near future.

People's Leasing Company's wide geographical spread coupled with the Group synergy has the potential of tapping its diversified product portfolio under one roof. The above strategy of having the Group subsidiaries and working under one roof in its various branches including window offices at People's Bank has the advantage of minimizing initial investment and overheads. Thus, the Company boasts of its cost to income ratio is the best. The ongoing Group synergy concept has made it more comfortable working under one roof with the concept of "one manager".

People's Leasing Company's Information Communication Technology (ICT) with its state of the art systems provides competitive advantage over its peers and provides convenience to its customers. The success of the above is reflected in People's Leasing Company's existing customers having the convenience of obtaining a facility in any one of the Company's branches through the system. The customer can utilize the nearest branch and have the documents processed in a short span of time as the ICT system provides all branches with real time connectivity with the head office with data bases being updated instantaneously. People's Bank links with commercial banks has given People's Leasing Company the opportunity and paved the way for additional business with the Company's exemplary services and plethora of products.

People's Leasing Company has an added advantage of its flat and flexible structure in the process of approving a facility which is less time consuming as considerable level of authority is vested down the line compared to its peers with vertical structures taking a considerable number of days for facility approval. As long as the macro economic environment is sustainable with improved market conditions, People's Leasing Company will be the first to benefit from it with its island wide distribution network and contacts.

Threats

Increasingly high competition with the entry of banks promoting leasing as a financial product has led to further narrowing of profit margins due to the low cost of funds by the banking institutions and their relatively high financial strength. Banking institutions and Registered Financial Companies entering the industry in order to exploit the significant growth potential available has led to a reduction in market share.

Another threat is the banks and other financial companies canvassing the Company's existing customers as the Company's effective credit evaluation system and the knowledge of the customers indicates well-tested customer base.

The Central Bank of Sri Lanka imposing a single borrower limit has set limits the banks can disburse funds to leasing companies and the reluctance of the banks in financing leasing companies as they have their own leasing wing.

In keeping with global practices, Sri Lanka implemented International Financial Reporting Standards (IFRS) on 1st of January 2012 to comply with international accounting standards in all material aspects by issuing Sri Lanka Financial Reporting Standards (SLFRS) and Sri Lanka Accounting Standards (LKAS). In order to implement IFRS, the Company staff will have to be thoroughly trained and extra effort will be required as IFRS gives a more realistic view of the company affairs at their fair values instead of their historical values.

The Company foresees an effect of the anaemic pace of government development projects on the demand for machinery equipment and the repayment of machinery granted during the financial year. Policies are implemented in order to address the identified threats.

Future Strategies

Promoting the People's Leasing Group Image

People's Leasing Company with its six established subsidiaries is continuing its on going process of synergizing their activities in order to maximize efficiency and performance within the People's Leasing Company over the last 15 year history has etched a powerful established image reaping significant benefits from the synergies gained through its effective collaboration with People's Bank.

Synergy within the Group

People's Leasing Company together with its subsidiaries has revolutionized the People's Leasing Group into total financial solution provider creating value addition to the Company. The Company perpetually encourages and acknowledges synergy within the Group. People's Leasing Company is in the process of entrenching a strong Group culture stemming from People's Leasing Company establishing the smoothing out of any cultural mismatch within the Group. The Group endeavour to maintain their performance is testimony of its continuing effort of sharing the core competencies of the individual companies, technical and operational expertise. People's Leasing Company's dynamic approach to the above is the "one manager concept". The Company believes that the manager in the respective branch with greater contacts

and affinity towards key stakeholder has the ability to pass on the benefits to the subsidiary companies. The manager role will be broadened with accountability for the performance of the subsidiary under the manager and in future, manager's performance will be gauged in terms of his contribution towards the subsidiary company as well as People's Leasing Company.

Group Regional Manager concept will be established in the next financial year with authority, which was previously centralized in the head office being passed on to the regional managers thereby maximizing operational convenience. The accessibility of senior manager within the branch network minimizes the cost of appointing regional managers for each subsidiary and the additional cost of recruiting outside the Company.

Quality Culture

The key competitive strength of People's Leasing Company is quality with the Company placing relentless emphasis on maintaining quality in granting credit, operations, management, systems and employee behavior. People's Leasing Company being the market leader in the leasing sector, the need for quality customer service is paramount to the success of the Company. The Company has placed great emphasis and focus on enhancement of quality productivity and training and development of staff. Going forward, the Company plans to introduce new methodologies, efficiency enhancement, cost reduction, minimization of wastage and time saving. "Creating a service culture" was a training program participated by all employees on improving customer service. An external expert conducted training sessions on strategic marketing for all the Company's branch managers and senior officers. A comprehensive training program was conducted on quality customer service and care as well as technical sessions for the junior level employees. People's Leasing Group image and competitiveness is augmented with continuous embedding the quality conscious culture in all its subsidiary companies.

Management Discussion and Analysis *contd.*

Complete Financial Services Provider

The People's Leasing Company in collaboration with People's Bank and its subsidiaries is famed for its diverse portfolio of products and services. The People's Leasing Group's array of products include finance leasing, hire purchase, operating leases, term loans, deposits, general insurance, fleet management, micro finance, vehicle valuation and property development.

Excellence in Customer Service

Maintaining the leading position in the market, People's Leasing Company continues to place high emphasis on customer service. All aspects of customer service will be carefully monitored and fine tuned to provide exceeding customer expectations. People's Leasing Company's key marketing tool is establishing long-term relationships with customers as opposed to one of sales deals and referral by existing customers. This is demonstrated by majority of its customers generating repeat business with the Company with a repeat customer ratio of about 65%. Value added services linked to technology would be further developed in the coming year. The Company is in the process of developing a 24/7 " Group Call Center" centralized for all products and will be extended for leasing, micro finance, finance lease and insurance. Focused training and development of technical and soft skills of the employees will be continued.

People's Leasing Company will continue to reintroduce its orientation programs with added development to new recruits after a couple of months in order to fully grasp the overall working of the Company. Another concept that will be adopted by the Company is creating opportunities for the competent and well-experienced employees to fill in vacant managerial and above posts thus, motivating the staff. Customer service will be further amplified with new technological development in IT. People's Leasing Company plans to provide marketing and recovery officers with palm tops to be used at point of sale and receipt of rentals with real time connectivity updating the system instantly. Management Information System has developed a system of updating the customer instantly with SMS on the payment being made and the Company plans to extend this service for payment reminders in the future thus, further strengthening customer convenience.

Personal care and assistance to the customer is an on going process of the Company as a part of its service oriented culture.

Expansion of the Branch Network

Political stability after three decades of war and increasing economic activity in the country has furnished numerous opportunities to expand People's Leasing Company's operations. During the financial year, the Company opened four main branches in Bandarawela, Nawalapitiya, Grandpass and Colombo 02. In addition, fifteen mini branches were opened in Awissawella, Badulla, Galle, Gampaha, Kalutara, Kelaniya, Kurunagala, Negombo, Rathnapura, Trincomalee and Matara.

Window Offices

The unique window office concept adopted by People's Leasing Company has not only contributed to turnover with minimum initial investment and overheads but also furnished the Company with an island wide coverage branch network creating a platform that sets People's Leasing Company apart from its competitors. The links between People's Leasing Company and People's Bank will be further strengthened with access to the customer base of People's Bank to promote People's Leasing Group products. During the next financial year, People's Leasing Company with its saturation of window offices is planning to focus on converting its high potential window offices to mini branches. There are 126 window offices in operation as at 31st of March 2012.

Employee Motivation

Successful employee motivation is undoubtedly the key to People's Leasing Company's efficient, professional and competent staff. The employee award system of the Company is much acclaimed in the commercial sector with substantial annual increments and performance bonus to mention a few. Employees are evaluated on their performance and based on two factors. Marketing and recoveries are evaluated on quantitative basis where as back office staff is evaluated on qualitative basis. Evaluation on qualitative basis measures employee performance on their merits by a scaling system based on point system. Rewards are in the form of monetary rewards as well as foreign tours. Promotions are given twice a year

based on the employee performance and annual bonus is given within the period of 12 months with additional bonuses awarded depending on the employee's performance. These policies will continue to be implemented in the future and the Company's success will be shared in the form of staff rewards.

Summary

People's Leasing Company together with its subsidiaries will continue to synergize its operations thereby, maximizing benefits. People's Leasing Company has etched a strong image with its continued domination in the financial services sector. The Company plans to further expand its branch network throughout the island with particular emphasis on expansion in unexploited areas in the Northern and Eastern provinces. The Company expects to proceed from strength to strength with a blend of further reduction in its non performing ratio, improved credit evaluation, astute risk management and fine tuned recoveries. People's Finance PLC, together with Microfinance Limited and People's Insurance Limited is expected to make a significant positive contribution to the Group in the future. These three subsidiaries are expected to expand its branch network and capitalize on market opportunities.

Conducive macroeconomic environment of the country, coupled with astute management policies and relentless support of People's Bank will pave the way for People's Leasing Company in achieving its objectives and continue to make a positive contribution to the People's Bank Group and to the economy.

Financial Review

Overview

People's Leasing Company has accomplished an outstanding financial performance for the financial year 2011/12. The Company's key financial indicators are testimony of the continuous performance well above the industry standards. Revenue grew by a staggering 42.50% to Rs. 13.99 billion in 2011/12, compared to Rs. 9.82 billion in the last financial year. People's Leasing Company made a revolutionary pre-tax profit growth in 2011/12 of 60.77% surpassing Rs. 5 billion since its inception. The Company's financial position was further strengthened by a magnificent increase in its asset base by 42.58% during the year. The Company continues to make history in its 15 years in the leasing industry with its highest ever grantings of Rs. 48.86 billion. The Company created a milestone by raising the second largest Initial Public Offer in the history of Sri Lanka of over Rs. 7 billion.

The Economy

The Sri Lankan economy grew by 8.3% in the financial year 2011 sustaining a growth momentum for the second consecutive year. High economic growth is a result of strong growth in industry and service sector with a setback in the agricultural sector. The industrial sector recorded the highest growth of 10.3% which was the highest recorded during the past 33 years, followed by 8.6% for service sector and 1.5% for agriculture sector.

Inflation was maintained at a single digit level during the year. The annual average inflation measured in terms of the Colombo Consumers Price Index (CCPI) (2006/07=100) rose to 6.7% as at 31st December 2011 from 6.2% as at 31st December 2010 whereas the year on year inflation measured in terms of the Colombo Consumers Price Index (CCPI) (2006/07=100) declined to 4.9% as at 31st December 2011 from 6.8% as at 31st December 2010.

The budget deficit was at 6.9% of GDP in 2011 which is an improvement compared to 8.0% in 2010. One-year Government Treasury bill rate increased to 9.31% in December 2011 from 7.55% recorded at the end of the previous year.

The nations' per capita income escalated to US\$ 2,836 from US\$ 2,400 in 2010.

The Colombo Stock Exchange (CSE) has shown downward movement during 2010 mainly due to restrictions on credit extended by brokers, continued net foreign outflows, a liquidity drain on account of several Initial Public Offers and Rights Issues, Private Placements and the impact of global financial markets. The price indices of the Colombo Stock Exchange (CSE) declined after the surge in the previous two years, while funds raised by way of Initial Public Offers and Rights Issues increased significantly in 2011. All Share Price Index (ASPI) decreased to 6,074.4 from 6,635.9 and Milanka Price Index (MPI) decreased to 5,229.2 from 7,061.5.

Financial Sector

In the year under review, the financial sector endured the dubious global economic conditions and consolidated in an environment of heightened economic activity and favourable macro economic variables in the domestic arena. The sector maintained sound fundamentals – capital adequacy, liquidity, profitability and asset quality. During the year, with the new Finance Business Act together with other regulations and amendments moved the sector towards greater discipline, responsibility, transparency and accountability.

The Non Banking Financial Institutions (NBFI) including Licensed Finance Companies (LFC) and Specialized Leasing Companies (SLC) were on a growth trajectory in the year under review. The asset base of the NBFI posted an increase of 26% in 2011 though lower than the 30% growth in 2010. The growth was spurred by 46% increase in the accommodations portfolio - finance leases, hire purchase, pawning and other secured advances representing an increase of 11 percentage points from 2010 growth levels. The finance leases in a low tax environment for imported vehicles and post conflict economy grew by an impressive 90% as against 36% in 2010. Deposits, the main source of funding for LFCs posted a healthy growth of 27% as against 22% in 2010 whilst borrowings, mainly SLCs, growth declined by 24% as against 49% in 2010.

The sector succeeded in maintaining a quality credit portfolio and curtailed the non-performing advances. The non-performing advances ratio dropped but the liquidity of the sector came under stress especially in the first part of the year underpinned by the distress in some companies. However, due to restructuring and turning around of some

companies, the overall liquid asset position improved and ended at a surplus of Rs. 3.5 billion above the minimum stipulated. In this backdrop, the NBFI sector posted an outstanding profit after tax, a remarkable increase from the previous year with improved returns on assets and equity.

The Company's Performance in relation to the Industry

People's Leasing Company placed a solid foundation in order to seize the opportunities that came its way. The Company granted Rs. 48.86 billion worth of facilities during the financial year and maintained the market leadership for the 10th consecutive year with a market share of over 20%. Total grantings during the year 2010/11 increased by 16.86% when compared with the previous year grantings of Rs. 41.81 billion.

People's Leasing Company was among the few companies in the financial sector to maintain the non-performing ratio below 1%. This reflects the strength of the Company's credit evaluation, risk management, and recovery efforts.

People's Leasing Company has become a strong force in the corporate arena in the form of a group of companies. The Company has become a total financial services provider by offering products and services such as leasing, financing, general insurance, fleet management, vehicle servicing/ valuation, margin trading and property development. The Company increased the number of its window offices to over a 125, and opened four new branches and 15 mini branches in various parts of the country with the objective of harnessing the improving economic conditions in the country.

A sharp decline in excess rupee liquidity in the domestic money market was observed towards the latter part of 2011. Excess liquidity at end 2010 turned to a deficit by the end of 2011.

Considering emerging macroeconomic imbalances, particularly the high growth of imports and credit and to ensure that inflation continues to remain at single digit levels, the Central Bank revised policy rates in February 2012 while directing commercial banks to restrain the credit growth. In view of the above situations, the Company curtailed its original grantings limits and

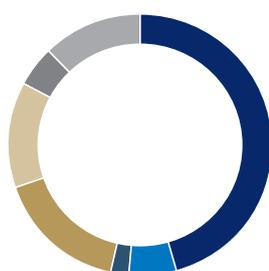
Financial Review *contd.*

increased rates on leases, hire purchases and loans & advances. Further, the rates offered on borrowing of commercial papers and promissory notes were revised by the Company, in order to attract the funds required for grantings.

Revenue

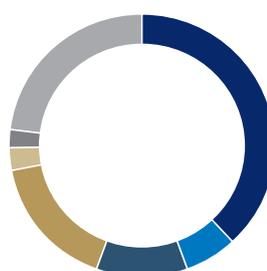
Revenue grew by remarkable 42.50% to Rs. 13,991.27 million, spiraling upwards from Rs. 9,818.20 million in 2010/11 financial year. All components of revenue contributed to this growth. The increase in revenue is mainly due to overall improved economic conditions prevailed in the year 2011. Interest income from hire purchases and finance leases were commendable which amounted to Rs. 10,726.77 million consisting of 76.67% of the total revenue.

Utilisation of Income - 2011/12



Interest cost	45.70%
Employees	5.77%
Operating expenses	2.21%
Taxes	16.20%
Dividends	13.09%
Reserve fund	4.96%
Retained profits	12.07%

Utilisation of Income - 2010/11



Interest cost	38.10%
Employees	6.44%
Operating expenses	11.02%
Taxes	16.44%
Dividends	2.90%
Reserve fund	2.17%
Retained profits	22.94%

Interest and Similar Income

The total interest and similar income recorded for the year amounted to Rs. 12,277.09 million which is an increase of 48.57% over previous financial year's total interest and similar income of Rs. 8,263.45 million accounting for a significant portion of revenue.

Interest income from lease and hire purchase made a significant contribution to the strong financial performance in the year 2011/12. Interest income from finance leases amounted to Rs. 4,968.82 million consisting of 40.47% of the total interest and similar income whereas interest income from hire purchases amounted to Rs. 5,757.96 million amounting to 46.90% of total interest and similar income.

Interest income on loans and advances increased by 71.51% to Rs. 552.68 million compared to Rs. 322.24 million in the previous year, while interest on overdue rentals increased by 44.65% to Rs. 949.24 million in 2011/12 compared to Rs. 656.24 million in 2010/11.

Interest income from bank deposits and repos decreased by 13.65% to Rs. 48.39 million in 2011/12 from Rs. 56.04 million in 2010/11 as a result of decline in investment in government treasury bills and bonds, repo agreements and commercial papers throughout the year. The decline in investment in such instruments was mainly due to lower returns compared to lease and hire purchase facilities.

Interest and Similar Expenses

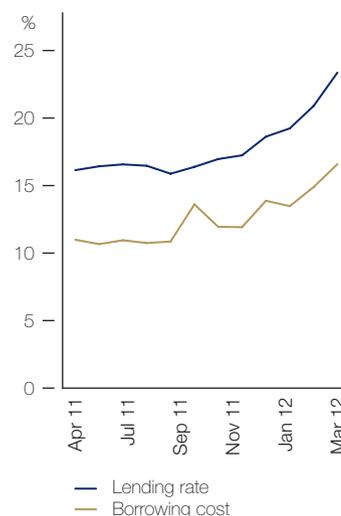
Interest and similar expenses increased by 74.21% to Rs. 6,170.32 million in 2011/12 from Rs. 3,541.86 million in 2010/11. The higher growth in interest and similar expenses is attributable to the significant 38.46% YoY increase in borrowings to Rs. 55,288.55 million in order to facilitate the increase in credit grantings. The Company's interest and similar expenses are primarily taken up by short-term and long-term loans from banks and financial institutions, asset backed securities, promissory notes, commercial papers, debentures, refinance loans and bank overdraft facilities.

However, the Company was able to save a massive amount of its interest expenses after the infusion of funds from the Initial Public Offer (IPO).

Almost 65% of total interest expense for the financial year under review represents by interest expenses on long term borrowings and asset backed securities. Interest cost on long term borrowings and asset backed securities increased at higher rates of 179.73% and 78.42% respectively for the year under review. Interest cost on long term borrowings increased to Rs. 2,455.50 million in 2011/12 from Rs. 877.82 million in the last financial year and Interest cost on asset backed securities increased to Rs. 1,553.23 million in 2011/12 from Rs. 870.55 million last financial year.

Interest cost on promissory notes increased at a marginal rate of 8.56% to Rs. 1,929.91 million in 2011/12 compared to Rs. 1,777.67 million in 2010/11.

Lending Rate & Borrowing Cost



Net Interest Income

Net interest income has grown by an impressive 29.34% to Rs. 6,106.77 million in 2011/12 from Rs. 4,721.59 million in 2010/11 despite the escalation in interest costs. The increase in net interest income was primarily due to a strong growth in lease and hire purchase financing.

Other Income

Other income increased marginally by 0.96% to Rs. 958.14 million in 2011/12 from Rs. 949.05 million in 2010/11. Fees & commission income increased by 66.64% to Rs. 635.72 million from Rs. 381.50

million whilst net trading income from sale of vehicles decreased by 16.99%.

Net income from Islamic finance further declined by 65.30% to Rs. 30.04 million from Rs. 86.57 million during the year under review as new grantings of Islamic finance facilities are channeled through People's Finance PLC, with the intention of providing a better service to the customers. However, with the establishment of Islamic finance activities under People's Finance PLC, the Group recorded a mammoth growth of 122.12% YoY from Rs. 166.08 million to Rs. 368.89 million.

Provision for Credit Losses, Write-offs and Disposals

The provision for credit losses recorded a net reversal of Rs. 1,635.20 million during the financial year under review. The total write-offs and disposal losses amounted to Rs. 201.23 million during the year under review. As a result of continuous review of accounting policy on general provision, the provision of Rs. 1,611.48 million was reversed to the Income Statement during the month of June 2011 due to the continuous improvements in the quality of the Company's lending portfolio and the improved economic conditions prevailed in the country .

Other Operating Expenses

Operating expenses excluding provision for credit losses increased by 37.80% to Rs. 2,147.90 million in 2011/12 from Rs. 1,558.69 million in 2010/11 primarily due to the continuous expansion of business by commissioning of 4 new branches, 15 mini branches and 6 window offices during the year.

Staff cost, which constitutes 35.54% of total operating expenses, increased by 28.67% to Rs. 763.33 million in 2011/12 from Rs. 593.23 million in 2010/11, as a result of new recruitments and salary increments.

Taxation

Corporate tax charge increased by a substantial 55.53% to Rs. 1,775.63 million in 2011/12 from Rs. 1,141.68 million in 2010/11. The income tax expense amounted to Rs. 1,127.04 million while the addition to deferred taxation amounted to Rs. 648.58 million.

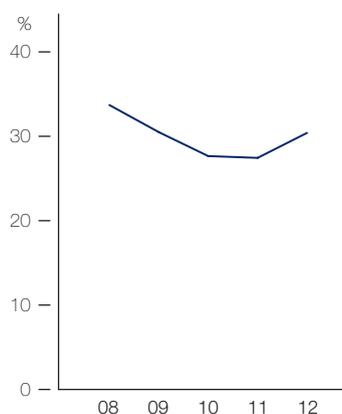
The provision for VAT on Financial Services remained high at Rs. 368.05 million as a result of increased income from hire purchases. The Company paid Rs. 2,626.46 million as various levies to the Department of Inland Revenue in 2011/12 compared to Rs. 2,296.38 million in 2010/11. Income taxation, Economic Service Charge and VAT on Financial Services constituted 73.04% of total payments whereas WHT, Stamp Duty, NBT, SRL and Dividend Tax accounted for the balance.

Cost to Income Ratio

The Company's cost to income ratio increased marginally to 30.40% in 2011/12 from 27.49% in 2010/11, due to the additional investments on the commissioning of new branches, mini branches and window offices and investments in subsidiaries and investment securities.

The Company was able to contain its operating expenses at low levels, primarily supported by the significant cost efficiencies achieved through its 126 window offices which involve minimum set up and operational costs and with the overall Group synergies.

Cost to Income Ratio



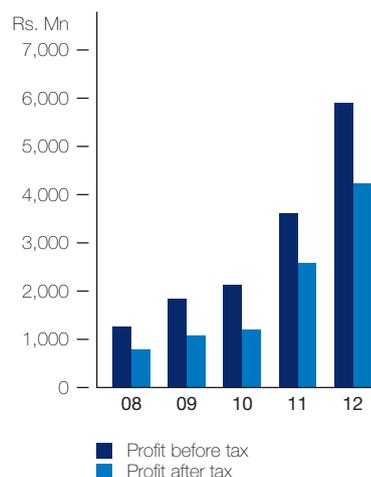
Profitability

Despite the intensified competition and the more potent challenges faced by the industry in terms of player rivalry, the Company continued to maintain a commendable growth momentum during the year, thereby retaining a position of market leadership. Pre-tax profit grew to Rs. 5,982.94 million in 2011/12 from Rs. 3,721.49 million reported last financial year 2010/11 with an increase of over Rs. 2,260.00 million or 60.77%. Profit after tax

recorded a healthy increase of 63.09% to Rs. 4,207.32 in the year under review from Rs. 2,579.81 in the last financial year, surpassing for the first time a landmark figure of Rs. 4 billion for the first time since its inception. This growth is largely as a result of commendable increase in volume supported by the reduction of import duty on vehicles and strong economic growth prevailed in the country in 2011, derived from the post conflict economic boom.

Over the last 5 years, the Company achieved a Compound Annual Growth Rate (CAGR) of 45.02% and 51.30% in pre and post tax profits respectively.

Profit before & after Tax



Dealing Securities

In the month of December 2011, the Company embarked on investing in corporate stocks listed on the Colombo Stock Exchange for the purpose of making capital gains by re-selling in the short run.

During the year under review, the Company made a realized capital gain of Rs. 0.39 million on this portfolio, while there is an unrealized gain of Rs. 0.20 million on valuing shares on the market price as at 31st March 2012.

Investment Securities

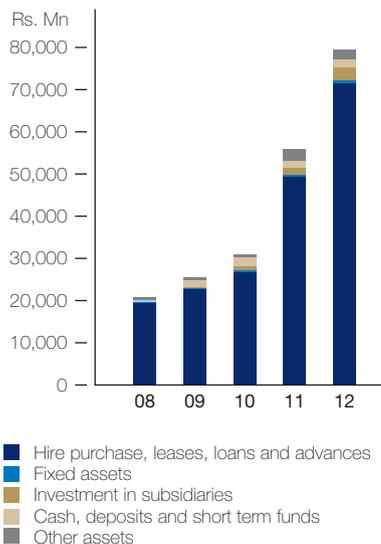
The Company invested Rs. 58.80 million in 3,919,996 rights of People's Merchant Bank PLC at Rs. 15/- each on 18th October 2011 thereby, increasing the number of shares to 8,819,992 and value of investment at cost to Rs.205.16 million from Rs.146.36 million as at 31st March 2011. The market value of this investment as at 31st March 2012 was Rs. 113.78 million.

Financial Review *contd.*

The investment in Sanasa Development Bank as at 31st March 2012 stood at Rs. 100.00 million.

The Company received Rs. 9.0 million as dividend from these investments during the year under review.

Composition of the Total Assets



Investment in Interest Bearing Assets

More than 90% of the Company's total asset base consists of interest bearing assets. The total interest bearing assets increased by 44.45% to Rs. 72,397.80 million in 2011/12 from Rs. 50,118.35 million in 2010/11 of which 98.84% of these assets are invested in the Company's core business activities such as leases, hire purchases and loans. The balance consists of investments in government securities and fixed deposits with other financial institutions.

The gross lease portfolio recorded an impressive growth during the year under review, increasing by 58.34% to Rs. 47,233.08 million in 2011/12 from Rs. 29,830.45 million in 2010/11, mainly due to the reduction of import duty on vehicles, low interest rates prevailed until the latter part of year 2011 and the expansion of the economy after the three decade long war. The leasing portfolio dominated the Company's lending portfolio during the year under review.

The gross hire purchase portfolio also recorded a significant growth, but at a lesser rate than the lease portfolio. The gross hire purchase portfolio increased by 18.50% to Rs. 40,011.66 million in 2011/12 from Rs. 33,764.61 million in 2010/11.

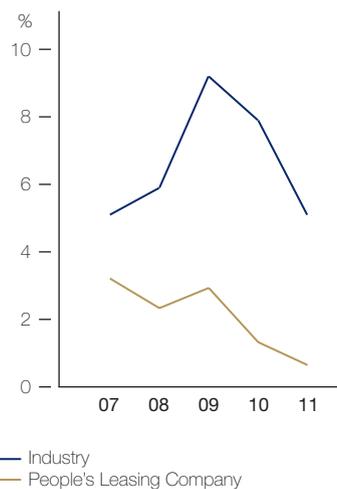
Gross loans & advances recorded an increase of 36.59% to Rs. 4,338.27 million in 2011/12 from Rs. 3,176.14 million in 2010/11 due to the increase in grantings of term loans.

Credit Quality

It is very crucial for People's Leasing Company to maintain a well managed and quality loan portfolio as a premier financial service provider when the Company continues to grow its operations. The Company manages its credit risk by maintaining prudent credit policies and continuously examining its credit process. The Company places great emphasis on continuous monitoring of timely collections.

The Company remained extremely well in its recovery efforts during 2011/12, as a result its gross non-performing ratio improved to 0.65% as at 31st March 2012 compared to 1.33% as at 31st March 2011 while the net non-performing ratio decreased slightly to -0.16% as at 31st March 2012 compared to -2.99% as at 31st March 2011. This is a commendable achievement as the Company's non-performing ratio was much lower in comparison to the industry non-performing ratio of 5.1% as at 31st December 2011. This reflects the Company's constant emphasis on a quality credit portfolio and the effectiveness of its recovery efforts.

Non Performing Advances Ratio



Source: Annual Report 2011 - The Central Bank of Sri Lanka

The cumulative provision for credit losses stood at Rs. 597.50 million at the end of financial year 2011/12, which is 100% consists of the specific provision. This is

a decrease of 73.82% over the previous year's balance of Rs. 2,282.70 million which includes specific provision and general provision as well. The Company's strong recovery process and the quality of the lending portfolio enabled the Company to maintain credit losses at a minimum despite a huge increase in the lending portfolio.

Investment in Subsidiaries and Associate

People's Leasing Company continued its expansion plans and increased its investments in subsidiaries considerably during the year 2011/12 in order to seize the opportunities for growth available in the market. The Company had invested Rs. 3,118.18 million in six subsidiaries as at 31st March 2012 which is an increase of Rs. 1,312.93 million compared to Rs. 1,805.25 million as at 31st March 2011. People's Finance PLC, People's Leasing Property Development Limited, People's Insurance Limited and People's Microfinance Limited have demonstrated promising results during the year under review. Although, the other subsidiaries are yet to bring a positive contribution to the Group, the Company has set a solid foundation in order to maximize synergy and increase the profitability of the Group as a whole.

The Company increased its investment in People's Finance PLC by subscribing Rs. 502.58 million and Rs. 175.35 million for the Rights Issue made in June 2011 and share warrants made in January 2012 respectively. The number of shares held by People's Leasing Company in People's Finance PLC increased to 66,154,930 as at 31st March 2012 from 40,206,580 as at 31st March 2011. The effective holding in the Company by People's Leasing Company PLC as at 31st March 2012 was at 88.71% and the People's Leasing Company PLC was the major shareholder of the Company throughout the financial year. The share price of the Company was Rs. 23.00 as at 31st March 2012 compared to Rs. 77.20 as at 31st March 2011.

The Company increased its investment in People's Insurance Limited by further investing Rs. 250.00 million during the year under review. As a result, the total investment in People's Insurance Limited was Rs. 600.00 million as at 31st March 2012. People's Insurance Limited was formed primarily to facilitate the insurance cover for vehicles leased by People's Leasing Company PLC and People's

Finance PLC and to provide general insurance services to the public.

In March 2012, People's Leasing Property Development Limited (PLPDL) capitalized Rs. 350 million by way of issuing 35 million number of shares to People's Leasing Company at a consideration of Rs. 10/- each as against the money borrowed. Accordingly, the total investment in PLPDL increased to Rs. 550 million.

The Company further invested Rs. 35.00 million in People's Microfinance Limited during the year under review thereby, increasing the total investment to Rs. 50.00 million as at 31st March 2012.

The investment in People's Leasing Havelock Properties Limited as at 31st March 2012 was Rs. 200.00 million.

The Company invested Rs. 50 million in 50 million shares of City Finance Corporation Limited (Formerly known as Industrial Finance Limited) on 9th December 2011. Accordingly, City Finance Corporation Limited became an associate of the Group. In March 2012, the Company made a provision of Rs. 50 million against the investment in associate taking into account the negative equity position of the company.

Property, Plant & Equipment and Intangible Assets

Cost of property, plant & equipment and intangible assets increased by a substantial 53.58% to Rs. 1,180.02 million in 2011/12 from Rs. 768.36 million in 2010/11 mainly due to the additions of new items with the shifting to the new head office building at Borella. Computer hardware and software accounts for 30.93% of this asset class with office equipment accounting for 16.62%.

The head office building at Borella, which belongs to People's Leasing Property Development Limited, was classified as building under property, plant & equipment in the Group accounts, where as it is treated as investment property in the books of People's Leasing Property Development Limited.

Sources of Borrowings

The Company's total borrowings increased by 38.46% to Rs. 55,288.55 million as at 31st March 2012 from Rs. 39,930.10 million as at 31st March 2011 in order to meet the growing demand for lease, hire purchase and loans & advances.

Borrowings increased by massive 76.66% to Rs. 24,701.66 million as at 31st March 2012 compared to Rs. 13,982.72 million as at 31st March 2011. Long-term loans and commercial papers accounted for 52.35% and 28.04% respectively of borrowings at the financial year end.

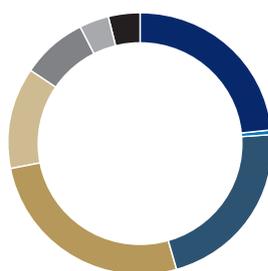
Commercial paper increased to Rs. 6,926.33 million as at 31st March 2012 compared to Rs. 1,062.66 million as at 31st March 2011 with an incredible rate of 551.79%.

Other liabilities evidenced by paper grown by 15.07% to Rs. 28,513.80 million as at 31st March 2012 compared to Rs. 24,778.79 million as at 31st March 2011. 92.94% of other liabilities evidenced by paper as at 31st March represented by promissory notes and assets backed securities.

Borrowings and other liabilities evidenced by paper at floating interest rate and fixed interest rate as at 31st March 2012 amounted to Rs. 10,094.60 million and Rs. 43,120.86 million respectively.

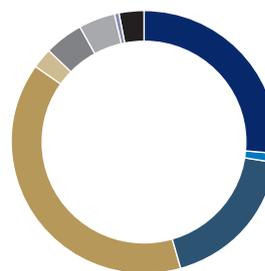
The bank overdraft increased by 77.40% to Rs. 2,073.09 million as at 31st March 2012 from Rs. 1,168.60 million. The Company stands in a better position to access a numerous funding sources with the strong backing of its parent, People's Bank, which are not readily available to peer competitors.

Borrowing Mix- 2011/12



Long-term loans	23.39%
Refinance loans	0.68%
Assets backed securities	21.71%
Promissory notes	26.22%
Commercial papers	12.53%
Short-term loans	8.08%
Debentures	3.63%
Mudharabah investment	0.01%
Bank overdraft	3.75%

Borrowing Mix- 2010/11

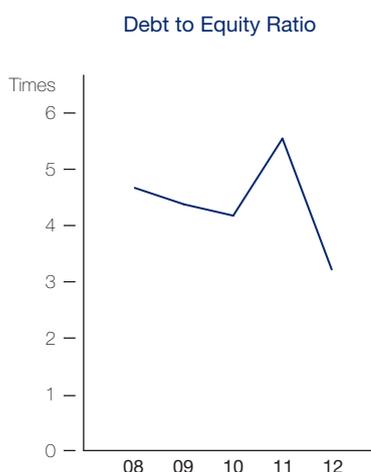


Long-term loans	26.55%
Refinance loans	1.14%
Assets backed securities	18.06%
Promissory notes	39.04%
Commercial papers	2.66%
Short-term loans	4.67%
Debentures	4.43%
Mudharabah investment	0.52%
Bank overdraft	2.93%

Financial Review *contd.*

Debt to Equity Ratio

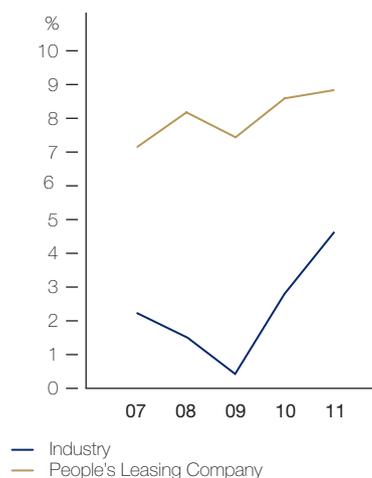
The debt to equity ratio as at 31st March 2012 declined to 3.23 times as opposed to 5.54 times as at 31st March 2011 mainly due to the initial public offering (IPO). Subsequent to the IPO, the debt to equity ratio declined significantly. The ratio is well below the Central Bank's prescribed maximum limit of 7 times.



Return on Assets (ROA) & Return on Equity (ROE)

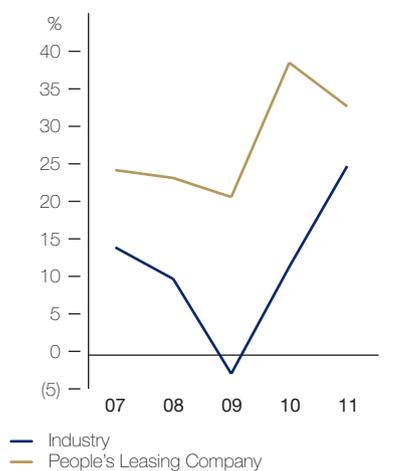
Profitability ratios for the financial year under review were quite impressive, as demonstrated by an increase in ROA to commendable 8.83% from 8.59% in 2010/11. The pre-tax ROE of the Company was 32.62% for the financial year under review. These robust ratios are further indications of the Company's current and potential strength.

Return on Assets



Source: Annual Report 2011 - The Central Bank of Sri Lanka

Return on Equity



Source: Annual Report 2011 - The Central Bank of Sri Lanka

Capitalization of Reserves, Sub-Division of Ordinary Shares and Initial Public Offer (IPO)

The Company issued 28 million number of ordinary shares at Rs. 146/- as fully paid ordinary shares by way of capitalisation of reserves of the Company in June 2011. Consequent to the capitalisation of reserves, the number of ordinary shares of the Company increased to 78,000,008 from 50,000,008.

The shares of the Company were sub-divided on the basis of 01 ordinary share into 15 ordinary shares in June 2011. Consequent to the sub-division, the number of ordinary shares of the Company increased to 1,170,000,120 from 78,000,008, without any change to the stated capital of the Company.

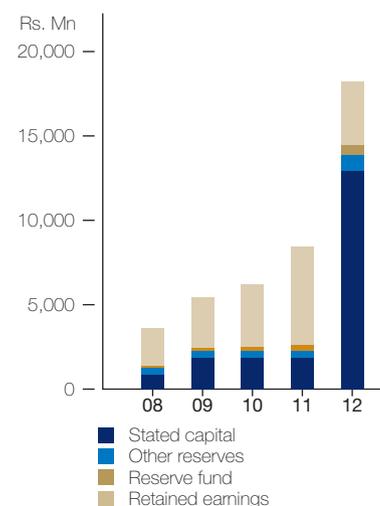
The Company successfully completed an IPO by offering 390,000,040 ordinary shares to the public on the 24th November 2011 at Rs.18/- per share by which additional capital of Rs. 7,020,000,720 was infused to the Company. This is the second largest IPO in the history of Sri Lanka. The issue was oversubscribed by approximately Rs. 2.3 billion and closed on the same date.

As a result of above activities, the stated capital of the Company increased to Rs. 12,958.00 million from Rs. 1,850.00 million.

Shareholders' Funds

Shareholders' funds grew by impressive 116.42% to Rs. 18,270.37 million as at 31st March 2012 from Rs. 8,441.97 million mainly due to the increase in share capital from the IPO.

Shareholders' Funds



Cash Flow

The Cash and Cash Equivalents balance of the Company carried an unfavorable balance of Rs. 735.39 million as at 31st March 2012 compared to the unfavorable balance of Rs. 303.54 as at 31st March 2011 with a deterioration of 142.27%. Operating and investing activities resulted in a net cash outflow of Rs. 18,994.24 million and Rs. 1,512.65 million respectively, as a result of increased grantings and investments in subsidiaries during the financial year. Issue of shares, bank borrowings, promissory notes and securitizations financed this outflow. Therefore, financing activities resulted in a net cash inflow of Rs. 20,075.04 million during the year under review.

Dividends

On 28th December 2011, an interim dividend of 50 cents per ordinary share for the year 2011/12 was paid. The Directors have recommended a final dividend of 50 cents per ordinary share upon the approval of shareholders at the AGM. The above together with the interim dividend already paid add up to a total of Rs. 1.00 per share for the year under review. Accordingly, the total dividend for the year would be Rs. 1,560.00 million and this would amount to a pay-out ratio of 38.62% which is well above the minimum payout ratio of 10%, stipulated in the Deemed Dividend Tax Rule.

On the other hand, cash dividends of Rs. 3.25 million, Rs. 85.00 million and Rs. 85.00 million were paid on fully paid cumulative preference shares on 29th June 2011, 31st October 2011 and 30th March 2012 respectively to the investor, People's Bank.

Redemption of Preference Shares

A sum of 15.00 million fully paid preference shares, which were invested by the parent of the Company, People's Bank, were redeemed at Rs. 10/- each on 31st October 2011, 29th June 2011 and 30th March 2012, on equal proportion.

Grantings

The Company recorded its highest grantings in the history of the industry amounting to Rs. 48.86 billion during the financial year 2011/12 primarily due to the reduction in import duty on import of vehicles and decrease in average lending rates from 25% in 2009 to 16% in August 2011. It is a remarkable growth of 16.86% compared to Rs. 41.81 billion in the last financial year. However, there has been a reduction trend in grantings in the latter part of the financial year with the increase of interest rate.

Share Price and Market Capitalization

The share price recorded highest price of Rs. 18.30 and lowest price of Rs. 11.00 during the financial year and the year-end closing price was Rs. 11.60. The price has reduced by 35.56% as at the year-end compared to the initial issue price of Rs. 18/- mainly due to the lower level of performance in the Colombo Stock Exchange which is evidenced by the reduction in both All Share Price Index (ASPI) and Milanka Price Index (MPI). The price to book value ratio was 1.04.

The Company's market capitalization as at 31st March 2012 was Rs. 18,096.00 million and it ranks 26th among all listed companies on the Colombo Stock Exchange at the end of the financial year.

Capital Adequacy

The Company's capital adequacy ratio remained healthy with both Tier I and Tier II at 25.50% as at 31st March 2012 compared to 14.81% as at 31st March 2011 recording a growth of 72.18%. This was mainly attributable to increase in issued and paid up capital infused via the Initial Public Offer.

Review of Group Financials

The People's Leasing Group consists of five fully owned subsidiaries; People's Leasing Fleet Management Limited, People's Leasing Property Development Limited, People's Insurance Limited, People's Leasing Havelock Properties Limited and People's Microfinance Limited, a subsidiary of People's Finance PLC and an associate; City Finance Corporation Limited.

The total asset base of the People's Leasing Group increased by Rs. 32,218.36 million to reach Rs. 96,072.86 million as at 31st March 2012 from Rs. 63,854.50 million as at 31st March 2011. The Group recorded a net profit of Rs. 4,542.42 million during the financial year, which is an impressive increase of 73.92% over the previous year's profit of Rs. 2,611.77 million. Subsidiaries, People's Finance PLC, People's Insurance Limited, People's Leasing Property Development Limited and People's Microfinance Limited, have achieved growth momentum and contributed positively to the Group during the year under review.

People's Finance PLC (PF)

People's Finance PLC concluded its financial year 2011/12 reporting excellent results for the year under review. Profit after tax for the year under review gained immensely, propelling unprecedented growth of 223.25% to stand at Rs. 345.42 million in comparison to last year amount of Rs. 106.86 million.

During the financial year, the total assets of the Company grew steadily and reached Rs. 15,269.98 million indicating a growth over 90% on a year on year basis. This positive trend is expected to continue well into the future.

The cumulative grantings for the year under review amounted to Rs. 11.5 billion, which is an increase of over 70.00% in comparison to Rs. 6.6 billion reported for the corresponding year.

The grantings of facilities will continuously be monitored to ensure set targets are achieved while maintaining the quality of the lending portfolio. NP ratio of the Company, which stood at 2.39% on all contracts at the end of March 2011 reduced to 1.88% at the end of March 2012, which represents a deduction of 21.34%. Maintaining the NP ratio at less than 2% is a remarkable

achievement, which is considerably below the industry average of 5.1%. This is a reflection of the Management's efforts on the recovery of bad debts and the grantings of new facilities in accordance with the strategic recovery plan/budget made for the Company.

Deposit base as at 31st March 2012 stood at Rs. 10,911.23 million, compared to Rs. 6,044.89 million in the previous year. The deposit base made a noteworthy growth of 80.50%.

In June 2011, People's Finance PLC successfully concluded a rights issue of one new ordinary share for every two ordinary shares held at an issue price of Rs. 25/- per share to raise Rs. 567,840,975/- in order to be in line with the Capital Adequacy Direction No. 02 of 2006 issued under the Finance Companies Act. People's Leasing Company PLC invested Rs. 502,582,250/- in the rights and retained its effective holding in the above subsidiary. Further, the above subsidiary issued 6,814,091 free warrants in proportion of three warrants for every 10 rights shares subscribed. 6,436,062 warrants were exercised in January 2012 at an exercise price of Rs. 30/- and each warrant was converted into one ordinary share.

At present, People's Leasing Company holds 88.71% of the voting shares of People's Finance PLC.

People's Leasing Property Development Limited (PLPDL)

People's Leasing Property Development Limited completed the construction of the Head Office Building for the parent, People's Leasing Company PLC, during the year under review and the building was rented out to People's Leasing Company PLC and People's Bank. Accordingly, the Company commenced generating revenue. PLPDL concluded its financial year 2011/12 reporting good results, signifying converting the pre-tax loss of Rs. 8.10 million in the financial year 2010/11 to a pre-tax profit of Rs. 18.20 million for the financial year ended 31st March 2012. The Company's cumulative loss reduced to Rs. 1.6 million as at 31st March 2012. Total asset base of the Company increased by 78.49% to reach Rs. 1,988.42 as at 31st March 2012 from Rs. 1,114.04 as at 31st March 2011.

Financial Review *contd.*

On successful completion of the construction of the Head Office building at Borella, it was transferred to the Investment property from work-in-progress category.

With the issuance of 35,000,000 of shares at Rs. 10 per share for People's Leasing Company PLC for the consideration of the facilities obtained from People's Leasing Company PLC and the interest thereon, the stated capital of PLPDL increased to Rs. 550.00 million from Rs. 200.00 million.

People's Leasing Fleet Management Limited (PLFML)

People's Leasing Fleet Management Limited primarily engaged in the business of renting out vehicles, computers and related equipment, vehicle service and vehicle valuation. The Company recorded a pre-tax loss of Rs. 136,909/- for the year ended 31st March 2012, largely due to reducing demand for the motor vehicle hired and low utilization by the hirer. During the year, the Company disposed two used vehicles and purchased nine new vehicles. The Company anticipates the demand for vehicles to increase considerably in the coming years and further the implementation of rate revision is expected at the beginning of the next financial year. Therefore, the Company is expected to make a positive contribution to the Group in the future.

Total assets of the Company as at 31 March 2012 stood at Rs. 229.98 million compared to Rs. 186.69 million in 31 March 2011 which represent 23.19% growth over last year. Stated Capital of the Company was Rs. 75 million as at 31st March 2012.

People's Insurance Limited (PIL)

People's Insurance Limited recorded a Profit after tax of Rs. 75.18 million for the year ended 31st December 2011. At present, People's Insurance Limited mainly carries out business to the customers of the People's Leasing Group. Therefore, it also has a high potential for making a significant contribution to the Group profits and to become one of the key players in the insurance industry in the future. Total assets of the Company surpassed Rs. 2 billion and reached Rs. 2.4 billion at the end of 31st December 2011. The Shareholders funds stood at Rs. 594.53 million, including the Rs. 550.00 million of stated capital. The Company paid a dividend of Rs. 0.20/- per share amounting to Rs. 12 million in April 2012.

The Company's position in the industry elevated to the 6th position during the year ended 31st December 2011 from its 9th position last year out of 19 registered insurance companies (General) in Sri Lanka. Market share of the Company also increased during the year to 5.36% from 2.5% in the previous year.

People's Microfinance Limited (PML)

People's Microfinance Limited was incorporated in September 2010 with the prime objective of providing financial services (excluding banking services) to low-income segment of society and microfinance enterprises and promoting micro enterprise development among the low-income population. People's Microfinance Limited has expanded its operations during the financial year under review and has concluded its financial year 2011/12 reporting good results, converting the pre-tax loss of Rs. 1.15 million in the last financial period to a pre-tax profit of Rs. 1.78 million for the financial year ended 31st March 2012. Further, the Company was able to record a post-tax profit of Rs. 1.65 million during the year under review, which resulted in achieving cumulative retained earnings of Rs. 0.23 million as at 31st March 2012. During the financial year, the Company's total grantings amounted to Rs. 165.98 million which comprises of Vehicle loans of Rs. 58.90 million, General loans of Rs. 93.65 million and Small Enterprise loans of Rs. 13.43 million. The total asset base of the Company reached Rs.151.63 million as at 31st March 2012 in comparison to Rs. 18.00 million as at 31st March 2011.

The expansion of operations will enable the People's Microfinance Limited to make a significant contribution to the performance of the People's Leasing group in the future.

People's Leasing Havelock Properties Limited (PLHPL)

People's Leasing Havelock Properties Limited was incorporated on 12th August 2010. Its primary purpose is the construction of an office complex. At the end of the year, People's Leasing Havelock Properties Limited had Rs. 198.69 million worth of total assets, which includes land with an extent of 39.20 perches in Havelock Road, Colombo 05 amounting to Rs. 156 million. The Stated Capital and retained losses stood at Rs. 200.00 million and Rs. 1.48 million respectively as at 31st March 2012. This initiative is expected to generate significant revenue in the future.

Snap-shot of the Financials of Subsidiaries

	PF	PLPDL	PLFML	PIL	PML	PLHPL
% held by PLC	88.71	100.00	100.00	100.00	100.00	100.00
Revenue	2,021.53	156.26	104.52	1,584.80	13.60	-
Pre tax profit	507.94	18.20	(0.06)	97.34	1.78	0.39
Post tax profit	345.42	18.20	(0.17)	75.18	1.65	0.17
Total assets	15,269.97	151.63	230.10	2,422.83	151.63	198.69
Shareholders' funds	1,887.55	50.23	72.62	594.53	50.23	198.52
Retained profits/(losses)	186.54	0.23	2.38	44.53	0.23	(1.48)

Other Strengths and Resources of Value that is not Reflected in the Balance Sheet

People's Bank holds 75% of stake in the Company. The continuous support received from People's Bank, along with the strength of the brand name is a major factor that contributed to the success of People's Leasing Company. The Company has a broad branch network, and the presence of window offices at People's Bank branches has provided an enormous advantage in terms of expanding its island-wide coverage. Furthermore, the fact that its parent is a government owned entity instills confidence in the public on the stability of the People's Leasing Company. Thus, People's Leasing Company has become a strategic importance to People's Bank. These factors are of paramount importance when it comes to obtaining funds at the lowest possible rates.

People's Leasing Company has a highly skilled and widely experienced staff base that is endowed with a mix of both technical and practical expertise.

People's Leasing Company has a sound internal control system. Low non-performing ratio along with the strong rental collection ratio provides evidence of this fact. A stringent and thorough process is undertaken from the marketing phase, through to the credit evaluation and the recovery stage. All staff members should be credited for their invaluable contribution in this respect.

People's Leasing credit rating has been upgraded to "A+ (lka) Stable" during the year from "A (lka) Stable" by Fitch Ratings Lanka Limited. This portrays the stability of the Company and serves to instill investor confidence.

The Company, being listed on the Colombo Stock Exchange, will enjoy wide range of benefits. It is widely recognized and highly credible leading easy access to diverse types of lenders and different types of borrowings. Further, the value of the Company can be determined at any time as the price of stock is readily available. However, this value may not reflect the real value of the company. Additional funds can be raised in the future by means of rights issue, share warrants etc.

Future Outlook

The operations of the People's Leasing Group will be conducted in a manner so as to maximize the synergetic benefits. The subsidiaries, which are currently in their initial stages, will be expected to make significant contributions to the Group in the future. The People's Leasing Group will be recognised as a strong force in the financial services sector. The prudent management policies, together with the unwavering support of People's Bank, will ensure that People's Leasing Company will achieve its objectives and make a significant contribution to the People's Bank Group.

Market interest rates have escalated during the latter part of the year under review. The benchmark yield curve for government securities trading in the secondary market has also continued to escalate. In addition, the monetary authority absorbs liquidity through selling of dollars, which consequently led to increase in interest rates. As a result, AWPLR progressed to double digits in December 2011 for the first time during the financial year.

After critically reviewing the economic and market conditions both at micro and macro levels, the Company has been revising its lending rates ascending during the latter part of the financial year. Consequent to the Central Bank direction on limiting financing from commercial banks and continuous increase in interest rate, the Company purposefully did not provide specific targets on grantings. The reduction in import duty and the removal of VAT on selected commercial vehicles such as buses and lorries in early 2012 will certainly boost the demand for such vehicles in the future but the drastic increase in import duties on cars and sport utility vehicles (SUVs) in March 2012, created restraining impact on the future operations of the Company. However, the higher prices will increase the security value of the vehicles already leased by the Company.

The Company has taken a short term laid back position in the back drop of the unfavourable economic conditions, as the Central Bank of Sri Lanka imposed regulations on the level of credit circulation in the market curbing the liquidity position. This has created a problematic scenario for the Company to obtain funds for granting purposes. In addition, the recent increase in vehicle prices has created a restraining demand for leases and hire purchases. However, being proactive and prudent, the Company is looking for both local and foreign funds at a considerable rate to exploit the prevailing opportunities that has emerged through the vast expansion of branches and service centers. Thus, the recently opened branches and the service centers are expected to contribute towards the Company's success.

The Chartered Accountants of Sri Lanka (ICASL) following the convergence of Sri Lanka Accounting Standards with the International Financial Reporting Standards (IFRS) and IAS has issued a new volume of Sri Lanka Accounting Standards – 2011, which is applicable for financial periods beginning on or after 1st January 2012. These new Accounting Standards are prefixed both SLFRS and LKAS which correspond to the relevant IFRS and IAS.

The Company has commenced reviewing its accounting policies and financial reporting in readiness for the transition. As the Company has a 31st March year end, priority has been given to considering the preparation of an opening balance sheet in accordance with the new SLASs as at 01 April 2011. This will form the basis of accounting for the new SLASs in the future, and is required when the Company prepares its first new SLAS compliant financial statements for the year ending 31 March 2012. Set out below are the key areas where accounting policies will change and may have an impact on the financial statements of the Company.

SLFRS 1 – First Time Adoption of Sri Lanka Accounting Standards
LKAS 1 – Presentation of Financial Statements
LKAS 16 – Property Plant and Equipment
LKAS 32 – Financial Instruments: Presentation, LKAS 39 – Financial Instruments: Recognition and Measurement and SLFRS 7 – Disclosures
SLFRS 3 – Business combinations
LKAS 12 – Income Tax
LKAS 18 – Revenue

The Company is in the process of quantifying the impact on the Financial Statements arising from such changes in accounting policies.

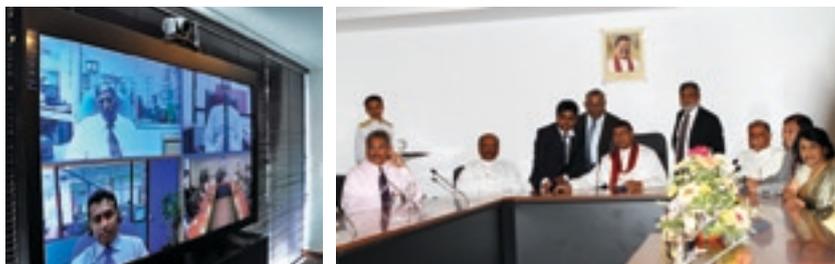
Information Communication Technology (ICT) Review

Today's dynamic business environment revolves on the axis of information with accurate and timely information being the corner stone of competitive advantage. People's Leasing Company's ICT department is fully equipped with the latest technology with state of the art systems and has synchronized all the functions to align with the corporate strategy.

Glimpse of the Year

A separate dedicated floor for ICT has been reserved with People's Leasing Company shifting to the Borella new head office. This has enabled the Company to implement a more sophisticated ICT environment and infrastructure including a data centre which has high availability, training room which can accommodate 70 trainees and fully equipped hands on training room which can accommodate 25 trainees.

Furthermore, the communication infrastructure with the latest technology has been implemented such as video conferencing facilities, which can be used to connect with branches as well as any part of the world.



Video Conferencing with branches

A number of key initiatives were introduced, with the intention of introducing innovative technology to the business process and subsequently increase the efficiency and effectiveness of operations, thus creating value for the customer. People's Leasing Company's ICT has made continuous improvements, hence ensuring the integrity, availability and confidentiality of information. The Company continuously strives to improve the ICT infrastructure in terms of redundancy systems and equipment.

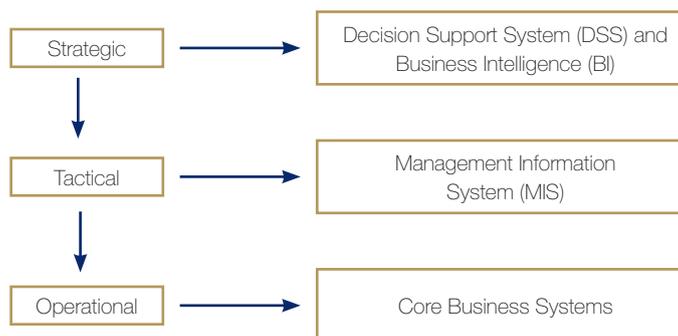


Opening of Hands on training room



First Training session held on Hands on Training room

People's Leasing System Hierarchy



Esteemed Recognition

Previously, the Company obtained the prestigious global benchmark ISO/IEC 27001:2005 Information Security Management Systems standard for the process, due to lapses in the building infrastructure and other restrictions hence, data centre certification was not obtainable. With the implementation of the new ICT infrastructure, the Company has laid the foundation for the data centre with all the necessary requirements covering all the standard points stipulated and awaiting foreign auditors to audit the data centre. The Company's ICT is in the process of obtaining certification for the standard data centre which is to be completed within the year 2013. High availability cluster is present with the implementation of the data centre.

Transaction Processing System (TPS)/Core Systems

The ICT function at People's Leasing is fully computerized with a centralized processing system with all the business activities including leasing, hire purchasing, Islamic finance facilities, savings and investments being linked to an online "General Ledger". Furthermore, the functions in relation to non-core operations such as human resource management, the payroll process and inventory management solutions are also fully computerized. All the subsidiaries, branches and window offices are connected and fully computerized, enabling real time transactions. These systems work at the operational level and the staff at

operational level on a routine basis feeds detailed information. The system referred to as "Inbank", is considered to be highly efficient and secure and it has improved the delivery process of transactions, facilitating the Company to capitalize on its core competency of providing the fastest service to its customers.

During the year under review, number of modules has been developed to increase the efficiency of the users as follows:

Revamped SMS Gateway for PLC Group

A SMS alert system was implemented for the entire Group of companies enabling convenience including Leasing and Loan rental reminders to customers, withdrawal transaction details to customers and receipt details to customers.

Common Cashier Module for the Group (iBank)

A separate module was implemented for all the cashiers, which enables them to work from their local machine, without logging to terminal servers. This module provides numerous benefits such as improving efficiency of cashier functions, smoothing cashier functions; eliminate network related delays.

Document Tracking System

The Company believes time management is paramount with daily growth of the business and to elevate the services offered to the customers.

In obtaining a facility (Lease/HP and Loans), a comprehensive processing task is required of all the necessary documents provided by the customers as the documents goes through several places. People's Leasing Company's ICT has implemented an automated solution to track and accelerate the movements of the documents, thereby increasing efficiency, creating uninterrupted operations in the business, ability to track each and every movement of the documents, saving officers time and effort.

Services Beyond Branch (SBB)

This is a multiple front-end device based online banking application, which provides an effective framework to shift operational

strategies. It will facilitate the subsidiaries to simulate and perform variety of transactions. SBB permits field officers to collect loan/ lease payments from any geographical location and it facilitates online, real time transferring of all collection details to back-end servers and secure data transmission. Furthermore, it facilitates simulating and performing a variety of banking and non-banking transactions at the customers' doorstep, online and real time.

This solution can be branded as the smallest bank branch in the world offering customers the true benefits of technological innovations regardless of their geographical locations including payment collection – loan/lease collection (cash and account), cash deposits, cash withdrawals and fund transfers, balance inquiry and mini statements, utility bill payments, insurance payments, account opening and loan granting.

In addition, this solution can create multiple numbers of mobile branches that can offer the same services on-line real-time at the lowest cost. It will enable the subsidiaries to reach large number of new and existing customers. The solution will improve the productivity and service standards while offering extremely fast transaction time of 4 to 8 seconds. Furthermore, the solution uses any existing plastic bankcard or Passbook to execute transactions and it also has the ability to allow transactions without a card.

Document Management System with Paperless Office Environment

Document Management is the process of managing the entire life cycle of paper-based documents. Document Management provides a simple and efficient way to input, retrieve, manage revisions (managing multiple versions of a document), collaborate, track and retain all of the other supporting documents such as "InBank" reports and CRIB reports in a one location where it is easier for decision making.

People's Leasing Group considers Document management system a vital implementation for entire Group with customer past data easily retrievable within few seconds increasing the service level of the employee. Hence, swift customer service will ultimately increase the customer

satisfaction over the organization, which will be beneficial in long run. Document management solution enhances green IT concepts within the Company by reducing the paper-based work. Document Management System provides numerous benefits including reduced storage of documents, flexible retrieval of documents, flexible indexing, faster and more flexible search of documents, improved security, easy backup of documents for off storage and disaster recovery, elimination of lost files and environmental friendly.

Management Information System (MIS)

MIS is an internally generated system to optimize the collection of information throughout the organization and it transforms data from an underlying internal transaction processing system into regular and ad-hoc reports through the MIS system. This has improved the accuracy of the information and the speed of decision-making at the middle and top management level.

During the year under review, People's Leasing Company's ICT has implemented MIS specially for recovery and marketing purposes thus, enabling management to track and make decisions on recovery and marketing functions as well as their performances at any time.

Decision Support System (DSS)/ Business Intelligence (BI)

The ICT department in its endeavour to support decision-making has initiated a DSS with higher analytical capabilities to enhance the speed of information generation. This extracts information from the core systems & MIS systems functioning only on an ad-hoc basis with access to the system is restricted to the management and certain executive level employees. This system has supported the prediction of the future outcome of decisions and has assisted in forecasting financial performance. Scenario planning is performed through the system, which has provided a competitive advantage over the competitors. Furthermore, Business Intelligence has also been incorporated to the DSS. Business Intelligence supports management to analyze historical data, current data and to predict the future views of business operations utilizing reports. Thus, the business decision-making is more concise, effective and efficient.

Business Continuity and Disaster Recovery Plan

People's Leasing Company's Disaster Recovery System is centralized and is maintained both internally and externally to ensure the security of data backups.

In the event of power failure, an SMS is delivered to the Server Administrators to ensure prompt recovery. Information availability and security is highly guaranteed with the establishment of a strong disaster recovery site. The intent of a disaster recovery plan is to ensure the continuous service of the system in the event of an interruption resulting from an unplanned and unexpected disaster. A detailed business continuity plan is in place along with the disaster recovery plan to ensure the smooth flow of operations.

A sophisticated network monitoring system has been implemented that can be used to identify issues in the networks in a very short period of time, which results in quick responses. Network health monitoring at regular periods can have controlled administrative functions, which can assist in eliminating unnecessary traffic and other issues in the network.

Web Site Revamping

The web site (www.plc.lk) has been revamped to include the Group synergy in more appealing manner and was launched with the opening of People's Leasing Company's new head office in Borella. The new web site is more informative and provides facilities to customers by being able to directly contact marketing by mere submission of the phone number.



Launching of new official web site



PLC official web site

E-Waste Management

The Company believes in a proper e-waste management system as it utilizes a large number of electronic equipment including computers and peripherals. People's Leasing Company's ICT in collaboration with the CRM department has taken the initiative of collecting e-waste and disposing them in a proper manner to minimize the effects on the environment.

User Friendliness

People's Leasing Company's ICT relentlessly focus on improving the systems and procedures thus ensuring the system is in par with the latest technology. Comprehensive training is provided in advance to ensure familiarity with the system, enhancing the efficiency and effectiveness of the flow of operations.

During the year under review, general as well as specific training programs (for cashiers, accountants and marketing officers inclose contact with the system) were conducted, in order to ensure that the staff is familiar with the system and its workings.

ICT infrastructure has been developed for trainings including a state of the art training room with the capacity of 70 trainees and fully equipped hands on training room with the capacity of 25 trainees. Furthermore, veteran trainers are available in ICT department capable of providing training in all aspects of systems and functions.

Professional ICT Team

People's Leasing Company's ICT is enriched with a professional and experienced team of staff and has been pioneering system developers to improve the effectiveness of the system thus, improving the Company image. During the financial period, the

Company initiated a margin trading activity, which is a novel business segment, with the implementation of a customized automated system to support the operations by the ICT department. The department has continued to maintain a good rapport with external vendors in outsourcing system developments and acquiring external hardware systems. Training is conducted for ICT staff members on a continuous basis to keep abreast with the latest technology and systems.

Real Time Connectivity

ICT department of People's Leasing Company with its state-of-the-art technology, ensures all branches enjoy real time connectivity with the head office and are capable of screening the special events organized by the head office through the Company intranet.

Development of new ICT infrastructure with video conferencing facility has enabled connectivity with branches, permitting various meetings and audit sessions to be held with the branches. In addition, it fosters connectivity with customers and investors located around the world.

Future Outlook

At present, an external web site is available only for People's Leasing Company. The ICT department is planning to develop separate specialized web sites for other subsidiaries in the near future. The Company anticipates launching the web sites at the beginning of the financial year 2012/13. The Company's ICT department is working towards achieving a certification for the recent implemented Data Centre, which is a vital requirement for a financial institute.

Continuous improvements to the system are carried out, as and when the need arises, in order to improve time and cost efficiency. Consequently, the ICT department is expected to evaluate all current processes to re-engineer and improve efficiency levels to facilitate a faster and more convenient service to external and internal customers.



PLC Auditorium at Head Office Building



Section of Roof Top at Head Office Building

Human Capital Management

People's Leasing Company's continued success is undoubtedly on the strength of its professional, competent and motivated staff. The Company boasts of its accomplished staff qualities of motivation, high quality performance, experience, broad based as well as specialized knowledge, teamwork and the ability to adopt to various challenges encountered in a dynamic business environment. The Company's relentless dedication to the continuous building and maintenance of its staff involves intensive recruitment, training and promotion procedures, which is testimony of the Company's excellent retention rates.

Recruitment and Selection

The recruitment process is highly competitive in the Company's quest in recruiting the best in the industry and hence developing the Company's human capital for the future. The Company has empowered the branch managers with initial selection from their respective areas and recruitment is carried out by Human Resource Department at Head Office. A three-week orientation program is conducted for the new recruits on selection and on completion; they are transferred to the respective branches. The number of new recruits during the financial year was 305.

Investing for the future

The Company continues to invest heavily in training and development to develop its employees by providing them opportunities to develop their professional carriers and optimize their contribution towards the achievement of corporate objectives. A number of training programs were conducted throughout the year in keeping with the Company's expansion island wide.

Internal Training

Internal training is an integral part of the Company's development program with training needs of the employees identified and conducted through the internal training process. The Human Resource Department determines the training of the employees based on the recommendation of the Head of department and on the Company's strategic requirements. All Senior Management personnel conduct orientation programs including product training for new recruits internally. The Company's state of the art IT laboratory provides hands on training on various IT applications. The

Company has carried out a substantial number of operational training as a consequence of the Company's expansion. All employees are given the opportunity and encouraged to obtain their professional qualifications with the implementation of reimbursement of higher education scheme. The employees are also given the opportunity of obtaining professional membership on an annual basis and the expense borne by the Company.

External Training

Training and development of all other areas other than operational is conducted through external training locally in the Company's endeavour to broaden the employees' knowledge base and exposure. An expert on customer care conducted a couple of training programs for managers and executives to bridge the gap on customer relations. Majority of the development training is conducted externally with experts in the field, which is beneficial for the employees as well as the Company.

Talent Management

The Company's talent management system allows branch managers and head office respective managers the authority to identify the most eligible employees for future development with the long-term vision of creating a broad base of talent for future managers. Identified potential employees are given the opportunity for training and development to fast track their careers. Existing vacancies are advertised internally in keeping with the Company policy, creating an opportunity for employees to further their careers. The "multi-skilled employee" concept continues within the Company where various talents of the employees are identified. Employees have the liberty of selecting any other field of work and the Company provides hands on training and encourages the employees to gain professional qualifications. Further expansion of the Company's branch network in the future will create the availability of more positions in executive and managerial levels, which will be filled through internal promotions in accordance with the Company's policy. Potential branch executives identified will be assigned as branch managers on a temporary basis to handle the branch and based on the performance; the branch executive will be promoted as branch manager.

Staff Strength

The total staff strength of People's Leasing Company as at 31st March 2012 is 1050, which is an increase from last financial year as a result of expansion of the Company. Majority of the staff are under 40-year age category, symbolizing the capacity of the Company to harness the dynamic youth for the betterment of the Company in the future. Gender analysis reflects a male dominated environment. This is evident in the marketing and recovery officer category considering the nature and scope of the job they have to undertake. At present, the Company has three female marketers in Dehiwela, Baththaramulla and Anuradhapura branches.

Employee Retention

People's Leasing Company preserves its outstanding level of employee retention. Employee turnover is mainly on the grounds of maternity, migration or transfers within the Group. The success of the above is due to the attractive direct and indirect compensation packages offered to the employees including insurance and vehicle loan facilities. Loyalty to the Company and the performance-based culture motivates the employees in obtaining speedy promotions. Hence, the employees foresee a bright and promising future with career advancement in the Company.

Automation of HR Systems

The Company's modern automated HR management system provides instantaneous and comprehensive responses to all HR matters including attendance, leave, salaries and training and performance appraisal. The personal files of all the employees are scanned and stored in the system for easy retrieval. The attendance system has been completed with easy thumb marking of attendance. Email facilities have been provided to all employees for internal and external communications. Automation of the HR management system had enabled a few people to handle the entire department compared to the number of people in the Company.

Organizational Structure

The flat organization structure empowers employees at all levels creating flexibility and delegation of authority to the respective levels. The Company entertains vertical and horizontal communication despite the

structure and formal operations. This fosters the Company's ability to respond to the customer requirements in the prevailing competitive business environment.

Balanced Professional and Family Life

People's Leasing Company believes and emphasizes the need for all employees to maintain a healthy balance between their personal and professional life in order to optimize all aspects of their lives. The Company's new system provides a 14 days sick leave to employees, which can be carried forward to the following year. Furthermore, annual leave could be reimbursed for annual leave encashment. The Company's welfare and sports society provides an array of recreational and social activities. During the financial year, the employees participated in the annual Company get-together, Wesak Bakthi geetha and Aurudhu festival. All the expenses for the above is borne by the Company and in most instances, the immediate families of the employees participate in the events.

Performance Based Rewards

The Company's reputation of job security and respected among its peers in the industry has earned the title of being an employer of choice. The Company's

remuneration and rewards are based entirely on the performance of each individual employee. The Company's unique " Total Value Scheme" is entirely based on the performance of the employee with a reward scheme, which includes a wide range of monetary and non-monetary rewards including attractive bonus scheme, Incentives and other forms of direct and indirect compensation. During the year under review, every employee received a substantial increment in direct compensation based on his or her performance.

More detailed information with regard to Human Capital is presented in the Sustainability Report 2011/12.

Future Outlook

The Company plans for the future keeping in mind the Group synergy and People's Leasing Company has developed its objectives including the Group synergy. Some changes to the system will be carried out to accommodate the Group synergy including restructuring some of the formalities, reporting structure, performance evaluation system, training and development and career progression to include the subsidiary employees in the respective branches. HR is centralized for the whole Group in order to meet the different requirements of the subsidiaries in achieving the Company objectives. People's Leasing Company has formulated policies for HR, which is subject to the approval of the Board of Directors for the coming year. The Company's hallmark of performance based reward program will sustain the Company as an employee of choice in the industry in the foreseeable future.

Employee Productivity (Rs. '000)	2011/12	2010/11
Revenue per average employee	14,689	13,627
Profit before tax per average employee	6,281	5,165
Profit after tax per average employee	4,417	3,581
Net assets per employee	17,400	9,874
No. of employees	1,050	855





Journeying towards 'Such Great Heights' is a process that requires a well chartered map. And this has been our strength, given that from inception, People's Leasing has always mapped goals and ensured that it achieved them, no matter how ambitious. Our plans have been aggressive and deemed impossible at times, but in true measure, we have achieved and journeyed to great heights.

THE HEIGHT OF PROGRESS



Key Performance Indicators

Balancing the Performance

In the backdrop of severe competition, People's Leasing is the pioneer maintaining its position in the industry with excellent pre planned and proactive management practices. People's Leasing utilizes the Balanced Scorecard in measuring the performance of the Company. People's Leasing's top level strategies are linked with operational level results through the various Key Performance Indicators (KPI) utilized by the Company. KPIs provide the necessary feedback in terms of internal business processes as well as external outcomes in the Company's relentless effort to improve strategic performance and results.

KPI assists in identifying and demonstrates the trajectory of the Company as well as furnishing the employees, customers and

shareholders with a holistic view of the Company. The financial indicators used by companies as a measure of performance, as it measures only past events, do not cover sustainability. In identifying the above inadequacy, the management at People's Leasing has adopted Key Performance Indicators as a measure for guidance and evaluation of the odyssey of the Company.

The outcome of People's Leasing's KPIs demonstrate the superior performance of the Company in terms of Financial, Internal Business, Customer and the Learning and Growth perspective incorporating its entire operations. The above is a mere reflection of People's Leasing's success story.

Indicators	Achievement	
	2011/ 12	2010/ 11
Financial Perspective		
Investors		
Revenue growth (YoY) (%)	42.50	26.15
Return on average equity (%)	32.62	38.44
Return on average assets (%)	8.83	8.59
Equity : Asset ratio (times)	4.58	7.56
Earnings per share (Rs.)	3.11	2.05
Interest cover (times)	1.97	2.04
Economic value added (Rs. Mn)	980	1,304
Market value added (Rs. Mn)	726	-*
Market capitalisation (Rs. Mn)	18,096	-*
Net profit margin (%)	30.07	26.28
Fixed asset turnover (times)	28.65	25.22
Price-Earnings ratio (times)	3.73	-*
Net assets value per share (Rs.)	11.13	6.32
Dividend per share (Rs.)	1.00	1.50
Dividend cover (times)	2.59	31.96
Debt: Equity ratio / Gearing ratio (times)	3.23	5.54
Internal Business Perspective		
Employees		
Employees (No.)	1,050	855
Promotions (No.)	304	158
Financial assistance for staff (Rs. Mn)	236	138
Wealth creation to employees (Rs. Mn)	763	593
Employee turnover (%)	11.55	9.02
Events organised for staff (No.)	8	7
Employees below 40 years of age (%)	91.50	91.80
Work related fatalities (No.)	None	None
Suppliers		
Leases and hire purchase suppliers (No.)	23,453	20,727
Amount paid to suppliers (Rs. Bn)	47	37
Community & Environment		
Amount spent on CSR (Rs. Mn)	26	22
New projects initiated in favour of community (No.)	43	23
Electricity cost per employee (Rs.)	52,210	34,522

Indicators	Achievement	
	2011/ 12	2010/ 11
Customer Perspective		
Customers		
Branches (No.)	34	30
Mini branches (No.)	17	2
New customers (No.)	24,721	22,697
Repeating customers (No.)	15,189	13,069
Customer feedback survey	-	1
Training sessions on customer service (No.)	16	7
Average interest rate on promissory notes (%)	13.73	12.85
Average lending rate (%)	17.56	17.78
Sales personnel (No.)	297	237
Training hours on marketing (No.)	1,951	3,205
Income generation from advances and leases (%)	21.80	24.13
Learning & Growth		
Training sessions for staff members (No.)	48	38
Training hours per employee (No.)	12.0	10.5
Net portfolio (Rs. Mn)	71,557	49,385
New/mini branches opened (No.)	19	7
Total asset base of the Company (Rs. Mn)	79,628	55,849
Non performing advances ratio (%)	0.65	1.33
Leases & HP customers (No.)	70,429	61,972
Promissory notes (No.)	8,434	9,093
Value addition to expansion and growth (Rs. Mn)	3,046	2,537

* Company's ordinary shares were quoted on the Colombo Stock Exchange on 24th November 2011.

** Dividend per Share is including the final dividend of Rs. 0.50 per ordinary share as proposed by the Board of Directors for the approval by the shareholders at the AGM.

Enterprise Risk Management

Way towards Enterprise Risk Management (ERM)

Industry of leasing assumes risk in every function it entails. Tightened regulatory supervision followed by the volatility in financial markets has stressed the importance in ERM in the present business context. Managing risk has become an essential tool to tackle the inevitable uncertainty associated with business as an integral part of Corporate Governance. As the premier leasing Company in the country, People's Leasing Company PLC (PLC) believes in integral good Corporate Governance practices leading towards mitigating or counter measuring the potential risks.

Managing the risk at enterprise level is imperative, because it gives organizations a true perspective on the magnitude and importance of different risks and facilitates the identification of the co-relation among risks. This holistic approach has enabled the Company to avoid duplication of risk management efforts and accommodates risks to be pooled under a common category. The need for an enterprise risk management framework, providing key principles and concepts, and clear direction and guidance, has become more compelling in the present dynamic business environment. The Company has recognized the importance of managing all risks and their interactions, not just the familiar risks, or the ones that are easy to quantify. Even seemingly insignificant risks on their own have the potential, as they interact with other events and conditions, to cause great damage.

The underlying premise of enterprise risk management is that every enterprise exists to provide value for its stakeholders. ERM enables management to effectively deal with uncertainty and associated risk and opportunity, enhancing the capacity to create value. The eventual aim of the risk management is to balance the risk-reward trade-offs since there might be cases where the cost of risk management would out-weight the benefits. The strategy in managing risk resides in establishing the context, identifying risks, analyse; quantify and integrate risks, assessing and prioritizing risks and treating risks.

Hence the risk is driven in every activity of a company, each and every one of it should hold responsible in engaging with it. This approach has reflected in every activity of the Company performance, flowing from top to bottom.

Risk Profile



Risk Management Environment

Risk Management strategy is an integral part of Corporate Governance, management decisions and business processes in the Company. Enterprise wide risk management is essential to the effective functioning of operations from top to bottom. Inculcating risk management initiatives into business planning and the decision making process would provide an effectual integration between planning, reporting, auditing and managing information systems.

Importance of Risk Framework

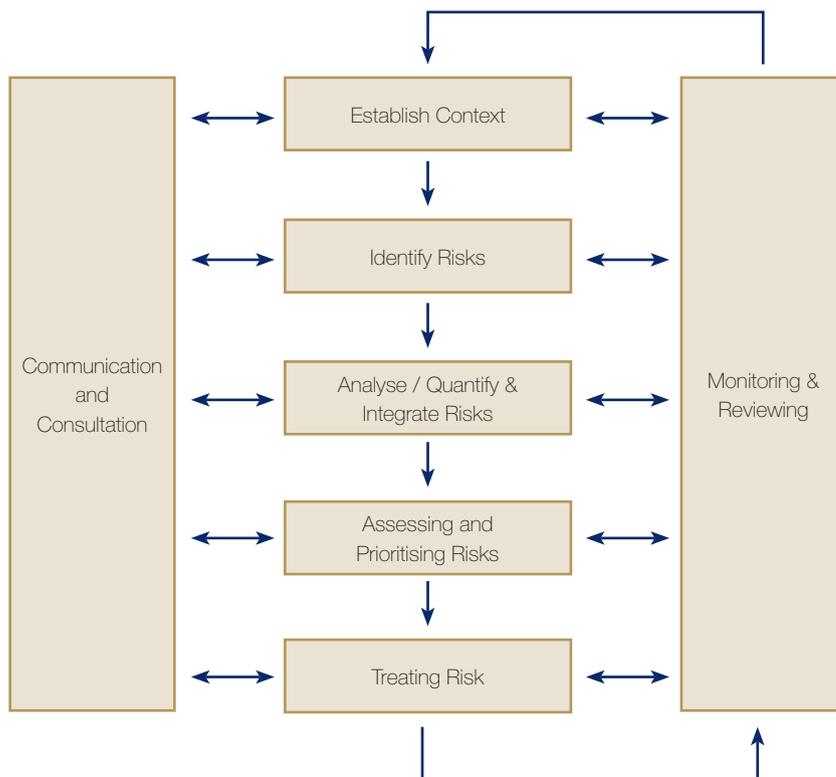
In an attempt to manage the risk, it is of paramount importance to identify the risk appetite, the risk tolerance limits of the Company. Therefore, the management at PLC has identified and briefed the risk tolerance limits of the Company based on the given capacity. The Enterprise Risk Management framework at PLC encompasses the following key priorities.

Priority	Description
Aligning risk appetite and strategy	Select among objectives and strategy alternatives which are based on the risk appetite of the Company.
Enhancing risk response decisions	The framework will provide the rigor to identify and select among risk avoidance, transfer, mitigation, sharing or acceptance of risks.
Reducing potential losses	This has enhanced capability to identify potential loss events and establish responses, reducing surprises and associated losses.
Managing multiple and cross-enterprise risks	Enterprise wide risk management approach has enabled the Company to manage myriad of risks which affect different operational process of the Company and to provide an integrated response to them.
Seizing opportunities	Under this approach, the management is positioned to identify and proactively realise opportunities.
Improving deployment of capital	Robust risk information allows management to effectively assess overall capital needs and enhance capital allocation.

Enterprise Risk Management *contd.*

The above key concerns inherent in ERM have helped the Company in achieving the Company's performance, profitability targets, prevent loss of resources and ensure effective reporting and compliance with laws and regulations. This has led the Company to set out where it wants to reach and avoid pitfalls and unexpected events along the way forward.

Risk Framework

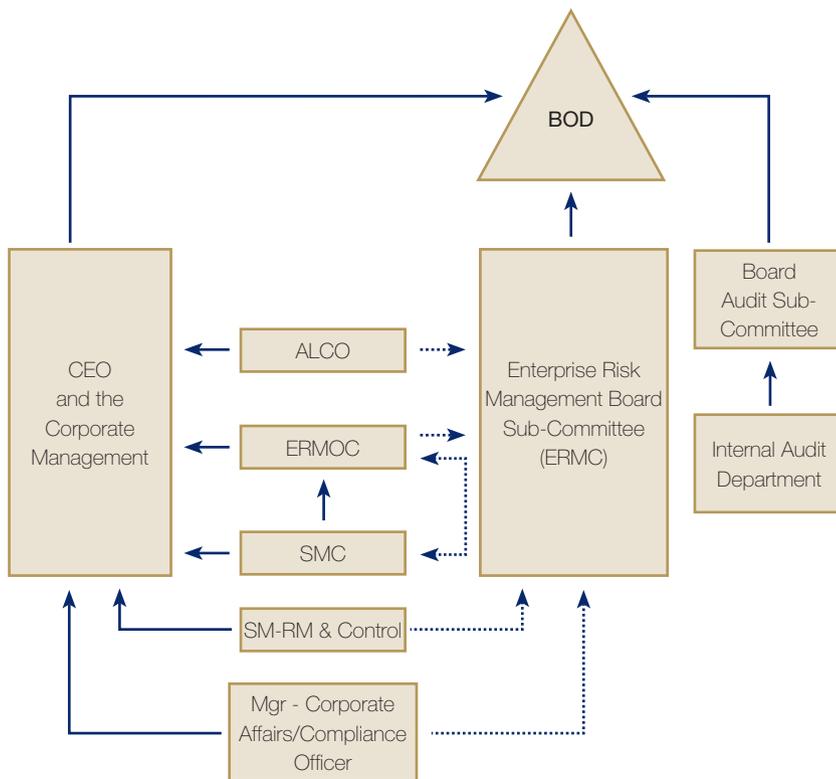


Risk Governance

The ultimate responsibility for setting the risk appetite, communicate risk strategy and approve policies for the effective management of risk rests with the Board. Acting within the authority delegated by the Board, the Enterprise Risk Management Committee (ERMC) reviews specific risk profiles and receives regular reports on risk management, which include the Company's portfolio trends, policies, standards, soundness of internal controls, infrastructure and regulatory compliance. The ERMC is authorised to investigate or seek any information relating to an activity within the terms of reference. The management team of the Company supports the entity's risk management philosophy, promote compliance with its risk appetites and manage risks within their spheres of responsibility with preventive counter measures.

Internal Audit

The Company also has an Internal Audit Department, which focuses on providing an independent risk based oversight to the Board and Audit Committee on the processes and controls that help to mitigate major weaknesses. Internal Audit Department carries out independent reviews of compliance with risk policies and procedures to ensure the Board the effectiveness of risk management procedures.



- BOD - Board of Directors
 ALCO - Assets and Liabilities Committee
 ERMOC - Enterprise Risk Management Operating Committee
 SMC - Senior Management Committee

The Board of Directors is assisted by the committees as shown above in effectively deploying the Company's risk management framework and capabilities to achieve the strategic objectives. The objectives of each committee have been listed below.

Committee	Key Objectives	Committee is headed by
Enterprise Risk Management Board Sub-Committee (ERMC)	<ul style="list-style-type: none"> Responsible for monitoring the implementation of the risk strategies of PLC. To review and oversight of the risk profile of People's Leasing Company PLC and its Subsidiary Companies. 	Non Independent, Non Executive Director
Asset and Liability Committee (ALCO)	<ul style="list-style-type: none"> To review the treasury; asset and liability functions of the Company. 	CEO/GM
Enterprise Risk Management Operating Committee (ERMOC)	<ul style="list-style-type: none"> To strengthen the risk governance structure of the Company at the senior management level. 	CEO/GM
Senior Management Committee (SMC)	<ul style="list-style-type: none"> To review overall policy matters and decides on corrective measures. To communicate the salient policy decisions to the staff by way of staff circular letters. 	CEO/GM

Enterprise Risk Management Committee - (ERMC)

As required by the Central Bank Finance Leasing (Corporate Governance) Direction No. 4 of 2009, PLC has appointed a Board sub-committee for the management of risk. The Enterprise Risk Management committee consists of three non executive Directors. Key personnel, including the CEO/GM, the two Deputy General Managers, the Compliance Officer, Chief Operating Officers of People's Finance PLC and People's Insurance Limited and the Secretary of the ALCO are present on invitation in accordance with the Direction No. 4 of 2009. In order to manage the risk associated with the Company and to strengthen risk governance aspects, an ERM Operating Committee was also established and it is accountable to the ERMC. The ERMC is held responsible for the management of risks on a monthly basis, including credit, market, liquidity, operational and strategic risk, associated with PLC and its subsidiaries at the enterprise level. The ERMC reports to the Board of Directors of PLC. The ERMC reviews the adequacy and effectiveness of all the management level committees depicted above and submits a risk assessment report to the Board regularly. The Compliance Officer reports to the ERMC periodically. A detailed report on the ERMC is presented on pages 118 and 119 of this Annual Report. In accordance with the requirements of People's Bank Integrated risk management Board Sub-Committee, ERM dash board reports are submitted to People's Bank on a quarterly basis.

Asset and Liability Committee

Asset and Liability Committee (ALCO) at PLC consists of Chief Executive Officer/GM, two Deputy General Managers, Assistant General Manager and Chief Managers representing Finance and Treasury functions for coordinating the institution's borrowing, and lending strategy and funds acquiring to meet profitability objectives as interest rates change. Also, the Committee monitors actions of the regulators such as the Central Bank of Sri Lanka, the Securities Exchange Commission and the Insurance Board of Sri Lanka that may affect the operations of the entire group. The Committee meets regularly to analyze, review and formulate

Enterprise Risk Management *contd.*

strategy to manage the Balance Sheet. A comprehensive reporting system is available to provide detailed information to ALCO, stressing on Company's and Group liquidity position and available funding lines. ALCO closely monitors monthly MIS reports, recovery trend of accommodations granted, fund position, lending and borrowing rates and competitor behaviour. Once the ALCO identified the position of the Company, it takes necessary timely decisions to arrest the adverse situation and guide the Company in a fruitful manner.

Mapping the Risk

In an attempt to mitigate the risk associated with the Company, a risk map depicting the severity and frequency of each risk element is prepared as shown below. This provides the management with a comprehensive view on the risk associated, which will enable them to manage the risk better. The risk map shows that although the frequency of occurrence of some of the risk elements is low, the severity is such that the Company could face a serious setback if the unfavorable outcome occurs. There are a limited number of risks which hold a high frequency of occurring, which also have a high severity of impact on the Company. The Management believes that, risk mapping provides the Company with a novel approach to managing risk, by selecting options through avoidance, transfer, prevention and risk reduction.

Severity	High	3	4	
	Moderate	2	5	
	Low	1		
		Low	Moderate	High
Frequency				

Management of Risk

Business Risk

Risk Rating

Frequency	Moderate	Risk Position : Moderate
Severity	High	4

Description

PLC has been able to enjoy the market leadership position in the leasing sector for a period of a decade. But the competition is intense and macroeconomic environment is highly dynamic leading towards the business risk of falling business volumes and market share. The Company's leasing, hire-purchase and loan portfolios have shown a steady growth over the period. But, the volume of business is highly sensitive to the macro economic conditions such as policy interest rates and import duty levels. The Interest Rates and the Import duty levels of the Country are increasing gradually, which negatively affects the business of lending. But the reduction of tax on selected busses and lorries have favorably set-off the holistic picture.

The risk of marginal fall in business volume and market share in February 2012, general economic condition and government decision on the credit restriction resulting volatile revenues and reduced profitability leading towards the credit rating being downgraded and result in a damage to the Company's reputation. The loss of core competency of being the market leader and diseconomies of scale may lead to tarnish the corporate reputation ultimately.

Assessment

Business volume risk is assessed based on the changes in the market share in relation to the level of grantings. Monthly grantings of the Company with regard to set targets are assessed periodically to identify any deviations and remedial measures are taken where necessary.

Monthly Grantings - 2011/12



Mitigation of Negative Impact

Business risk is vital for the long term sustainability of the Company. Therefore; the management at forefront has taken several steps to mitigate the risk pertaining to the business. Grantings of facilities, the main business of the Company is in the hands of front line employees of the Company: the marketing force. Therefore; the marketing staff is enforced to provide a customer oriented service providing a personalized service to meet peculiar customer needs. "Know Your Customer" policy has been promoted to identify each and every customer assisting personalized service. Every new staff member including marketing staff has been enriched with an inclusive orientation programme to familiarize with the operations of the Company. With the intention of protecting and enhancing market share and to promote target driven culture and performance based rewards, monthly targets have been given to marketing officers. In addition, the Company has offered extended working hours to ensure better customer focus and customer complaints are welcomed and resolved them periodically. The Company always promotes the loyalty of profitable customers and identifies the top customers based on the Pareto (80/20) analysis and

other analysis on the market to identify the best performing products in the portfolio to infuse funds to maximize the potentiality. Moreover, the management team keeps alert on competitor behaviour and takes proactive measures to improve the level of customer satisfaction and social networking relationship initiatives in response to aggressive competitor moves.

**Strategic Risk
Risk Rating**

Frequency	Low	Risk Position: Low 3
Severity	High	

Description

Strategic risk is a key risk element which may change the direction of the Company. This risk may arise due to lack of responsiveness to market conditions and due to the incompatibility of the Company's strategic goals with resources deployed and quality implementation with counter measures. This has become imperative in the highly competitive environment where the strategy formulation and effective implementation ensure the sustainability of profits. Strategic risk levels link with how the whole organization is positioned in relation to its environment. The key drivers of the strategic risk are competition, customer changes, industry change, technological innovation, and regulatory changes. If the Company is unprepared it may result in losing a significant portion of its market share. Changes in the customer values can make the customer shift to other similar service providers. Changes in the industry can pose a serious threat to the Company and indeed to the industry itself. The risk of outdated of existing information systems may occur due to the continuous technological innovations. Regulatory changes are vitally important since this can lead to reshaping the direction of the Company.

Assessment

This risk is assessed on a quarterly basis at the Board sub - committee level and subsequently reported to the Board and remedial measures are taken at the top level. The senior managers at PLC meet on a weekly basis and brainstorming sessions are carried out to share the experience, knowledge on market, industry and

competitor behaviour. Also operational, financial and administrative issues are discussed and take corrective actions if any.

Risk pertaining to the market share and market leadership position is reviewed in order to take proactive counter measures. Further, the effectiveness and the performance of subsidiaries are also assessed in order to mitigate the strategic risk of diversification. Establishment of the ERM Operating Committee has further strengthened the risk governance structure by assigning specific key personnel. The achievement and the adequacy of budgetary targets are reviewed each month at the Board Level and the Senior Management level. In addition to medium term strategic planning process, it also ensure the proper alignment with the long term vision of the Company.

Mitigation of Negative Impact

PLC makes strategic decisions through a well designed process before entering into different market segments, geographical locations and different business activities. It is a cardinal principle at People's Leasing, to carry out an in depth study of a subject matter prior to decision making process. Feasibility, viability and profitability are the major pre-requirements in making any strategic decision. This is practiced in all aspects of the Company's operations, such as human resources, finance, credit, marketing and recoveries. Performance is reviewed monthly against the budgets or targets, and corrective action is taken where required. A computer based Decision Supports System (DSS) has been in place to ensure the integrity of the information decision making. A market and competitor analysis is carried out to implement policies and to review business strategy in an attempt to retain or increase the market share.

**Liquidity Risk
Risk Rating**

Frequency	Moderate	Risk Position: Moderate 4
Severity	High	

Description

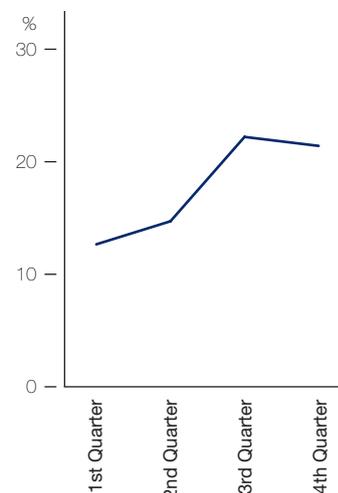
Liquidity risk is the risk that the Company does not have sufficient financial resources to meet its obligations as they fall due, or

will have to do so at an excessive cost. This risk arises from mismatches in the timing of cash flows. It indicates that the cushion provided by the Company's liquid assets is insufficient to meet its obligations. With respect to liquidity, the Central Bank of Sri Lanka (CBSL) has tightened its regulations in relation to liquidity and capital adequacy in order to enhance the capacity of leasing companies to absorb unexpected losses. Effective management of liquidity is very important to ensure confidence and smooth functioning of company operations to generate working capital under any circumstance.

Assessment

Yield of assets and liabilities are regularly reviewed and liquid assets are maintained as a safety cushion to minimise the reliance on borrowings. More emphasis is placed on mitigating this risk as the CBSL has strengthened the regulatory requirements with respect to liquidity. During the financial year in review, CBSL issued a novel regulatory direction on Finance Leasing (Liquid Assets) and the Company is required to maintain liquid assets at the close of the business on any day an amount not less than 5% of the total liabilities and off-balance sheet items but excluding the liabilities to the shareholders. In addition, another direction on Capital Adequacy has been issued to strengthen the capability to absorb any potential risks.

Capital Adequacy



Enterprise Risk Management *contd.*

Mitigation of Negative Impact

Liquidity is also another paramount concern of the Company. The Company continuously projects cash flows under various stress scenarios and determines the level of liquid assets necessary in relation thereto. The Treasury Department is keen on monitoring balance sheet liquidity against internal requirements and it ensures the continuous concentration on debt maturities. Further, it reviews the level of liquidity to be complying with the Central Bank directions. The Company maintains good relationship with fund providers to ensure the availability of quick and reasonable credit lines. Since the financials and the credit rating of the Company are strong, it has been trouble-free for the Company to access funds whenever required. Moreover, the Treasury Department monitors daily disbursements to collections and carry out an analysis on maturity gap to re-price the products in timely manner. Also, measures have been taken to enhance the fee based income to minimize the dependency on fund based income.

Credit Risk Risk Rating

Frequency	Low	Risk Position: Low
Severity	High	3

Description

Credit risk is the risk that the counter party to a financial transaction will fail to discharge an obligation, resulting in financial loss. Leases, loans and hire purchases are the single biggest assets of People's Leasing, accounting for more than 90% of the total assets. Hence, credit risk may result in the loss of the principal amount and interest, which will have adverse implications on profits, due to the suspension of interest and the need to write off non performing facilities, and provide for facilities in arrears for more than 6 rentals. Since granting leases, HP and loans is the main line of business of the Company, credit risk can be considered as the biggest contributor to overall risk profile.

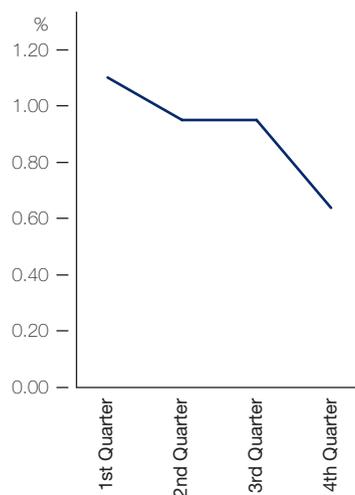
Assessment

People's Leasing is exposed to credit risk with respect to facilities of lease, hire purchase and loans. The Company's market mainly consists of small and medium sized enterprises and relatively risky customers with little or no access to

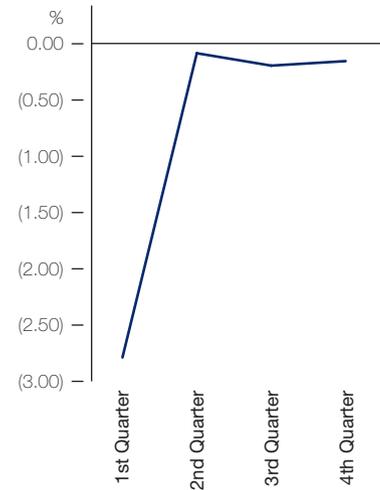
bank credit. Credit risk is managed through hierarchical delegated approval authority limits, depending on the experience level of the approver and the exposure to risk. The Documentation Department is held responsible for the compliance of the documentation supporting each disbursement at both the head office and branch level. Furthermore, the in-built system, which controls credit approval procedure, is adequate and tested. In an attempt to mitigate risk to the highest potential, all disbursements are released centrally after the ratification of the relevant documents at the head office. The credit risk inherent in lease and hire-purchase contracts is relatively low compared to loans as provisions are available in the Consumer Credit Act No. 29 of 1982 and Finance Leasing Act No. 56 of 2000 for the repossession of assets, given certain conditions are met. Since the recovery of loans requires lengthy legal proceedings, advances are granted on a selective basis to customers having good track records. People's Leasing starts specific provisioning at the 90 days or 3 rentals arrears threshold, despite the regulatory requirement to start provisioning at the 180 days arrears level to be a more prudent and responsible corporate citizen.

In assessing credit risk, management Information reports with regard to non performing advances and recoveries are submitted to the Senior Management Committee on monthly basis.

NPA Ratio (Gross)



Net NP



Mitigation of Negative Impact

PLC believes in internally developed policies and procedures as a measure to curb credit risk. Therefore, in an attempt to promote quality lending, a clear segregation of duties has been placed between the originator and the approver of facilities. All credit exposure limits are approved within a defined credit approval authority framework including single borrower limit (SBL). Suitable exposure limits for borrowers, credit approving officers, and sectors are established, and monitored regularly. The Board retains credit approval authority of high values or ones that are with high risk to minimize the exposure to credit risk. A standard method is adopted, for analyzing risk, in order to establish an internal risk ranking based on dash board displaying red, amber and green category guidelines given by the Parent Company, People's Bank. The result of analysis is presented to the Integrated Risk Management Committee of People's Bank on quarterly basis. This has helped the Company in identifying trends and thereby focusing on the quality of the entire lease and hire-purchase portfolio to update lending guidelines. Measures have been taken to develop the skills and expertise of the credit officers to scientifically and logically assess customer integrity and viability. Counter-party limits have also been set based on their financial strength. The personnel assigned, closely monitor the facilities and keep alerts on recovery process to identify early warning signals. The Internal Audit and Enterprise Risk Management Committee monitor the effectiveness of the credit evaluation

process. Also, the Company strictly adheres to the single borrower limits as per the Central Bank directions. As a precautionary measure, Company lends only up to 80%-90% of the value of leased asset to minimize the exposure to risk.

**Concentration Risk
Risk Rating**

Frequency	Moderate	Risk Position: Moderate
Severity	Moderate	5

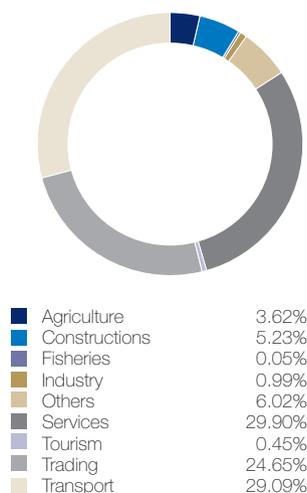
Description

Concentration risk arises from the uneven distribution of exposures to particular sectors in the industry. The Company provides leasing facilities to several sectors in the economy, which carries peculiar risk characteristics. Therefore, the Company will expose to the risk of dependence by over concentrating on few sectors. By diversifying the credit exposure, the Company would be able to maintain a safety cushion as any unfavorable movement in one sector may set off by the favorable movement of the other.

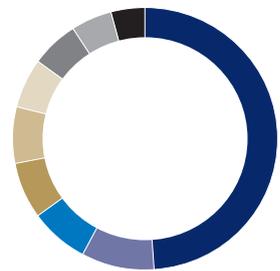
Assessment

Industry exposure on granting is prepared on monthly basis to identify the level of exposure to each sector in the economy. This has been submitted to the Central Bank of Sri Lanka on monthly basis since that has been one of the priorities to sustain the financial system.

Industry Concentration



Geographical Concentration



Mitigation of Negative Impact

The Company generates a monthly report on sector wise exposure and geographical exposure on disbursement and is viewed by the Senior Manager-Risk Management to identify any exposures to risk. Also, this will be reviewed by Enterprise Risk Management Committee on quarterly basis. If the management sees any over dependence on any sector or geographical area, measures are taken to mitigate any high exposure.

**Market Risk - Interest Rate risk
Risk Rating**

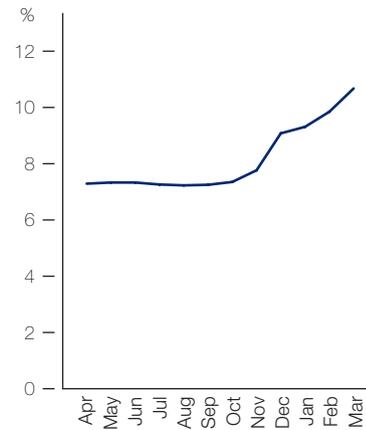
Frequency	Low	Risk Position: Moderate
Severity	High	3

Description

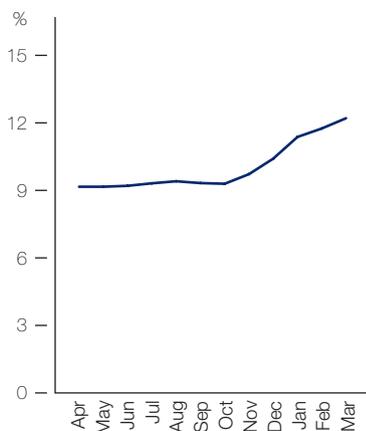
Interest rate risk is the volatility in the value of interest sensitive products and the level change in future income and expense levels due to the positions in the market interest rates. Funds at People's Leasing mainly consists of direct bank facilities, securitizations, and promissory note placements from insurance company excesses, provident fund investments and several large state institutional depositors. People's Leasing obtains funds at both fixed and floating rates, and therefore the interest rate margin is subject to volatility, due to

changes in market rates. The Treasury Department at People's Leasing constantly focuses on obtaining funds at favorable rates, especially through securitizations, as the quality of the Company's receivable portfolio is high. Lending policy rates are adjusted according to changes in market rates, in an attempt to mitigate the risk of falling interest rate margins. This has been paramount concern in the recent business context as the interest rates are on an increasing trend, thus eroding the interest margins. Also, the Company is exposed to the basic risk where the Internal Rate of Return (IRR) is affected due to changes in different liability interest rates.

Treasury Bill Rates



AWPLR



Enterprise Risk Management *contd.*

Role of Treasury

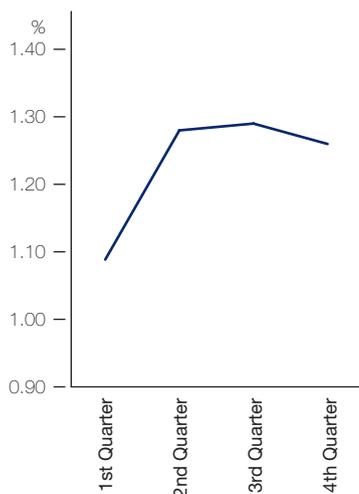
People's Leasing has already set up a designated department with independent reporting lines for the specific purpose of running a Treasury Department and to manage treasury related liquidity risks with a better focus. This department, which is headed by a Chief Manager, performs specific activities in a coordinated manner. The initial objective of the Treasury includes engaging in funding. All Treasury related regulatory and management reporting functions are carried out through the department.

Dependent on the risk environment, treasury will create an appropriate capital structure of debt and equity in order to fund the business, ensuring the optimum balance between cost and risk. It ensures the availability of liquidity and cash to meet the obligations as they fall due and obtaining funds to fulfill any deficiency and importantly managing the day-to-day cash requirements.

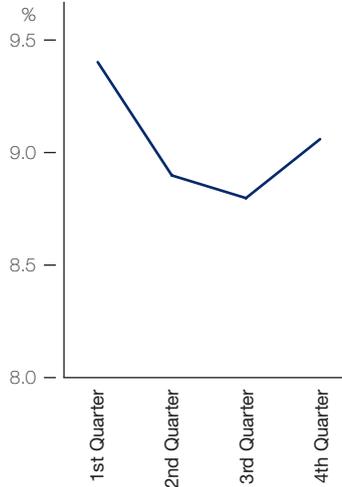
Assessment

The net interest position and the maturity gap are evaluated when assessing the interest rate risk. Sensitivity analysis is carried out on various interest rate scenarios to decide on the risk exposure.

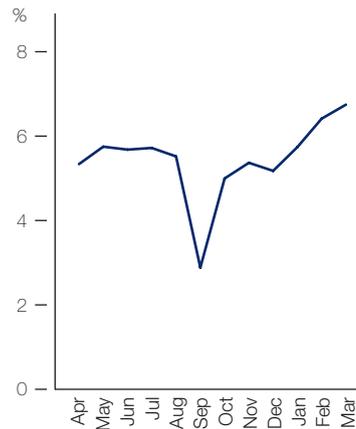
Net Interest Income Change



Net Interest Margin on Total Assets



Net Interest Margin



Mitigation of negative impact

The current situation of the macro economy is discussed at senior management committee meetings and ALCO meetings to reprice the products according to the market movements in an attempt to maintain profitability and other targets. The Company maintains a healthy margin between the borrowing and lending rate of interest and exercise a lean cost structure to improve profitability. Also, the Company conducts a sensitivity analysis and scenario planning to assess the potential effect on earnings due to changes in the interest rate.

Operational Risk

Description

Operational risk is the risk of loss which can result from inadequate and inappropriate internal processes, systems, and people or from external events. Operational risk is inherent in the Company's business as it is integrated in all the processes and operations which serve the customers. The Internal Audit Department at People's Leasing is held responsible for reviewing the operational process, as it conducts audit reviews of each branch at least annually. The Internal Audit Department reports directly to the Board Audit Committee on a quarterly basis, and prior to that, each branch level audit is reviewed by the management committee. Human Resource Management practices at People's Leasing are in place to enhance job satisfaction and raising the morale of the employees. Insurance policies act as the key risk mitigating factor. The adequacy of the policy is assessed annually and remedial action is taken where the insurance cover is considered inadequate. The systematic risk with respect to Information Communication Technology (ICT) also plays a vital role in operational risk category. The supervision and management of ICT is of paramount importance since every sphere of operations is highly automated. Therefore, several counter measures were taken during the year in an attempt to mitigate the ICT related risk. The award of ISO 27001:2005 certification is a shining accreditation of the information security management system concerned. In order to enhance the performance and operations, new servers were added and reduced the existing 30 servers to 3 servers with technically advanced servers.

Turnover of Trained Staff

Risk Rating

Frequency	Low	Risk Position: Low
Severity	Low	
		1

Description

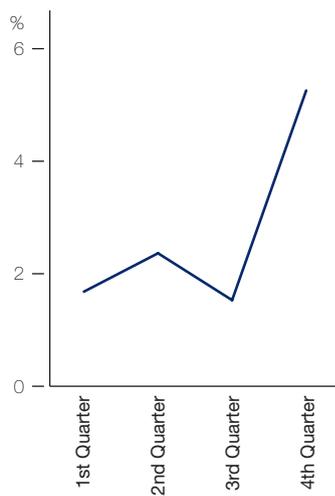
People are the backbone and personality of a business—a showcase of organization's talent, education, experience and success. Every organization is entailed with the risk of losing trained staff and risk of not being able to retain qualified and experienced candidates. The turnover of trained skilled staff will lead to deterioration in

the competency of the Company and deliverable productivity, especially the turnover of higher/middle management staff.

Assessment

This is assessed based on the qualifications and skills possessed by the staff and the annual staff turnover ratio. Labour market conditions and the maintenance of internal and external equity is assessed in determining the risk frequency. The effectiveness of the performance appraisal system and employee morale and motivation are taken into account in assessing this risk profile.

Staff Turnover Ratio



Mitigation of Negative Impact

Since skilled and well trained staff is the intellectual property or valuable asset of the Company, retaining them with the Company has become a major concern. In order to enhance the moral of the employees, the Company conducts periodic performance appraisals of staff and pay bonuses/ incentives based on the performance and number of years of experience/ service. As an integral part of continuous improvement, employees are provided with in-house or external training. The Company always recognises employees with potential to formulate a management succession plan and provide them with financial assistance for their higher studies as a capacity building measure. All the staff members are free to meet their senior managers at any time, in discussing their work related matters.

Information and Communication Technology (ICT) related Risk
Risk Rating

Frequency	Low	Risk Position: Moderate
Severity	High	3

Description

Breakdowns and failures in information systems and the use of obsolete systems will adversely affect the smooth operations of the Company. Use of obsolete technology will erode the efficiency of the Company and ultimately affect on reputation as well. Loss events, such as hacking and theft of information (with monetary losses), losses arising from disruption of business or system failures, losses from failed transaction processing etc. can disrupt operations of the Company.

Assessment

In assessing ICT system related risk, the Internal Audit Department carries out system audits, with the aim of identifying weaknesses in the system and evaluating possible risks that could emerge. In addition, industry research is utilised to evaluate the need for system upgrades. The ICT department monitors data link break downs during working hours and prompt actions are taken to resume normal operations without material interruption of business. In addition, disaster recovery replication was tested a twice a day (8.00 a.m. – 8.30 a.m.) and (3.00 p.m. - 3.30 p.m.) on 13 days per month.

Mitigation of Negative Impact

The Company maintains a well established IT governance structure, having policies at the forefront. In an attempt to avoid risk of data loss, the Company maintains a "back up" system where a separate back-up is maintained at an off-site location. Regular ISO audits are carried out to ensure the integrity of the system. Password and access control policies have been implemented to authenticate the user access and necessary validation and verification functions are activated at the Information entry level. The Company has installed a fire protection-GSM controller and smoke detectors for heat detection at the server rooms and UPS rooms. Also, biometrics controls have

been installed for the entrances of the ICT Department premises at the Head Office and have provided 24 hour security to the DR site. Logical controls such as Unified Threat Management (UTM), Sophos Endpoint Security and Control, IP-VAN are also implemented. The Information Communication Technology Department was awarded the ISO 27001:2005 certification by Det Norske Veritas (DNV) for conforming to the prestigious global benchmark of the ISO/IEC 27001:2005 Information Security Management System Standard.

Business Continuity Plan

With a view of managing the operational risk due to a system failure, A Business Continuity Plan (BCP) has been established in compliance with ISO quality standards (ISO /IEC 27001:2005 (E), Clause A.14 Business Continuity Management). The key objective of BCP is to allow the executive to continue to manage business operations under adverse conditions, by the introduction of appropriate resilience strategies, recovery objectives, business continuity, operational risk management considerations and crisis management plans. In the event that the business continuity plan is activated, the personnel stated within shall follow the procedures of the plan to ensure business continuity for People's Leasing IT services. As a step of pre-crisis preparation, the Company has an offsite disaster recovery site used for the business continuity. The disaster recovery site is located at Rattanapitiya.

Socio-economic and Political risk
Risk Rating

Frequency	Low	Risk Position: Moderate
Severity	Moderate	2

Description

Socio-economic and political factors have a direct impact on the operational and investment activities of the Company. This is of paramount importance to People's Leasing, as it is a subsidiary of People's Bank- a state owned entity.

Enterprise Risk Management *contd.*

Assessment

Socio-economic and political risk is assessed based on the possible changes in the regulatory requirements and the trends prevailing in the macro economy. CBSL reports, policy guidelines and various economic reports are reviewed periodically to identify the opportunities in the market and to safeguard the Company in advance from possible risk elements. In the case of any changes in the economic and political parameters, the related issues and concerns are discussed at the management committee, in order to formulate a suitable strategy in response to these changes.

Mitigation of Negative Impact

The severity of the socio-economic and political variables is evaluated during the corporate planning sessions on an annual basis. The management is keen on improving the awareness of macroeconomic changes in order to take timely action and emerging strategies to capitalize on the opportunities and to avoid any external threats. An overall feasibility study is conducted, including socio-economic and political feasibility in addition to a financial feasibility study, in order to prevent any potential risk from investing in a new venture.

Fraud Risk Risk Rating

Frequency	Low	Risk Position: Low
Severity	Low	1

Description

Fraud risk arises due to weaknesses in the internal controls, which could result in financial losses. Any bottleneck within the operations system could create an opportunity for malpractices. Therefore, it is the responsibility of the Company to regularly review the operations process and permanently seal them to avoid future occurrence or repetition.

Assessment

The adequacy of internal controls is evaluated in assessing the related risk, and operational reviews are conducted regularly to identify any bottlenecks and loopholes in the process.

Mitigation of Negative Impact

The Company has established a Code of Ethics for employees to govern the behavior of employees in order to avoid malpractices. The Internal Auditors conduct audits on a regular basis in the areas which are susceptible to the occurrence of fraud. Authority and approval limits are implemented for all the functions of the Company especially for payment approval, making the employees accountable for their 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 in order to prevent conflict of interest. Every key activity is subjected to the scrutiny of another suitably skilled and authorised employee. The HR policy set at place encourages a genuine culture, through the recruitment of employees with high level of integrity. The management takes appropriate measures to rotate the staff in an attempt to hinder any potential malpractice. In order to prevent repetition, the management get-together and takes immediate remedial action, when a fraud is detected. Employees are encouraged to report on any genuine concerns regarding fraud and misconduct, while the anonymity of the whistleblower is strictly maintained.

Compliance Risk Risk Rating

Frequency	Low	Risk Position: Low
Severity	Low	1

Description

Compliance risk may arise due to the failure to abide by any law or regulatory requirements applicable to the Company. The Company operates in a highly regulated environment. Non compliance could lead to sanctions by regulatory bodies, penalties and reputational damage, which could have a material adverse effect on the Company's operations and financial conditions or could even lead to the discontinuation of operations.

Assessment

In evaluating Compliance risk, timely reviews are carried out to assess the extent of compliance with the regulations applicable to the Company. The management and the Compliance officer regularly review the changes in the regulatory environment to ensure the level of compliance of the Company.

Mitigation of Negative Impact

In order to mitigate the compliance risk, separate personnel has been designated as compliance officer to oversee the compliance of the Company with Central Bank directions, Securities and Exchange Commission regulations, Companies Act and other related regulations. The compliance officer reviews the changes in regulations and takes the necessary actions to ensure that the Company is in compliance with the regulatory requirements. In addition, an Audit Committee is also held responsible for the compliance with regulations and the risk management practices. Moreover, the Company takes expert advice on issues related to income taxation and other related taxations.

Risk of Unforeseen Events Risk Rating

Frequency	Moderate	Risk Position: Moderate
Severity	High	4

Description

This refers to the risk of business operations being disrupted due to unexpected events. It is difficult for anybody to predict all the possible events which may materialize in the future. Therefore, every organization is left with the risk of unforeseen events.

Assessment

Since this risk cannot be predicted with certainty in advance, the Company regularly assesses the adequacy of insurance coverage and the validity of contingency plans.

Mitigation of Negative Impact

The Company always concentrates on a Business Continuity Plan (BCP) to ensure the smooth flow of operations. Plans are already made in advance to deal with unexpected events. Scenario Planning is also carried out at the top management level.

Mitigation of Negative Impact

The Company has properly designed and implemented systems and procedures for Human Resource Management, Financial Management, Credit Concentration and Treasury Management. Also, in order to protect the Company reputation, measures have been taken to ensure the compliance with laws and regulations. As the mirror of the Company, employees are required to maintain professionalism and good behavior at all times. The code of ethics, which is in place, is expected to be followed by all without any exception. It is our motto to deliver something beyond what we promised.

**Reputation Risk
Risk Rating**

Frequency	Low	Risk Position: Low
Severity	Moderate	

2

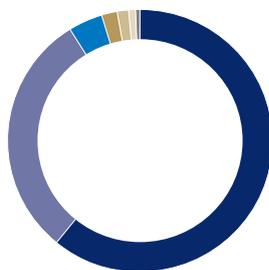
Description

Reputation risk is the risk that an event or incident could damage the corporate brand name of the Company. This is a crucial criterion where any damage to the Company's image may bring the Company to its liquidation. But the negative impact of risk seems low for People's Leasing as it has a superior record of a decade of being the market leader and the most preferred leasing destination in the leasing industry also the flagship subsidiary of People's Bank.

Assessment

The Board of Directors and the Senior Management continuously review strategic moves in order to stay tall having edge over the other players in the industry . Every employee is considered to be a brand ambassador of the Company and it is ensured that a strict level of ethical standard is maintained at all times. CSR projects are carried out at the corporate and operational levels, as a responsible corporate citizen of this country.

CSR Initiatives and Advertising



Relationship building	60.95%
Advertising	30.38%
Culture and heritage religious	4.06%
Health	1.95%
Education	1.37%
Environment	0.92%
Child & elderly	0.37%



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The outstanding success achieved by the Company has been due to its unique concept of great emphasis placed in building sustainable relationships. The elevated ideas behind adding value to these relationships have resulted in enhanced customer loyalty, repeat businesses and vigor to new customer attraction.

ELEVATED IDEAS

Financial Calendar

2011/12	
Authorisation for issue of financial statements for the year ended 31st March 2011 and recommendation of the final ordinary dividend of Rs. 1.50 per share	27th May 2011
Publication of annual report for the financial year ended 31st March 2011	2nd June 2011
15th Annual General Meeting, a payment of 13% Preference dividend for the 6 months ended 30th June 2011 and Redemption of Rs. 50 million preference shares	30th June 2011
Capitalization of Reserves amounting to Rs.4,088 million (Rupees Four Thousand Eighty Eight million) and subdivision of ordinary shares in a ratio of 1:15	30th June 2011
Payment of ordinary dividend of Rs. 1.50 per share	28th September 2011
Redemption of Rs. 50 million preference shares and the payment of a 17% preference dividend	31st October 2011
Initial Public Offer of 390,000,040 ordinary shares at Rs. 18/- each	3rd November 2011
Listing of 1,560,000,160 ordinary shares of the Company on the main Board of the Colombo Stock Exchange	24th November 2011
Pursuant to the listing of the ordinary shares on the main Board of the Colombo Stock Exchange, the name of the Company changed from People's Leasing Company Limited to People's Leasing Company PLC	9th December 2011
Payment of an Interim dividend of Rs 0.50 per share	28th December 2011
Voluntary transfer of 54,600,000 ordinary shares held by the employees of the Company to People's Bank	4th January 2012
Publication of Interim financial statements for the quarter ended 31st December 2011	18th January 2012
Redemption of Rs. 50 million preference shares and the payment of 17% preference dividend	30th March 2012
2012/13	
Authorisation for issue of audited financial statements for 2011/12	26th April 2012
Publication of Interim financial statements for the quarter ended 31st March 2012	27th April 2012
Redemption of Rs. 50 million preference shares	30th April 2012
Publication of annual report for the financial year ended 31st March 2012	7th June 2012
16th Annual General Meeting of the Company	29th June 2012
Payment of final dividend of Rs 0.50 per share for the financial year ended 31st March 2012 subject to the approval of the Shareholders at the AGM	11th July 2012
Publication of Interim Financial Statements	
1st Quarter Interim Results (Unaudited) for the period ending 30th June 2012 to be released on or before	15th August 2012
2nd Quarter Interim Results (Unaudited) for the period ending 30th September 2012 to be released on or before	15th November 2012
3rd Quarter Interim Results (Unaudited) for the period ending 31st December 2012 to be released on or before	15th February 2013

Annual Report of the Board of Directors on the Affairs of the Company

The details set out herein provide information required by Section 168 of the Companies Act No. 07 of 2007 to be set out in the Report of the Board of Directors on the Affairs of the Company and are guided by recommended best accounting practices.

General

The Directors of People's Leasing Company PLC have the pleasure in presenting this report to the shareholders, together with the audited Financial Statements and the audited consolidated Financial Statements for the year ended 31st March 2012 of the Company and Group and the Auditors' Report on those financial statements, confirming to the requirements of the Companies Act No. 07 of 2007 and Finance Leasing Act No. 56 of 2000 and directions thereto.

People's Leasing Company PLC ("the Company") is a specialized leasing establishment registered under the Finance Leasing Act No. 56 of 2000 and incorporated as a public limited liability company on 22nd August 1995 under the Companies Act No. 17 of 1982 and re-registered as required under the provisions of the Companies Act. No. 07 of 2007.

The Ordinary shares of the Company were listed on the Main Board of the Colombo Stock Exchange (CSE) on 24th November 2011, marking the history of being the second largest IPO in Sri Lanka. Pursuant to Section 11 (3) of the Companies Act No. 7 of 2007, the Company changed its name to People's Leasing Company PLC with effect from 9th December 2011 and obtained the new registration number "PB 647 PQ".

Registered office of the Company is situated at No.75, Sir Chittampalam A Gardiner Mawatha, Colombo 02 and during the year the Company's head office moved to No.1161, Maradana Road, Colombo 08, subsequent to the opening of a 12 storied, state of the art new head office building.

Fitch Ratings Lanka upgraded the Company's National Long-Term rating to 'A+(lka)' from 'A(lka)' reaffirming the stable outlook of the Company. (Section 7.6 (xi) of CSE Listing Rule)

This report provides the information as required by the Companies Act No. 07 of 2007, Finance Leasing Act No.56 of 2000 and Directions issued thereto, the Code of Best Practice on Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka (ICASL) and the Securities and Exchange Commission of Sri Lanka (SEC) and the Listing Rules of the Colombo Stock Exchange. This report was approved by the Board of Directors on 26th April 2012.

Principal Activities - Section 168 (1) (a) of the Companies Act No. 07 of 2007/Section 7.6 (ii) of CSE Listing Rule

In addition to the principal activities of the Company hitherto carried namely, providing finance leases, hire-purchase assets financing, the issue of debt instruments and margin trading, there were no significant changes in the nature of the principal activities of the Company during the financial year under review.

Changes to the Group Structure

The Company has invested in 28.51% of the voting right of City Finance Corporation Ltd and has identified same as an associate company in the Financial Statement of the Group during the financial year. But due to deprived financial performance of City Finance Corporation Ltd, the Company made a full provision against the investment during the financial year.

The shareholding of the Company in its subsidiary, People's Finance PLC, was increased during the review period with the investment in share warrants and stood at 88.71% as at 31st March 2012.

The Company has six subsidiaries including five fully owned subsidiaries and an associate company. The table given below provides details on the nature of the principal business activities and the percentage holding of other companies in the Group.

Name of the subsidiary (Percentage of Holding)	Principal activities and nature of operations
People's Finance PLC (88.71%)	Providing finance leases, hire purchase assets financing, Islamic financing, term loans, share trading and mobilization of public deposits.
People's Leasing Fleet Management Limited (100%)	Providing operating leases, vehicle service, hiring/renting of vehicles and vehicle valuation.
People's Leasing Property Development Limited (100%)	Carrying out mixed development projects.
People's Leasing Havelock Properties Limited (100%)	Construction and operation of office complexes.
People's Microfinance Limited (100%)	Providing financial services, excluding banking business, to low income persons and micro enterprises, assisting and promoting micro enterprise development among low income populations, conducting training and skills development programs for unemployed youth and micro entrepreneurs and also providing such persons with marketing, and technical support.
People's Insurance Limited (100%)	Providing general insurance.
Name of the associate (Percentage of Holding)	Principal activities and nature of operations
City Finance Corporation Ltd (28.51%)	Providing finance leases, hire purchase assets financing, term loans, and mobilization of public deposits.

The Company or its subsidiaries have not engaged in any activities, which contravene any laws or regulations during the year under review.

Review of Business and Future Developments

An overall assessment of the Company's financial position and performance during the year, with comments on financial results, special events that took place and future developments, is contained in the Chairman's Message on (pages 8 to 11), the CEO's Review of Operations on (Pages 12 to 17), the Management Discussion and Analysis on (Pages 64 to 76) and Financial Review on (Pages 77 to 85) of this Annual Report. These Reports form an integral part of the Report of the Directors, and together with the Audited Financial Statements reflect the state of affairs of the Company and the Group.

The branch expansion policy continued during the year and the Company opened 4 main branches and 15 mini branches.

Annual Report of the Board of Directors on the Affairs of the Company *contd.*

Financial Statements of the Group and the Company - Section 151, 152 and 168 (1) (b) of the Companies Act No. 07 of 2007

The Financial Statements of the Group and the Company, which are duly certified by the Chief Financial Officer and approved by the Board of Directors and signed by two members of the Board of Directors including the Chairman and the Chief Executive Officer are appearing on pages 121 to 158 of this Annual Report.

Auditor's Report - Section 168 (1) (c) of the Companies Act No. 07 of 2007

The Company's Auditors, Messrs Ernst & Young performed the audit on the consolidated financial statements for the year ended 31st March 2012 and the Auditor's Report issued thereon is given on page 121 of this Annual Report.

Accounting Policies and changes during the year - Section 168 (1) (d) of the Companies Act No. 07 of 2007

During the year under the review, there were no changes in the accounting policies except for the accounting policy pertinent to associate company which has been newly included, which were consistent with those adopted in the previous financial year as required by the Sri Lanka Accounting Standard No. 03 (Revised 2005) on 'Presentation of Financial Statements'. The significant policies adopted in the preparation of the Financial Statements of the Group and the Company are given on pages 126 to 136 of this Annual Report.

Accounting Period

The financial accounting period reflects the information from 1st April 2011 to 31st March 2012.

System of Internal Controls

The Board of Directors has taken steps to oversee the implementation of an effective and comprehensive system of internal controls covering financial operations and compliance controls required to carry its operation in an orderly manner, safeguard its assets and secure as far as possible the accuracy and reliability of the financial and other information. The Board has confirmed that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of the financial reporting, and that the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements. The Board Audit Committee Report forms an integral part of the Annual Report of the Board of Directors, is given on page 116 of the Annual Report. The Directors

have assigned the internal audit function to the Chief Manager-Internal Audit, who reviews and reports on the effectiveness of financial, operational and compliance controls. An enterprise risk management initiative has been implemented since 2006.

Corporate Governance - Section 7.6 (xv) of CSE Listing Rule, Code of Best Practice on Corporate Governance issued jointly by the CASL and the SEC and the provisions of the Finance Leasing (Corporate Governance) Direction, No. 4 of 2009 issued under section 34 of the Finance Leasing Act. No. 56 of 2000

The Board of Directors have placed emphasis on conforming to the best corporate governance practices and procedures. Accordingly, the Board has provided necessary resources and installed appropriate processes and procedures in compliant with the relevant code of best practices issued by regulatory and professional bodies. The Board has ensured that the Company complied with the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka, the Colombo Stock Exchange and the provisions of the Finance Leasing (Corporate Governance) Direction, No. 4 of 2009 issued under section 34 of the Finance Leasing Act. No. 56 of 2000 which is effective from January 2010.

The measures taken in this regard and information to fulfill disclosure requirements of the above code, directions and the Listing Rules of the Colombo Stock Exchange Listing are set out in the Corporate Governance Report on pages 46 to 54 of this Annual Report.

Human Resources

The Company has continued to invest in human capital development and implement effective human resource management policies to develop and upright effective and efficient workforce to optimize their contribution towards the achievement of corporate goals and objectives and to ensure the future success of the Company and workforce. Some of the measures adopted in this regard are mentioned on pages 90 to 91 of this Annual Report.

Stakeholder Management

The Company was foremost in managing stakeholders, covering the aspects of economy, environment, community, employee and product. The projects that have been carried out by the Company in this context are presented in the Report on Sustainability.

Environmental Protection

To the best of knowledge of the Board, the Company has complied with the relevant environmental laws and regulations. The Company has not engaged in any activity that is harmful or hazardous to the environment. The Company has not engaged in any activity that caused detriment to the environment. Initiatives taken by the Company to protect the environment are outlined in the Report on Sustainability.

Board Sub Committees

Audit Committee

All the members of the Audit Committee are Non-Executive Directors. The CEO, Senior Management Committee members and internal and external auditors attend the meetings by invitation. The Report of the Board Audit Committee is given on pages 116 to 117 of this Annual Report.

Enterprise Risk Management Committee

The Board of Directors has established a comprehensive risk management system in the Company to identify, evaluate and manage the risks associated with the operations of the Company. The system is reviewed on a regular basis by the Board to facilitate the changes in the business environment. A detailed overview of the process is set out in the Risk Management Report on pages 118 to 119 of this Annual Report.

Vision, Mission and Corporate Conduct

The Company's vision and mission are provided on the inner front cover of this Annual Report. In achieving its vision and mission, all Directors and employees conduct their activities to the highest level of ethical standards and integrity as set out in the Code of Ethics.

Revenue

The total revenue of the Company for the year ended 31st March 2012 was Rs. 13,991 million (Rs. 9,818 million in 2011). The consolidated revenue for the year ended 31st March 2012 was Rs. 15,897 million (Rs. 10,662 million in 2011). A more descriptive analysis of the revenue is given in note 4 to the financial statement on page 137.

Financial Results

The Group and the Company recorded a net profit of Rs. 4,542 million and 4,207 million for the financial year respectively. This represents net profit growth of the Group and the Company by 74% and 63% respectively compared to the last year. The Company's performance and details of appropriation of profit relating to the Company are tabulated as follows.

Company	2011/12 Rs.'000	2010/11 Rs.'000
Profit after taxation	4,207,315	2,579,810
Profit brought forward from previous year	5,766,553	3,753,607
Profit available for appropriation	9,973,868	6,333,417
Appropriations		
Redemption of preference shares	(150,000)	(100,000)
Share issue cost	(220,665)	-
Capitalization of reserves	(4,088,000)	-
Dividend paid for previous/current year	(1,028,250)	(267,236)
Transfer to reserve fund	(656,991)	(199,628)
Un-appropriated profit carried forward	3,829,962	5,766,553

Dividend

An interim dividend of Rs 0.50 per share was paid on 28th December 2011 to the holders of the ordinary shares and the Directors recommended a final dividend of Rs. 0.50 per share for the year ended 31st March 2012.

The Board of directors fulfilled that the Company would meet the requirement of the solvency test in term of the Section 56 (03) of the Companies Act No. 07 of 2007 immediately after the payment of interim dividend and would ensure the compliance of Solvency Test after the payment of aforesaid final dividend proposed to be paid on 11th July 2012. Accordingly the Board of Directors provided the Statement of Solvency to the Auditors and obtained certificates of solvency from the auditors in respect of each dividend payment confirming to the above statutory provision.

Provision for Taxation

The Income tax rate applicable on the profits earned and VAT on financial services rate during the year is 28% and 12% respectively. Accordingly the current year income tax expense of the Company is Rs. 1,776 million and more descriptive note on income tax charged and differed tax assets/Liability of the Company and its subsidiaries are disclosed in note 13 on pages 138 and 139 and note 23 on pages 144 and 145 to the Financial Statements respectively.

Provisions - Section 7.6 (vi) of CSE Listing Rule

The Directors have taken all steps to ensure that adequate provisions are made in advance to meet any foreseeable losses. During the year under review the quality of the Company's lending portfolio and economic condition of the country have been continuously improved, as a result the Company reversed its remaining general provision of Rs. 1,611.48 million resulting a net gain of Rs. 1,063.03 million to the Net Profit. Details on provisions made are disclosed on page 144 this Annual Report.

Property, Plant and Equipment

The total capital expenditure incurred on property plant and equipment (including capital work in progress) and intangible assets of the Company in year ended 31st March 2012 amounted to Rs. 475 million and Rs. 28 million respectively (Rs. 144 million and Rs. 9 million in 2010/11). The details of property, plant and equipment are presented in note 28 on page 147 to the Financial Statements.

A subsidiary of the Company, People's Leasing Property Development Limited has completed a 12 storied, state of the art new head office building for the Company and declared it open on 25th July 2011. Other than which is disclosed above, there is no other significant change in the Company's or its subsidiaries' fixed assets and market value of land which substantially differs from book value.

Information on Freehold Land and Building of the Company - Section 7.6 (viii) of CSE Listing Rule

Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties are detailing in note 18 of Shareholder Information.

Investments

Details of investments held by the Company are disclosed in note 24 page 145 to the Financial Statements.

Stated Capital and Shareholders' Funds -

Section 7.6 (xiii) of CSE Listing Rule

In compliance with the Companies Act No. 07 of 2007, the Financial Statements reflect the stated capital of the Company. The stated capital is the total of all amounts received by the Company in respect of the issued share capital.

During the year the Company issued 390,000,040 ordinary shares at Rs. 18/- each and raised Rupees seven billion twenty million seven hundred and twenty (Rs. 7,020,000,720/-). The primary objective of the issue was to obtain a listing for the ordinary voting shares of the Company on the Colombo Stock Exchange (CSE) to comply with the regulatory requirement of the Monetary Board of CBSL. The entirety of the monies raised through the issue, subsequent to meeting all expenses in relation to the same was utilized in part to finance the loans, advances and disbursements made by the Company to the customers during the remaining period of the year ended 31st March 2012.

The stated capital and reserves stood at Rs. 12,958 million and Rs. 5,312 million as at 31st March 2012 respectively (Rs. 1,850 million and Rs. 6,592 million as at 31st March 2011). During the financial year Rs.657 million was transferred from retained earnings to the reserve funds.

Details of movement of reserves and stated capital are provided in the Statement of Changes in Equity on page 124 of the Financial Statements. Summary of stated capital movement during the year is provided in the following table.

Annual Report of the Board of Directors on the Affairs of the Company *contd.*

	Number of Shares	Rs.
As at 31st March 2011	50,000,008	500,000,080
Issue of shares on 30th June 2011 @ 146/- per share by way of a capitalisation of reserves.	28,000,000	4,088,000,000
	78,000,008	4,588,000,080
Sub-division of 1 to 15 on 30th June 2011	1,092,000,112	-
Issue of Shares on 17th November, 2011 @ 18/- per share	390,000,040	7,020,000,720
As at 31st March 2012	1,560,000,160	11,608,000,800

Share Information - Section 7.6 (ix to xi) of CSE Listing Rule

The ten year summary on page 172 and shareholder information and information on trading are provided under the title Shareholder Information contained on pages 160 to 165 of this Annual Report is presented with the purpose of providing more price sensitive information to the shareholders. In which specially includes;

- Number of shares representing the entity's stated capital.
- A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holding.
- The ratio of Dividend per share, Dividend payout and Net assets per share.
- Market Value per share including highest and lowest value recorded during the year and value as at end of the financial year.

Equitable Treatment for Shareholders

The Company has made every endeavor to ensure the equitable treatment for all shareholders.

Substantial Shareholdings - Section 7.6 (iii) and (iv) of CSE Listing Rule

People's Bank held 75% of the ordinary voting shares as at 31st March 2012. The list of top 20 shareholders, Number of shares held, percentage of their respective holding and the Public holding percentage are given under the title Shareholder Information page 163 of this Annual Report.

Information to Shareholders

The Board strives to be transparent and provide accurate information to shareholders in all published material.

Board of Directors - Section 168 (1) (h) of the Companies Act No 07 of 2007 and Section 7.6 (i) of CSE Listing Rule

As at 31st March 2012, the Directorate of People's Leasing Company PLC consisted of six Directors with wide financial and commercial knowledge and experience. The qualifications and experience of the Directors is provided on pages 18 to 21 of this Annual Report. The following Directors held office as at the balance sheet date of the Company.

Name of the Director	Executive/ Non Executive Status	Independence/ Non Independence Status
W. Karunajeewa - Chairman (Appointed w.e.f July 2007)	Non Executive	Non-Independent
D.J.D. Jayakody (Appointed w.e.f July 2007)	Non Executive	Non-Independent
N.V. Kumar (Appointed w.e.f July 2007)	Non Executive	Non-Independent
H.G.W.S.S. Bandara (Resigned in May 2010 and was re-appointed w.e.f June 2010)	Non Executive	Non-Independent
Y.A. Soza (Appointed to the Board in June 2010 and resigned in August 2011)	Non Executive	Non-Independent
P.A.I.S. Perera (Appointed w.e.f August 2011)	Non-Executive	Independent
M.G. Jinadasa (Appointed w.e.f August 2011)	Non-Executive	Independent

Chairman

Mr. W. Karunajeewa is the Chairman of People's Finance PLC, People's Leasing Property Development Limited, People's Leasing Fleet Management Limited, People's Microfinance Limited, People's Leasing Havelock Properties Limited

Resignations and appointments

Mr. Yohan Soza resigned as a Director of the Company in August 2011 and Mr. Paliawadana Arachchige Irenius Sirinimal Perera and Ms. Manoli Gonaduwa Jinadasa were appointed as Independent Directors of the Company in August 2011.

Interests Register - Section 192 (1)& (2)/ 119 (1) (d) and 168 (1) (e) of the Companies Act No 07 of 2007

In compliance with the Companies Act No. 07 of 2007, the Company maintains an Interests Register which is available for inspection.

Directors' Interest in Transactions

The Directors of the Company have made general declarations as provided in section 192 (2) of the Companies Act No. 07 of 2007 of their interests in transaction of the Company. Details of the transactions disclosed therein are given on page 155 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 Leasing (Corporate Governance) Direction No. 9 of 2009.

Directors' Remuneration - Section 168 (1) (f) of the Companies Act No 07 of 2007

The details of Directors' fees and Directors' emoluments paid during the year are stated below.

	Company and Group 2011/12 Rs.	Company and Group 2010/11 Rs.
Directors' Fees & Emoluments	2,831,802	2,573,012

Directors' Interest in Shares - Section 7.6 (v) of CSE Listing Rule

In compliance with section 200 of the Companies Act, the Directors have disclosed to the Board their shareholding in the Company and any acquisitions or disposals thereof.

The Directors' individual shareholdings in the Company as at 31st March 2012 and 31st March 2011 are given below.

Name of Director	No. of Shares	
	As at 31st March 2012	As at 31st March 2011
W. Karunajeewa	Nil	Nil
D. J. D. Jayakody	50,000	Nil
N. V. Kumar	1,000,000	Nil
H. G. W. S. S. Bandara	Nil	Nil
P. A. I. S. Perera	20,000	Nil
M. G. Jinadasa	Nil	Nil

Chief Executive Officer's Interest in Shares - Section 7.6 (v) of CSE Listing Rule

Name	No. of Shares As at 31st March 2012	No. of Shares As at 31st March 2011
D. P. Kumarage (CEO)	5,000,000	Nil

Director's Meetings

The details of Directors' meetings are presented in the corporate governance report on page 56 of this Annual Report.

Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of the Financial Statements of the Company and the Group, which reflect a true and fair view of the state of its affairs. The Directors are of the view that the income statement, statement of changes in equity, cash flow statement, significant accounting policies and notes for the year ended 31st March 2012 and Balance Sheet as at that date have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, the Companies Act No. 07 of 2007, the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Regulations made under Finance Leasing Act. No. 56 of 2000.

The "Director's Responsibility for Financial Reporting" is provided on Page 120 form an integral part of this report.

Donations - Section 168 (1) (g) of the Companies Act No 07 of 2007

The Company made donations amounting to Rs. 19 million (Rs. 59 million in 2010/11) during the financial year.

Related Party Transactions - Section 7.6 (xvi) of CSE Listing Rule

There are no related party transactions which exceeds 10% of the Equity or 5% of the total assets whichever is lower. However the Directors have disclosed the transactions that could be classified as related party transactions in terms of the Sri Lanka Accounting Standards 30: Related Party Disclosure (revised 2005) which is adopted in the presentation of the Financial Statements and accordingly given in note 41 on page 154 to the Financial Statements of this Annual Report.

Compliance with Laws and Regulations

The Company has not engaged in any activity contravening any laws and regulations.

Statutory Payments

To the best of their knowledge and belief, the Directors are satisfied that all statutory payments due to the Government, other regulatory institutions and in relation to the employees have been made except for certain income tax assessments against which appeals have been lodged.

Outstanding Litigation

In the opinion of the Directors formed in consultation with the Company lawyers, litigation currently pending against the Company will not have a material impact on the reported financial results or future operations of the Company. Details of litigation pending against the Company are given on Note 42 to the Financial Statements on page 155.

Events after the Balance Sheet Date

Details of events after the balance sheet date are reflected in note 43 on page 156 to the Financial Statements.

Going Concern

After considering the financial position, the Company's Corporate/ Business plans, operating conditions, regulatory and other factors and such matters required to be addressed in the Code of Best Practice on Corporate Governance, issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka, the Directors have a reasonable expectation that the Company possesses adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Financial Statements.

Auditors

The Company's auditors during the year under review were Messrs Ernst & Young Chartered Accountants.

Based on the declaration made by Messrs Ernst & Young, and as far as the Directors are aware, the auditors do not have any relationship or interest in the Company or its subsidiaries other than to the extent disclosed in this paragraph.

Remuneration - Section 168 (1) (i) and (j) of the Companies Act No. 07 of 2007

Messrs. Ernst & Young, Chartered Accountants were paid a sum of Rs. 1,320,000 (In 2011 Rs. 1,150,000) by the Company for audit and related services during the year under review. A sum of Rs. 2, 535,650 (In 2011 Rs. 371,426) was paid on account of non audit services including tax related services.

Re-appointment

The retiring auditors, Messrs. Ernst & Young have expressed their willingness to continue in office and a resolution to re-appoint them as auditors, and authorizing the Directors to fix their remuneration will be proposed at the forthcoming Annual General Meeting.

Annual General Meeting

The Annual General Meeting will be held at the People's Bank Staff Training College Auditorium 38, D. R. Wijewardhana Mawatha, Colombo 10 on the 29th June 2012 at 10.00am.

Notice of Meeting

Notice of the meeting relating to the 16th Annual General Meeting is provided on page 180 of this Annual Report.

By order of the Board of Directors - Section 168 (1) (k) of the Companies Act No. 07 of 2007.



P. A. I. S. Perera
Director



W. Karunajeewa
Chairman



Rohan Pathirage
Company Secretary

Colombo
26th April 2012

Directors' Statement on Internal Control Over Financial Reporting

Responsibility

In line with the Finance Leasing Act No. 56 of 2000; Finance Leasing Direction No. 04 of 2009; Section 10(2)b, the Board of Directors presents this Report on Internal Control.

The Board of Directors (Board) is responsible for the adequacy and effectiveness of the People's Leasing Company PLC ('the Company') system of internal controls. However, such a system is designed to manage the Company's key areas of risk within an acceptable risk profile, rather than eliminate the risk of failure to achieve the policies and business objectives of the Company. Accordingly, the system of internal controls can only provide reasonable but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and this process includes enhancing the system of internal controls as and when there are changes to business environment or regulatory guidelines. The process is regularly reviewed by the board and board appointed sub committees.

The board is of the view that the system of internal controls 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 and is in accordance with relevant accounting principles and regulatory requirements.

The management assists the Board in the implementation of the policies and procedures on risk and control by identifying and assessing the risks faced, and in the design, operation and monitoring of suitable internal controls to mitigate and control these risks.

Key Features of the Process Adopted in Applying and Reviewing the Design and Effectiveness of the Internal Control System on Financial Reporting

The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls with respect to financial reporting include the following:

- Various appointed committees are established by the board to assist the Board in ensuring the effectiveness of Company's daily operations and that the Company's operations are in accordance

with the corporate objectives, strategies and the annual budget as well as the policies and business directions that have been approved.

- The Internal Audit Division of the company checks for compliance with policies and procedures and the effectiveness of the internal control systems on an ongoing basis using samples and rotational procedures and highlight significant findings in respect of any non compliance. Audits are carried out on all units and branches, the frequency of which is determined by the level of risk assessed, to provide an independent and objective report. The annual audit plan is reviewed and approved by the Board Audit Committee. Findings of the internal audit are submitted to the Board Audit Committee for review at their periodic meetings.
- The Board Audit Committee of the company reviews internal control issues identified by the Internal Audit Division, regulatory authorities and management, and evaluates the adequacy and effectiveness of the risk management and internal control systems. They also review the internal audit functions with particular emphasis on the scope of audits and quality of internal audits. The Minutes of the Board audit Committee meetings are tabled at the meetings of the Board of Directors of the Company. Further, details of the activities undertaken by the Board Audit Committee Report' which appears on pages 116 and 117.
- In assessing the Internal control system, identified officers of the Company continued to review and update all procedures and controls that are connected with significant accounts and disclosures of the financial statements of the Company. The Internal Audit Department continued to verify the suitability of design and effectiveness of these procedures and controls on an ongoing basis.
- Comments made by the External Auditors in connection with internal control system will be deal with in the future.

Confirmation

Based on the above processes, the Board of Directors confirms that the financial reporting system of the Company has been designed to provide reasonable assurance regarding the reliability of financial reporting and the

preparation of Financial statements for external purposes has been done in accordance with the Sri Lanka Accounting Standards' and regulatory requirements of the Central Bank of Sri Lanka.

Review of the Statement by External Auditors

The External Auditors have reviewed the above Directors' Statement on internal controls and the Board of Directors has obtained the required certification from External Auditors as per the Finance Leasing (Corporate Governance) Direction No. 4 of 2009.

By order of the Board



P. A. I. S. Perera
Director



W. Karunajeewa
Chairman



D. J. D. Jayakody
Chairman - Audit Committee

26th April 2012
Colombo

Chief Executive Officer's and Chief Financial Officer's Responsibility Statement

The Financial Statements of People's Leasing Company PLC (the Company) and the Consolidated Financial Statement of the Company and its subsidiaries (the Group) as at 31st March 2012 are prepared and presented in conformity with the following requirements;

- Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka (ICASL)
- Companies Act No. 07 of 2007
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995
- Directions issued to Leasing Companies by the Central Bank of Sri Lanka (CBSL) under the Finance Leasing Act No. 56 of 2000
- 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 which are also in compliance with the disclosure requirements of the Sri Lanka Accounting Standard No. 33 on Revenue Recognition and Disclosures in the Financial Statements Finance Companies. The Company on a quarterly basis presents financial results to its shareholders in compliance with the Listing Rules of the Colombo Stock Exchange.

The Accounting Policies used in the preparation of the Financial Statements are appropriate and are consistently applied by the Group. There are no departures from the prescribed Accounting Standards in their adoption. Comparative information has been reclassified wherever necessary to comply with the current presentation and material departures, if any, have been disclosed and explained.

Significant accounting policies and estimates that involved a high degree of judgment and complexity were discussed with External Auditors and the Audit Committee.

We confirm that to the best of our knowledge, the Financial Statements, significant accounting policies and other financial information included in this Annual Report, fairly present in all material respects the financial condition, results of the operations and the cash flows of the Group during the period under review. We also confirm that the group has adequate resources to continue in operation and have applied the Going Concern basis in preparing these financial statements.

The Board of Directors and the Management of the Company accept responsibility for the integrity and objectivity of these Financial Statements. The estimates and judgments

relating to the Financial Statements were made on a prudent and reasonable basis; in order to ensure that the Financial Statements are reflected in a true and fair manner, the form and substance of transactions and the Company's state of affairs is reasonably presented. To ensure this, the Company has taken proper and sufficient care in installing a system of internal control and accounting records, for safeguarding assets and for preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis. Internal Audit department has conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed. However, there are inherent limitations that should be recognized in weighing the assurances provided by any system of internal controls and accounting. Further the Board assessed the effectiveness of the Company's internal controls over financial reporting during the year ended 31st March 2012, as required by the Finance Leasing (Corporate Governance) Direction on No. 4 of 2009 issued under the Finance Leasing Act No. 56 of 2000, result of which is given on page 114 of this Annual Report, the "Directors Statement on Internal Control".

The Board Audit Committee reviewed all of the internal and external audit and inspection programmes, the efficiency of the internal control system and procedures and also reviewed the quality of accounting policies and their adherence to statutory and regulatory requirements, the details of which are given in the Board Audit Committee Report on pages 116 and 117 of this Annual Report. The Audit Committee also reviewed the external audit plan and the management letters and followed up on any issues raised during the statutory audit. Furthermore the Audit Committee met with the external and internal auditors to review the effectiveness of the audit.

The Financial Statements of the Company and the Group were audited by Messrs Ernst & Young and their report is given on page 121 of this Annual Report.

The Audit Committee pre-approves the audit and non-audit services provided by Messrs Ernst & Young in order to ensure that the provision of such services does not contravene with the guidelines and requirements issued by the Central Bank of Sri Lanka on permitted non-audit services or impair Ernst & Young's independence and objectivity. Further in order to ensure complete independence, the External Auditors and the Internal Auditors have full and free access to the members of the Audit Committee to discuss any matter of substance.

We confirm that;

- The Group has complied with all applicable laws, regulations and prudential requirement,
- There is no material non compliance,

- There are no material litigations that are pending against the Group other than those disclosed in note 42 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 balance sheet date have been paid, or where relevant provided for.

The Company has also ensured compliance of the following CBSL directions;

- The Direction No. 02 of 2006, relating to Provision for Bad and Doubtful Accommodation.
- The Single Borrower Limit as prescribed by the CBSL Direction No. 03 of 2006.
- The Gearing Ratio as prescribed by the CBSL Direction No. 04 of 2006.
- The Reserve Fund Requirement as prescribed by the CBSL Direction No. 05 of 2006.
- The Direction No. 01 of 2007, relating to Debt Instruments.
- The Direction No. 02 of 2009, relating to Lending.
- Business Transaction with Directors and their Relatives as prescribed by the CBSL Direction No. 03 of 2009.
- The Direction No. 04 of 2009, relating to Corporate Governance.
- The Minimum Core Capital Requirement as prescribed by the CBSL Direction No. 01 of 2010.
- The Direction No. 02 of 2010, relating to Reporting Requirements.
- The disclosure of Corporate and Operational Information as prescribed by the CBSL Direction No. 03 of 2010.
- The Direction No. 01 of 2011, relating to Capital Adequacy Ratio.
- The Direction No. 03 of 2011, relating to Structural Changes.
- The Direction No. 04 of 2011, relating to Liquid Assets.



S. Bandaranayake
Chief Financial Officer



D.P. Kumarage
Chief Executive Officer

26th April 2012
Colombo

Board Audit Committee Report

The Composition of the Board Audit Committee

The Board appointed Audit Committee comprises of the following Non-Executive Directors of the Company:

Dr. D. J. D. Jayakody - Chairman
Mr. N. Vasantha Kumar
Mr. P. A. I. S. Perera
Ms. M. G. Jinadasa

Mr. Udesh Gunawardena, Chief Manager Internal Audit is acting as the Secretary to Board Audit Committee.

Terms of Reference

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 Audit Committee. The Charter demonstrates that activities of the audit committee are in line with the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission, and the Finance Leasing (Corporate Governance) Direction, No. 4 of 2009 issued under section 34 of the Finance Leasing Act, No.56 of 2000 which is effective from January 2010.

The purpose of the Board Audit Committee is to assist the Board of Directors in its general oversight of financial reporting, Internal controls and functions relating to internal and external audit.

Mandate and Role of the Committee

- Preparation, presentation and adequacy of disclosures in the financial statements, in accordance with Sri Lanka Accounting Standards;
- Company's compliance with financial reporting requirements, information requirements of the Companies Act, Finance Leasing Act and other relevant financial reporting related regulations and requirements;
- Processes to ensure that the Company's internal controls and risk management procedures are adequate to meet the requirements of the Sri Lanka Auditing Standards;

- Assessing the Company's ability to continue as a going concern in the foreseeable future; and
- Independence and performance of the Company's external auditors.

The duties and responsibilities of the Audit Committee are;

- To make recommendations to the Board, pertaining to appointment, re-appointment and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors;
- Discussion of the audit plan, key audit issues and their resolution, management responses and the proposed remuneration of the external auditor;
- Discussion of the Company's annual audited financial statements and quarterly financial statements;
- Discussion of the Company's earnings press releases and financial information and earnings guidance provided to analysts and rating agencies;
- Discussion of policies and practices with respect to risk assessment and risk management;
- Meeting separately, periodically, with management, external auditors and internal auditors;
- Establishing mechanisms for the confidential receipt, retention and treatment of complaints alleging fraud, received from internal/external sources and pertaining to accounting, internal controls or other such matters;
- Assuring confidentiality to whistle-blowing employees;
- Setting clear hiring policies for employees or former employees of the external auditors;
- Reporting regularly to the Board of Directors;
- The Chairman of the Audit Committee shall be responsible and take appropriate action to address weaknesses and forward reports for information of the Board.

Meetings

The Committee held four meetings during the year under review. The attendance of Committee Members at meetings is listed below.

Name of the Directors	Number of Meetings Held	Number of Meetings Attended
Dr. D. J. D. Jayakody - Chairman	4	4
Mr. N. Vasantha Kumar	4	4
Mr. P. A. I. S. Perera - Appointed with effect from 22.08.2011	3	2
Ms. M. G. Jinadasa - Appointed with effect from 22.08.2011	3	3
Mr. Vajira S. Bandara - Ceased to be a member of the Committee with effect from 22.08.2011	1	1
Mr. Yohan Soza - Resigned from the Board with effect from 22.08.2011	1	0

On the invitation of the Committee the Chief Executive Officer/GM, Deputy General Managers, other officers and external auditors may attend to the meetings. The proceedings of the Audit Committee meeting are recorded with adequate details and reported to the Board of Directors.

The primary focus of the Board Audit Committee activities during the year was as follows:

Financial Reporting	<ul style="list-style-type: none"> Review of the financial information in order to monitor the integrity of the reporting process. The Committee assists the Board to discharge their responsibility in the preparation of Financial Statements that reflect a true and fair view on financial position and performance in accordance with the Sri Lanka Accounting Standards. Having assessed the prevailing Internal Controls Systems and Procedures, the Committee is of the view that adequate controls and procedures are in place to provide reasonable assurance that the financial position of the company is well monitored and accurately reported.
Internal Control System	<ul style="list-style-type: none"> The Committee closely monitored the procedures designed to maintain an effective internal control mechanism to provide reasonable assurance regarding reliability of the financial reporting system in place at the Company.
Internal Audit	<ul style="list-style-type: none"> Review and approve the risk based Internal Audit Plan prepared in line with the Internal Audit Policy Charter approved by the Board. Ensure independent status of Internal Audit functions. Reports and recommendations shall be directly received by the Audit Committee. Ensure corrective actions are taken by the Management on reported weaknesses/lapses. Ensure that Internal Audit reports are made available to External Auditors.
External Audit	<ul style="list-style-type: none"> Recommend the appointment of External Auditors in the monitoring of Auditor's independence status. Review and ensure the nature and volume of non-audit work the External Auditors have undertaken that it did not compromise their independence. Review the management letter before it is submitted to the Board of Directors.
Transition to IFRS	<ul style="list-style-type: none"> Evaluate the progress of the preparation for IFRS adoption by the Company.

Evaluation of the Committee

An independent evaluation of the effectiveness of the committee was carried out by the other members of the Board and the Committee has been found to be effective.

Re-Appointment of the External Auditors

The Audit Committee recommended to the Board that Messrs Ernst & Young; Chartered Accountants be re-appointed as External Auditors of People's Leasing Company PLC for the financial year ending 31st March 2013, subject to approval by the share holders at the next AGM.



Dr. D.J.D. Jayakody
Chairman - Board Audit Committee



Udesh Gunawardena
Secretary - Board Audit Committee

26th April 2012
Colombo

Enterprise Risk Management Committee Report

At People's Leasing, the Board is primarily responsible for enterprise risk management initiatives and delegated its authority to the Board Enterprise Risk Management Sub-Committee (ERMC) to manage the risk profile of the Company.

The Board Sub-Committee was set up to comply with the regulatory requirement of "The Finance Leasing (Corporate Governance) Direction No. 4 of 2009" issued by the Central Bank of Sri Lanka to have an overview and input into People's Leasing's efforts relating to Enterprise Risk Management. The Committee proceedings were based on the Terms of Reference and Enterprise Risk Management Policy adopted by the Board of Directors for the functioning of the Committee.

A detailed approach to the Company's Key Enterprise Risk Management process has been dealt with in pages from 95 to 105 of this report.

Composition of the Board Sub-Committee

The Board Enterprise Risk Management Sub-Committee consists of three members of the Board of Directors and is headed by Dr. D. J. D. Jayakody. These three members are Non-Executive Directors.

Mr. D. P. Kumaraage - CEO/GM attended the Committee Meeting by invitation. Mr. Andy Ratnayake - Senior Manager Risk Management and Control functioned as the Secretary of the Board Enterprise Risk Management Sub-Committee.

Committee Meetings

Committee held four meetings during the year under review. The summary of proceedings of the Committee meeting is reported to the Board of Directors for ratification.

The attendance of the members of the Committee was as follows:

Name of the Directors	Number of Meetings Held	Number of Meetings Attended
Dr. D. J. D. Jayakody - Chairman	4	4
Mr. N. Vasantha Kumar - Member	4	3
Mr. Wajira S. Bandara - Member	4	4

Mr. Yohan Soza has resigned with effect from 22nd August 2011.

In compliance with Direction No. 4 of 2009, key personnel including CEO/GM, two Deputy General Managers, Chief Operating Officers of People's Finance PLC and People's Insurance Ltd. Compliance Officer and Secretary of ALCO were present on invitation.

Activities

The Committee focused on the following activities during the year under review and compared companies risk indicators with those of the mandatory averages.

- Oversee the procedures of Enterprise Risk Management responsibilities pertaining to risk management strategies, policies and processes.
- Every Executive is deemed to be a risk taker/manager as process owners.
- Risk Management is a Conformance Process or Corporate Governance where as Strategic Risk Management is a Performance Process or business governance.
- Internal Credit Risk Rating Sheets for business or commercial credits as well as for individuals/ professionals were in operation for high value facilities during the year.
- Approval of risk mitigating new initiatives to survive and grow or improve efficiency during the financial year.

- Reviewed the quality of core-receivable portfolio.
- Reduced non-performing portfolio (NP) 1.1 percent in the first quarter to 0.70 percent in March 2012.
- Provided additional 10 percent provision in the case of 3-4 monthly rentals in arrears, to improve the quality of the portfolio.
- Decided that risky assets such as lorries and tippers shall be supported with 50 percent contribution or assigning additional security and heavy machinery to be supported by 100 percent security cover depending on the customer on case by case basis.
- Focused on disposal losses and accelerated action to dispose repossessed at the earliest opportunity.
- Mobilised funds by issuance of Promissory Notes to improve liquidity position of the Company.
- Accelerated over-due collection, legal action against written-off contracts and up-front collection of insurance premium.
- The vehicles tender procedure has been streamlined to improve the liquidity position of the Company.
- Accelerated legal recovery process after strengthen the Legal Recovery Department together with a Pre-Legal arm successfully.
- Continuous and effective follow-up of collection procedure to improve the most crucial liquidity position of the Company.
- Reviewed the risk exposure profile of two subsidiaries namely; People's Finance PLC and People's Insurance Ltd.
- Reviewed the ALCO report submitted by the Secretary to ALCO.
- Reviewed Compliance Reports submitted by the Compliance Officer.

On account of the illiquid situation prevailed towards the end of the financial year, credit squeezed condition and other precautionary counter measures were adopted by the Company.

The Enterprise Risk Management Unit co-ordinated with all relevant strategic business units and briefed the Committee with the relevant information through various risk indicators. At the request of People's Bank, ERM dash-board presentation was introduced to obtain cockpit view of the key risk indicators. The Committee has reviewed the process for identification, evaluation and management of all significant risk indicators throughout the Company.

Also, the Enterprise Risk Management Operating Committee (ERMOC) system comprising of key risk owners, risk takers and process owners of PLC, was introduced making another layer to strengthen the review process of Risk Governance Structure, prior to the review by the Board Sub-Committee.



Dr. D. J. D. Jayakody

Chairman - Enterprise Risk Management Committee



A. Ratnayake

Secretary - ERMOC

26th April 2012
Colombo

Directors' Responsibility for Financial Reporting

The responsibility of the Directors, in relation to the Financial Statements of the Company and its subsidiaries in accordance with the provisions of the Companies Act No. 7 of 2007 (Companies Act) is set out in this statement. The responsibilities of the External Auditors in relation to the Financial Statements are set out in the Report of the Independent Auditors given on page 121 of this Annual Report.

As per sections 150 (1), 151, 152 and 153(1) of the Companies Act, the Directors of the Company and the Group have responsibility for ensuring that the Company keeps proper books of accounts of all the transactions and prepare Financial Statements that give a true and fair view of the state of affairs of the Company as at the balance sheet date and of the profit or loss for the year and place the same before the Annual General Meeting.

The Financial Statements comprise the Balance Sheet as at 31st March 2012 and the Income Statement, Statement of Changes in Equity and Cash Flow for the year then ended and notes thereto. Accordingly, Directors confirm that the Financial Statements of the Company and its Subsidiaries give a true and fair view of:

1. The state of affairs of the Company and its Subsidiaries as at 31st March 2012; and
2. The profit or loss of the Company and its Subsidiaries for the financial year then ended.

The Board of Directors accepts responsibility for the integrity and objectivity of the Financial Statement presented in this Annual Report. The Directors confirm that in preparing these Financial Statements;

1. The appropriate accounting policies have been selected and applied in a consistent manner, material departures, if any, have been disclosed and explained;
2. All applicable accounting standards as relevant have been followed;
3. Judgments and estimates have been made which are reasonable and prudent.

The Directors also ensured that the Company has adequate resources to continue in operation to justify applying the going concern basis in preparing these Financial Statements. Further, the Directors have a responsibility to ensure that the Company maintains sufficient accounting records to disclose, with reasonable accuracy, the financial position of the Company.

The Financial Statements of the Company and the Group have been certified by the Company's Chief Executive Officer, the officer responsible for their preparation as required by sections 150(1) (b) and 152(1) (b) of the Companies Act. In addition, the Financial Statements of the Group and the Company have been signed by two Directors on 26th April 2012 as required by Sections 150 (1) (c) and 152 (1) (c) of the Companies Act and other regulatory requirements. In compliance with section 148 (1) of the Companies Act, the Directors are also responsible for ensuring that proper accounting records which explain the Company's transactions and assists in determining the Company's financial position with reasonable accuracy at any time are maintained by the Company enabling the preparation of Financial Statements, in accordance with the Companies Act and further enabling the Financial Statements to be readily and properly audited.

The Financial Statements for the year 2011/12 prepared and presented in this Annual Report are consistent with the underlying books of accounts and are in conformity with the requirements of the Sri Lanka Accounting Standards, Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No.15 of 1995, Finance Leasing Act No.56 of 2000 and Directions issued thereto, the Code of Best Practice on Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka (ICASL) and the Securities and Exchange Commission of Sri Lanka (SEC).

The Directors have also instituted effective and comprehensive systems of internal control for identifying, recording, evaluating and managing the significant risks faced by the Company throughout the year and it has been under the regular review of the Board of Directors. This comprises internal reviews, internal audit and the whole system of financial and other controls required to carry on the business in an orderly manner, safeguard its assets, prevent and detect frauds and other irregularities and secure as far as practicable the accuracy and reliability of the records. The results of such reviews carried out during the year ended 31st March 2012 is given on page 114 of the Annual Report titled "Directors Statement on Internal Control".

The Board of Directors has also ensured compliance with the Finance Leasing (Corporate Governance) Direction No. 4 of 2009 and a report on the level of compliance is detailed out in pages 32 to 45 of this Annual

Report. Furthermore, the External Auditor's certification of the compliance in this regard has been obtained.

The Board of Directors wish to confirm that as required under Section 56 (2) of the Companies Act, they have authorized the distribution of the interim dividend paid in December 2011 as well as the proposed final dividend after being satisfied that the Company would satisfy the solvency test after such distributions are made in accordance with section 57 of the Companies Act and have obtained in respect of dividends paid and proposed in respect of which approval is now sought, certificates of solvency from Auditors.

The Board of Directors also wish to confirm that as required under sections 166 (1) and 167 (1) of the Companies Act, they have prepared this Annual Report in time and ensured that a copy thereof is sent to the shareholders within the stipulated period of time as required by Rule No. 7.5 (a) and (b) of the Listing Rules of the Colombo Stock Exchange. The Directors also wish to confirm that all shareholders in each category have been treated in an equitable manner in accordance with the original terms of issue.

The Directors are required to prepare the Financial Statements and to provide the auditors with every opportunity to take whatever steps and undertake whatever inspections they may consider to be appropriate to enable them to give their audit opinion. The Directors are of the view that they have discharged their responsibilities as set out in this statement.

Compliance Report

The Directors confirm that to the best of their knowledge, all statutory payments relating to employees, and the Government and other statutory bodies that were due in respect of the Company and its subsidiaries as at the balance sheet date have been paid or, where relevant provided for.

By order of the Board



Rohan Pathirage
Company Secretary

26th April 2012
Colombo

Independent Auditor's Report



Chartered Accountants

201 De Saram Place
P.O. Box 101
Colombo 10
Sri Lanka

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TO THE SHAREHOLDERS OF PEOPLE'S LEASING COMPANY PLC

Report on the Financial Statements

We have audited the accompanying financial statements of People's Leasing Company PLC ("Company"), the consolidated financial statements of the Company and its subsidiaries ("the Group") which comprise the balance sheet as at 31st March 2012, and the income statement, statements of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

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

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31st March 2012 and the financial statements give a true and fair view of the Company's state of affairs as at 31st March 2012 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs as at 31st March 2012 and the profit and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiaries dealt with thereby, so far as concerns the shareholders of the Company.

Report on Other Legal and Regulatory Requirements

In our opinion, these financial statements also comply with the requirements of Section 151(2) and Sections 153(2) to 153(7) of the Companies Act No. 07 of 2007.

26th April 2012
Colombo

Income Statement

Year ended 31st March	Notes	Group		Company	
		2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Revenue	4	15,896,709,183	10,661,763,893	13,991,272,751	9,818,197,745
Interest and similar income	5	13,620,232,307	8,915,558,233	12,277,089,023	8,263,452,218
Interest and similar expenses	6	7,040,685,946	3,901,928,525	6,170,316,713	3,541,857,894
Net interest income		6,579,546,361	5,013,629,708	6,106,772,310	4,721,594,324
Net trading income from sale of vehicles	7	63,033,104	75,925,620	63,033,104	75,925,620
Fees and commission income	8	529,980,129	351,780,027	635,715,121	381,497,324
Net income from Islamic finance	9	368,888,772	166,076,422	30,040,691	86,574,236
Other operating income	10	313,559,068	476,832,324	229,356,055	405,049,756
Total operating income		7,855,007,434	6,084,244,101	7,064,917,281	5,670,641,260
Less: Operating expenses					
Employee benefits	11	922,488,374	685,543,879	763,325,484	593,233,276
Depreciation	28	221,512,554	133,595,647	132,056,315	96,770,865
Amortisation of intangible assets	30	12,648,898	9,899,513	10,691,142	8,613,674
Provision charge/(reversal) for credit losses	22.6	(1,371,027,015)	52,117,660	(1,433,974,540)	17,720,372
Other operating expenses		1,149,184,191	959,341,930	1,241,824,298	860,068,948
Profit from operations	12	6,920,200,432	4,243,745,472	6,350,994,582	4,094,234,125
Less:					
Value Added Tax on Financial Services		403,048,950	400,513,569	368,051,361	372,746,635
Profit before taxation		6,517,151,482	3,843,231,903	5,982,943,221	3,721,487,490
Income tax expense	13	1,974,729,369	1,231,463,628	1,775,627,769	1,141,677,810
Profit for the year		4,542,422,113	2,611,768,275	4,207,315,452	2,579,809,680
Attributable to					
Equity holders of the parent		4,502,947,925	2,604,767,981	4,207,315,452	2,579,809,680
Minority interest		39,474,188	7,000,294	-	-
Net profit for the year		4,542,422,113	2,611,768,275	4,207,315,452	2,579,809,680
Earnings per share (Basic/ Diluted)	14	3.33	2.07	3.11	2.05
Dividend per share	15	1.00	1.50	1.00	1.50

The above Income Statement should be read in conjunction with notes, which form an integral part of the Financial Statements, disclosed on pages 126 to 158.

Balance Sheet

As at 31st March	Notes	Group		Company	
		2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Assets					
Cash and short term funds	16	2,693,009,155	1,535,338,454	1,337,696,470	865,056,210
Investments in government securities	17	1,563,058,682	794,564,466	-	-
Deposits with banks & financial institutions	18	896,503,862	683,081,350	392,764,936	664,119,302
Inventories		114,735,981	237,976,801	111,878,931	236,523,011
Dealing securities	19	111,752,947	64,055,310	29,197,690	-
Investment securities	20	305,170,064	246,370,124	305,170,064	246,370,124
Loans and other advances	21	5,580,356,364	3,344,732,174	4,169,978,409	2,942,796,483
Rentals receivable on lease, hire-purchase & Islamic finance	22	78,914,560,208	52,283,967,382	67,386,693,168	46,442,179,818
Deferred tax assets	23	1,038,243	27,913,031	-	-
Investment in subsidiaries	24	-	-	3,118,184,304	1,805,250,254
Investment in Associate	25	-	-	-	-
Long term receivables	26	131,862,736	30,254,471	-	-
Other assets	27	2,599,510,950	2,647,946,117	2,063,321,570	2,271,698,749
Property, plant & equipment	28	2,810,659,727	1,625,494,372	620,576,776	300,291,278
Investment property	29	-	-	56,000,000	56,000,000
Intangible assets	30	350,640,955	332,809,482	36,740,726	18,960,729
Total assets		96,072,859,874	63,854,503,534	79,628,203,044	55,849,245,958
Liabilities & Shareholders' Funds					
Liabilities					
Deposits from customers	31	8,683,800,638	4,647,160,223	-	-
Bank overdrafts		2,308,921,888	1,358,945,475	2,073,089,207	1,168,595,180
Other liabilities evidenced by paper	32	30,694,105,714	26,121,934,052	28,513,797,665	24,778,788,201
Tax payable		278,424,089	663,582,388	224,613,999	667,787,914
Deferred tax liabilities	23	766,210,037	71,502,459	720,085,336	71,502,459
Borrowings	33	26,910,975,801	14,581,756,319	24,701,663,169	13,982,715,115
Other liabilities	34	7,714,721,337	7,927,170,570	5,124,586,119	6,737,890,393
Total liabilities		77,357,159,504	55,372,051,486	61,357,835,495	47,407,279,262
Shareholders' Funds					
Stated capital	35	12,958,000,800	1,850,000,080	12,958,000,800	1,850,000,080
General reserve	36	300,000,000	300,000,000	300,000,000	300,000,000
Tax equalisation fund	37	100,000,000	100,000,000	100,000,000	100,000,000
Reserve fund	38	654,321,244	376,148,812	565,142,012	354,776,240
Investment fund reserve	39	543,189,330	70,637,565	517,263,156	70,637,565
Retained earnings		3,947,748,486	5,685,899,247	3,829,961,581	5,766,552,811
		18,503,259,860	8,382,685,704	18,270,367,549	8,441,966,696
Minority Interest		212,440,510	99,766,344	-	-
Total shareholders' funds		18,715,700,370	8,482,452,048	18,270,367,549	8,441,966,696
Total liabilities & shareholders' funds		96,072,859,874	63,854,503,534	79,628,203,044	55,849,245,958
Contingencies	42.3	377,088,703	302,470,326	352,378,937	302,470,326
Net assets value per ordinary share		11.28	6.27	11.13	6.32

These Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.



Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.
Approved and signed for and on behalf of the Board.



Chairman



Director



Chief Executive Officer

The above Balance Sheet should be read in conjunction with notes, which form an integral part of the Financial Statements, disclosed on pages 126 to 158.

26th April 2012
Colombo

Cash Flow Statement

Year ended 31st March	Group		Company	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Cash flow from operating activities				
Interest and similar income	13,267,405,546	8,694,309,659	12,167,892,131	8,090,991,685
Interest and similar expenses	(5,926,031,859)	(3,673,949,790)	(5,269,030,990)	(3,216,893,913)
Net trading income from sale of vehicles	63,033,104	75,925,620	63,033,104	75,925,620
Fees and commission income	534,956,755	333,462,334	527,938,937	363,179,632
Income from Islamic credits	372,442,737	168,867,820	33,594,655	89,365,634
Other operating income	300,710,491	175,613,035	130,008,648	112,177,295
Cash payments to employees and suppliers	(1,959,729,805)	(1,591,499,381)	(1,888,669,435)	(1,315,204,203)
Operating profit before changes in operating assets and liabilities	6,652,786,969	4,182,729,297	5,764,767,050	4,199,541,750
(Increase)/decrease in other assets	23,995,173	(2,102,013,781)	305,879,210	(1,912,167,049)
(Increase)/decrease in inventories	123,240,820	(192,679,108)	124,644,080	(195,237,724)
Net investment in advances	(27,337,084,979)	(26,965,704,676)	(20,533,602,012)	(22,536,264,184)
Increase/(decrease) in amounts payable	(1,423,299,418)	4,020,211,842	(2,621,446,348)	2,714,702,108
Net cash used for operations	(21,960,361,435)	(21,057,456,426)	(16,959,758,020)	(17,729,425,099)
Tax paid	(2,136,460,836)	(1,887,115,956)	(2,032,565,657)	(1,804,150,716)
Gratuity paid	(2,028,029)	(1,702,705)	(1,919,375)	(1,038,025)
Net cash used for operating activities	(24,098,850,300)	(22,946,275,087)	(18,994,243,052)	(19,534,613,840)
Cash flow from investing activities				
Acquisition of property, plant & equipment	(1,468,489,151)	(808,175,498)	(503,205,732)	(144,055,344)
Investment in treasury bills, treasury bonds	(768,494,216)	(794,564,466)	-	-
Long term receivable	(101,608,265)	(30,254,471)	-	-
Investment in associate	-	-	(50,000,000)	-
Investments in subsidiaries	-	-	(810,351,800)	(450,000,000)
Investments in securities/dealing securities	(150,056,207)	(37,222,864)	(90,348,994)	-
Purchase of rights in subsidiaries	-	-	(502,582,250)	(411,084,981)
Proceeds from sale of rights shares	-	-	-	59,122,815
Proceeds from sale of shares	30,512,924	-	7,612,604	129,841,012
Deposits with banks & financial institutions	(213,422,512)	211,251,013	271,354,366	423,953,091
Proceeds from disposal of property, plant & equipment	47,062,904	23,528,719	39,558,160	221,570,650
Dividend/ interest received	302,181,344	131,882,603	125,310,012	82,536,862
Net cash flow from investing activities	(2,322,313,179)	(1,303,554,964)	(1,512,653,634)	(88,115,895)
Cash flow from financing activities				
Proceeds from rights issue	65,258,725	156,755,994	-	-
Proceeds from Issue of ordinary shares - IPO	7,020,000,720	-	7,020,000,720	-
Share issue expenses	(224,124,408)	-	(220,665,239)	-
Proceeds from conversion of warrants into ordinary shares	17,730,061	-	-	-
Deposits from customers	4,036,640,415	2,979,677,663	-	-
Net borrowings	16,901,391,143	21,142,605,927	14,453,957,518	19,344,254,682
Dividend paid	(1,038,038,889)	(271,120,124)	(1,028,250,080)	(267,236,314)
Redemption of preference shares	(150,000,000)	(100,000,000)	(150,000,000)	(100,000,000)
Net cash flow from financing activities	26,628,857,767	23,907,919,460	20,075,042,919	18,977,018,368
Net increase in cash & cash equivalents	207,694,288	(341,910,591)	(431,853,767)	(645,711,367)
Cash & cash equivalents at the beginning of the year	176,392,979	518,303,570	(303,538,970)	342,172,397
Cash & cash equivalents at the end of the year	384,087,267	176,392,979	(735,392,737)	(303,538,970)
Analysis of cash & cash equivalents at the end of the year				
Cash in hand	451,048,417	98,515,506	68,863,195	47,390,732
Cash at bank	995,666,035	815,770,064	820,471,684	748,406,385
Bank overdraft	(2,308,921,888)	(1,358,945,475)	(2,073,089,207)	(1,168,595,180)
Deposits at call on short notice	1,246,294,703	621,052,884	448,361,591	69,259,093
	384,087,267	176,392,979	(735,392,737)	(303,538,970)

The above Cash Flow Statement should be read in conjunction with notes, which form an integral part of the Financial Statements, disclosed on pages 126 to 158.

Notes to the Financial Statements

1. REPORTING ENTITY

1.1 General

People's Leasing Company PLC ("the Company"), a Registered Finance Leasing Establishment, incorporated on the 22nd August 1995, is a Public Limited Liability Company domiciled in Sri Lanka. The Company was listed on the Colombo Stock Exchange on the 24th November 2011. The registered office of the Company is located at No.75, Sir Chittampalam A. Gardiner Mawatha, Colombo 02 and the principal place of the business is situated at No. 1161, Maradana Road, Colombo 08.

The consolidated financial statements of the Company for the year ended 31st March 2012 comprise People's Leasing Company PLC (Parent Company), its subsidiaries (together referred to as "the Group") and the Group's interest in its associate.

People's Bank is the ultimate Parent of the Company.

The Financial Statements for the year ended 31st March 2012 were authorised for issue on the 26th April 2012 in accordance with the resolution of the Board of Directors passed on the 26th April 2012.

1.2 Principal Activities and Nature of Operations

People's Leasing Company PLC

The principal activities of the Company are providing finance leases, hire-purchase asset financing, term loans, margin trading, share trading and issuing of debt instruments.

Subsidiaries

People's Leasing Fleet Management Limited

The principal lines of business comprise of carrying out operations of a service station, vehicle valuation and fleet management.

People's Leasing Property Development Limited

The principal line of businesses are carrying out a mixed development project and property development.

People's Finance PLC (Formerly known as People's Leasing Finance PLC)

The principal lines of business comprise of finance lease, hire purchase assets financing, term loans, Islamic financing facilities, mobilization of deposits and share trading.

People's Insurance Limited

The principal line of business is carrying out general insurance business.

People's Leasing Havelock Properties Limited

The principal line of business is to construct and operate an office complex.

People's Microfinance Limited

The principal lines of business are providing financial services excluding banking to low income earners and micro enterprises.

Associate

City Finance Corporation Limited

The principal lines of business are mobilization of deposits, providing finance leases, hire-purchase assets financing, term loans, real estate developments and related services.

Shareholdings in Subsidiaries and Associate

	Holding Percentage
People's Leasing Fleet Management Limited	100.0%
People's Leasing Property Development Limited	100.0%
People's Insurance Limited	100.0%
People's Leasing Havelock Properties Limited	100.0%
People's Microfinance Limited	100.0%
People's Finance PLC	88.7%
City Finance Corporation Ltd	28.5%

1.3 Statement of Directors' Responsibility

The Board of Directors takes responsibility for the preparation and presentation of these Consolidated Financial Statements as per the provisions of the Companies Act No. 07 of 2007 and the Sri Lanka Accounting Standards.

2. ACCOUNTING POLICIES

2.1 Basis of Preparation

The Financial Statements are prepared on a historical cost basis, except for investment properties and dealing securities that have been measured at fair value. Assets and liabilities are grouped by nature and listed in an order that reflect their relative liquidity. No adjustments have been made for inflationary factors affecting these Financial Statements.

The Accounting Policies have been consistently applied by the Group and are consistent with those used in the previous year. The specific policies used are explained below and relate to both the Consolidated Financial Statements and that of the Company, except stated otherwise.

2.1.1 Statement of Compliance

The Consolidated Financial Statements of the Group and the separate Financial Statements of the Company which comprise the Balance Sheet, Income Statement, Statement of Changes in Equity, Cash Flow Statement and Notes thereto have been prepared in accordance with the Sri Lanka Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka, and comply with the requirements of the Companies Act No. 7 of 2007, Finance Leasing Act No. 56 of 2000, Finance Business Act No. 42 of 2011 and amendments thereto.

2.1.2 Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the Financial Statements of each individual entity are measured using that functional currency. There was no change in the Group's presentation and functional currency during the year under review.

2.2 Sri Lanka Accounting Standards effective from 1st January 2012:

The Group will be adopting the new Sri Lanka Accounting Standards (new SLAS) comprising LKAS and SLFRS applicable for financial periods commencing from 01st January 2012 as issued by the Institute of Chartered Accountants of Sri Lanka. The Group has commenced reviewing its accounting policies and financial reporting in readiness for the transition. As the Group has a 31st March year end, priority has been given to considering the preparation of an opening balance sheet in accordance with the new SLASs as at 01st April 2011. This will form the basis of accounting for the new SLASs in the future, and is required when the Group prepares its first new SLAS compliant financial statements for the year ending 31 March 2012. Set out below are the key areas where

accounting policies will change and may have an impact on the financial statements of the Company. The Company is in the process of quantifying the impact on the financial statements arising from such changes in accounting policies.

(a) SLFRS 1 – First Time Adoption of Sri Lanka Accounting Standards requires the Company to prepare and present opening new SLFRS financial statements at the date of transition to new SLAS. The Group shall use the same accounting policies in its opening new SLAS financial statements and throughout all periods presented in its first new SLAS financial statements. Those accounting policies should comply with each new SLAS effective at the end of 31st March 2013.

(b) LKAS 1 – Presentation of Financial Statements requires an entity to present, in a statement of changes in equity, all owner changes in equity. All non owner changes in equity are required to be presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in equity. This standard also requires the Company to disclose information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital.

(c) LKAS 16 – Property, Plant and Equipment requires a the Company to initially measure an item of property, plant and equipment at cost, using the cash price equivalent at the recognition date. If payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognized as interest over the period, unless such interest is capitalized in accordance with LKAS 23 Borrowing Costs.

All site restoration costs including other environmental restoration and similar costs must be estimated and capitalised at initial recognition, in order that such costs can be depreciated over the useful life of the asset.

This standard requires depreciation of assets over their useful lives, where the residual value of assets is deducted to arrive at the depreciable value. It also requires that significant components of an asset be evaluated separately for depreciation.

(d) LKAS 32 – Financial Instruments: Presentation, LKAS 39 – Financial Instruments: Recognition and Measurement and SLFRS 7 – Disclosures will result in changes to the current method of recognizing financial assets, financial liabilities and equity instruments. These standards will require measurement of financial assets and financial liabilities at fair value at initial measurement. The subsequent measurement of the financial assets classified as fair value through profit and loss and available for sale will be at fair value, with the gains and losses routed through the statements of comprehensive income and other comprehensive income respectively.

Financial assets classified as held to maturity and loans and receivables will be measured subsequently at amortized cost. These assets will need to be assessed for any objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. As such the current method of assessing for impairment will have to be based on the requirements of these new standards.

Financial liabilities will be either classified as fair value through profit or loss or at amortized cost. At present, the Company/ Group does not identify, categorise and measure financial assets and liabilities as per the requirements of the standard and certain derivative instruments are not recognized on the balance sheet, and hence would require a change in accounting policy.

(e) SLFRS 3 – Business combinations will require the Company to apply this standard to transactions and other events that meet the new definition of a business i.e. an integrated set of assets (inputs) and activities (processes) which are capable of being conducted and managed to provide a return, as opposed to a mere asset acquisition. Under the new acquisition method of accounting, in addition to recognizing and measuring in its financial statements the identifiable assets acquired and liabilities assumed the standard also requires recognition and measurement of any non-controlling interest in the acquiree and re-measuring to fair value any

previously held interests which could have an impact on the recognition of goodwill. Subsequent to the acquisition of control any acquisitions or disposals of non-controlling interest without loss of control will be accounted for as equity transactions and cannot be recognized as profit/loss on disposal of investments in the statement of financial performance.

(f) LKAS 12 – Income tax requires deferred tax to be provided in respect of temporary differences which will arise as a result of adjustments made to comply with the new SLAS.

(g) LKAS 18 – Revenue requires the Company to measure revenue at fair value of the consideration received or receivable. It also specifies recognition criteria for revenue, and the Group needs to apply such recognition criteria to the separately identifiable components of a single transaction in order to reflect the substance of the transaction.

(h) SLFRS 4 -Insurance contracts has scope in only products which fall within the definition of insurance contracts or financial instruments issued with a discretionary participation features as defined in SLFRS 4. For the purpose of identifying the contracts that can be scope in, the Group is at present performing a detailed product analysis. Any contract which is recorded at present as an insurance contract but does not meet the definitions of SLFRS 4 is required to be measured and accounted as financial instruments which will impact the recognition of Insurance revenue and the related deferred acquisition costs.

2.3 Significant Accounting Judgments, Estimates and Assumptions

The preparation of Financial Statements in conformity with Sri Lanka Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The respective carrying amounts of assets and liabilities are given in the related notes to the Financial Statements.

Notes to the Financial Statements *contd.*

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements are described in Notes 2.3.1 to 2.3.7

2.3.1 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 fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.3.2 Impairment Losses on Loans and Advances Including Lease Receivables

In addition to the specific provisions made for possible loan losses based on the parameters and directives for specific provisions on loans and advances by the Central Bank of Sri Lanka, the Company and its subsidiaries review its loans and advances portfolio at each reporting date to assess whether a further allowance for impairment should be provided in the Income Statement. The judgment by the management is required in the estimation of these amounts and such estimations are based on assumptions about a number of factors though actual results may differ, resulting in future changes to the provisions.

Upon the continuous review of the lending portfolio, the general provision of 3.35% reduced to 0% during the current financial year.

2.3.3 Impairment Losses on Assets

The Group determines whether assets have been impaired by performing an impairment review. If any such indication exists or when annual impairment testing for assets is required, the Group makes an estimate of the assets recoverable amount. This requires the estimation of the 'value in use' of the cash generating units. Estimating value in use requires the management to make an estimate of the expected future cash flows from the cash generating unit and also to select a suitable discount rate in order to calculate the present value of the relevant cash flows. This valuation requires the Group to make estimates about the expected future cash flows and their discount rates, and hence, they are subjected to uncertainty.

2.3.4 Defined Benefit Plans

The Defined Benefit Obligation and the related charges for the year are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount

rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of such obligation, these estimates are subjected to significant uncertainty. Further, details are given in Note 34.2 – 34.4 to these Financial Statements.

2.3.5 Unexpired Risk Reserve

The calculation of premium liability requires a comparison between the Company's held unearned premium reserves less differed acquisition cost with the expected amount decided based on the significant management judgment. In estimating the unexpired risk liability, assumptions are made on the expected net claim ratio for each of business and claim management expenses incurred whilst these policies remain exposed for claims.

2.3.6 Fair Value of Investment Property

Investment property of 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 Group determines within a reasonable fair value estimates, amounts that can be attributed as fair values, taking in to 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.

2.3.7 Useful Lives of Property, Plant & Equipment

The Group reviews the assets' residual values, useful lives and methods of depreciation at each reporting date. Judgment by the management is exercised in the estimation of these values, rates and methods.

2.3.8 Materiality and Aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standards.

2.3.9 Going Concern

The Directors have made an assessment of the Company's ability to continue as a going concern basis and they do not intend either to liquidate or to cease business.

2.3.10 Offsetting

Assets & liabilities and income and expenses are not set-off unless permitted by the Sri Lanka Accounting Standards.

2.3.11 Rounding-Up

Financial information presented in Sri Lankan Rupees has been rounded to the nearest Rupee unless indicated otherwise.

2.4 Basis of Consolidation

2.4.1 Subsidiaries

Subsidiaries are entities that are controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights presently exercisable are taken into account. The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date that control effectively commences until the date that control effectively ceases.

The Minority Interest is presented in the Consolidated Balance Sheet within equity, separately from the equity attributable to the equity holders of the Company. Minority Interest in the profit or loss of the Group is disclosed separately in the Consolidated Income Statement.

The Group's Financial Statements comprise consolidation of the Financial Statements of the Company and its Subsidiaries in terms of the Sri Lanka Accounting Standard 26 (Revised 2005) on 'Consolidated and Separate Financial Statements'.

The accounting policies of Subsidiaries have been changed whenever necessary to align them with the policies adopted by the Company.

The Consolidated Financial Statements are prepared to common financial year end of 31st March except for the People's Insurance Limited of which financial year end 31st December. In accordance with the Sri Lanka Accounting Standard 26, the Financial Statements of the People's Insurance Limited used in the preparation of consolidated Financial Statements are prepared as of 31st December 2011 and adjustments have been made for the effects of significant transactions or events that occur between that date and the date of the Group Financial Statements of 31st March 2012. Details of the Subsidiaries within the Group are provided in Note 24 to the Financial Statements.

2.4.2 Associate – Equity Accounted Investees

Associate is an entity in which the Company has significant influence, but no control over the financial and operating policies. Significant

influence is presumed to exist when the Company holds between 20 and 50 percent of the voting power of another entity. The Associate is accounted for using the Equity method and is recognised initially at cost. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised but is subjected to impairment test in accordance with Sri Lanka Accounting Standard 41 'Impairment of Assets'. The Company's investments include goodwill identified on acquisition, net of any accumulated impairment losses.

The Consolidated Financial Statements include the Company's share of the income and expenses and equity movements of the Associate, after adjustments being made to align the accounting policies with those of the Group from the date that significant influence effectively commences until the date that significant influence effectively ceases.

When the Company's share of losses exceeds its interest in the Associate, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Company has an obligation or made payments on behalf of the Associate. If the Associate subsequently reports profits, the Company resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Profit and losses resulting from transactions between the Company and the Associate are eliminated to the extent of the interest in the Associate.

The Company discontinues the use of the Equity method from the date that it ceases to have significant influence over an Associate and accounts for the investment in accordance with Sri Lanka Accounting Standard 22 "Accounting for Investments".

Details of the Associate within the Group are provided in Note 25 to the Financial Statements.

2.4.3 Business Combinations and Goodwill

All business combinations have been accounted for by applying the purchase method in accordance with the Sri Lanka Accounting Standards 25 (Revised 2004) – 'Business Combinations'. Applying this method involves the entity that obtains control of the other entity to recognise the fair value of assets acquired and liabilities and contingent liabilities

assumed, including those not previously recognised.

Goodwill represents the excess of the cost of any acquisition of a subsidiary or an associate over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Goodwill is initially recognised at cost. The Group will test the goodwill for impairment annually and assess for any indication of impairment to ensure that its carrying amount does not exceed the recoverable amount. If an impairment loss is identified, it is recognised immediately to the Income Statement. For the purpose of impairment testing, goodwill acquired in a business combination is from the acquisition date allocated to groups of cash generating units that are expected to benefit from the synergies of the combination. The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets pro-rata to the carrying amount of each asset in the unit. Where goodwill forms part of a cash-generating unit 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.

Carrying amount of the goodwill arising on acquisition of subsidiaries is presented as an intangible asset.

If the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the acquisition of the entity, the Group will reassess the measurement of the acquiree's identifiable assets and liabilities and the measurement of the cost and recognise the difference immediately to the Consolidated Income Statement.

2.4.4 Transactions Eliminated on Consolidation

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. Unrealised gains arising from transactions with Associates are eliminated to the extent of the Group's interest in the Associates against the investment in the Associate. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

2.4.5 Material Gains or Losses, Provisional Values or Error Corrections

There were no material gains or losses, provisional values or error corrections recognised during the year in respect of business combinations that took place in previous periods.

2.4.6 Comparative Information

The accounting policies have been consistently applied by the Group and are consistent with those used in the previous financial year in accordance with the Sri Lanka Accounting Standard No. 3 (Revised 2005) on "Presentation of Financial Statements". Comparative information is reclassified wherever necessary to comply with the current year presentation as explained in note 45.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements. The accounting policies of the Company have been consistently applied by the Group entities where applicable and deviations if any have been disclosed accordingly.

3.1 Foreign Currency Translation

The Financial Statements are presented in Sri Lankan Rupees, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the Financial Statements of each individual entity are measured using that functional currency. There was no change in the Group's presentation and functional currency during the year under review.

Transactions in foreign currencies are translated into the functional currency, which is Sri Lankan Rupees, using the exchange rate prevailing at the dates of the transactions. In this regard, the Company'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 are subsequently retranslated at the middle exchange rate of the functional currency ruling at the Balance Sheet date. All exchange differences arising on the settlement of monetary items or translating monetary items at the rates different to those at which they were initially recorded are recognised in the Income Statement in the period in which they are raised.

Notes to the Financial Statements *contd.*

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

3.2 Taxation

Income tax expense comprises of current and deferred tax. Income tax expense is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

3.2.1 Current Taxes

Current tax assets and liabilities for the current and prior periods 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 Balance Sheet date. Accordingly, provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and the amendments thereto at the rates specified below.

People's Leasing Company PLC

Income tax on profit from operations is calculated at the rate of 28%.

Subsidiary - People's Leasing Fleet Management Limited

Income tax on profit from operations is calculated at the rate of 28%.

Subsidiary - People's Finance PLC

Income tax on profit from operations is calculated at the rate of 28%.

Subsidiary - People's Insurance Limited

Income tax on profit from operations is calculated at the rate of 28%.

Subsidiary - People's Microfinance Limited

The company is liable to Income tax for the year of assessment 2011/2012 at the concessional rate of 10% under the Section 59 B of the Inland Revenue Amendment Act, No. 22 of 2011 as the Company's annual turnover for the year ended 31st March 2012 is less than Rs. 300 million.

Subsidiary - People's Leasing Property Development Limited

Pursuant to the agreement dated 3rd December 2008 entered into by People's Leasing Property Development Limited with the

Board of Investment under Section 17 of the Board of Investment Law, for the business of setting up and operating a mixed development project, the Inland Revenue Act relating to the imposition, payment and recovery of income tax shall not apply for a period of five years reckoned from the year in which the Company makes profit or any year of assessment not later than two years reckoned from the date of commencement of its commercial operations whichever is earliest. The Company is eligible for a 10% concessional tax rate for a period of 2 years immediately succeeding the last date of tax exemption period and a 20% concessional tax rate after the expiration of the 10% concessional tax period.

Subsidiary - People's Leasing Havelock Properties Limited

Pursuant to the agreement dated 16th December 2010 entered into by People's Leasing Havelock Properties Limited with the Board of Investment under Section 17 of the Board of Investment Law, for the business of setting up and operating a mixed development project, the Inland Revenue Act relating to the imposition, payment and recovery of income tax shall not apply for a period of five years reckoned from the year in which the Company makes profit or any year of assessment not later than two years reckoned from the date of commencement of its commercial operations whichever is earliest. The Company is eligible for a 10% concessional tax rate for a period of 2 years immediately succeeding the last date of tax exemption period and a 20% concessional tax rate after the expiration of the 10% concessional tax period.

Associate - City Finance Corporation Limited

Income tax on profit from operations is calculated at the rate of 28%.

3.2.2 Deferred Taxation

Deferred taxation is provided using the Liability Method on temporary differences at the Balance Sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except where the deferred income tax liability 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, it affects neither the accounting profit nor taxable profit or loss.

Deferred income 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 income 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 it affects neither the accounting profit nor taxable profit or loss; and

The carrying amount of deferred income tax assets is reviewed at each Balance Sheet date and reduced to the extent that it is no longer probable that a sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to 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 Balance Sheet date.

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the Income Statement.

Deferred income tax assets and deferred income tax liabilities are set-off, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relates to the same taxable entity and the same taxation authority.

3.2.3 Economic Service Charge (ESC)

As per the provisions of Economic Service Charge Act No. 13 of 2006 and the amendments thereto, ESC is payable on the liable turnover at specified rates. ESC paid is deductible from the income tax liability. Any unclaimed liability can be carried forward and set off against the income tax payable for a further four years as per the relevant provision in the Act.

3.2.4 Value Added Tax on Financial Services

Value Added Tax on Financial Services is calculated in accordance with the amended Value Added Tax Act No. 7 of 2003. The amount of Value Added Tax on Financial Services is charged in determining the profit for the year.

People's Leasing Company PLC and its Subsidiaries

During the year, the Company's total value addition was subjected to a 12% of Value Added Tax on Financial Services as per section 25 A of the Value Added Tax Act No. 14 of 2002 and amendments thereto.

3.2.5 Withholding Tax on Dividends Distributed by the Company and Subsidiaries

Withholding tax that arises from the distribution of dividends by the Company and its subsidiaries is recognised at the time of recognising the particular dividend as a liability to pay.

Dividends received by the Company from its Subsidiaries have attracted a 10% deduction at source. This withholding tax deducted is added to the tax expense in the Group Financial Statements as a consolidation adjustment.

3.3 Long Term Receivables

Amount receivables in respect of construction projects undertaken are classified as long term receivables.

3.4 Property, Plant and Equipment

The Group applies the requirements of the Sri Lanka Accounting Standard 18 (Revised 2005) on 'Property, plant and equipment' in accounting for its owned assets which can be identified as 'Property, plant and equipment'.

3.4.1 Basis of Recognition

Property, plant and equipment are recognised if it is probable that future economic benefits associated with the asset are expected to flow to the Group and cost of that asset can be reliably measured.

3.4.2 Basis of Measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and cost incurred subsequently to add to, replace part of, or service 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 the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of computer equipment.

The Group applies cost model to property, plant and equipment except for freehold land, less accumulated depreciation and any accumulated impairment losses. Changes in the expected useful life are accounted for by changing the depreciation period or method, as appropriate, and treated as changes in accounting estimates.

3.4.3 Subsequent Cost

Subsequent costs incurred are recognised in the carrying amount of an item if it is probable that the future economic benefits embodied within that part are expected to flow to the Group and it can be reliably measured.

3.4.4 Restoration Cost

Expenditure incurred on replacements, repairs or maintenance of property, plant and equipment in order to restore or maintain the future economic benefits expected from the originally assessed standard of performance is recognised as an expense when incurred.

3.4.5 Depreciation

The provision for depreciation is calculated using the straight-line method to write down the cost of property, plant and equipment, other than freehold land to their residual values over their estimated useful economic lives of these assets by equal installments. Depreciation charge begins when an asset is available for use. Land is not depreciated. The estimated useful lives are as follows:

• Freehold Buildings	50 Years
• Improvement of Lease Hold Property	4 Years
• Motor Vehicles	4-5 Years
• Computer Hardware	5 Years
• Office Equipment	5 Years
• Furniture & Fittings	5 Years
• Plant & Machinery	5 Years

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. Depreciation of an assets ceases as the earliest of the date that the assets is classified as held for sale or the date that the assets is de-recognised.

The above rates are compatible with the rates used by all group entities. The assets' residual values, useful lives and method of depreciation are reviewed and adjusted if appropriate at each financial year end.

3.4.6 Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognising of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the Income Statement in the year the asset is derecognised.

When replacement costs are recognised in the carrying value of an item of property, plant and equipment, the remaining carrying amount of the replaced part is derecognised as required by the Sri Lanka Accounting Standard 18 (Revised 2005) on 'Property, plant and equipment'.

3.4.7 Capital Work-in-Progress

Capital work-in-progress is stated in the Balance Sheet at cost. These are the expenses of a capital nature directly incurred in the construction of buildings.

3.4.8 Operating Lease Assets

Operating lease assets are motor vehicles shown under property, plant and equipment in the Balance Sheet at cost less accumulated depreciation. The depreciable amount of motor vehicles is depreciated over the useful life of the asset. The depreciable amount is the cost of the asset less the residual value.

3.4.9 Leasehold Vehicles

Leasehold vehicles are assets obtained on finance lease facilities by the Group for the business of hiring and shown under the property, plant and equipment in the Balance Sheet at cost less accumulated depreciation. The depreciable amount of leasehold vehicles is depreciated over the useful life of the asset. The depreciable amount is the cost of the asset less the residual value. Residual value for motor vehicles is the estimated amount to be obtained from disposal of the motor vehicle at the end of useful life which is calculated by discounting the expected realisable value by the average lending rate. The residual value is reassessed annually and the change in depreciation is adjusted prospectively.

3.5 Intangible Assets

3.5.1 Basis of Recognition

An intangible asset is recognised if it is probable that future economic benefits that are attributable to the asset are expected to flow to the Group and the cost of the asset can be reliably measured in accordance with the Sri Lanka Accounting Standard 37 on 'Intangible Assets'.

Notes to the Financial Statements *contd.*

3.5.2 Basis of Measurement

Intangible assets acquired separately are measured as initial recognition at cost. Subsequent to the initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

3.5.3 Subsequent Cost

Subsequent cost incurred on software is capitalised only when it increases the future economic benefits embodied in these assets. All other costs are expensed when incurred.

3.5.4 Amortisation

The useful 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-end. Changes in 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 treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Income Statement in the expense category consistent with the function of the intangible asset.

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows.

- Computer Software 5 Years
- Customer List 5 Years

3.5.5 Computer Software

All computer software costs, which can be clearly identified, reliably measured and it is probable that they will lead to future economic benefits are categorised as intangible assets and shown in the Balance Sheet provided that the Group possesses the license for use and they are not integrally related to associated hardware. These are carried at cost less accumulated amortisation and any accumulated impairment loss, if any.

3.5.6 Customer List

Repeat customers of People's Finance PLC are considered for customer list valuation based on the income approach. Subsequent to initial recognition, the intangible asset is carried at cost less accumulated amortisation and accumulated impairment losses.

3.5.7 Impairment

The unamortised balances of intangible assets with finite lives are reviewed for impairment whenever there is an indication for impairment and recognised as expenses in the Income Statement to the extent that they are no longer probable of being recovered from the expected future benefits. Intangible assets with indefinite useful lives are tested for impairment, annually either individually or at the cash generating unit level, as appropriate.

3.5.8 Gains/ Losses on Derecognition

Gains or losses arising from derecognition of an intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Income Statement, when the asset is derecognised.

3.6 Investment Property

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 property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour and any other costs directly attributable to bringing the investment property to a working condition for their intended use.

Determining Fair value

An external, independent valuer, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Company's investment property portfolio every 3 years. In between the dates the external valuation made, the fair value is determined by the Directors.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

3.7 Impairment of Non-Financial Assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill is tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, the management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount.

3.8 Receivables on Lease, Hire-Purchase and Islamic Finance

3.8.1 Group as a Lessor

Assets leased to customers including Islamic finance, which transfer substantially all the risks and rewards associated with ownership other than the legal title (absolute ownership), are classified as finance leases. Amounts receivable under finance leases are included under 'Rentals Receivable on Lease, Hire Purchase and Islamic Finance' and are stated in the Balance Sheet after netting off the prepaid rentals, unearned income, income in suspense and the provision for doubtful debts.

Assets sold to customers under fixed rate agreements including Islamic finance, which transfer all the risk and rewards as well as the legal title at the end of such contractual period are included under 'Rentals Receivable on Lease, Hire Purchase and Islamic Finance'. Such assets are accounted for in a similar manner as finance leases.

Leases where the Group does not transfer substantially all the risk and benefits of ownership of the asset are classified as operating leases. The Group leases out a part of its vehicle fleet as operating leases thus, generating rental income.

3.8.2 Group as a Lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments and included in 'Property, plant and equipment' with the corresponding liability to the lessor included in borrowings. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income in 'interest and similar expense'.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term. The depreciation however for depreciable lease assets is consistent with that for depreciable assets that are owned as described in Notes 3.4.5.

3.8.3 Loans and Advances to Customers

Loans and advances including Islamic finance to customers are financial assets with fixed or determinable payments and fixed maturities. After initial measurement, loans and advances including Islamic finance to customers are subsequently measured at amortised cost using the effective interest rate method, less allowance for credit losses. Amortised cost is calculated by using the effective interest rate. The amortisation is included in 'interest and similar income' in the Income Statement. The losses arising from impairment are recognised in the Income Statement in 'Provision for Credit Losses'.

3.9 Credit Losses on Receivables on Lease, Hire-Purchase and Islamic Finance Including Loans and Advances

The Group reviews its delinquent loans and advances at each reporting date to assess whether an allowance for credit losses should be recorded in the Income Statement. In particular, judgments by the management are required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions considering a number of factors and actual results may differ, resulting in future changes to the allowance.

Specific provisions for possible credit losses, based on a continued review of loans and advances including leases are determined at a minimum as follows.

People's Leasing Company PLC and

People's Microfinance Ltd.

Overdue Period	Provision Required
3 months to less than 4 months	10%
4 months to less than 7 months	25%
7 months to less than 13 months	50%
13 months and above	100%

People's Finance PLC

Overdue Period	Provision Required
6 months to less than 12 months	50%
12 months and above	100%

In addition to specific provision against individually significant loans and advances, the Company maintained a general provision of 3.35% (approximately) on receivables, against exposures in the previous year.

However, upon the continuous review of the lending portfolio, the remaining general provision of Rs.1,611,476,404/- was reversed to the Income Statement due to continuous increase in the quality of the Company's lending portfolio and the improved economic conditions of the country in all key sectors including leasing industry and low exposure to market risk.

3.10. Non-Performing Assets

People's Leasing Company PLC

Loans, advances or finance leases which are in arrears of due capital and/or interest are classified as non-performing as per the Finance Leasing Act No. 56 of 2000, Direction No. 2 of 2006 on Provision for Bad and Doubtful Accommodations.

People's Finance PLC

Loans, advances or finance leases which are in arrears of due capital and/or interest are classified as non-performing as per the Finance Business Act No 42 of 2011, Direction No. 3 of 2006 on Provision for Bad and Doubtful Accommodations.

3.11 Investments in Subsidiaries

Investments in subsidiaries are stated at cost, net of any impairment losses which are charged to the Income Statement in the Company's Financial Statements and it is in accordance with the Sri Lanka Accounting Standard 26 (Revised 2005) on 'Consolidated and Separate Financial Statements'.

3.12 Investments in Associate

Investment in associate is accounted for at cost in the Company's Financial Statements and under the equity method in the Consolidated Financial Statements.

Under the equity method, the investment in associate is initially accounted for at cost and the carrying amount is adjusted for post acquisition changes in the Company's share of net assets of the associate, less any impairment in the Company's net investment in associate.

3.13 Investment in Dealing Securities

Investments in quoted equities are carried at the market value determined on the basis of the aggregate portfolio. Unrealised losses arising from reduction in market value are reversal of such reduction required to state current investments at market value charged to the Income Statement.

3.14 Investment Securities

Investment securities are recorded at cost. Carrying amounts are reduced to recognise a decline other than temporary, determined for each investment individually. These reductions for other than temporary declines in carrying amounts are charged to the Income Statement.

3.15 Investment in Government Treasury Bills and Treasury Bonds Held to Maturity

Investments in Government treasury bills and Bonds held to maturity are recorded at cost plus or minus a proportion of the discount or premium as the case may be on a yield to maturity basis over the period of maturity. Discount received/ premium paid is taken to the Income Statement based on a pattern reflecting a constant periodic rate of return.

3.16 Inventories

3.16.1 Vehicles

Unsold vehicles at the Balance Sheet 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.

3.16.2 Others

Other inventory materials at Balance Sheet date are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Notes to the Financial Statements *contd.*

3.17 Premium Receivable

Collectability of premium and other debts are reviewed on an ongoing basis. Debts that are known to be uncollectible are written off. A provision for doubtful debts is raised when some doubt as to collection exists.

3.18 Reinsurance Receivable

Reinsurance assets include the balance due from both insurance and reinsurance companies for paid and unpaid losses and loss adjustment expenses. Amounts recoverable from reinsurance are estimated in a manner consistent with claim liability associated with the reinsured policy. Reinsurance is recorded gross in the Balance Sheet unless a right to offset exists.

If a reinsurance asset is impaired, the Group reduces the carrying amount accordingly and recognises a loss in the Income Statement. A reinsurance asset is impaired if there is objective evidence, as result of an event that occurred after the initial recognition of the assets, that the Group may not receive all amounts due to it under the terms of the contract and the event has a reliably measurable impact on the amount that the Group is expected to receive from the insurer.

3.19 Insurance Claims

Claims expenses and liabilities for outstanding claims are recognised in respect of direct and inwards reinsurance 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 reviewing individual claim files and estimating changes in the ultimate cost of settling claims. The provision in respect of IBNR is actuarially valued to ensure a more realistic estimation of the future liability based on past experience and trends.

Actuarial valuations are performed on an annual basis. While the Directors consider that the provision for claims is fairly stated on the basis of information currently available, the ultimate liability will vary as a result of subsequent information and events. This may result in adjustments to the amounts provided. Such amounts are reflected in the Financial Statements for that period. The methods used and the estimates made are reviewed regularly.

3.20 Foreclosed Properties

Foreclosed properties acquired in full or partial satisfaction of debts, are accounted for at the lower of cost or market value on an individual property basis. The shortfall between the

prevailing market value of the foreclosed asset and the related loan outstanding is recognised as a provision for loan losses in the Income Statement in the year of taking over the foreclosed properties, in satisfaction of the debt. The Group reviews these assets at each reporting date to assess whether an allowance for impairment should be recorded in the Income Statement.

3.21 Cash and Short term funds

3.21.1 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand and cash at bank. Bank overdrafts that are repayable on demand and form an integral part of the Group cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

3.21.2 Securities Purchased under Resale Agreement

These are advances collateralised by purchase of Government treasury bills from the public; subject to an agreement to resale them at a predetermined price. Such securities remain on the Balance Sheet of the Company and the asset is recognised in respect of the consideration is paid.

The difference between the aforesaid predetermined price and the purchase price represents interest income and is recognized in the income statement over the period of the resale agreement.

3.22 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, where 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 in accordance with the Sri Lanka Accounting Standard No. 36 on 'Provisions, Contingent Liabilities and Contingent Assets'.

When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the Income Statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the

liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

3.23 Retirement Benefit Obligations

3.23.1 Defined Benefit Plan – Gratuity

The Group measures the present value of the promised retirement benefits for gratuity, which is a defined benefit plan with the advice of an independent professional actuary using the 'Projected Unit Credit method' (PUC) as required by the Sri Lanka Accounting Standard 16 on 'Employee Benefits' (Revised 2006).

The item is stated under Other Liabilities in the Balance Sheet.

a) Recognition of Actuarial Gains and Losses

Group recognizes all actuarial gains and losses arising from the defined benefit plan and all expenses related to defined benefit plans in personnel expense in Income Statement.

b) Recognition of Past Service Cost (Applicable only when a plan has been changed)

Past service costs are recognised as an expense on a straight line basis over the average period until the benefits become vested, immediately following the introduction of, or changes to the plan, past service costs are recognised immediately.

c) Funding Arrangements

The gratuity liability is not externally funded.

3.23.2 Defined Contribution Plans – Employees' Provident Fund

The Group and employees contribute to the Employees' Provident Fund managed by the Central Bank of Sri Lanka at 12% and 8% respectively on the gross salary of each employee.

3.23.3 Defined Contribution Plans –Employees' Trust Fund

The Group contributes to the Employees' Trust Fund at 3% on the gross salary of each employee.

3.24 Deposits from Customers

Deposits include saving deposits and term deposits. They are stated in the Balance Sheet at amount payable. Interest paid/ payable on these deposits is charged to the Income Statement.

3.25 Borrowings & Other Liabilities Evidenced by Paper

Borrowings comprise of refinance borrowings, short & long term borrowings, foreign currency borrowings and other liabilities evidenced by paper include assets backed securities, debt issued and other borrowed funds, which are shown at the gross value of the outstanding balance. These are stated in the Balance Sheet at amounts payable. Interest paid/ payable on these borrowings is charged to the Income Statement.

3.26 Commitment and Contingencies

All discernible risks are considered in determining the liabilities of the Group. 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. Contingent liabilities are not recognised in the Balance Sheet but are disclosed unless its occurrence is remote.

3.27 Events after the Balance Sheet Date

No events of material significance that require adjustments to the financial statements, other than those disclosed in Note 43 to the financial statements on page 156, has occurred subsequent to the date of the Balance Sheet.

3.28 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

3.28.1 Lease Income

In terms of the Sri Lanka Accounting Standard 19 (Revised 2005) on "Leases", the recognition of finance income on leasing is accounted based on a pattern reflecting a constant periodic rate of return on capital outstanding.

The excess of aggregate lease rentals receivable over the cost of the leased assets constitutes the total unearned finance income at the commencement of a lease. The unearned finance income is considered as the income over the term of lease, commencing from the month in which the lease is executed, and is accounted in proportion to the capital outstanding.

Interest ceases to be taken into revenue when leases are classified as non-performing based on criteria set out in Note 3.10.1. Interest accrued until such leases are being classified

as non-performing, is also eliminated from interest income and transferred to interest in suspense. Thereafter, income on these leases is recognised on a cash basis.

3.28.2 Income from Hire Purchase Agreements

Income arising from the residual interest in hire purchase agreements is recognised to the Statement of Income as it accrues in proportion to the declining receivable balance of the agreement.

Interest ceases to be taken into revenue when hire purchase facilities are classified as non-performing, based on criteria set out in Note 3.10 Interest accrued until such are being classified as non-performing, is also eliminated from interest income and transferred to interest in suspense. Thereafter, income on these hire purchase facilities is recognised on a cash basis.

3.28.3 Interest and Similar Income from Loans & Advances

Interest income from loans and advances is recognised on an accrual basis. Interest ceases to be recognised as revenue when loans and advances are classified as non-performing, based on criteria set out in Note 3.10 Interest accrued until such advances being classified as non-performing is eliminated from interest income and transferred to interest in suspense. Thereafter, the interest income on non-performing advances is recognised on a cash basis.

3.28.4 Fees and Commission Income

The Group earns fees and commission income from a diverse range of services, it provides to its customers. Fees income earned from service provided over certain period is accrued over that period.

3.28.5 Income from Government Securities and Securities Purchased under Resale Agreements

Discounts/ premium on treasury bills & treasury bonds are amortised over the period to reflect a constant periodic rate of return. The coupon interest on treasury bonds is recognized on an accrual basis. The interest income on securities purchased under resale agreements is recognized in the Income Statement on an accrual basis over the period of the agreement.

3.28.6 Dividend Income

Dividend income is recognised when the Group's right to receive the payment is established.

3.28.7 Sale of Imported Vehicles

Revenue from the sale of imported vehicles is recognised when the significant risks and rewards of ownership of the vehicles have transferred to the buyer, usually on dispatch of the vehicles.

3.28.8 Rental Income

Rental income arising on operating leases is accounted for on a straight-line basis over the lease terms on ongoing leases and is recorded in the Income Statement in 'other operating income'.

3.28.9 Interest on Overdue Rentals

Interests from overdue rentals have been accounted for on a cash received basis.

3.28.10 Accounting for Recovery of Bad and Doubtful Debts Written off

Recovery of amounts written off as bad and doubtful debts is recognised on a cash basis.

3.28.11 Gain or Losses on Disposal of Property, Plant & Equipment, Investments in Government Securities, Dealing Securities and Investment Securities

Gains or losses resulting from the disposal of property, plant and equipment, investments in Government securities, dealing securities and investment securities are accounted for on cash basis in the Income Statement, in the period in which the sale occurs.

3.28.12 Service of Vehicles

Vehicle service income is recognised at the time that the Group provides the service to the customer on an accrual basis.

3.28.13 General Insurance Business Gross Written Premium

Premiums are generally recognized as written upon inception of the policy. Upon inception of the contract, premiums are recorded as written and are earned primarily on a pro-rata basis over the term of the related policy coverage. However, for those contracts for which the period of risk differs significantly from the contract period, premiums are earned over the period of risk in proportion to the amount of insurance protection provided.

Reinsurance Premium

Reinsurance premium expense is accounted for in the same accounting period as the Gross Written Premium to which it relates.

Unearned Premiums

The unearned premium reserve represents the portion of the premiums written in the years but relating to the unexpired terms of coverage. Unearned premiums are the portion of

Notes to the Financial Statements *contd.*

premiums written in the current year in respect of risk related to subsequent periods. Unearned premiums are calculated on the 24th basis except for Marine and Title business, which is computed as follows.

Marine business – 60-40 basis (40% is recognized upon completion of 12 months)
Title business – 40- 60 basis (60% is recognized evenly over the period of 10 years)

3.28.14 Unexpired Risks

Provision is made where appropriate for the estimated amount required over and above unearned premiums to meet future claims and related expenses on the business in force as at the reporting date.

3.28.15 Differed Acquisition Expenses

Acquisition costs, representing commissions and other acquisition expenses, which vary with and are directly related to the production of business, are differed and amortized over the period in which the related written premiums are earned. Reinsurance commission is also treated in the same manner within differed acquisition cost.

3.28.16 Outward Re-Insurance

Premiums ceded to reinsurers are recognized as an expense in accordance with the pattern of reinsurance services received. Accordingly, apportion of outward Re-insurance premium is treated as unearned at the balance sheet date.

3.28.17 Other Income

Other income is recognised on an accrual basis.

3.29 Expenditure Recognition

Expenses are recognised in the Income Statement on the basis of a direct association between the cost incurred and the earnings 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 income in arriving at the profit for the year.

For the presentation of the Income Statement, the Directors are of the opinion that the nature of the expenses method present fairly the element of the Group's performance, and hence such presentation method is adopted.

3.30 Interest Expenses on Deposits from Customers

Interest expenses on deposits from customers are recognised on an accrual basis in the Income Statement.

3.31 Interest Expenses on Borrowings

Borrowing costs are recognised as an expense in the period in which they are incurred, except to the extent where borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying assets that takes a substantial period of time to get ready or its intended use or sale is capitalised as a part of that asset in accordance with the Sri Lanka Accounting Standard 20 on 'Borrowing Costs'.

3.32 Research and Development Costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an individual project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during the development.

3.33 Cash Flow Statement

The Cash Flow Statement has been prepared by using the "Direct Method" of preparing Cash Flows in accordance with the Sri Lanka Accounting Standard 9 on 'Cash Flow Statements', whereby gross cash receipts and gross cash payments of operating activities, financing activities and investing activities have been recognised. Cash and cash equivalents comprise mainly of cash in hand, cash at bank, securities purchased under resale agreements & overdrafts.

3.34 Segmental Reporting

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-bank counterparts for similar services. Such services are eliminated on consolidation.

Year ended 31st March	Group		Company	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
4. REVENUE				
Interest and similar income (Note 5)	13,620,232,307	8,915,558,233	12,277,089,023	8,263,452,218
Sale of vehicles (Note 7)	811,130,359	637,867,861	811,130,359	637,867,861
Fees and commission income (Note 8)	529,980,129	351,780,027	635,715,121	381,497,324
Other operating income (Note 10)	313,559,068	476,832,324	229,356,055	405,049,756
Income from Islamic finance (Note 9)	621,807,320	279,725,448	37,982,193	130,330,586
	15,896,709,183	10,661,763,893	13,991,272,751	9,818,197,745

5. INTEREST AND SIMILAR INCOME

Finance lease & hire-purchase	11,722,678,281	7,747,125,435	10,726,774,087	7,228,929,178
Loans and other advances	564,277,189	352,588,853	552,682,192	322,242,846
Interest on overdue rentals	1,041,257,741	711,016,852	949,243,518	656,241,143
Interest income from bank deposits & repos	292,019,096	104,827,093	48,389,226	56,039,051
	13,620,232,307	8,915,558,233	12,277,089,023	8,263,452,218

Notional Tax Credit on Secondary Market Transactions

The Inland Revenue Act No. 10 of 2006 and the amendments thereto, provide that a company which derives interest income from the secondary market transactions on government securities (on or after 1st April 2002) would be entitled to a notional tax credit (Being one-ninth of the net interest income) provided such interest income form part of statutory income of the Company for the year of assessment.

Accordingly, the net income earned by the Group and the Company from the secondary market transactions in government securities for the year, has been grossed up in these Financial Statements and the resulting notional tax credit amounted to Rs. 18,735,654/- (2010/11 - Rs. 7,557,469/-) and Rs. 2,042,020/- (2010/11 - Rs. 1,669,447/-) respectively.

Year ended 31st March	Group		Company	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
6. INTEREST AND SIMILAR EXPENSES				
Interest on overdrafts	118,651,943	26,419,727	118,651,943	26,393,917
Interest on short term borrowings	1,913,050,646	1,726,682,526	1,921,968,534	1,733,917,318
Interest on assets backed securities	1,553,230,829	870,547,143	1,553,230,829	870,547,143
Interest on long term borrowings	2,519,601,356	897,676,436	2,455,503,098	877,817,395
Interest on finance lease liabilities	-	1,352,787	-	1,352,787
Loan placement fees	121,682,934	31,829,334	120,962,309	31,829,334
Interest cost on deposits	814,468,238	347,420,572	-	-
	7,040,685,946	3,901,928,525	6,170,316,713	3,541,857,894

7. NET TRADING INCOME FROM SALE OF VEHICLES

Sale of vehicles	811,130,359	637,867,861	811,130,359	637,867,861
Less : Cost of sales	748,097,255	561,942,241	748,097,255	561,942,241
Net trading income from sale of vehicles	63,033,104	75,925,620	63,033,104	75,925,620

8. FEES AND COMMISSION INCOME

Service charges	258,922,557	144,844,595	404,875,609	188,668,019
Finance lease agency commission	22,018,782	43,904,984	22,018,782	43,904,984
Other fees recovered	249,038,790	163,030,448	208,820,730	148,924,321
	529,980,129	351,780,027	635,715,121	381,497,324

Notes to the Financial Statements *contd.*

Year ended 31st March	Group		Company	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.

9. NET INCOME FROM ISLAMIC FINANCE

Income from Islamic finance	621,807,320	279,725,448	37,982,193	130,330,586
Less : Profit paid to investors	252,918,548	113,649,026	7,941,502	43,756,350
	368,888,772	166,076,422	30,040,691	86,574,236

10. OTHER OPERATING INCOME

Hiring Income	35,925,611	38,497,445	119,150	239,797
Operating leases	57,388,695	64,165,664	48,658,154	54,709,456
Bad debts recovered	29,447,190	43,142,847	29,447,190	43,142,847
Dividend income from dealing securities - quoted	1,162,248	557,700	-	-
Dividend income from investment securities - quoted	-	18,829,810	67,920,787	18,829,810
Dividend income from investment securities - unquoted	9,000,000	7,668,000	9,000,000	7,668,000
Profit from sale of dealing securities	4,670,814	273,316,477	4,670,814	232,816,064
Gain/(loss) on mark to market valuation on shares	(17,716,520)	(4,113,811)	590,426	-
Profit from sale of property, plant & equipment	15,732,034	4,961,114	17,165,380	33,558,587
Other Income	177,948,996	29,807,078	51,784,154	14,085,195
	313,559,068	476,832,324	229,356,055	405,049,756

11. EMPLOYEE BENEFITS

Salaries & other benefits	840,892,485	625,694,355	696,733,891	544,251,668
Defined contribution plan - EPF	54,566,418	41,318,971	44,164,803	34,045,159
Defined contribution plan - ETF	13,961,500	10,329,743	11,361,096	8,602,222
Defined benefit plan - Gratuity (Note 34.3)	13,067,971	8,200,810	11,065,694	6,334,227
	922,488,374	685,543,879	763,325,484	593,233,276

12. PROFIT FROM OPERATIONS

Stated after charging/(crediting)

Auditors' remuneration				
Audit fees	3,331,100	2,018,000	1,320,000	1,150,000
Non audit fees	2,558,039	371,426	2,535,650	371,426
Profit from sale of property, plant & equipment	(15,732,034)	(4,961,114)	(17,165,380)	(33,558,587)
Employee benefits included following;				
Defined benefit plan costs - Gratuity	13,067,971	8,200,810	11,065,694	6,334,227
Defined contribution plan costs - EPF & ETF	68,527,918	51,648,714	55,525,899	42,647,381
Advertising	40,440,211	16,286,805	36,798,134	14,941,704
Donations	19,675,627	58,847,910	19,244,300	58,807,910
Depreciation of property, plant & equipment	221,512,554	133,595,647	132,056,315	96,770,865
Amortisation of intangible assets	12,648,898	9,899,513	10,691,142	8,613,674
Legal charges	4,678,193	2,459,920	4,310,164	1,366,389
Exchange gain	(599,961)	(102,871)	(599,961)	(102,871)
Professional charges	6,513,007	2,592,418	3,660,611	852,815

13. INCOME TAX EXPENSE

The major components of income tax expense for the year ended 31st March are as follows:

13.1 Income Statement

Current income tax charge	1,253,147,003	1,160,038,630	1,127,044,892	1,106,739,565
Deferred taxation charged for the year (Note 13.3)	721,582,366	71,424,998	648,582,877	34,938,245
Income tax expense	1,974,729,369	1,231,463,628	1,775,627,769	1,141,677,810

Year ended 31st March	Group		Company	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
13.2 Reconciliation of Accounting Profit & Taxable Income				
Profit as per income statement	6,517,151,482	3,843,231,903	5,982,943,221	3,721,487,490
Add: Disallowable expenses	994,558,301	879,744,369	794,862,948	672,028,055
Lease capital recoverable	12,326,105,805	7,903,255,182	10,000,577,190	7,021,484,033
Less: Allowable expenses	14,282,202,457	8,152,745,421	12,697,341,287	7,407,242,406
Exempted /allowable income	798,546,668	535,585,439	81,591,601	271,662,295
Statutory income	4,757,066,463	3,937,900,594	3,999,450,471	3,736,094,877
Less: Tax loss set off	254,121,720	70,252,902	-	-
Assessable income	4,502,944,743	3,867,647,692	3,999,450,471	3,736,094,877
Taxable income	4,502,944,743	3,867,647,692	3,999,450,471	3,736,094,877
At the effective income tax rate	1,260,824,528	1,353,676,692	1,119,846,132	1,307,633,207
Social responsibility levy	-	20,560,099	-	19,887,853
(Over)/ under provision - previous years	(7,677,525)	(214,198,161)	7,198,760	(220,781,495)
Deferred taxation charged for the year	721,582,366	71,424,998	648,582,877	34,938,245
	1,974,729,369	1,231,463,628	1,775,627,769	1,141,677,810

The applicable income tax rates of People's Leasing Company PLC, its subsidiaries and associate were given in the Note 3.2.1

13.3 Deferred tax expense - Charge

Income Statement

Deferred tax assets

Defined benefit plans	(3,359,255)	(1,917,306)	(2,848,425)	(1,482,936)
Brought forward tax losses	49,313,086	262,045	-	-
General provision	453,055,644	(2,302,744)	451,213,449	-
Lease assets	-	1,987,725	-	1,987,724
Effect of change in tax rate	-	137,651,465	-	114,311,466
	499,009,475	135,681,185	448,365,024	114,816,254

Deferred tax liabilities

Capital allowances for tax purpose on lease receivables	201,468,246	89,549,216	180,390,043	61,705,634
Capital allowances for tax purpose on PPE	21,104,645	(14,283,850)	19,827,810	(19,561,789)
Effect of change in tax rate	-	(139,521,553)	-	(122,021,854)
	222,572,891	(64,256,187)	200,217,853	(79,878,009)

Deferred taxation charged for the year	721,582,366	71,424,998	648,582,877	34,938,245
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14. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the parent by the weighted average number of ordinary shares in issue during the year as required by the Sri Lanka Accounting Standard 34 (Revised 2005) on "earnings per share" the weighted average number of ordinary shares outstanding during the year and the previous year were adjusted on account events that have changed the number of ordinary shares outstanding without a corresponding change in the resources, such as share splits.

The following table shows the earnings and number of shares used in the basic and diluted earnings per share calculation.

Year ended 31st March	Group		Company	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Amounts used as the numerator				
Net profit attributable to equity holders of the parent	4,502,947,925	2,604,767,981	4,207,315,452	2,579,809,680
Less: Preference dividend	168,083,333	183,000,000	168,083,333	183,000,000
Net profit attributable to ordinary shareholders for basic and diluted earnings per share	4,334,864,592	2,421,767,981	4,039,232,119	2,396,809,680
Number of Ordinary shares used as the denominator				
Weighted average number of ordinary shares in issue applicable to basic earnings per share	1,300,000,133	1,170,000,120	1,300,000,133	1,170,000,120
Basic and diluted earnings per share	3.33	2.07	3.11	2.05

Notes to the Financial Statements *contd.*

	Group		Company	
	2012	2011	2012	2011
	Interim Rs.0.50 paid in December 2011 Rs.	Rs.	Interim Rs.0.50 paid in December 2011 Rs.	Rs.

15. DIVIDENDS PAID AND PROPOSED

Ordinary Shares

Net dividend paid to the Ordinary share holders	702,000,072	-	702,000,072	-
Withholding tax deducted at source	78,000,008	-	78,000,008	-
Gross dividend paid	780,000,080	-	780,000,080	-

An interim dividend of Rs. 0.50 per share was paid in December 2011 to the ordinary shareholders of the Company (Interim dividend 2010/11 - Nil). A final dividend of Rs. 0.50 per share has been proposed by the Board of Directors for the year 2011/12 to be approved at the Annual General Meeting. However, no provision is made for this proposed dividend in these Financial Statements in accordance with SLAS 12. (A final dividend of Rs 1.50 per share for 2010/11).

Year ended 31st March	Group		Company	
	2012	2011	2012	2011
	Rs.	Rs.	Rs.	Rs.

Preference Shares

Net dividend paid to the preference share holders	155,925,000	173,012,672	155,925,000	173,012,672
Withholding tax deducted at source	17,325,000	19,223,630	17,325,000	19,223,630
Gross dividend paid	173,250,000	192,236,302	173,250,000	192,236,302

As at 31st March	Group		Company	
	2012	2011	2012	2011
	Rs.	Rs.	Rs.	Rs.

16. CASH AND SHORT TERM FUNDS

Cash in hand	451,048,417	98,515,506	68,863,195	47,390,732
Cash at bank	995,666,035	815,770,064	820,471,684	748,406,385
Securities purchase under resale agreement	1,246,294,703	621,052,884	448,361,591	69,259,093
	2,693,009,155	1,535,338,454	1,337,696,470	865,056,210

17. INVESTMENT IN GOVERNMENT SECURITIES

Treasury bills	1,539,487,089	745,568,606	-	-
Treasury bonds	23,571,593	48,995,860	-	-
	1,563,058,682	794,564,466	-	-

18. DEPOSITS WITH BANKS & FINANCIAL INSTITUTIONS

Fixed deposits	489,568,714	5,000,000	-	-
Debentures	14,170,212	13,962,048	-	-
Deposits in foreign currency	392,764,936	558,679,900	392,764,936	558,679,900
Mudharaba investment	-	105,439,402	-	105,439,402
	896,503,862	683,081,350	392,764,936	664,119,302

As at 31st March

	2012			2011		
	No. of Shares	Cost of Investment Rs.	Market Value Rs.	No. of Shares	Cost of Investment Rs.	Market Value Rs.
Quoted Shares						
19. DEALING SECURITIES						
19.1 Group						
Bank Finance & Insurance						
Nations Trust Bank PLC	539,400	37,247,205	30,695,360	309,900	23,873,558	23,645,370
Commercial Bank PLC - Voting	324,104	30,136,310	29,707,012	15,000	2,454,706	3,987,000
Commercial Bank PLC - Non voting	90,348	6,885,691	7,874,800	-	-	-
Hatton National Bank PLC - Non voting	76,400	7,904,696	6,468,350	-	-	-
People's Finance PLC	18,900	888,524	674,730	-	-	-
Seylan Bank PLC - Voting	58,333	3,974,182	3,912,978	25,000	1,504,583	1,880,000
Seylan Bank PLC - Non voting	168,333	5,928,810	4,971,657	25,000	960,640	982,500
		92,965,418	84,304,887		28,793,487	30,494,870
Diversified Holdings						
Aitken Spence PLC	82,800	16,286,605	9,331,560	82,800	16,286,605	13,438,440
John Keells Holdings PLC	60,000	13,605,487	12,360,000	45,000	13,605,487	12,852,000
Hemas Holdings PLC	25,000	1,108,695	657,500	25,000	1,108,695	1,150,000
		31,000,787	22,349,060		31,000,787	27,440,440
Manufacturing						
Tokyo Cement Company (Lanka) PLC	100,000	4,649,785	2,700,000	100,000	4,649,785	4,400,000
		4,649,785	2,700,000	-	4,649,785	4,400,000
Other						
Horana Plantation PLC	5,000	389,312	189,000	-	-	-
Vallibale One PLC	50,000	1,488,510	950,000	-	-	-
Keells Hotels PLC	100,000	2,000,873	1,260,000	100,000	2,000,873	1,720,000
		3,878,695	2,399,000		2,000,873	1,720,000
Total	-	132,494,685	111,752,947	-	66,444,932	64,055,310
Mark to market Loss	-	(20,741,738)	-	-	(2,389,622)	-
		111,752,947			64,055,310	

As at 31st March

	2012			2011		
	No. of Shares	Cost of Investment Rs.	Market Value Rs.	No. of Shares	Cost of Investment Rs.	Market Value Rs.
Quoted Shares						
19.2 Company						
Bank Finance & Insurance						
Nations Trust Bank PLC	80,100	4,535,842	4,557,690	-	-	-
Commercial Bank PLC - Voting	200,000	20,222,342	20,000,000	-	-	-
Commercial Bank PLC - Non voting	58,000	4,235,166	4,640,000	-	-	-
Total		28,993,350	29,197,690	-	-	-
Mark to market gain		204,340	-			
		29,197,690	-			

Notes to the Financial Statements *contd.*

As at 31st March	Group				Company			
	2012		2011		2012		2011	
	Cost Rs.	Directors' Valuation Rs.	Cost Rs.	Directors' Valuation Rs.	Cost Rs.	Directors' Valuation Rs.	Cost Rs.	Directors' Valuation Rs.
20. INVESTMENT SECURITIES								
Non current investment								
Quoted								
Shares								
People's Merchant Bank PLC (8,819,992, ordinary shares) (4,899,996, ordinary shares as at 31.03.2011)	205,160,064	205,160,064	146,360,124	146,360,124	205,160,064	205,160,064	146,360,124	146,360,124
Sub Total	205,160,064	205,160,064	146,360,124	146,360,124	205,160,064	205,160,064	146,360,124	146,360,124
Unquoted								
Shares								
Sanasa Development Bank Ltd (1,000,000, ordinary shares) (1,000,000, ordinary shares as at 31.03.2011)	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000
Credit Information Bureau of Sri Lanka (100, ordinary shares) (100, ordinary shares as at 31.03.2011)	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Sub Total	100,010,000	100,010,000	100,010,000	100,010,000	100,010,000	100,010,000	100,010,000	100,010,000
Total	305,170,064	305,170,064	246,370,124	246,370,124	305,170,064	305,170,064	246,370,124	246,370,124

As at 31st March	Group		Company	
	2012	2011	2012	2011
	Rs.	Rs.	Rs.	Rs.
21. LOANS AND OTHER ADVANCES				
Term loans	5,057,623,714	3,181,709,266	4,009,765,703	2,964,143,803
Islamic finance receivable (Murabahah)	379,470,997	264,829,049	27,895,934	45,365,567
Staff loans (Note 21.1)	324,403,790	174,287,761	300,603,381	166,629,828
	5,761,498,501	3,620,826,076	4,338,265,018	3,176,139,198
Less: Provision for credit losses	181,142,137	276,093,902	168,286,609	233,342,715
	5,580,356,364	3,344,732,174	4,169,978,409	2,942,796,483
21.1 Staff Loans				
Balance at the beginning of the year	174,287,761	102,305,358	166,629,828	102,305,358
Add: Granted during the year	258,691,468	145,830,629	236,298,615	137,816,569
Less: Recoveries during the year	108,575,439	73,848,226	102,325,062	73,492,099
Balance at the end of the year	324,403,790	174,287,761	300,603,381	166,629,828

As at 31st March	Group		Company	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
22. RENTALS RECEIVABLE ON LEASE, HIRE-PURCHASE & ISLAMIC FINANCE				
Lease / Ijhara receivables (Note 22.a)	42,749,658,556	24,222,840,582	36,322,716,579	21,646,557,234
Hire-Purchases / BBA receivables (Note 22.b)	36,164,901,652	28,061,126,800	31,063,976,589	24,795,622,584
	78,914,560,208	52,283,967,382	67,386,693,168	46,442,179,818
22.a Lease / Ijhara receivables				
Gross rentals receivable	55,541,623,126	33,245,241,991	47,233,081,529	29,830,451,086
Less: Unearned income	11,806,448,320	7,203,342,871	10,008,558,017	6,469,444,808
Pre-paid rentals	658,530,280	806,494,392	653,742,167	800,687,977
Income in suspense	29,818,584	69,022,037	21,161,559	43,219,830
Provision for credit losses	297,167,386	943,542,109	226,903,207	870,541,237
	42,749,658,556	24,222,840,582	36,322,716,579	21,646,557,234
22.b Hire-Purchases / BBA receivables				
Gross rentals receivable	46,620,707,304	38,072,383,430	40,011,663,966	33,764,611,408
Less: Unearned income	10,142,681,425	8,778,637,011	8,697,252,874	7,764,790,885
Pre-paid rentals	35,250,894	55,425,186	32,908,675	54,783,696
Income in suspense	41,106,580	63,914,703	30,227,031	56,237,726
Provision for credit losses	236,766,753	1,113,279,730	187,298,797	1,093,176,517
	36,164,901,652	28,061,126,800	31,063,976,589	24,795,622,584
22.1 Receivable not later than one year				
Gross rentals receivable	40,891,435,991	25,753,193,069	32,186,384,567	23,667,464,910
Less: Unearned income	11,727,725,246	7,930,230,574	9,559,987,458	7,262,591,284
Pre-paid rentals	251,478,592	191,519,034	246,060,600	185,071,129
Income in suspense	70,925,164	132,936,740	51,388,590	99,457,556
Provision for credit losses	213,712,173	786,556,939	152,807,655	730,814,929
	28,627,594,816	16,711,949,782	22,176,140,264	15,389,530,012
22.2 Receivable later than one year and not later than five years				
Gross rentals receivable	61,260,583,067	45,536,118,264	55,048,101,508	39,899,501,688
Less: Unearned income	10,221,030,304	8,050,838,209	9,145,474,738	6,970,734,454
Pre-paid rentals	439,267,464	649,851,259	437,555,124	649,851,259
Provision for credit losses	320,168,075	1,269,397,342	261,345,641	1,232,035,268
	50,280,117,224	35,566,031,454	45,203,726,005	31,046,880,707
22.3 Receivable later than five years				
Gross rentals receivable	10,311,372	28,314,088	10,259,420	28,095,896
Less : Unearned income	374,195	911,099	348,695	909,955
Pre-paid rentals	3,035,118	20,549,285	3,035,118	20,549,285
Provision for credit losses	53,891	867,558	48,708	867,557
	6,848,168	5,986,146	6,826,900	5,769,099
22.4 Non-performing portfolio				
Capital outstanding	716,003,910	1,003,633,403	548,547,962	824,943,353
Less:				
Pre-paid rentals	4,398,780	8,336,261	4,221,316	7,799,908
Interest in suspense	124,248,408	166,691,813	78,823,732	126,896,706
Net exposure	587,356,722	828,605,329	465,502,915	690,246,739

Rentals receivables in arrears for more than six rentals have been categorised as Non-performing. Non performing lease, hire-purchase, Islamic receivables, loans and advances are re-categorised as performing upon settlement of arrears in full.

Notes to the Financial Statements *contd.*

<i>As at 31st March</i>	Group		Company	
	2012	2011	2012	2011
	Rs.	Rs.	Rs.	Rs.
22.5 Provision for credit losses				
For lease, hire-purchase, Islamic finance, loans and advances including other assets				
Specific Provision				
At the beginning of the year	788,251,229	932,034,513	671,222,247	807,410,594
Amount provided	460,560,805	749,426,942	338,114,408	308,666,858
Less:				
Amount reversed	263,531,949	700,209,951	210,612,344	290,946,486
Write-offs	177,641,858	122,767,914	134,585,486	109,109,911
Disposal losses	68,521,169	70,232,361	66,641,120	44,798,808
At the end of the year	739,117,058	788,251,229	597,497,705	671,222,247
General Provision				
At the beginning of the year	1,618,055,871	1,615,155,202	1,611,476,604	1,611,476,604
Amount provided	-	2,900,669	-	-
Amount reversed	(1,618,055,871)	-	(1,611,476,604)	-
At the end of the year	-	1,618,055,871	-	1,611,476,604

<i>Year ended 31st March</i>	Group		Company	
	2012	2011	2012	2011
	Rs.	Rs.	Rs.	Rs.
22.6 Provision for credit losses				
Amount provided				
Specific	460,560,805	749,426,942	338,114,408	308,666,858
General	-	2,900,669	-	-
Less:				
Amount reversed				
Specific	263,531,949	700,209,951	210,612,344	290,946,486
General	1,618,055,871	-	1,611,476,604	-
Sub total	(1,421,027,015)	52,117,660	(1,483,974,540)	17,720,372
Provision for investment in associate	50,000,000	-	50,000,000	-
Total	(1,371,027,015)	52,117,660	(1,433,974,540)	17,720,372

The general provisions cover loan losses inherent in portfolios with similar credit risk. In assessing the need for general provision for loan losses, Management considers factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required provisions, assumptions are made to define the way inherent losses are determined based on historical experience. Upon the continuous review of the lending portfolio, the remaining general provision of Rs. 1,611,476,404/- was reversed to the Income Statement due to continuous increase in the quality of the Company's lending portfolio and the improved economic conditions prevailed in the country.

<i>As at 31st March</i>	Group		Company	
	2012	2011	2012	2011
	Rs.	Rs.	Rs.	Rs.
23. DEFERRED TAXATION				
23.1 Deferred Tax Assets and Liabilities				
Asset				
Deferred Tax Assets				
Carry forward tax losses	9,078,496	98,666,818	-	-
General provision for credit losses	-	1,842,195	-	-
Defined benefit plan liability	60,747	1,481,782	-	-
	9,139,243	101,990,795	-	-
Deferred Tax Liability				
Accelerated depreciation allowance for tax purpose (rentals receivable)	-	63,027,198	-	-
Accelerated depreciation allowance for tax purpose (Property, plant & equipment)	8,101,000	11,050,566	-	-
	8,101,000	74,077,764	-	-
Net deferred tax assets	1,038,243	27,913,031	-	-

As at 31st March	Group		Company	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
23. DEFERRED TAXATION (Contd.)				
Liability				
Deferred Tax Assets				
Carry forward tax losses	40,275,236	-	-	-
General provision for credit losses	-	451,213,449	-	451,213,449
Defined benefit plan liability	12,295,644	7,515,354	10,363,779	7,515,354
	52,570,880	458,728,803	10,363,779	458,728,803
Deferred Tax Liability				
Accelerated depreciation allowance for tax purpose (rentals receivable)	791,283,413	526,787,969	707,178,012	526,787,969
Accelerated depreciation allowance for tax purpose (Property, plant & equipment)	27,497,504	3,443,293	23,271,103	3,443,293
	818,780,917	530,231,262	730,449,115	530,231,262
Net deferred tax Liabilities	766,210,037	71,502,459	720,085,336	71,502,459

Deferred tax assets/liabilities have been calculated at the rate of 28%.

As at 31st March	Holding %	Group				Company			
		2012 Cost Rs.	Directors' Valuation Rs.	2011 Cost Rs.	Directors' Valuation Rs.	2012 Cost Rs.	Directors' Valuation Rs.	2011 Cost Rs.	Directors' Valuation Rs.
24. INVESTMENTS IN SUBSIDIARIES									
Quoted									
People's Finance PLC (66,154,930, ordinary shares) (40,206,580 ordinary shares as at 31 03 2011)	88.71%	-	-	-	-	1,643,184,304	1,643,184,304	965,250,254	965,250,254
Unquoted									
People's Leasing Fleet Management Limited (7,500,000, ordinary shares) (7,500,000, ordinary shares as at 31 03 2011)	100.00%	-	-	-	-	75,000,000	75,000,000	75,000,000	75,000,000
People's Leasing Property Development Limited (55,000,000 ordinary shares) (20,000,000, ordinary shares as at 31 03 2011)	100.00%	-	-	-	-	550,000,000	550,000,000	200,000,000	200,000,000
People's Leasing Havelock Properties Limited (20,000,000, ordinary shares) (20,000,000, ordinary shares as at 31 03 2011)	100.00%	-	-	-	-	200,000,000	200,000,000	200,000,000	200,000,000
People's Microfinance Limited (5,000,000 ordinary shares) (1,500,000, ordinary shares as at 31 03 2011)	100.00%	-	-	-	-	50,000,000	50,000,000	15,000,000	15,000,000
People's Insurance Limited (60,000,000 ordinary shares) (35,000,000, ordinary shares as at 31 03 2011)	100.00%	-	-	-	-	600,000,000	600,000,000	350,000,000	350,000,000
Total		-	-	-	-	3,118,184,304	3,118,184,304	1,805,250,254	1,805,250,254

Notes to the Financial Statements *contd.*

As at 31st March	Group					Company			
	Holding %	2012 Cost Rs.	Directors' Valuation Rs.	2011 Cost Rs.	Directors' Valuation Rs.	2012 Cost Rs.	Directors' Valuation Rs.	2011 Cost Rs.	Directors' Valuation Rs.
25. INVESTMENTS IN ASSOCIATE									
Unquoted									
City Finance Corporation Ltd. (50,000,000 ordinary shares)	28.51%	50,000,000	50,000,000	-	-	50,000,000	50,000,000	-	-
Impairment of the value		(50,000,000)	(50,000,000)	-	-	(50,000,000)	(50,000,000)	-	-
Total		-	-	-	-	-	-	-	-

As at 31st March	Group		Company	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
26. LONG TERM RECEIVABLE				
People's Bank	131,862,736	30,254,471	-	-
Total	131,862,736	30,254,471	-	-

As at 31st March	Group		Company	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
27. OTHER ASSETS				
Advance payments	135,445,137	121,935,861	99,431,035	99,120,409
Value Added Tax recoverable	1,264,404,181	664,226,104	921,542,233	635,992,283
Related party receivables (Note 27.1)	-	-	214,689,925	50,740,530
Other receivables	1,224,087,272	1,882,981,389	842,894,803	1,507,042,764
	2,623,936,590	2,669,143,354	2,078,557,996	2,292,895,986
Less : Provision for doubtful receivables	24,425,640	21,197,237	15,236,426	21,197,237
Total	2,599,510,950	2,647,946,117	2,063,321,570	2,271,698,749

27.1 Related Party Receivables				
People's Finance PLC	-	-	3,133,380	1,095,215
People's Leasing Property Development Limited	-	-	211,077,128	37,866,829
People's Leasing Havelock Properties Limited	-	-	-	10,679,559
People's Microfinance Limited	-	-	96,324	1,098,927
People's Insurance Limited	-	-	383,093	-
Total	-	-	214,689,925	50,740,530

28. PROPERTY, PLANT & EQUIPMENT

	COST				DEPRECIATION				W.D.V.	
	As at 01.04.2011 Rs.	Additions/ Transfers Rs.	Disposals/ Transfers Rs.	As at 31.03.2012 Rs.	As at 01.04.2011 Rs.	Charge Rs.	Disposals Rs.	As at 31.03.2012 Rs.	As at 31.03.2011 Rs.	As at 31.03.2012 Rs.
Company										
Freehold land	35,566,277	100,818,964	-	136,385,241	-	-	-	-	35,566,277	136,385,241
Buildings	-	15,144,186	-	15,144,186	-	75,721	-	75,721	-	15,068,465
Improvement of leasehold properties	36,764,798	25,668,987	-	62,433,785	33,607,866	6,123,501	-	39,731,367	3,156,932	22,702,418
Motor vehicles	90,756,576	307,749	30,755,378	60,308,947	52,731,920	10,311,231	15,327,077	47,716,074	38,024,656	12,592,873
Assets on hire*	172,420,683	39,821,428	57,088,487	155,153,624	103,842,754	37,290,640	50,325,101	90,808,293	68,577,929	64,345,331
Computer hardware	181,195,810	97,665,181	80,617	278,780,374	109,569,086	32,302,547	80,617	141,791,016	71,626,724	136,989,358
Office equipment	120,847,550	75,393,521	115,000	196,126,071	70,974,165	20,723,965	3,833	91,694,297	49,873,385	104,431,774
Furniture & fittings	73,095,930	119,914,577	3,509,583	189,500,924	39,630,555	25,228,710	3,419,657	61,439,608	33,465,375	128,061,316
Total	710,647,624	474,734,593	91,549,065	1,093,833,152	410,356,346	132,056,315	69,156,285	473,256,376	300,291,278	620,576,776

Assets on hire*

Comprises of vehicles purchased for the purpose of granting operating leases to customers.

During the financial year, the Company acquired Property, plant & equipment to the aggregate value of Rs. 474,734,593/- (2010/11 Rs. 144,055,344/-). Property, plant and equipment includes fully depreciated assets having a gross carrying amounts of Rs. 223,291,941/- (2010/11 Rs. 252,079,648/-).

	COST				DEPRECIATION				W.D.V.	
	As at 01.04.2011 Rs.	Additions/ Transfers Rs.	Disposals/ Transfers Rs.	As at 31.03.2012 Rs.	As at 01.04.2011 Rs.	Charge Rs.	Disposals Rs.	As at 31.03.2012 Rs.	As at 31.03.2011 Rs.	As at 31.03.2012 Rs.
Group										
Freehold land	471,350,626	135,473,311	-	606,823,937	-	-	-	-	471,350,626	606,823,937
Buildings	19,700,020	850,292,449	-	869,992,469	788,000	10,618,664	-	11,406,664	18,912,020	858,585,805
Improvement of leasehold properties	36,764,796	25,668,987	-	62,433,783	33,607,866	6,123,501	-	39,731,367	3,156,930	22,702,416
Motor vehicles	242,443,007	63,259,639	44,006,893	261,695,753	76,092,342	34,362,351	21,313,087	89,141,606	166,350,665	172,554,147
Assets on hire*	172,420,684	39,821,428	57,088,487	155,153,625	103,842,754	37,290,640	50,325,101	90,808,293	68,577,930	64,345,332
Computer hardware	248,886,282	167,872,347	80,617	416,678,012	136,714,379	49,795,905	80,617	186,429,667	112,171,903	230,248,345
Office equipment	141,365,489	243,580,498	2,896,393	382,049,594	73,835,143	46,818,148	1,112,640	119,540,651	67,530,346	262,508,943
Furniture & fittings	114,299,214	120,902,432	3,509,583	231,692,063	55,380,433	26,427,782	3,419,657	78,388,558	58,918,781	153,303,505
Plant & machinery	3,996,169	166,362,972	-	170,359,141	1,130,322	10,075,563	-	11,205,885	2,865,847	159,153,256
Work in progress	655,659,324	800,256,082	1,175,481,365	280,434,041	-	-	-	-	655,659,324	280,434,041
Total	2,106,885,611	2,613,490,145	1,283,063,338	3,437,312,418	481,391,239	221,512,554	76,251,102	626,652,691	1,625,494,372	2,810,659,727

Assets on hire*

Comprises of vehicles purchased for the purpose of granting operating leases to customers.

During the financial year, the Group acquired Property, plant & equipment to the aggregate value of Rs.2,613,490,145/- (2010/11 Rs. 819,562,906/-). This includes a sum of Rs.1,175,481,365/- transfer from working progress on newly constructed building. Property plant and equipment includes fully depreciated assets having a gross carrying amounts of Rs. 240,479,159/- (2010/11 Rs. 263,951,153/-).

Notes to the Financial Statements *contd.*

As at 31st March	Group		Company	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
29. INVESTMENT PROPERTY				
At the beginning of the year	-	-	56,000,000	43,651,580
Net gain from fair value adjustment	-	-	-	12,348,420
At the end of the year	-	-	56,000,000	56,000,000

29.1 Valuation Details of Investment Property

Investment property at No. 81, Rattanapitiya Road, Nugegoda (PLC Auto Care Service Station) was valued by Mr. H. R. De Silva, a qualified professional valuer on 31st March 2012, by using the fair value method.

As at 31st March	Group				Company	
	Software Rs.	Customer List Rs.	Goodwill Rs.	Total Rs.	Software Rs.	Total Rs.
30. INTANGIBLE ASSETS						
Cost/carrying value						
As at 01.04.2011	59,336,918	6,033,738	308,545,249	373,915,905	57,712,350	57,712,350
Acquired during the year	30,480,371	-	-	30,480,371	28,471,139	28,471,139
As at 31.03.2012	89,817,289	6,033,738	308,545,249	404,396,276	86,183,489	86,183,489
Accumulated amortisation						
As at 01.04.2011	38,894,042	2,212,381	-	41,106,423	38,751,621	38,751,621
Amortisation for the year	11,442,142	1,206,756	-	12,648,898	10,691,142	10,691,142
As at 31.03.2012	50,336,184	3,419,137	-	53,755,321	49,442,763	49,442,763
Net carrying value						
As at 31.03.2011	20,442,876	3,821,357	308,545,249	332,809,482	18,960,729	18,960,729
As at 31.03.2012	39,481,105	2,614,601	308,545,249	350,640,955	36,740,726	36,740,726

As at 31st March	Group		Company	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
31. DEPOSITS FROM CUSTOMERS				
Saving deposits	816,772,874	454,620,793	-	-
Fixed deposits	7,867,027,764	4,192,539,430	-	-
	8,683,800,638	4,647,160,223	-	-

32. OTHER LIABILITIES EVIDENCED BY PAPER

Debt issued and other borrowed funds	18,691,618,471	18,911,110,968	16,511,310,422	17,567,965,117
Assets backed securities	12,002,487,243	7,210,823,084	12,002,487,243	7,210,823,084
	30,694,105,714	26,121,934,052	28,513,797,665	24,778,788,201

Company

The borrowings evidenced by paper at floating interest rates amounted to Rs. 1,677,600,000/- (2010/11 - Rs. 1,094,687,944 /-) and borrowings at fixed interest rate amounted to Rs. 26,836,197,665/- (2010/11 - Rs. 23,684,100,257/-).

Group

The borrowings evidenced by paper at floating interest rates amounted to Rs. 1,677,600,000/- (2010/11 - Rs. 1,094,687,944 /-) and borrowings at fixed interest rate amounted to Rs. 29,016,505,714/- (2010/11 - Rs. 25,367,426,108/-).

As at 31st March	Group		Company	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
33. BORROWINGS				
Commercial papers	6,926,329,137	1,062,663,028	6,926,329,137	1,062,663,028
Short term loans	4,471,460,000	1,863,265,000	4,470,000,000	1,863,265,000
Long term loans	15,139,101,949	11,201,145,180	12,931,249,317	10,602,103,976
Refinance loans	374,084,715	454,683,111	374,084,715	454,683,111
	26,910,975,801	14,581,756,319	24,701,663,169	13,982,715,115

Company

The borrowings at floating interest rate amounted to Rs. 8,417,001,581/- (2010/11-Rs. 5,532,770,684/-) and borrowings at fixed interest rate amounted to Rs. 16,284,661,588/- (2010/11- Rs. 8,449,944,431/-).

Group

The borrowings at floating interest rate amounted to Rs. 9,397,770,881/- (2010/11- Rs. 5,532,770,684/-) and borrowings at fixed interest rate amounted to Rs. 17,513,204,920/- (2010/11- Rs. 9,048,985,635/-).

As at 31st March	Group		Company	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
34. OTHER LIABILITIES				
Creditors and accrued expenses	7,580,271,618	7,827,689,781	5,033,844,821	6,665,251,966
Related party payable (Note 34.1)	-	-	1,457,332	307,040
VAT on financial services	91,346,378	67,417,390	53,297,103	45,490,843
Retirement benefit obligations (Note 34.2)	43,103,341	32,063,399	35,986,863	26,840,544
	7,714,721,337	7,927,170,570	5,124,586,119	6,737,890,393

34.1 Related Party Payable

People's Leasing Fleet Management Limited	-	-	1,457,032	51,108
People's Leasing Havelock Properties Limited	-	-	300	-
People's Insurance Limited	-	-	-	255,932
	-	-	1,457,332	307,040

34.2 Retirement Benefit Obligations

Gratuity Liability

Balance as at the beginning of the year	32,063,399	25,565,294	26,840,544	21,544,342
Amount charged for the year (Note 34.3)	13,067,971	8,200,810	11,065,694	6,334,227
Payments during the year	(2,028,029)	(1,702,705)	(1,919,375)	(1,038,025)
Balance as at the end of the year	43,103,341	32,063,399	35,986,863	26,840,544

An actuarial Valuation for the gratuity liability was carried out as at 31st March 2012, by Piyal S Goonatileka and Associate, a firm of professional actuaries. The valuation method used by the actuaries to value the fund is the "Projected Unit Credit Method" the method recommended by SLAS 16 (Revised 2006) on Employee Benefits.

Notes to the Financial Statements *contd.*

Year ended 31st March	Group		Company	
	2012	2011	2012	2011
	Rs.	Rs.	Rs.	Rs.
34.3 Expenses on Defined Benefit Plan				
Current service cost of the year	7,083,413	4,739,688	5,576,766	3,859,884
Interest cost of the year	5,551,659	4,389,261	5,056,029	3,402,482
Recognition of actuarial losses/(gain)	432,899	(928,139)	432,899	(928,139)
	13,067,971	8,200,810	11,065,694	6,334,227

As at 31st March 2012 2011

34.4 Assumptions

Discount rate	10.00% - 12.00%	9.50% - 12.00%
Salary increment	8.00% - 10.00%	8.00%

Staff turnover

20 Years	8.00%	8.00%
25 Years	7.50%	7.50%
30 Years	7.00%	7.00%
35 Years	5.00%	5.00%
40 Years	1.50%	1.50%
45 Years	0.90%	0.90%
50 Years	0.01%	0.01%

Mortality - GA-1983 Mortality Table

Retirement age - 55 years

As at 31st March 2012 2011

35. STATED CAPITAL

	Number	Rs.	Number	Rs.
Fully paid ordinary shares (Note 35.1)	1,560,000,160	11,608,000,800	50,000,008	500,000,080
Fully paid cumulative redeemable preference shares (Note 35.2)	90,000,000	1,350,000,000	105,000,000	1,350,000,000
	1,650,000,160	12,958,000,800	155,000,008	1,850,000,080

35.1 Fully Paid Ordinary Shares

Balance at the beginning of the year	50,000,008	500,000,080	50,000,008	500,000,080
Capitalisation of reserves	28,000,000	4,088,000,000	-	-
Sub-division of shares (1 : 15)	1,092,000,112	-	-	-
Initial Public Offer	390,000,040	7,020,000,720	-	-
Balance at the end of the year	1,560,000,160	11,608,000,800	50,000,008	500,000,080

35.2 Fully Paid Cumulative Redeemable Preference Shares

a. Fully paid 13% Cumulative Redeemable Preference Shares issued on 21st December 2002

Balance at the beginning of the year	5,000,000	350,000,000	15,000,000	350,000,000
Redemption of shares during the year	(5,000,000)	-	(10,000,000)	-
Balance at the end of the year	-	350,000,000	5,000,000	350,000,000

b. Fully paid 17% Cumulative Redeemable Preference Shares issued on 31st October 2008

Balance at the beginning of the year	50,000,000	500,000,000	50,000,000	500,000,000
Redemption of shares during the year	(5,000,000)	-	-	-
Balance at the end of the year	45,000,000	500,000,000	50,000,000	500,000,000

c. Fully paid 17% Cumulative Redeemable Preference Shares issued on 31st March 2009

Balance at the beginning of the year	50,000,000	500,000,000	50,000,000	500,000,000
Redemption of shares during the year	(5,000,000)	-	-	-
Balance at the end of the year	45,000,000	500,000,000	50,000,000	500,000,000

<i>As at 31st March</i>	Group		Company	
	2012	2011	2012	2011
	Rs.	Rs.	Rs.	Rs.
36. GENERAL RESERVE				
Balance at the beginning of the year	300,000,000	300,000,000	300,000,000	300,000,000
Transfers during the year	-	-	-	-
Balance at the end of the year	300,000,000	300,000,000	300,000,000	300,000,000

General Reserve represents the amounts set aside by the Directors for general application.

37. TAX EQUALIZATION FUND

Balance at the beginning of the year	100,000,000	100,000,000	100,000,000	100,000,000
Transfers during the year	-	-	-	-
Balance at the end of the year	100,000,000	100,000,000	100,000,000	100,000,000

Tax equalization fund comprises an amount set aside by the Directors to meet any tax liabilities that may arise in the future.

38. RESERVE FUND

As at the beginning of the year	376,148,812	225,785,756	354,776,240	225,785,756
Transfers during the year	278,172,432	150,363,056	210,365,772	128,990,484
As at the end of the year	654,321,244	376,148,812	565,142,012	354,776,240

People's Leasing Company PLC

Statutory Reserve Fund which is a capital reserve was created in accordance with the Finance Leasing (Reserve Fund) Direction No. 05 of 2006 issued by the Central Bank of Sri Lanka. Accordingly 5% of the net profit for the year transferred to Reserve Fund.

People's Finance PLC

This Reserve has been created during the year 2007 in accordance with the Finance Companies (Capital Funds) Direction No.1 of 2003 issued by the Central Bank of Sri Lanka. Accordingly 20% of the net profit for the year transferred to Reserve Fund.

<i>As at 31st March</i>	Group		Company	
	2012	2011	2012	2011
	Rs.	Rs.	Rs.	Rs.
39. INVESTMENT FUND RESERVE				
Balance at the beginning of the year	70,637,565	-	70,637,565	-
Transfers during the year	472,551,765	70,637,565	446,625,591	70,637,565
Balance at the end of the year	543,189,330	70,637,565	517,263,156	70,637,565

The reserve is created in accordance with the Central Bank guidelines issued to create an Investment Fund Reserve. 8% of the profits liable for VAT on Financial Services and 5% of the profits before tax calculated for payments of income tax are transferred to this reserve when the payment of VAT on Financial Services and the self assessment payment of Income Tax for the period become due.

Notes to the Financial Statements *contd.*

40. SEGMENTAL INFORMATION & REVENUE - COMPANY

40.1 Business Segments

<i>Year ended 31st March 2012</i>	Advances & Leases Rs.	Sale of Imported Vehicles Rs.	Fee based Activities Rs.	Other Activities Rs.	Total Rs.
Revenue					
Interest and similar income	12,315,071,216	-	-	-	12,315,071,216
Trading income from sale of vehicle	-	811,130,359	-	-	811,130,359
Fees and commission	-	-	635,715,121	-	635,715,121
Other Operating income	-	-	-	229,356,055	229,356,055
Segment Revenue	12,315,071,216	811,130,359	635,715,121	229,356,055	13,991,272,751
Inter segment revenue	7,458,850	(7,458,850)	-	-	-
Total Segment Revenue	12,322,530,066	803,671,509	635,715,121	229,356,055	13,991,272,751
Segment Result					5,982,943,221
Income tax expenses					1,775,627,769
Net profit					4,207,315,452
Total assets (as at 31.03.2012)					
	70,130,926,869	4,573,916,844	3,618,030,585	1,305,328,746	79,628,203,044
Total assets (as at 31.03.2011)					
	46,686,220,233	3,628,409,203	2,302,860,537	3,231,755,985	55,849,245,958
Total liabilities (as at 31.03.2012)					
	54,039,670,738	3,524,450,214	2,787,888,172	1,005,826,371	61,357,835,495
Total liabilities (as at 31.03.2011)					
	39,628,928,884	3,079,952,208	1,954,924,191	2,743,473,979	47,407,279,262
Information on Cash Flows					
Cash flows from operating activities	(13,634,740,871)	63,033,104	527,938,937	(5,950,474,222)	(18,994,243,052)
Cash flows from investing activities	-	-	-	(1,009,447,902)	(1,009,447,902)
Cash flows from financing activities	14,453,957,518	-	-	5,621,085,401	20,075,042,919
Capital expenditure:					
Property, plant & equipment	-	-	-	(503,205,732)	(503,205,732)
Net cash flow generated during the year	819,216,647	63,033,104	527,938,937	(1,842,042,455)	(431,853,767)

40.2 Geographical Segments

<i>Year ended 31st March 2012</i>	Western Province Rs.	Central Province Rs.	Southern Province Rs.	Others Rs.	Total Rs.
Revenue					
Interest and similar income	6,450,898,587	821,233,828	1,194,660,115	3,848,278,686	12,315,071,216
Trading income from sale of vehicle	773,792,221	4,825,621	6,775,870	25,736,647	811,130,359
Fees and commission	393,067,182	36,497,880	48,704,518	157,445,541	635,715,121
Other Operating income	213,863,902	6,028,871	1,761,530	7,701,752	229,356,055
Total Segment Revenue	7,831,621,892	868,586,200	1,251,902,033	4,039,162,626	13,991,272,751
Segment result	3,348,955,448	371,424,531	535,337,915	1,727,225,327	5,982,943,221
Income tax expenses					1,775,627,769
Net profit					4,207,315,452
Total assets (as at 31.03.2012)					
	44,571,926,320	4,943,364,305	7,124,920,731	22,987,991,688	79,628,203,044
Total assets (as at 31.03.2011)					
	33,276,803,703	3,336,164,122	5,041,749,257	14,194,528,876	55,849,245,958
Total liabilities (as at 31.03.2012)					
	34,345,078,982	3,809,129,457	5,490,136,628	17,713,490,428	61,357,835,495
Total liabilities (as at 31.03.2011)					
	26,364,999,262	3,075,332,198	4,726,669,131	13,240,278,671	47,407,279,262

40. SEGMENTAL INFORMATION & REVENUE - GROUP

40.3 Business Segments

<i>Year ended 31st March 2012</i>	Advances & Leases Rs.	Sale of Imported Vehicles Rs.	Fee based Activities Rs.	Other Activities Rs.	Total Rs.
Revenue					
Interest and similar income	14,242,039,627	-	-	-	14,242,039,627
Trading income from sale of vehicle	-	811,130,359	-	-	811,130,359
Fees and commission	-	-	529,980,129	-	529,980,129
Other Operating income	-	-	-	313,559,068	313,559,068
Segment Revenue	14,242,039,627	811,130,359	529,980,129	313,559,068	15,896,709,183
Inter segment revenue	8,587,741	(8,587,741)	-	-	-
Total Segment Revenue	14,250,627,368	802,542,618	529,980,129	313,559,068	15,896,709,183
Segment Result	5,842,309,638	329,017,267	217,275,207	128,549,370	6,517,151,482
Income tax expenses					1,974,729,369
Net profit					4,542,422,113
Total assets (as at 31.03.2012)	86,049,440,131	4,886,890,462	3,227,186,669	1,909,342,612	96,072,859,874
Total assets (as at 31.03.2011)	53,027,275,566	3,820,262,387	2,223,970,476	4,782,995,105	63,854,503,534
Total liabilities (as at 31.03.2012)	69,271,724,139	3,942,031,560	2,603,224,238	1,540,179,567	77,357,159,504
Total liabilities (as at 31.03.2011)	45,983,158,679	3,312,777,547	1,928,523,951	4,147,591,309	55,372,051,486
Information on Cash Flows					
Cash flows from operating activities	(19,995,711,292)	63,033,104	534,956,755	(4,701,128,867)	(24,098,850,300)
Cash flows from investing activities	-	-	-	(853,824,028)	(853,824,028)
Cash flows from financing activities	16,901,391,143	-	-	9,727,466,624	26,628,857,767
Capital expenditure:					
Property, plant & equipment	-	-	-	(1,468,489,151)	(1,468,489,151)
Net cash flow generated during the year	(3,094,320,149)	63,033,104	534,956,755	2,704,024,578	207,694,288

40.4 Geographical Segments

<i>Year ended 31st March 2012</i>	Western Province Rs.	Central Province Rs.	Southern Province Rs.	Others Rs.	Total Rs.
Revenue					
Interest and similar income	7,807,088,487	920,245,257	1,461,858,355	4,052,847,528	14,242,039,627
Trading income from sale of vehicle	773,792,221	4,825,621	6,775,870	25,736,647	811,130,359
Fees and commission	279,335,041	38,843,099	54,356,448	157,445,541	529,980,129
Other Operating income	292,540,960	7,194,127	5,365,803	8,458,178	313,559,068
Total Segment Revenue	9,152,756,709	971,108,104	1,528,356,476	4,244,487,894	15,896,709,183
Segment Result	3,752,342,781	398,123,822	626,578,153	1,740,106,725	6,517,151,482
Income tax expenses					1,974,729,369
Net profit					4,542,422,113
Total assets (as at 31.03.2012)	55,007,181,521	5,913,329,491	9,306,559,573	25,845,789,289	96,072,859,874
Total assets (as at 31.03.2011)	37,791,564,617	4,290,958,188	5,903,592,987	15,868,387,742	63,854,503,534
Total liabilities (as at 31.03.2012)	44,231,350,488	4,770,013,092	7,507,176,975	20,848,618,949	77,357,159,504
Total liabilities (as at 31.03.2011)	32,771,480,804	3,720,919,737	5,119,321,770	13,760,329,175	55,372,051,486

Notes to the Financial Statements *contd.*

41. RELATED PARTY TRANSACTIONS

Details of significant related party transactions are disclosed as follows.

41.1

	Nature of Transactions	Interest/ Income/ Fees recognised during the year		Assets /(Liabilities) at the year end	
		2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Transactions with Parent Company					
People's Bank	Overdraft facility	84,516,946	24,847,663	(2,073,089,207)	(1,168,595,180)
	Building rent	15,000,000	23,923,750	-	(6,321,250)
	Term loan	541,852,106	303,643,461	(4,410,246,667)	(4,556,513,523)
	RFC deposit	17,569,644	25,727,195	392,789,147	558,679,900
	Repo investments	7,784,948	15,025,019	448,361,591	69,259,093
	Agency commission receivable	5,783,816	27,264,835	231,817	2,404,636
	Lease rental receivable	38,777,430	18,735,507	314,403,794	206,568,717
	Net accommodation as a % of capital funds			6.33%	9.91%
Transactions with Subsidiaries					
People's Finance PLC	Investments in promissory notes	-	7,119,135	-	-
	Investments in fixed deposits	-	9,934,241	-	-
	Investment in Mudharabha	6,657,778	5,439,402	-	105,439,402
	Short term loan	73,940,736	-	-	-
	Amount due from /(due to)	-	-	3,133,380	1,095,215
	Expenses reimbursement on behalf of People's Finance PLC	37,998,193	19,569,330	-	1,095,207
	Dividend received	67,920,787	18,829,810	-	-
	Net accommodation as a % of capital funds	-	-	0.02%	1.27%
People's Leasing Fleet Management Ltd.	Building rent	612,245	616,979	-	616,979
	Servicing of vehicles	6,923,951	5,412,812	-	-
	Hiring of vehicles	37,215,159	37,266,434	-	-
	Term loan/ interest payable	14,958,105	13,680,783	160,834,415	103,000,000
	Expenses reimbursement on behalf of People's Leasing Fleet Mgt Ltd	5,764,937	739,509	-	-
	Commercial papers	-	115,656	-	-
	Profit from sales of vehicles	-	28,386,872	-	-
	Amount due from /(due to)	-	-	(1,457,032)	(51,108)
	Net accommodation as a % of capital funds	-	-	0.87%	1.22%
People's Leasing Property Development Ltd.	Interest receivable and loan granted	40,848,825	25,046,744	-	292,606,199
	Building rent	137,743,580	-	-	-
	Amount due from/(due to)	-	-	211,077,128	37,866,829
	Net accommodation as a % of capital funds	-	-	1.16%	3.91%
People's Insurance Ltd.	Insurance premium paid in respect of own policies	13,645,246	17,422,173	-	-
	Service charges received	160,185,250	40,585,488	86,561,257	-
	Amount due from /(due to)	-	-	383,093	(255,932)
	Insurance premium paid in respect of customers introduced by People's Leasing Company PLC	1,593,548,750	547,416,521	-	-
	Expenses reimbursement on behalf of People's Insurance Ltd	9,312,503	-	-	-
	Net accommodation as a % of capital funds	-	-	0.48%	-
People's Leasing Havelock Properties Ltd.	Sale of land	-	150,134,000	-	-
	Amount due from/(due to)	-	-	(300)	10,679,559
	Net accommodation as a % of capital funds	-	-	-	0.13%
People's Microfinance Ltd.	Amount due from/(due to)	-	-	96,324	1,098,927
	Interest income	106,188	-	-	-
	Interest expenses	46,027	-	-	-
	Expenses reimbursement on behalf of People's Microfinance Ltd	211,735	-	-	-
	Net accommodation as a % of capital Funds	-	-	-	0.1%

As at 31st March

		2012		2011	
		Number of Shares	Investment at cost Rs.	Number of Shares	Investment at cost Rs.
Transactions with Other Group Companies					
People's Merchant Bank PLC	Investment in quoted shares	8,819,992	205,160,064	4,899,996	146,360,124

41.2 Key Management Personnel

Key Management Personnel (KMP) are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company. Such KMPs includes the Board of Directors of the Company and of its parent and other personnel who involve in above activities. Transactions with close family members of the KMPs, if any, have also been taken into consideration in the following disclosure.

a) Compensation of Key Management Personnel of the Company

The following is the compensation of Directors and Key Management.

<i>Year ended 31st March</i>	2012	2011
	Rs.	Rs.
Short term employee benefits	41,128,065	39,970,876
Post employee benefits	3,545,944	3,522,545
b) Share Based Benefits to KMPs		
Number of Ordinary shares held	7,458,800	-
c) Other Transactions with Key Management Personnel		
Debt instruments	2,980,015	27,455,050

No loans or accommodations were granted to or outstanding from Directors and their close family members.

42. COMMITMENTS AND CONTINGENCES

42.1 Capital Commitments

The Group has Commitments for acquisition of property, plant and equipment and intangible assets incidental to the ordinary course of business as at 31st March as follows:

<i>As at 31st March</i>	Group		Company	
	2012	2011	2012	2011
	Rs.	Rs.	Rs.	Rs.
Approved and contracted for	708,243,936	298,518,876	-	42,342,839
Approved but not contracted for	1,015,937,020	1,257,533,631	475,937,020	823,157,161
	1,724,180,956	1,556,052,507	475,937,020	865,500,000

42.2 Operating lease commitment - as a lessor

Future minimum rental receivable under non-cancellable operating leases as at 31st March are as follows:

<i>As at 31st March</i>	Group		Company	
	2012	2011	2012	2011
	Rs.	Rs.	Rs.	Rs.
Receivable not later than one year	42,813,163	43,805,218	37,667,014	34,302,442
Receivable later than one year and not later than five years	78,329,237	109,316,393	61,651,235	89,909,123
	121,142,400	153,121,611	99,318,249	124,211,565

42.3 Contingencies

In the normal course of business, the Company makes various irrecoverable commitments and incurs certain contingent liabilities with legal recourse to its customers and would be party to litigation due to its operations. Even though these obligation may not be recognised in the Balance Sheet, they do contain operational risk and are therefore form a part of the overall risk profile of the Company. However no material losses are anticipated as a result of these transactions.

<i>As at 31st March</i>	Group		Company	
	2012	2011	2012	2011
	Rs.	Rs.	Rs.	Rs.
Accidents of leased out vehicles	31,577,000	102,206,858	31,577,000	102,206,858
Guarantees	9,550,000	-	-	-
Pending bill retirements	335,961,703	200,263,468	320,801,937	200,263,468
	377,088,703	302,470,326	352,378,937	302,470,326

Notes to the Financial Statements *contd.*

43. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

No circumstances have arisen since the balance sheet date which would require adjustments to or disclosure in the financial statements other than those disclosed below.

The Board of Directors of the Company has proposed a final dividend of Rs. 0.50 per share for the Ordinary Shareholders of the Company for the year ended 31st March 2012. This will be declared at the Annual General Meeting to be held on 29th June 2012, upon approval of the shareholders.

44. CHANGES IN ACCOUNTING ESTIMATES

As more fully disclosed in Note 3.10 to the Financial Statements, the Company changed its estimation on general provision on credit losses due to the continuous improvement in the quality of its lending portfolio and improved economic condition of the country.

As at 31st March	2012	2011
General provision	0%	3.35%

The effects of this change to the Income Statement for the year ended 31 March 2012 are set out below.

	Rs.
Decrease in general provision	1,611,476,404
Increase in VAT on Financial Services	(97,236,600)
Increase in income tax expenses	(451,213,449)
Increase in profit for the year	1,063,026,355

45. COMPARATIVE INFORMATION

	Group			Company		
	Current Presentation: 31.03.2011 Rs.	As reported previously: 31.03.2011 Rs.	Change Rs.	Current Presentation: 31.03.2011 Rs.	As reported previously: 31.03.2011 Rs.	Change Rs.
	(a) Cash and Short Term Funds					
Cash in hand	98,515,506	98,515,506	-	47,390,732	47,390,732	-
Cash at bank	815,770,064	815,770,064	-	748,406,385	748,406,385	-
Securities purchased under resale agreements	621,052,884	-	621,052,884	69,259,093	-	69,259,093
	1,535,338,454	914,285,570	621,052,884	865,056,210	795,797,117	69,259,093

Reason for change in the presentation and classification:

Securities purchased under resale agreements are classified under cash & short term funds in order to give a fair presentation.

	Group			Company		
	Current Presentation: 31.03.2011 Rs.	As reported previously: 31.03.2011 Rs.	Change Rs.	Current Presentation: 31.03.2011 Rs.	As reported previously: 31.03.2011 Rs.	Change Rs.
	(b) Investment in Government Securities					
Securities purchase under resale agreements	-	1,415,617,350	(1,415,617,350)	-	69,259,093	(69,259,093)
Treasury bills	745,568,606	-	745,568,606	-	-	-
Treasury bonds	48,995,860	-	48,995,860	-	-	-
	794,564,466	1,415,617,350	(621,052,884)	-	69,259,093	(69,259,093)

Reason for change in the presentation and classification:

Securities purchased under resale agreements are classified under cash & short term funds, further Treasury bills and Treasury bonds included under the securities purchase under resale agreements were amended to confirm to current presentation under the Investment in Government Securities in order to give a fair presentation.

	Group		
	Current	As reported	Change
	Presentation: 31.03.2011	previously: 31.03.2011	
Rs.	Rs.	Rs.	
(c) Inventories			
Inventories	237,976,801	269,414,441	(31,437,640)
Long term receivables	30,254,471	-	30,254,471
Property plant & equipment	1,625,494,372	1,624,311,203	1,183,169

Reason for change in the presentation and classification:

Expenditure incurred on the development projects undertaken by People's Leasing Property Development Ltd on behalf of People's Bank, included under inventories, has been reclassified under Long term receivables and working progress in order to give a fair presentation.

	Group			Company		
	Current	As reported	Change	Current	As reported	Change
	Presentation: 31.03.2011	previously: 31.03.2011		Presentation: 31.03.2011	previously: 31.03.2011	
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
(d) Samurdhi Authority						
Other assets	2,647,946,117	2,672,920,387	(24,974,270)	2,271,698,749	2,296,673,019	(24,974,270)
Samurdhi Authority	-	25,118,809	(25,118,809)	-	25,118,809	(25,118,809)
Other liabilities	7,927,170,570	7,927,026,031	144,539	6,737,890,393	6,737,745,854	144,539

Reason for change in the presentation and classification:

Liability of the Samurdhi Authority has been set-off against the advances given to customers recorded under the assets for the fair presentation of the financial statements.

	Group		
	Current	As reported	Change
	Presentation: 31.03.2011	previously: 31.03.2011	
Rs.	Rs.	Rs.	
(e) Deferred taxation			
Deferred tax assets	27,913,031	-	27,913,031
Deferred tax liabilities	71,502,459	43,589,428	27,913,031

Reason for change in the presentation and classification:

Group deferred tax assets and liabilities, which were netted-off in the previous year, have been separately presented in order to give a fair presentation.

Notes to the Financial Statements *contd.*

45. COMPARATIVE INFORMATION (Contd.)

	Group			Company		
	Current	As reported	Change	Current	As reported	Change
	Presentation: 31.03.2011 Rs.	previously: 31.03.2011 Rs.		Presentation: 31.03.2011 Rs.	previously: 31.03.2011 Rs.	
(f) Cash Flow						
Cash flow from operating profit before changes in operating assets and liabilities						
(Increase)/decrease in other assets	(2,102,013,781)	(2,164,210,915)	62,197,134	(1,912,167,047)	(1,937,141,317)	24,974,270
Increase/(decrease) in amounts payable	4,020,211,842	4,045,186,112	(24,974,270)	2,714,702,108	2,739,676,378	(24,974,270)
(Increase)/decrease in inventories	(192,679,108)	(224,116,748)	31,437,640	-	-	-
Cash flow from investing activities						
Acquisition of property, plant & equipment	(808,175,498)	(806,992,329)	(1,183,169)	-	-	-
Long term receivables	(30,254,471)	-	(30,254,471)	-	-	-
Investments in securities/ dealing securities	(37,222,864)	-	(37,222,864)	-	-	-

Reason for change in the presentation and classification:

* Expenditure incurred on the development projects undertaken by People's Leasing Property Development Ltd. on behalf of People's Bank, was included under inventories, has been reclassified under Long term receivables and Property, plant and equipments in order to give a fair presentation to the cash flow statement.

** Liability of the Samurdhi Authority has been set-off against the advances given to customers under the assets for the fair presentation to the cash flow statement.

46. ASSETS PLEDGED

The following assets have been pledged as securities for liabilities.

Nature of Assets	Nature of Liabilities	Carrying Amount Pledged				Included under
		Group		Company		
		2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.	
<i>As at 31st March</i>						
Rentals receivable on lease	Securitisation	16,470,345,356	10,150,920,171	16,484,959,662	10,150,920,171	Rentals receivable
	Term loan / debentures	8,303,868,549	9,547,805,572	8,303,868,549	9,547,805,572	Rentals receivable
	Overdraft	148,872,674	-	148,872,674	-	Rentals receivable
Rentals receivable on hire-purchase	Securitisation	10,407,146,108	7,828,617,120	10,407,146,108	7,828,617,120	Rentals receivable
	Term loan / debentures	6,008,080,671	10,887,308,967	6,008,080,671	10,887,308,967	Rentals receivable
	Overdraft	265,415,571	-	265,415,571	-	Rentals receivable
Freehold land and building	Term loan	830,769,300	600,000,000	-	-	Property, Plant & Equipment
Fixed deposit	Obtain money changing	-	-	-	-	-
	License from CBSL	2,500,000	-	-	-	Deposit with bank
	Term loan	392,764,936	558,679,900	392,764,936	558,679,900	Deposit with bank

Capital Adequacy Ratio

As at 31.03.2012	
Rs.' 000	
Eligible Core Capital (Eligible Tier I)	15,551,777
Capital Base	15,551,777
Total Risk Weighted Amount	60,985,322
Core Capital (Tier I) Ratio % (Minimum required - 5%)	25.50%
Total Capital Ratio % (Minimum required - 10%)	25.50%

Total Capital Base

As at 31.03.2012	
Rs.' 000	
Eligible Core Capital (Eligible Tier I)	15,551,777
Core Capital (Tier 1)	16,912,690
Issued and paid-up ordinary shares	7,485,001
Statutory reserve fund	565,142
General and other free reserves	917,263
Audited published retained profits	7,940,613
Surplus/Loss after tax arising from the sale of fixed and long term investments	4,671
Deductions/Adjustments -Tier 1	1,360,913
Other intangible assets	36,741
50% of investments in banking and financial subsidiary companies	1,146,592
50% of investments in the capital of other banking and financial institutions	177,580
Supplementary Capital (Tier II)	-
Deductions/Adjustments -Tier II	1,324,172
50% of investments in banking and financial subsidiary companies	1,146,592
50% of investments in the capital of other banking and financial institutions	177,580
Total Supplementary Capital (Tier II)	(1,324,172)
Eligible Supplementary Capital (Tier II)	-
Capital Base	15,551,777

Total Risk Weighted Assets

As at 31.03.2012			
	Risk Weight (%)	Principal Amount Rs.' 000	Total Risk Weighted Assets Amount Rs.' 000
On balance sheet and off-balance sheet assets			
Cash in Hand and Bank's Current Accounts	0%	889,335	-
Call/Savings/Fixed Deposits with other institutions		392,765	78,553
Deposits with Banks	20%	392,765	78,553
Central Bank and Government Securities	0%	448,362	-
Investments in Shares	100%	3,452,552	3,452,552
Accommodations		72,523,189	54,467,495
Finance Lease	50%	36,918,508	18,459,254
Hire Purchase	100%	31,040,284	31,040,284
Term Loan	100%	3,757,277	3,757,277
Inter Company Credit	150%	213,233	319,849
Other accommodations (Other than specified above)	150%	593,888	890,831
Fixed Assets	100%	648,972	648,972
Other Assets	100%	1,961,968	1,961,968
Off-Balance Sheet Assets	100%	375,781	375,781
Total Risk Weighted Assets			60,985,322

Finance Leasing (Capital Adequacy Ratio) Direction No. 1 of 2011 came into effect from 1st July 2011.

Shareholder Information

1. Stock Exchange Listing

The ordinary shares of People's Leasing Company PLC were listed on the main board of the Colombo Stock Exchange (CSE) on the 24th November 2011. The Stock Exchange code for People's Leasing Company PLC's shares is 'PLC'.

2. Submission of Financial Statement to the CSE

As required by Rule No. 7.4 (a)(i) of the Listing Rules of the CSE, the Unaudited Interim Financial Statements for the quarter ended 31st December 2011 was submitted to the CSE on the 18th January 2012.

The Unaudited Interim Financial Statements for the quarter ended 31st March 2012 was submitted to the CSE on the 27th April 2012 as required by Rule No. 7.4 (a)(i) of the Listing Rules of the CSE.

The Audited Income Statement for the year ended 31st March 2012 and the Audited Balance Sheet as at 31st March 2012 will be submitted to the CSE within three months from the Balance Sheet date as required by Rule No. 7.5(a) of the Listing Rules of the CSE.

3. Stated Capital

	31st March 2012		31st March 2011	
	Number	Rs.	Number	Rs.
Ordinary shares				
Ordinary shares at the beginning of the year	50,000,008	500,000,080	50,000,008	500,000,080
Capitalisation of reserves	28,000,000	4,088,000,000	-	-
Share split (1:15)	1,092,000,112	-	-	-
Initial public offer (IPO)	390,000,040	7,020,000,720	-	-
Ordinary shares at the end of the year	1,560,000,160	11,608,000,800	50,000,008	500,000,080
Fully paid cumulative redeemable preference shares	90,000,000	1,350,000,000	105,000,000	1,350,000,000
Total	1,650,000,160	12,958,000,800	155,000,008	1,850,000,080

Capitalisation of Reserves

The Company issued 28,000,000 ordinary shares at Rs. 146/- each as fully paid ordinary shares by way of capitalisation of reserves of the Company in June 2011.

Share Split

The ordinary shares of the Company were sub-divided on the basis of 01 ordinary share into 15 ordinary shares in June 2011. Consequent to the sub-division, the number of ordinary shares of the Company increased to 1,170,000,120 from 78,000,008, without any change to the stated capital of the Company.

Initial Public Offer (IPO)

The Company offered 390,000,040 ordinary shares to the Public on 3rd November 2011 at Rs.18/- per share by which an additional capital of Rs. 7,020,000,720 was infused to the Company. The issue was oversubscribed and closed on the same date.

Purpose of Raising New Capital

The primary objective of the issue was to obtain a listing for the Ordinary Voting Shares of the Company on the CSE to comply with the regulatory requirement of the Monetary Board of Central Bank of Sri Lanka as communicated by the Department of Supervision of Non-Bank Financial Institutions by their letter dated 8th November 2010. Accordingly, the Company was required to obtain a listing on the CSE during the calendar year 2011.

Further, the Company believed that an increase in the stated capital of the Company subsequent to the issue would improve its debt to equity position and would enable the Company to leverage its balance sheet and raise the requisite debt financing in a comfortable manner.

As a company carrying on business in the finance sector, primarily in the leasing and hire purchase financing business, it was intended that the entirety of the monies raised through the issue, subsequent to meeting all expenses in relation to the same would be utilised to part finance the loan disbursements made by the Company to its customers during the remaining period of the financial year 2011/12 through financial products such as leasing, hire purchase and loans.

The Company has been utilising the money raised through the IPO for the above purposes and has not deviated from the purpose set out at the time of raising new capital.

4. Information on Ratios, Market Value and Credit Ratings

a) Information on Ratios

	2011/12	2010/11
Dividend per share-ordinary share (Rs.)	1.00*	1.50
Dividend pay out ratio-ordinary shares (%)	38.62	3.13
Net asset value per share (Rs.)	11.13	6.32

* This includes the final dividend of Rs. 0.50 per ordinary share as recommended by Directors for approval by the Shareholders at the Annual General Meeting.

b) Market Value-Ordinary Shares

	Year	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12
Highest price (Rs.)	18.30	18.30	17.50	16.10	15.20	13.00
Date of highest price	(24.11.2011)	(24.11.2011)	(02.12.2011)	(17.01.2012)	(01.02.2012)	(01.03.2012)
Lowest price (Rs.)	11.00	16.90	14.80	14.70	11.60	11.00
Date of lowest price	(15.03.2012)	(30.11.2011)	(21.12.2011)	(31.01.2012)	(15.02.2012)	(15.03.2012)
Closing price (Rs.)	11.60	17.10	16.00	14.80	12.70	11.60
Date of closing price	(30.03.2012)	(30.11.2011)	(30.12.2011)	(31.01.2012)	(29.02.2012)	(30.03.2012)

c) Credit Ratings

The Company's Fitch Rating was upgraded to 'A+(lka) stable' from 'A(lka) stable' by Fitch Ratings Lanka during the financial year.

5. Share Trading Information

	Year	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12
Number of transactions	6,617	1,593	2,134	1,136	909	845
Number of shares traded	21,339,850	5,659,600	6,309,800	3,898,500	2,494,812	2,977,138
Value of shares traded (Rs.)	328,607,889	100,156,050	101,068,960	59,500,900	33,139,359	34,742,620
Number of days traded	86	5	21	21	18	21
Average daily turnover (Rs.)	3,821,022	20,031,210	4,812,808	2,833,376	1,841,076	1,654,410

6. Information on Market Capitalisation

	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12
Market capitalisation (Rs. Bn)					
People's Leasing Company PLC	26.68	24.96	23.09	19.81	18.10
CSE	2,218.45	2,213.87	2,084.13	2,001.18	2,012.87
PLC market capitalisation as a % of CSE capitalisation	1.20	1.13	1.11	0.99	0.90
PLC market capitalisation ranking	19	20	19	23	26

7. Shareholder Base

The total number of ordinary shareholders as at 31st March 2012 was 10,113 compared to the 8 as at 31st March 2011.

8. Distribution of Shareholders

a) Ordinary Shares

	31st March 2012				31st March 2011			
	No. of Share holders	%	No. of Shares	%	No. of Share holders	%	No. of Shares	%
Less than or equal to 1000	3,411	33.73	3,147,618	0.20	7	87.50	8	0.01
1,001 to 10,000	4,819	47.65	20,390,716	1.30	-	-	-	-
10,001 to 100,000	1,698	16.79	50,390,861	3.23	-	-	-	-
100,001 to 1,000,000	157	1.55	38,623,984	2.48	-	-	-	-
Over 1,000,000	28	0.28	1,447,446,981	92.79	1	12.50	50,000,000	99.99
Total	10,113	100.00	1,560,000,160	100.00	8	100.00	50,000,008	100.00

Shareholder Information *contd.*

b) Preference Shares

	31st March 2012				31st March 2011			
	No. of Share holders	%	No. of Shares	%	No. of Share holders	%	No. of Shares	%
Less than or equal to 1000	-	-	-	-	-	-	-	-
1,001 to 10,000	-	-	-	-	-	-	-	-
10,001 to 100,000	-	-	-	-	-	-	-	-
100,001 to 1,000,000	-	-	-	-	-	-	-	-
Over 1,000,000	1	100.00	90,000,000	100.00	1	100.00	105,000,000	100.00
Total	1	100.00	90,000,000	100.00	1	100.00	105,000,000	100.00

9. Composition of Shareholders

a) Resident/ Non-Resident

i) Ordinary Shares

	As at 31st March 2012				As at 31st March 2011			
	No. of Share holders	%	No. of Shares	%	No. of Share holders	%	No. of Shares	%
Resident	10,071	99.58	1,504,058,960	96.41	8	100.00	50,000,008	100.00
Non - resident	42	0.42	55,941,200	3.59	-	-	-	-
Total	10,113	100.00	1,560,000,160	100.00	8	100.00	50,000,008	100.00

ii) Preference Shares

	As at 31st March 2012				As at 31st March 2011			
	No. of Share holders	%	No. of Shares	%	No. of Share holders	%	No. of Shares	%
Resident	1	100.00	90,000,000	100.00	1	100.00	105,000,000	100.00
Non - resident	-	-	-	-	-	-	-	-
Total	1	100.00	90,000,000	100.00	1	100.00	105,000,000	100.00

b) Individual/ Institutional

i) Ordinary Shares

	As at 31st March 2012				As at 31st March 2011			
	No. of Share holders	%	No. of Shares	%	No. of Share holders	%	No. of Shares	%
Individuals	9,949	98.38	107,480,036	6.89	7	87.50	8	0.01
Institutions	164	1.62	1,452,520,124	93.11	1	12.50	50,000,000	99.99
Total	10,113	100.00	1,560,000,160	100.00	8	100.00	50,000,008	100.00

ii) Preference Shares

	As at 31st March 2012				As at 31st March 2011			
	No. of Share holders	%	No. of Shares	%	No. of Share holders	%	No. of Shares	%
Individuals	-	-	-	-	-	-	-	-
Institutions	1	100.00	90,000,000	100.00	1	100.00	105,000,000	100.00
Total	1	100.00	90,000,000	100.00	1	100.00	105,000,000	100.00

As at 31st March 2012, the average size of holding of ordinary shares was 154,257.

10. Public Shareholding

The percentage of ordinary shares held by the public as at 31st March 2012 was 24.60% (Number of shares 383,786,040).

11. Twenty Largest Shareholders

a) Ordinary Shares

No.	Name of the Shareholder	31st March 2012		31st March 2011	
		No. of Shares	%	No. of Shares	%
1.	People's Bank	1,170,000,120	75.00	50,000,000	99.99
2.	National Savings Bank	58,809,840	3.77	-	-
3.	Employees Provident Fund	55,555,500	3.56	-	-
4.	Distilleries Company of Sri Lanka PLC	24,517,300	1.57	-	-
5.	HSBC INTL Nominees Ltd - Credit Suisse AG Zurich	18,000,000	1.15	-	-
6.	Ceylon Guardian Investment Trust PLC A/C # 01	13,086,600	0.84	-	-
7.	HSBC INTL NOM Ltd JPMCB - J.P. Morgan Clearing Corp	11,875,000	0.76	-	-
8.	Bank of Ceylon # 1 Account	11,453,600	0.73	-	-
9.	Bny-CF Ruffer Investment Funds: CF Ruffer Pacific Fund	10,000,000	0.64	-	-
10.	Sanasa Development Bank Limited	9,864,800	0.63	-	-
11.	Ceylon Investment PLC A/C # 01	9,820,700	0.63	-	-
12.	Capital Alliance Holdings Ltd	9,295,200	0.60	-	-
13.	Northern Trust CO S/A Prince Street Opportunities Ltd	7,250,000	0.46	-	-
14.	Sampath Bank Limited A/C # 1	5,901,600	0.38	-	-
15.	Mr. D. P. Kumara	5,000,000	0.32	-	-
16.	Gampaha District Co-Operative Rural Bank Union Ltd	4,921,800	0.32	-	-
17.	David Pieris Motor Company Limited	3,302,721	0.21	-	-
18.	Capital Development and Investment Company PLC	3,288,800	0.21	-	-
19.	HSBC INTL NOM Ltd - JPMIRE-GAM Star Fund PLS	3,000,000	0.19	-	-
20.	Deutsche Bank AG-London	1,805,100	0.12	-	-
	Sub total	1,436,748,681	92.09	50,000,000	99.99
	Other shareholders	123,251,479	7.91	8	0.01
	Total	1,560,000,160	100.00	50,000,008	100.00

b) Preference Shares

No.	Name of the Shareholder	31st March 2012		31st March 2011	
		No. of Shares	%	No. of Shares	%
1.	People's Bank	90,000,000	100.00	105,000,000	100.00
2.	Others	-	-	-	-
		90,000,000	100.00	105,000,000	100.00

12. Directors' and CEO's Shareholdings

The number of ordinary shares held by the Directors and CEO as at 31st March 2012 is as follows.

Name	Position	No. of Shares as at 31st March 2012	No. of Shares as at 31st March 2011
Mr. Weraduwa Karunajeewa	Chairman	Nil	Nil
Dr. Don Joseph Douglas Jayakody	Director	50,000	Nil
Mr. Hennek Gedara Wajira Swarna Sri Bandara	Director	Nil	Nil
Mr. Namasiyayam Vasantha Kumar	Director	1,000,000	Nil
Mr. Paliawadana Arachchige Irenius Sirinimal Perera	Director	20,000	Nil
Mrs. Manoli Gonaduwa Jinadasa	Director	Nil	Nil
Mr. Don Padmasiri Kumara	CEO	5,000,000	Nil

Shareholder Information *contd.*

13. Record of Bonus, Right Issues, Purchase or Sub Division of Shares

Year ended	No. of Shares at the Beginning of the Financial Year		Addition 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	02	-	-	-	02	-	20
1996/97	02	-	-	-	02	-	20
1997/98	02	-	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 redeemed]	50,000,008	45,000,000	950,000,080
2007/08	50,000,008	45,000,000	-	[10,000,000 redeemed]	50,000,008	35,000,000	850,000,080
2008/09	50,000,008	35,000,000	-	100,000,000 [10,000,000 redeemed]	50,000,008	125,000,000	1,850,000,080
2009/10	50,000,008	125,000,000	-	[10,000,000 redeemed]	50,000,008	115,000,000	1,850,000,080
2010/11	50,000,008	115,000,000	-	[10,000,000 redeemed]	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 redeemed]	1,560,000,160	90,000,000	12,958,000,800

Capitalisation of reserves	28,000,000
Split share	1,092,000,112
Initial Public Offer	390,000,040
Total	1,510,000,152

For more details please refer note 35 under Stated Capital on page 150 of this Annual Report.

14. Related Party Transactions Exceeding 10% of The Equity or 5% of the Total Assets of the Company

There were no individual transactions exceeding 10% of the equity or 5% of the total assets of the Company during the year under review with any related party of the Company. However, all related party transactions at aggregate level have been disclosed under Note 41 on pages 154 to 155 to the Annual Report.

15. Employee Share Option Scheme

The Company does not have an 'Employee Share Option Scheme'.

16. Material Foreseeable Risk Factors

Information pertaining to the material foreseeable risk factors that require disclosure as per the Rule No. 7.6(vi) of the Listing Rules of the CSE are discussed in the section of "Enterprise Risk Management" on page 95 to 105 of this Annual Report.

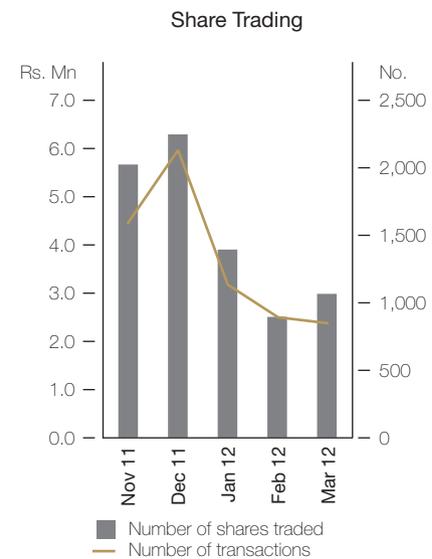
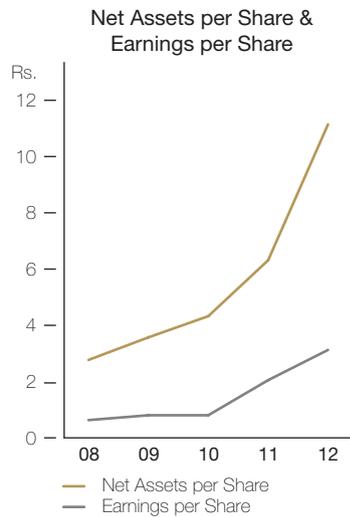
17. Material Issues Pertaining to Employees and Industrial Relations of the Company

There were no material issues pertaining to employees and industrial relations pertaining to the Company that occurred during the year under review which need to be discussed as per the Rule No. 7.6 (vii) of the Listing Rules of the CSE.

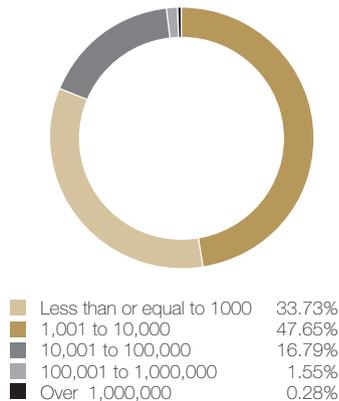
18. Group Real Estate Portfolio

Location	Address	Land Extent	Building Area (Sq.Ft)	Cost/ Valuation (Rs.)
People's Leasing Company PLC				
Markola - Yard	No. 496, Markola North, Makola	89 perches	-	7,632,052
Mabima - Yard	No. 225/D, Nayagala Road, Heiyantuduwa, Mabima	2 acres & 10.75 perches	-	21,624,125
Borella	Maradana Road, Colombo 08	5 perches	-	6,310,100
Bandarawela	No. 35/2D, Welimada Road, Bandarawela	8.3 perches	4,760	31,257,350
Jaffna	No. 34, Mahathma Gandhi Road, Jaffna	44.72 perches	-	45,426,000
Monaragala	No. 08, Pothuwil Road, Monaragala	125.48 perches	-	39,279,800
Boralasgamuwa	No. 81, Old Kesbewa Road, Diulpitiya, Boralasgamuwa	42 perches	12,670	56,000,000
				207,529,427
People's Leasing Property Development Limited				
Borella	No. 1161, Maradana Road, Colombo 08	74.09 perches	109,302	1,165,037,893
Tangalle	No. 150, Matara Road, Tangalle	23.8 perches	-	16,642,721
				1,181,680,614
People's Leasing Havelock Property Development Limited				
Colombo 05	No. 07, Havelock Road, Colombo 05	39.2 perches	-	156,138,920

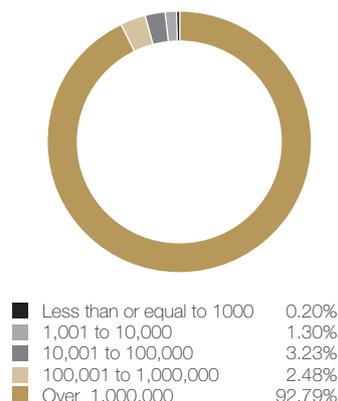
18. Graphical Presentation of Important Shareholder Information



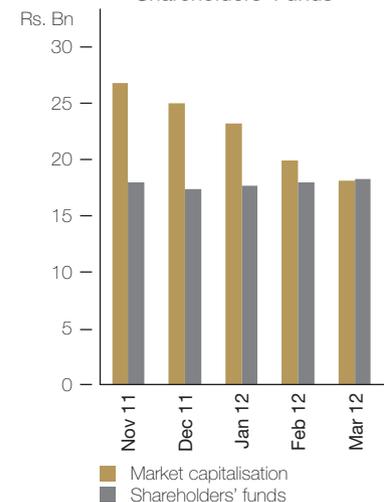
Distribution of Shareholders (No. of ordinary shareholders)



Distribution of Shareholders (No. of ordinary shares)



Market Capitalisation and Shareholders' Funds



Quarterly Analysis 2011/12

Company	1st Quarter Apr-Jun 11 Rs. Mn.	2nd Quarter July-Sep 11 Rs. Mn.	3rd Quarter Oct-Dec 11 Rs. Mn.	4th Quarter Jan-Mar 12 Rs. Mn.	Total Apr 11-Mar 12 Rs. Mn.
Revenue	3,056	3,391	3,722	3,822	13,991
Interest and similar income	2,660	2,944	3,215	3,458	12,277
Interest and similar expenses	1,273	1,505	1,646	1,746	6,170
Net interest income	1,387	1,439	1,569	1,712	6,107
Other income					
Net trading income from sale of vehicles	22	34	2	5	63
Fees and commission income	94	141	142	259	636
Net income from Islamic finance	14	13	9	(6)	30
Other operating income	29	92	31	77	229
Total operating income	1,546	1,719	1,753	2,047	7,065
Less : Operating expenses					
Employee benefits	194	170	176	223	763
Depreciation	26	29	34	43	132
Amortisation of intangible assets	2	3	3	3	11
Provision for credit losses	(1,518)	14	105	(35)	(1,434)
Other operating expenses	261	308	350	323	1,242
Profit from operations	2,581	1,195	1,085	1,490	6,351
Less : Value added tax on financial services	168	72	56	72	368
Profit before taxation	2,413	1,123	1,029	1,418	5,983
Less : Income tax expense	735	357	334	350	1,776
Profit for the period	1,678	766	695	1,068	4,207

Company	1st Quarter As at 30th June 11 Rs. Mn.	2nd Quarter As at 30th Sep 11 Rs. Mn.	3rd Quarter As at 31st Dec 11 Rs. Mn.	4th Quarter As at 31st Mar 12 Rs. Mn.
Assets				
Cash and short term funds	855	983	1,285	1,338
Investments in Government securities	-	239	-	-
Deposits with banks	550	448	1,004	393
Inventories	46	19	22	112
Dealing securities	-	-	17	29
Investment securities	246	246	355	305
Loans and other advances	3,081	3,540	4,145	4,170
Rentals receivable on lease, hire-purchase & Islamic finance	54,474	61,525	66,410	67,387
Investments in subsidiaries	2,383	2,473	2,543	3,118
Investment in associate	-	-	-	-
Other assets	1,909	2,923	2,485	2,062
Property, plant & equipment	322	416	467	621
Investment property	56	56	56	56
Intangible assets	32	33	35	37
Total assets	63,954	72,901	78,824	79,628
Liabilities & Shareholders' Funds				
Liabilities				
Bank overdraft	2,279	2,540	2,507	2,073
Other liabilities evidenced by paper	28,055	31,175	29,855	28,514
Tax payable	796	497	501	225
Deferred tax liability	410	410	410	720
Borrowings	16,439	21,120	21,981	24,702
Other liabilities	5,908	6,401	6,218	5,124
Total Liabilities	53,887	62,143	61,472	61,358
Shareholders' Funds				
Stated capital	5,938	5,938	12,958	12,958
General reserve	300	300	300	300
Tax equalisation fund	100	100	100	100
Reserve fund	439	439	439	565
Investment fund reserve	253	270	314	517
Retained earnings	3,037	3,711	3,241	3,830
Total shareholders' funds	10,067	10,758	17,352	18,270
Total liabilities and shareholders' funds	63,954	72,901	78,824	79,628

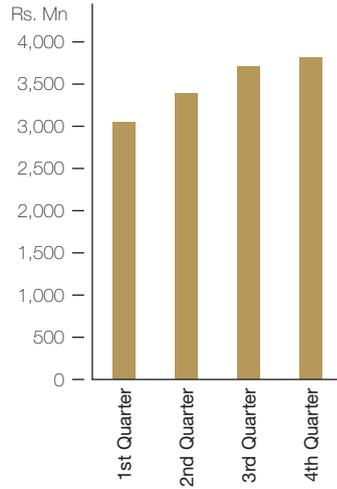
Quarterly Analysis 2010/11

Company	1st Quarter Apr- Jun 10 Rs. Mn.	2nd Quarter July- Sep 10 Rs. Mn.	3rd Quarter Oct- Dec 10 Rs. Mn.	4th Quarter Jan- Mar 11 Rs. Mn.	Total Apr 10- Mar 11 Rs. Mn.
Revenue	1,953	2,263	2,326	3,277	9,819
Interest and similar income	1,761	1,929	2,150	2,424	8,264
Interest and similar expenses	787	795	863	1,097	3,542
Net interest income	974	1,134	1,287	1,327	4,722
Other income					
Net trading income from sale of vehicles	2	4	4	66	76
Fees and commission income	57	93	92	139	381
Net income from Islamic finance	24	23	22	17	86
Other operating income	49	164	55	137	405
Total operating income	1,106	1,418	1,460	1,686	5,670
Less : Operating expenses					
Employee benefits	105	153	158	177	593
Depreciation	25	24	22	26	97
Amortisation of intangible assets	2	2	2	2	8
Provision for credit losses	223	131	61	(397)	18
Other operating expenses	172	192	204	292	860
Profit from operations	579	916	1,013	1,586	4,094
Less : Value added tax on financial services	62	119	130	62	373
Profit before taxation	517	797	883	1,524	3,721
Less : Income tax expense	205	324	311	301	1,141
Profit for the period	312	473	572	1,223	2,580

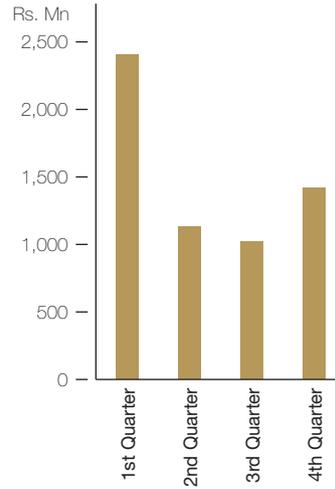
Company	1st Quarter As at 30th June 10 Rs. Mn.	2nd Quarter As at 30th Sep 10 Rs. Mn.	3rd Quarter As at 31st Dec 10 Rs. Mn.	4th Quarter As at 31st Mar 11 Rs. Mn.
Assets				
Cash and short term funds	1,172	789	833	865
Deposits with banks & financial institutions	865	837	722	664
Inventories	164	221	471	237
Investment securities	246	246	246	246
Loans and other advances	1,718	2,356	2,781	2,943
Rentals receivable on lease, hire-purchase & Islamic finance	27,025	31,758	38,839	46,442
Investments in subsidiaries	950	950	1,746	1,805
Other assets	1,103	1,692	3,211	2,272
Property, plant & equipment	409	391	269	300
Investment property	44	55	55	56
Intangible assets	19	18	20	19
Total assets	33,715	39,313	49,193	55,849
Liabilities & Shareholders' Funds				
Liabilities				
Bank overdraft	629	1,462	1,090	1,168
Other liabilities evidenced by paper	17,017	18,118	23,641	24,779
Tax payable	1,017	703	658	668
Deferred tax liability	36	36	36	71
Borrowings	4,563	7,390	8,904	13,983
Other liabilities	3,971	4,724	7,560	6,738
Total liabilities	27,233	32,433	41,889	47,407
Shareholders' Funds				
Stated capital	1,850	1,850	1,850	1,850
General reserve	100	100	100	300
Tax equalisation fund	226	226	226	100
Reserve fund	300	300	300	355
Investment fund reserve	-	-	-	71
Retained earnings	4,006	4,404	4,828	5,766
Total shareholders' funds	6,482	6,880	7,304	8,442
Total liabilities and shareholders' funds	33,715	39,313	49,193	55,849

Quarterly Graphical Review 2011/12

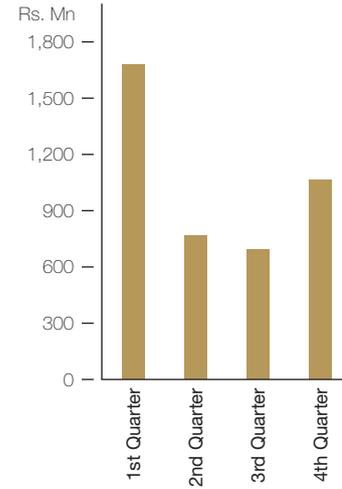
Revenue



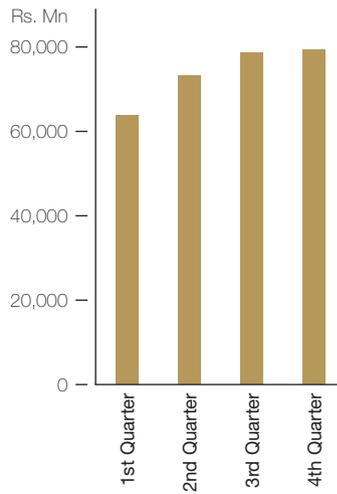
Profit before Tax



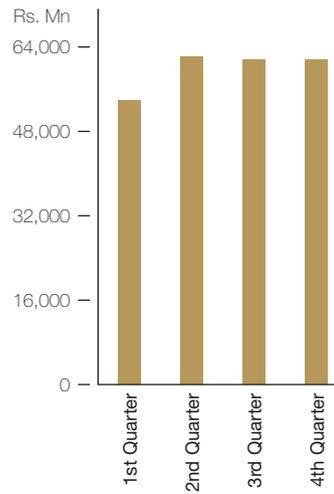
Profit after Tax



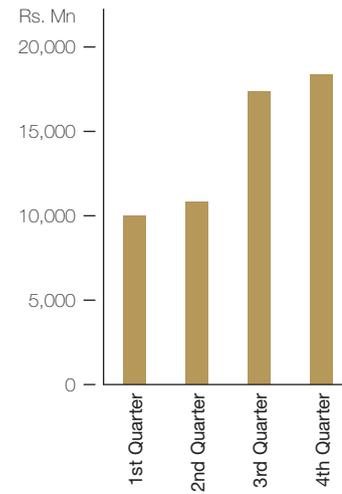
Total Assets



Total Liabilities

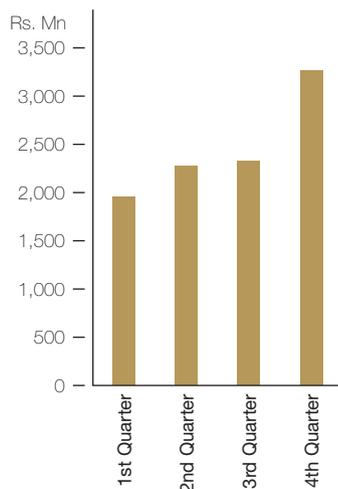


Total shareholders' funds

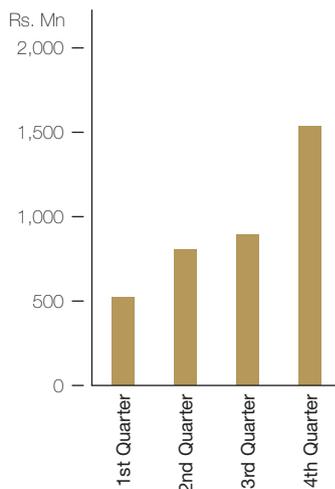


Quarterly Graphical Review 2010/11

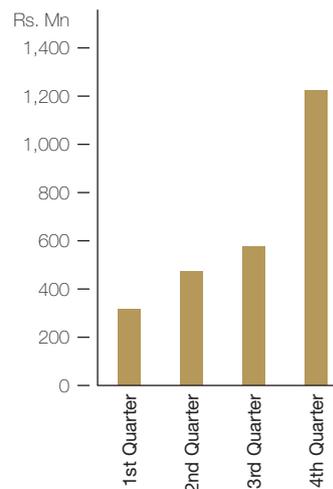
Revenue



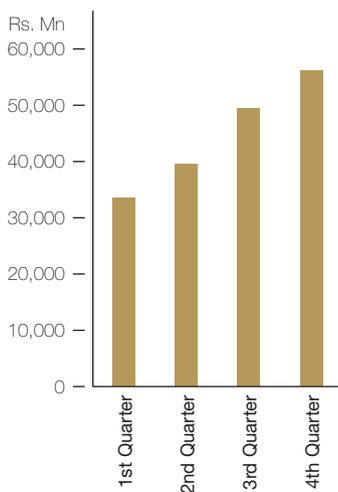
Profit before Tax



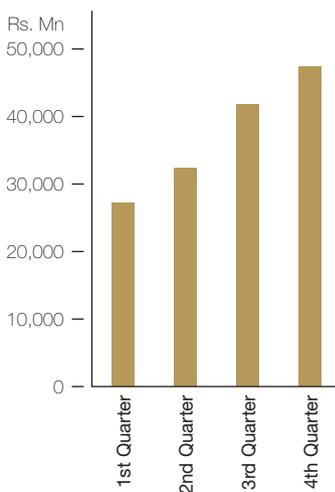
Profit after Tax



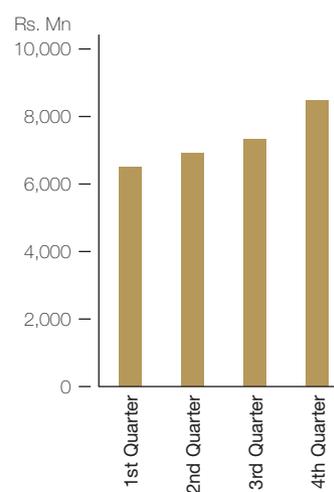
Total Assets



Total Liabilities



Total shareholders' funds



Ten Year Statistical Summary

Company

For The Year Ended 31st March	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Operating Results (Rs. Mn)										
Gross income	13,243	9,256	7,247	6,527	4,590	3,861	2,904	1,984	1,484	899
Operating profit before interest	12,153	7,263	5,233	5,230	3,514	2,564	1,945	1,194	907	611
Interest cost	6,170	3,542	3,133	3,340	2,161	1,548	1,178	880	682	457
Profit before tax	5,983	3,721	2,100	1,890	1,353	1,016	767	314	225	154
Taxation	1,776	1,142	900	843	550	268	(151)	4	-	-
Profit after tax	4,207	2,580	1,200	1,047	803	748	918	310	225	154
Assets (Rs. Mn)										
Cash & cash equivalents	1,730	1,529	2,085	1,652	484	212	231	179	291	190
Rentals receivable	67,387	46,442	25,006	21,470	18,686	15,481	14,039	10,614	8,106	4,978
Loans and other advances	4,170	2,943	1,711	1,063	536	432	415	194	144	34
Property, plant & equipment	713	375	503	398	299	345	238	206	175	122
Stocks & other receivables	5,628	4,585	1,543	975	667	575	319	797	317	313
Total assets	79,628	55,874	30,848	25,558	20,672	17,045	15,242	11,990	9,033	5,637
Liabilities and Shareholders' Funds (Rs. Mn)										
Promissory notes	14,499	15,591	9,416	6,565	4,106	3,043	4,471	4,221	2,945	1,576
Borrowings	40,790	24,364	10,680	10,585	10,794	8,731	7,042	5,387	4,292	3,137
Other payables	6,069	7,477	4,523	2,961	2,155	2,241	1,158	980	614	526
Shareholder's funds	18,270	8,442	6,229	5,447	3,617	3,030	2,571	1,402	1,182	398
Total liabilities and shareholders' funds	79,628	55,874	30,848	25,558	20,672	17,045	15,242	11,990	9,033	5,637
Net Cash Flows Inflow/(Outflow) - (Rs. Mn)										
From operating activities	(18,994)	(19,535)	(1,257)	(1,458)	(2,501)	85	(1,632)	(1,105)	(1,307)	(1,846)
From investing activities	(1,513)	(88)	(998)	(1,405)	(57)	(245)	(73)	(66)	(157)	(70)
From financing activities	20,075	18,977	2,481	3,555	2,208	(246)	1,707	1,221	1,480	1,965
Total net cash inflow/(outflow)	(432)	(646)	226	691	(351)	(406)	2	50	16	49
Key Financial Indicators										
Earnings per share (Rs.) *	3.11	2.05	0.82	0.82	0.65	0.58	0.73	0.21	0.18	0.13
Net assets per share (Rs.) **	11.13	6.32	4.34	3.59	2.79	2.21	1.77	0.77	0.58	0.34
Interest cover (times)	1.97	2.04	1.65	1.57	1.63	1.66	1.65	1.36	1.33	1.34
Dividend per ordinary share (Rs.) ***	1.00	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.36	2.50
Dividend cover (times)	2.59	31.96	12.86	12.84	10.16	9.13	11.37	8.17	7.71	6.16
Market price per share (Rs.) ****	11.60	-	-	-	-	-	-	-	-	-
Return on equity (%)	32.62	38.44	20.81	25.80	26.06	29.43	57.39	30.94	38.89	47.98
Debt equity ratio/ gearing (times)	3.23	5.55	4.18	4.38	4.67	4.74	5.79	11.21	11.34	11.84
Shareholders' fund: Assets ratio (times)	4.36	6.62	4.95	4.69	5.72	5.63	5.93	8.55	7.64	14.16
Current ratio (times)	0.73	0.71	0.82	0.92	0.86	0.97	0.86	1.12	0.96	0.88
Non Financial Information										
Employees (No.)	1,050	855	586	498	442	407	362	296	241	199
Profit before tax per employee (Rs. Mn)	4.42	5.17	3.87	3.80	3.06	2.50	2.10	1.10	0.90	0.80
Branches (No.)	34	30	23	19	19	18	18	15	12	10

* Earning Per Share and Dividend Per Share have been adjusted for weighted average number of shares outstanding during the year.

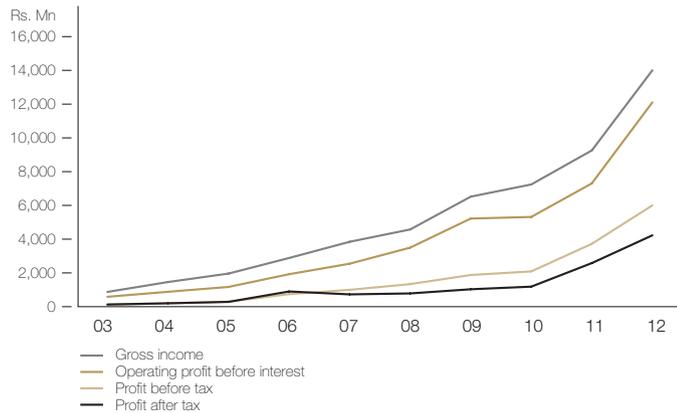
** Net Assets Per Share has been computed for the current number of shares issued as at 31st March 2012.

*** Including the final dividend of Rs. 0.50 per ordinary share recommended by the Directors of the Company for the approval of shareholders at the AGM.

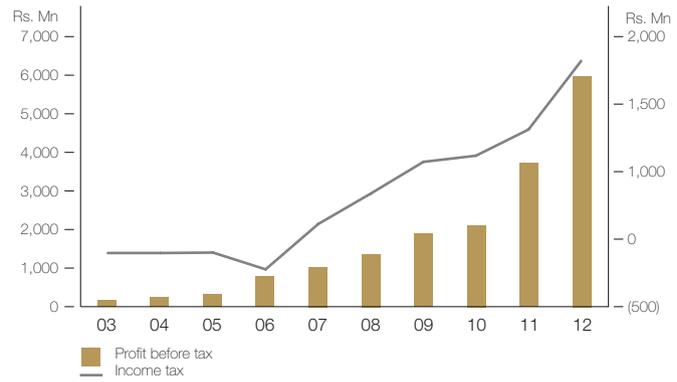
**** The Company's ordinary shares were quoted on the Colombo Stock Exchange (CSE) on the 3rd November 2011.

Ten Year Graphical Review

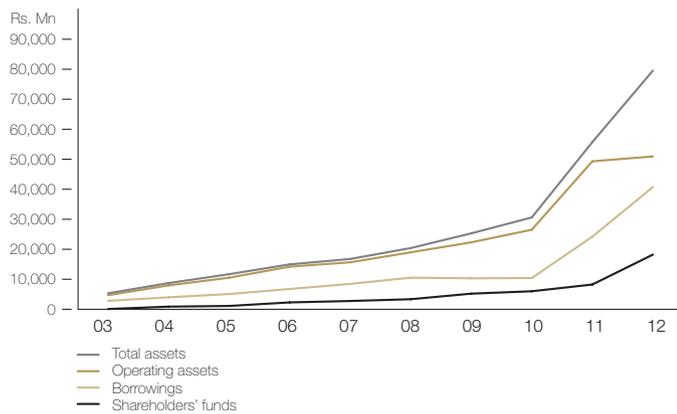
Growth in Operating Results



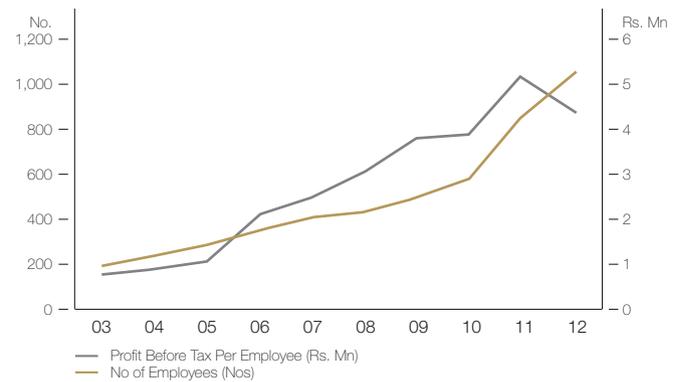
Profit before Tax & Income Tax



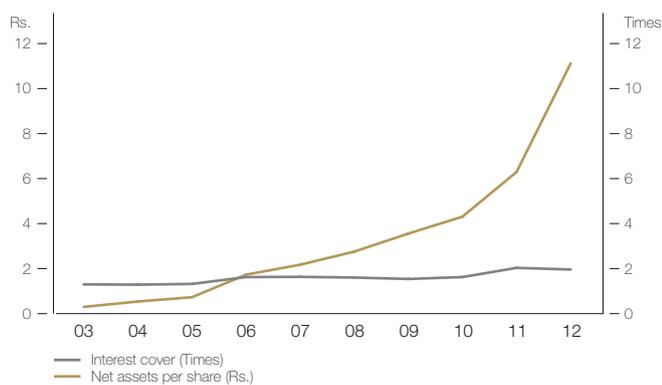
Progress in Financial Position



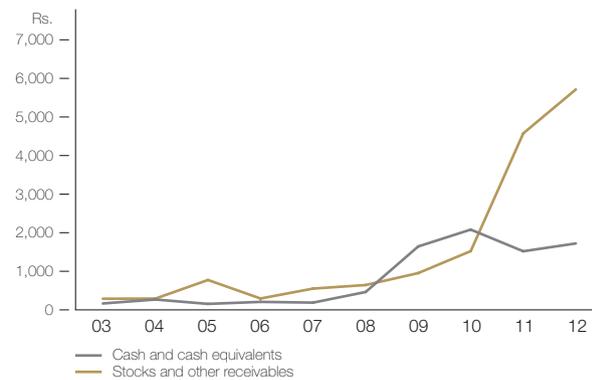
No. of Employee and PBT per Employee



Comfort on Fund Providers



Growth in Liquidity Assets



Statement of Value Addition

For the year ended 31st March

	2012		2011	
	Rs. Mn	%	Rs. Mn	%
Value Added				
Interest and similar Income	12,277		8,263	
Cost of services	(7,478)		(4,112)	
Value added by financial service	4,799		4,151	
Other income	958		991	
Credit losses	1,434		(18)	
Total	7,191		5,124	

Distribution of Value Added

To employees

Salaries and other benefits	763	10.61%	593	11.58%
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To Providers of Capital

Dividend to ordinary shareholders	1,560		75	
Dividend to preference shareholders	173		192	
	1,733	24.10%	267	5.21%

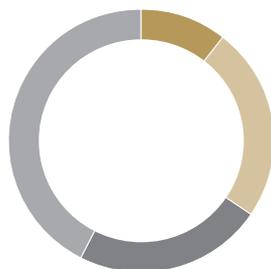
To the Government

Debit tax, stamp duty and SRL	154		247	
Income tax	1,127		1,107	
VAT on financial service	368		373	
	1,649	22.93%	1,727	33.70%

To Expansion and Growth

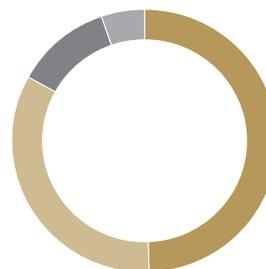
Retained profit	2,254		2,397	
Depreciation and amortisation	143		105	
Deferred taxation	649		35	
	3,046	42.36%	2,537	49.51%
	7,191	100.00%	5,124	100.00%

Distribution of Value Added - 2012



Employees	10.61%
Providers of Capital	24.10%
Government	22.93%
Expansion and Growth	42.36%

Distribution of Value Added - 2011



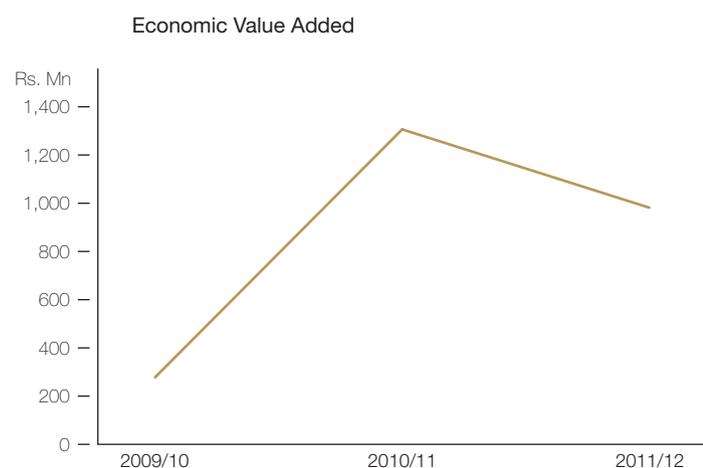
Employees	11.58%
Providers of Capital	5.21%
Government	33.70%
Expansion and Growth	49.51%

Economic Value Added

Economic Value Added (EVA)

EVA represents the excess value generated over the required return of the total investment by the shareholders. PLC has been competent to deliver a surplus economic value of Rs. 980.2 Mn. in the 2011/12 financial year. The Company is committed to deliver surplus economic value in the forthcoming years. This year achievement has been less than the value created the previous year due to the upward revision of the market rates and the limitation on credit for commercial banks.

For the Year	2011/12	2010/11	2009/10
	Rs. Mn	Rs. Mn	Rs. Mn
Economic Value Added			
Shareholders' Fund	18,270.3	8,441.9	6,229.4
Accumulated Provision for Credit Losses	597.7	2,282.9	2,418.9
	18,868.0	10,724.8	8,648.3
Profit Attributable to			
Shareholders	4,207.3	2,579.8	1,200.2
Add : Provision for Credit Losses	(1,635.2)	(136.2)	344.8
Less : Disposal Losses/ Bad debts write off	201.2	153.9	187.6
	2,370.9	2,289.7	1,357.4
Economic cost % (Average Treasury Bill Rate + 2 % risk premium)	10.19%	10.18%	13.34%
Economic Cost	1,390.7	986.1	1,078.5
Economic Value Addition	980.2	1,303.6	278.9



Market Value Added (MVA)

MVA is the value created by management of the Company in excess of capital contributed by investors. More simply MVA is difference between the market value of the Company and the capital contributed by investors. A positive MVA indicates that a company has added more value than what has been contributed to it by shareholders. Accordingly management of People's Leasing Company PLC has created Rs. 726 Mn as at 31st March 2012.

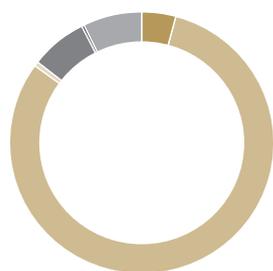
For the Year	2011/12	2010/11
	Rs. Mn	Rs. Mn
Market Value Added		
Market Capitalization/Market Value of Equity	18,096.00	- *
Less : Equity Owners' Funds		
Shareholders' Fund	18,270.3	8,441.9
Less : Preference Shares	900.0	1,050.0
Equity Owners' Funds	17,370.3	7,391.9
Market Value Added	725.7	- *

* - Company's Ordinary Share quoted on the Colombo Stock Exchange (CSE) on the 24th November 2011.

Sources and Utilisation of Income

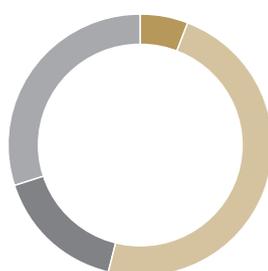
For the Year ended 31st March	2012		2011		2010	
	Rs. Mn	Composition %	Rs. Mn	Composition %	Rs. Mn	Composition %
Sources of Income						
Interest on loans & advances	553	4%	322	3%	213	3%
Interest on lease/ hire purchase	10,727	81%	7,229	78%	5,523	77%
Interest on treasury bills & bond and placement with banks	48	1%	56	1%	150	2%
Overdue interest	949	7%	656	7%	637	9%
Gain on share trading	5	0%	233	3%	-	0%
Other income	954	7%	716	8%	632	9%
Total	13,236	100%	9,212	100%	7,155	100%
Utilisation of Income						
To Employees						
Personnel expenses	763		593		386	
	763	6%	593	6%	386	5%
To Suppliers						
Interest paid	6,049		3,510		3,091	
Other expenses	1,584		901		630	
Depreciation	143		97		140	
Provision for credit losses	(1,434)		18		533	
	6,342	48%	4,526	49%	4,393	61%
To Government						
VAT on financial service	368		373		275	
Income tax	1,776		1,142		900	
	2,144	16%	1,515	16%	1,175	16%
To Shareholders						
Dividends - Preference shares	173		192		243	
- Ordinary shares	1,560		75		75	
Transfer to reserve fund and investment fund reserve	657		200		60	
Retained earnings	1,597		2,113		822	
	3,987	30%	2,580	28%	1,200	17%
Total	13,236	100%	9,212	100%	7,155	100%

Sources of Income - 2011/12



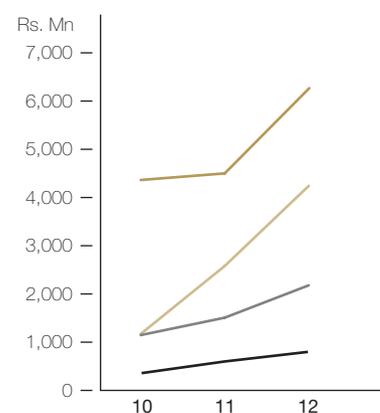
Interest on loans & advances	4.18%
Interest on lease/ hire purchase	81.04%
Interest on treasury bills & bond and placement with banks	0.36%
Overdue interest	7.17%
Gain on share trading	0.04%
Other income	7.21%

Utilisation of Income - 2011/12



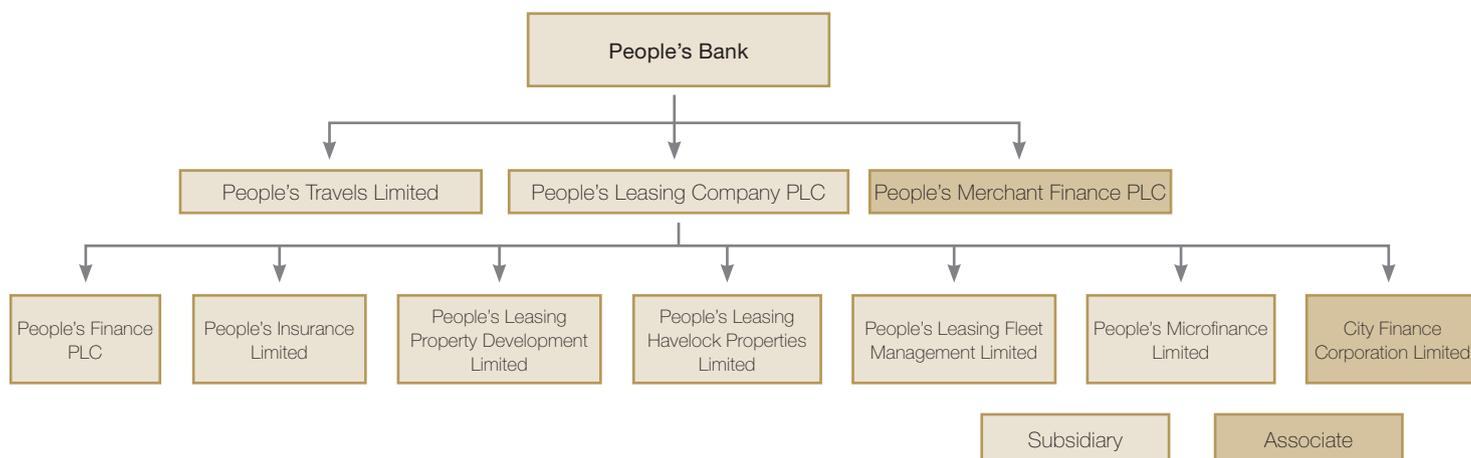
To employees	5.77%
To suppliers	47.91%
To government	16.20%
To shareholders	30.12%

Utilisation of Income



—	To employees
—	To suppliers
—	To government
—	To shareholders

Group Structure



Subsidiaries	Business	Directors
People's Finance PLC (PQ 89) "The Landmark" 385, Galle Road, Colombo 03. Tel: 2376476 Held 88.71% of shares as at 31st March 2012.	Providing a diverse range of financial products including finance leasing, Hire Purchases and other similar asset financing facilities, term loans, Islamic financing, mobilisation of public deposits and investments in securities (shares)	Mr. W. Karunajeewa (Chairman) Mr. D. P. Kumarage (Managing Director) Dr. D. J. D. Jayakody Mr. W. S. S. Bandara Mr. P. A. I. S. Perera Ms. M. G. Jinadasa
People's Insurance Limited (PB 3754) 53, Dharmapala Mawatha, Colombo 03. Tel: 2206406 Incorporated on 22nd July 2009. Held 100.00% of shares as at 31st March 2012.	Providing general insurance facilities to the customers of People's Bank and People's Leasing Company PLC	Mr. J. P. Amaraturunga (Chairman) Mr. D. P. Kumarage (Managing Director) Mrs. D. N. W. N. Gammampila Mr. N. Vasantha Kumar
People's Leasing Property Development Limited (PB 3562) 1161, Maradana Road, Colombo 08. Tel: 2631631 Incorporated on 15th August 2008. Held 100% of shares as at 31st March 2012.	Engaging in mixed development projects and facilitating the development of office buildings and productivity stimulating workspaces required for People's Bank and People's Leasing Group of Companies.	Mr. W. Karunajeewa (Chairman) Mr. D. P. Kumarage (Managing Director) Dr. D. J. D. Jayakody Mr. P. A. A. Panditharatne
People's Leasing Havelock Properties Limited (PB 3861) 1161, Maradana Road, Colombo 08. Tel: 2631631 Incorporated on 12th August 2010. Held 100.00% of shares as at 31st March 2012.	Construct and Operate office complexes	Mr. W. Karunajeewa (Chairman) Mr. D. P. Kumarage (Managing Director) Dr. D. J. D. Jayakody Mr. N. Vasantha Kumar Mr. Yohan Soza
People's Leasing Fleet Management Limited (PB 3557) 1161, Maradana Road, Colombo 08. Tel: 2631631 Incorporated on 6th August 2008. Held 100.00% of shares as at 31st March 2012.	Operations of a service station, fleet management and vehicle valuation.	Mr. W. Karunajeewa (Chairman) Mr. D. P. Kumarage (Managing Director) Dr. D. J. D. Jayakody Mrs. L. K. P. Sangakkara
People's Micro Finance Limited (PB 3868) 1161, Maradana Road, Colombo 08. Tel: 2631631 Incorporated on 3rd September 2010. Held 100.00% of shares as at 31st March 2012.	Providing financial services excluding banking business to low income persons and micro enterprises. Assisting and promoting micro enterprise development among low income populations in all parts of Sri Lanka and conducting training and skills development programs for unemployed youth and micro entrepreneurs and also to provide such persons with marketing and technical support.	Mr. W. Karunajeewa (Chairman) Mr. D. P. Kumarage (Managing Director) Mr. W. S. S. Bandara
Associates	Business	Directors
City Finance Corporation Limited (PB 222) No. 72, Rajagiriya Road, Rajagiriya. Tel: 4356356 Incorporated on 3rd March 1962 Held 28.51% of shares as at 31st March 2012.	Providing finance leases, hire purchase assets financing, term loans, mobilization of public deposits, real estate developments and related services.	Mr. A. A. A. R. Perera Mr. A. M. Chandrasagara Mr. E. C. S. Anthony Mr. D. L. Katuwawala Ms. K. Kulathunga Mr. D. Hettiarachchi

Branch Network

Branch	Address	Tel	Fax	Contact Person
Southern Province				
Ambalantota	32 1/1, Tissa Road, Ambalantota.	047-2225265	047-2225266	Mr. Ishan Senadheera
Galle	118, Matara Road, Galle.	091-2226102	091-2247521	Mr. Hasantha De Silva
Matara	45 A, Anagarika Dharmapala Mawatha, Matara.	041-2220129	041-2225985	Mr. Nishantha Weerasinghe
Eastern Province				
Ampara	149, Kumarasiri Building, Nidahas Mawatha, Ampara.	063-2224850	063-2222343	Mr. Keshike Karunarathna
Batticaloa	26, New Kalmune Road, Batticaloa.	065-2226512/537	065-2226754	Mr. A. B. Sudatharan
Trincomalee	445/1, Dockyard Road, Trincomalee.	026-2225285	026-2225286	Mr. M. Kirupakaran
North Central Province				
Anuradhapura	387, Harischandra Mawatha, Anuradhapura.	025-2224902	025-2234966	Mr. Susil Priyantha
Polonnaruwa	407, Main Street, Kaduruwela, Polonnaruwa.	027-2225793	027-2222961	Mr. Samantha Senavirathne
Western Province				
Awissawella	15, Kudaagama, Awissawella.	036-2233791-4	036-2233795	Ms. Priyanka Wimalasena
Battaramulla	261, Main Street, Battaramulla.	011-2886822	011-2886824	Mr. Shiron Ranasinghe
Dehiwala	119, Galle Road, Dehiwala.	011-2725803-4	011-2725904	Mr. Samantha Fernando
Gampaha	65, Yakkala Road, Gampaha.	033-2232732	033-2232733	Mr. Nandana Weerakkody
Grandpass	361, Grandpass Road, Colombo 14.	011-2340013-4	011-2340025	Mr. Kanchana Wariyapola
Havelock	No.62, Havelock Road, Colombo 5.	011-2592424-5	011-2592445	Mr. Sumudu Fernando
Kalutara	314 1/1, Main Street, Kalutara South, Kalutara.	034-2235336-7	034-2220867	Mr. Niranjan Fernando
Kelaniya	965, Kandy Road, Wedamulla, Kelaniya.	011-2914112-3	011-2914114	Mr. Chamil Herath
Metropolitan	67, Sir Chittampalam A. Gardiner Mawatha, Colombo 02.	011-2481000	011-2481123	Mr. Saman Liyanage
Negombo	29/1, Colombo Road, Negombo.	031-2227775-6	031-2224882	Mr. Rathna Priyankara
Nugegoda	290, High Level Road, Nugegoda.	011-2813990/997	011-2813991	Mr. Vajira Ramanayeke
Pettah	319, Main Street, Colombo 11.	011-2437708-10	011-2473549	Mr. Ganeshan Thusanthan
Wardplace	24/A, Ward Place, Colombo 07.	011-2678690-5	011-2678696	Mr. Duleepa Weerakoon
Uva Province				
Badulla	33/9, Ground Floor, Modern Complex, Cocowatta Road, Badulla.	055-2223903-4	055-2223777	Mr. Chaminda Yapa
Bandarawela	35/2D, Welimada Road, Bandarwela.	057-2222145	057-2222149	Mr. Chandike Jayaweera
Mahiyangana	03, Siri Jayasanka Building, Kandy Road, Mahiyangana.	055-2257738-9	055-2257737	Mr. A. H. Chandana Samantha
Sabaragamuwa Province				
Embilipitiya	122, New Town Road, Embilipitiya.	047-2261970-1	047-2261972	Mr. Samantha Abeywicrama
Kegalle	345, Main Street, Kegalle.	035-2230101-3	035-2230195	Mr. Saminda Ratnayake
Rathnapura	102, Colombo Road, Rathnapura.	045-2226668	045-2230678	Mr. Y. Premarathne
Northern Province				
Jaffna	82, Kannathiddi Road, Jaffna.	021-2228031	021-2229627	Mr. T. K. Anantheraja
Vavuniya	91/1, People's Bank, Station Road, Vavuniya.	024-2225485	024-2225861	Ms. Shamala Segarajasinghe
Central Province				
Kandy	177, D.S.Senanayake Veediya, Kandy.	081-2236280	081-4471654	Mr. Asela Bandara
Nawalapitiya	75, Abagamuwa Road, Nawalapitiya.	054-2224481-4	054-2224485	Ms. Waruni Wijenayake
Nuwara Eliya	36, K. Ramanathan Complex, Park Road, Nuwara Eliya.	052-2222424	052-2224122	Mr. Neil Thushantha
North Western Province				
Kurunegala	103 A, Colombo Road, Kurunegala.	037-2225220	037-2231505	Mr. Sumedha Mahanama
Chilaw	10, Colombo Road, Chilaw.	032-2224100-2	032-2224103	Mr. Nalin De Silva

Our History

- People's Leasing Company was incorporated on the 22nd of August 1995 as a private limited liability company with an initial capital of Rs 10 million as a fully owned subsidiary of People's Bank. The Company commenced commercial operations on the 31st of May 1996 with just three employees.
- During the financial year 1996/97 the Company became the pioneers to import 415 built buses for leasing on easy payment terms under Indian Line of Credit. The employee number increased to 25 during this year. The Share Capital is also increased to Rs 15 mn and total issued/paid up capital increased to Rs 25 mn.
- The first branch was opened in Kandy and the "The People's Friendly Leasing" commercial catchphrase was initiated during the financial year 1997/96.
- The Company commenced the "Samurdhi Special Hire Purchase Project" with the Government Budget allocation of Rs 200.0 million during the financial year 1998/99. The Company opened its first branch at the Regional Office Premises, opening a sub office in Kandy, followed by Ratnapura, Kurunegala and Matara to enhance geographical accessibility.
- The Company achieved annual granting level of Rs 1.26 billion which enable to notch to the fourth place in the industry during the financial year 1999/00. The Company became a Member of the Leasing Association of Sri Lanka.
- The Company was converted to a public limited liability company in the mid of November 2000 and launched a new corporate identity. The Company unveiled its new corporate logo, communicating a new vision, mission and values founded on the manifestation of 'Speed and Flexible Total Customer Service'.
- During the financial year 2001/02 , annual granting reached to Rs 1.75 billion and the Company moved up to No.03 slot in the leasing industry.
- In just seven years, People's Leasing Company carve out its niche in the leasing industry by becoming the market leader, with annual granting totaling to Rs 4.6 billion during the financial year 2002/03. During this year the Company became a registered Leasing establishment, under the Finance Leasing Act No.56 of 2000, with the Central Bank of Sri Lanka.
- During the financial year 2003/04, the Director of Commerce ratified People's Leasing Company as an Approved Credit Agency. The Company opened a fully-fledged model corporate city office at Union Place. The annual granting reached to Rs 6.5 billion and retained the leadership position.
- The Company became a corporate member of the Asian Leasing and Finance Association and total annual granting amounted to Rs 7.7 billion during the financial year 2004/05.
- The Company commenced the newest division of Islamic Finance Unit during the financial year 2005/06. In addition, the Company pursued strategic tie ups over the year, including those with Ashok Leyland, AMW and United Motors.
- Celebration of 10th anniversary of the People's Leasing Company Limited. The Company achieved the rating of "BBB+(lka)" to "A-(lka)" by Fitch Rating Lanka during the financial year 2006/07.
- The Company Launched another newest concept of window offices at People's Bank branch premises during the financial year 2007/08. The acquisition of a fully fledged service station located at Rattanaipitiya was the first step towards the diversification of its business.
- During the financial year 2008/09, the Company was ranked as the highest branded Leasing Company by the Brand Finance Lanka, received the Gold Award for the Corporate Accountability Rating Award and Clinched the Gold Award in the Leasing Sector at the Institute of Chartered Accountants of Sri Lanka Annual Report Awards. The Company formed two subsidiaries; People's Leasing Property Development Limited and People's Leasing Fleet management limited during this year. The Company captured 20% market share and remained as the leader in the leasing industry. Premier business magazine LMD ranks PLC among the first ten of the Top 20 state Organizations. The Credit Information Bureau of Sri Lanka (CRIB) named PLC as the No 1 Accurate Data Provider, giving it a ranking of A+.
- During the financial year 2009/10, the Company acquired 84.50% stake of Seylan Merchant Leasing PLC and subsequently it increased to 97.20% by exercising a mandatory offer. Continuing its winning culture, the Company received the International Quality Summit Platinum Award 2009 from Business Initiative Direction (BID) in New York for excellence and business prestige and won the second runner – up "Best Corporate Citizen Award 2009"(below Rs 10 billion turnover category) conducted by the Ceylon Chamber of Commerce and was able to retained the Gold Award in the Leasing Sector for the second consecutive year in the Annual Report Competition conducted by the Institute of Chartered Accountants of Sri Lanka in 2009. The Company Co-sponsored the Sri Lankan Entrepreneur of the year National Awards Ceremony held at BMICH, organised by the Federation of Chamber of Commerce and Industries of Sri Lanka (FCCI). The People's Insurance Limited was incorporated as a fully owned subsidiary of People's Leasing Company during the financial year. The Central Bank of Sri Lanka appointed People's Leasing Company as the Managing Agent of Industrial Finance Limited.
- During the Financial year 2010/11, two new subsidiaries were incorporated: People's Leasing Havelock Properties Limited on 12th August 2010 and People's Microfinance Limited on 3rd September 2010. Diversifying the product Portfolio, the Company moved into "margin trading" in March 2011. In June 2010, the Company received the "Diamond Quality Summit" Award from Business Initiative Directions for excellence and business prestige. For the third consecutive year, the company obtained the Gold Award in the leasing sector in the Annual Report competition organized by the Institute of Chartered Accountants of Sri Lanka. Also, the Company won the 2nd runner up in the "Best Corporate Citizen Award 2010" in the below Rs.10 billion turnover category organized by the Ceylon Chamber of Commerce. For the contentment of the whole group, the Company achieved the Rs.5 billion milestone in granting in December 2010, for the first time in the history of the leasing industry.

Notice of Meeting

NOTICE IS HEREBY GIVEN THAT the Sixteenth (16th) Annual General Meeting of People's Leasing Company PLC will be held on 29th June 2012 at 10.00 a.m. at People's Bank Staff Training College Auditorium, 38, D. R. Wijewardhana Mawatha, Colombo 10 for the following purposes:

1. To receive and consider the Annual Report of the Board of Directors together with the Financial Statements of the Company for the year ended 31st March 2012 together with 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 Auditors of the Company until the next Annual General Meeting at a remuneration to be agreed upon with them by the Board of Directors and to audit the Financial Statements of the Company for the ensuing financial year.
4. To authorize the Board of Directors to determine contributions to charities and other donations for the ensuing financial year.

By order of the Board,



Rohan Pathirage
Secretary to the Board of Directors

Colombo
25th May 2012

Notes

A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote in his/ her stead and 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 Head Office of the Company situated at No. 1161, Maradana Road, Colombo 8 not later than 48 hours prior to the time appointed for the holding of the meeting.

Glossary

A

Accounting Policies

The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting financial statements.

Accrual Basis

Recognizing the effects of transactions and other events when they occur without waiting for receipt or payment of cash or its equivalent.

Amortisation

The systematic allocation of the depreciable amount of an asset over its useful life.

C

Capital Adequacy Ratio

The relationship between capital and risk-weighted assets as defined in the framework developed by the Bank for International Settlements and as modified by the Central Bank of Sri Lanka to suit local requirements.

Cash Equivalents

Short-term highly liquid investments those are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Compounded Annual Growth Rate (CAGR)

The rate at which it would have grown if it grew at an even rate compounded annually.

Consolidated Financial Statements

Financial statements of a holding company and its subsidiaries based on their combined assets, liabilities and operating results.

Contingencies

A condition or situation existing at the Balance Sheet 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/ Income Ratio

Operating expenses excluding loan/ lease loss provision as a percentage of net interest income.

Credit Ratings

An evaluation of a corporate's ability to repay its obligations or the likelihood of not defaulting, carried out by an independent rating agency.

Credit Risk

Credit risk is the potential that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms and conditions.

D

Dealing Securities

Marketable securities that are acquired and held with the intention of reselling them in the short-term.

Deferred Taxation

Sum set aside for tax in the Financial Statements that may become payable/ receivable in a financial year other than the current financial year.

Depreciation

The systematic allocation of the depreciable amount of an asset over its useful asset.

Dividend Cover

Profit attributable to shareholders divided by gross dividends. This ratio measures the number of times dividend is covered by current year's attributable profits.

Dividend Yield

Dividend earned per share as a percentage of its market value.

E

Earnings per Ordinary Share (EPS)

Profit attributable to ordinary shareholders divided by the number of ordinary shares in use.

Economic Value Added (EVA)

A measure of productivity that takes into consideration cost of total invested equity.

F

Fair Value

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transactions.

Effective Tax Rate

Provision for taxation excluding deferred tax divided by the profit before taxation.

Finance Lease

A contract whereby a lessor conveys to the lessee the right to use an asset for rent over an agreed period of time which is sufficient to amortise the capital outlay of the lessor. The lessor retains ownership of the asset but transfers substantially all the risks and rewards of ownership to the lessee.

G

General Provisions

General provisions are established for leasing transactions, hire purchase, Islamic financing and loans & advances for anticipated losses on aggregate exposures where credit losses cannot yet be determined on an individual facility basis.

Group

A group is a parent and all its subsidiaries.

Gearing

Long term borrowings divided by the total funds available for shareholders.

I

Impairment

This occurs when recoverable amount of an asset is less than its carrying amount.

Intangible Asset

An intangible asset is an identifiable non-monetary asset without physical substance.

Interest Cover

A ratio showing the number of times interest charges is covered by earnings before interest and tax.

Interest in Suspense

Interest suspended on non-performing leases, hire purchases, Islamic financing and loans and other advances.

Interest Margin

Net interest income expressed as a percentage of average interest earning assets.

Investment Securities

Securities acquired and held for yield or capital growth purposes and are usually held for maturity.

K

Key Management Personnel

Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

Glossary *contd.*

L

Liquid Assets

Assets that are held in cash or in a form that can be converted to cash readily, such as deposits with banks and treasury bills.

Loan/ Credit Losses and Provisions

Amounts set aside against possible losses on loans, lease rentals and advances as a result of such facilities becoming partly or wholly uncollectible.

M

Market Capitalisation

Number of ordinary shares in issue multiplied by the market value of a share as at the year end.

Materiality

The relative significance of a transaction or an event the omission or misstatement of which could influence the economic decisions of users of financial statements.

Minority Interest

The interest of individual shareholders, in a company more than 50% of which is owned by a holding company.

N

Net Assets Value per Ordinary Share

Shareholders' fund excluding preference shares if any, divided by the number of ordinary shares in issue.

Net Interest Income

The difference between income earned from interest bearing assets and cost incurred on financial instrument/ facilities used for funding the interest bearing assets.

Non-performing Advances

Rentals receivables in arrears for more than six rentals have been categorised as non-performing. Non-performing leases, hire purchase, Islamic receivables, loans and advances are re-categorised as performing upon settlement of arrears in full.

NPA Ratio

Total non-performing leases, hire purchase loans and other advances divided by total advances portfolio.

P

Parent

A parent is an entity which has one or more subsidiaries.

Price Earning Ratio (P/ E Ratio)

Market price of a share divided by earnings per share.

Provision Cover

Total provision for losses on loans, leases and advances expressed as a percentage of net non-performing loans before discounting for provision on non-performing loans, leases and advances.

R

Related Parties

Parties where one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, directly or indirectly.

Return on Average Assets (ROA)

Profit after tax divided by the average assets.

Return on Equity (ROE)

Net profit after tax, less dividend on preference shares if any, expressed as percentage of average ordinary shareholders' equity.

Reverse Repurchase Agreements

Transactions involving the purchase of securities by the company and resale back to the seller at a future date and specified price.

Risk Weighted Assets

On balance sheet assets and the credit equivalent of off-balance sheet assets multiplied by the relevant risk weighting factors.

S

Segmental Analysis

Analysis of financial information by segments of an entity specifically, the different businesses and the different geographical areas in which it operates.

Shareholders' Funds

Shareholders' funds consist of issued and fully paid up ordinary shares, redeemable preference shares and other reserves.

Subsidiary Company

A subsidiary is an enterprise that is controlled by another enterprise which is known as the parent.

T

Tier I Capital

Core capital representing permanent shareholders' equity and reserves created or increased by appropriations of retained earnings or other surpluses.

Tier II Capital

Supplementary capital representing general provisions and other capital instruments which combine certain characteristics of equity and debt such as hybrid capital instruments and subordinated term debts.

V

Value Added

Value of wealth created by providing financial and other related services less the cost of providing such services.

Y

Yield

Rate of return on an investment in percentage terms, taking in to account annual income and any change in capital value.

Form of Proxy

I/ we
of being a member/s of
People's Leasing Company PLC hereby appoint

- 1. W. Karunajeewa failing him
- 2. D. J. D. Jayakody failing him
- 3. N. V. Kumar failing him
- 4. H. G. W. S. Sri Bandara failing him
- 5. P. A. I. S. Perera failing him
- 6. M. G. Jinadasa failing her

Mr/ Mrs/ Miss.
(Holder of N.I.C. No.) ofas my/ our Proxy
to represent me/ us and vote on my/ our behalf at the Sixteenth Annual General Meeting of the Company to be held on 29th June 2011 at 10.00 a.m. at
People's Bank Staff Training Auditorium, 38, D. R. Wijewardhana Mawatha, Colombo 10 and at any adjournment thereof and at every poll which may be
taken in consequence thereof to vote.

Please indicate your preference by placing a 'X' against the Resolution No.

	FOR	AGAINST
To receive and consider the Annual Report of the Board of Directors together with the Financial Statements of the Company for the year ended 31st March 2012 together with the report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
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"/>
To reappoint Messrs Ernst & Young, Chartered Accountants, as the External Auditors of the Company until the next Annual General Meeting at a remuneration to be agreed upon with them by the Board of Directors and to audit the Financial Statements of the Company for the ensuing financial year.	<input type="checkbox"/>	<input type="checkbox"/>
To authorize the Board of Directors to determine contributions to charities and other donations for the ensuing financial year.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this day of 2012

.....
Signature

.....
Shareholder's N.I.C./ P. P./ Co. Reg. No.

Instruction as to Completion

1. The instrument appointing a proxy may be in writing under the hands of the appointor or of its attorney duly authorised in writing or if such appointor is a corporation under its common seal or the hand of its attorney or duly authorised person.
2. The instrument appointing a proxy and the Power of Attorney or other authority, if any, under which it is signed or a notarially certified copy of that Power of Attorney or other authority will have to be deposited at the Company's Head Office situated at No. 1161, Maradana Road, Colombo 08 not less than 48 hours before the time appointed for the holding of the meeting.

SUCH GREAT HEIGHTS



People's Leasing Company PLC
1161, Maradana Road, Borella, Colombo 08.
Tel: +94 11 2631631
Fax: +94 11 2631980/81
E-mail: plclease@plc.lk
Web: www.plc.lk

Corporate Information

Name of Company

People's Leasing Company PLC
(Subsidiary of People's Bank)

Legal Form

Public Limited Liability Company (Incorporated and domiciled in Sri Lanka)

Date of Incorporation

22nd August 1995

Company Registration Number

PB 647 PQ

Accounting Year-end

March 31

Stock Exchange Listing

The Ordinary shares of the Company were listed on the Main Board of the Colombo Stock Exchange (CSE) on 24th November 2011

Registered Office

People's Bank Head Office,
75, Sir Chiththampalam A.Gardiner Mawatha,
Colombo 02.

Head Office & Principle Place of Business

1161, Maradana Road, Borella,
Colombo 08.
Postal Code: 00200
Telephone +94 11 2631631
Fax +94 11 2631980/81
Email: plclease@plc.lk
Web Address: www.plc.lk

Company Secretary

Mr. Rohan Pathirage

Registrars

SSP Corporation Services (Pvt) Ltd
No. 101, Inner Flower Road,
Colombo 03, Sri Lanka.
Telephones: 2573894, 2576871
Fax: 2573609
E-mail: sspsec@sltnet.lk

Auditors

M/s. Ernst & Young
Chartered Accountants,
201, De Seram Place,
P.O.Box 101,
Colombo 10.

Bankers

People's Bank
Bank of Ceylon
Commercial Bank of Ceylon PLC
DFCC Bank PLC
Hatton National Bank PLC
HSBC
National Development Bank PLC
Nations Trust Bank PLC
Sampath Bank PLC
Seylan Bank PLC
Standard Chartered Bank
Habib Bank
Union Bank of Colombo PLC
Public Bank Berhad
Citibank N.A.
Indian Bank

Branch Offices

Ambalantota, Galle, Matara, Ampara,
Batticaloa, Trincomalee, Anuradhapura,
Polonnaruwa, Awissawella, Gampaha, Kalutara,
Kelaniya, Nugegoda, Dehiwala, Battaramulla,
Pettah, Wardplace, Havelock, Metropolitan,
Grandpass, Badulla, Bandarawela,
Mahiyangana, Chilaw, Embilipitiya, Rathnapura,
Kegalle, Jaffna, Vavuniya, Kandy, Nuwara Eliya,
Nawalapitiya, Kurunegala and Negambo.

Board of Directors and Board Sub-Committees

Board of Directors
Mr. W. Karunajeewa – Chairman
Dr. D. J. D. Jayakody
Mr. N. V. Kumar
Mr. H. G. W. S. S. Bandara
Mr. P. A. I. S. Perera
Ms. M. G. Jinadasa

Enterprise Risk Management Committee

Dr. D. J. D. Jayakody – Chairman
Mr. N. Vasantha Kumar
Mr. Wajira S. Bandara

Board Audit Committee

Dr. D. J. D. Jayakody – Chairman
Mr. N. Vasantha Kumar
Mr. P. A. I. S. Perera
Ms. M. G. Jinadasa

Board Remuneration Committee

Dr. D. J. D. Jayakody – Chairman
Mr. P. A. I. S. Perera
Ms. M. G. Jinadasa

Subsidiary and Associate Companies

Subsidiary Companies
People's Finance PLC
People's Leasing Fleet Management Limited
People's Leasing Property Development Limited
People's Leasing Havelock Properties Limited
People's Insurance Limited
People's Microfinance Limited

Associate Company

City Finance Corporation Limited

Corporate Memberships

Asian Leasing and Finance Association
-Indonesia
Credit Information Bureau of Sri Lanka
Financial Ombudsman-Sri Lanka
Leasing Association of Sri Lanka

Vehicle Yards

No. 429, 2nd Division, Darly Road, Colombo 10.
No. 496, Makola North, Makola.
No. 225/D, Nayagala Road, Heiyanthuduwa,
Mabima.

Tax Payer Identity Number (TIN)

114 156396 0000

VAT Registration Number

114 156396 7000

Central Bank Registration Number

FLA/ 038 (Under Finance Leasing Act)

Credit Agency

An approved Credit agency under the
Mortgage Act No. 6 of 1949 and the trust
receipt ordinance No.12 of 1947 declared by
the Director of Commerce.

Credit Rating

A+ (Ika) stable by Fitch Ratings Lanka Limited

For any clarification on this Report please write to;

The Chief Finance Officer
People's Leasing Company PLC
1161, Maradana Road, Borella,
Colombo 08.
Postal Code: 00200
Telephone +94 11 2631631
Fax +94 11 2631980/81

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OUR PHILOSOPHY

Customers

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

Team Spirit

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

Other Stakeholders

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

Environment

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

Organisational Excellence

Be the premier leasing Company in Sri Lanka.

Economic viability, environmental responsibility and social accountability.

OUR CORE VALUES

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Corporate Information

Name of Company

People's Leasing Company PLC
(Subsidiary of People's Bank)

Legal Form

Public Limited Liability Company (Incorporated and domiciled in Sri Lanka)

Date of Incorporation

22nd August 1995

Company Registration Number

PB 647 PQ

Accounting Year-end

March 31

Stock Exchange Listing

The Ordinary shares of the Company were listed on the Main Board of the Colombo Stock Exchange (CSE) on 24th November 2011

Registered Office

People's Bank Head Office,
75, Sir Chiththampalam A.Gardiner Mawatha,
Colombo 02.

Head Office & Principle Place of Business

1161, Maradana Road, Borella,
Colombo 08.

Postal Code: 00200

Telephone +94 11 2631631

Fax +94 11 2631980/81

Email: plclease@plc.lk

Web Address: www.plc.lk

Company Secretary

Mr. Rohan Pathirage

Registrars

SSP Corporation Services (Pvt) Ltd

No. 101, Inner Flower Road,
Colombo 03, Sri Lanka.

Telephone: 2573894, 2576871

Fax: 2573609

E-mail: sspsec@slt.net.lk

Auditors

M/s. Ernst & Young
Chartered Accountants,
201, De Seram Place,
P.O.Box 101,
Colombo 10.

Bankers

People's Bank
Bank of Ceylon
Commercial Bank of Ceylon PLC
DFCC Bank PLC
Hatton National Bank PLC
HSBC
National Development Bank PLC
Nations Trust Bank PLC
Sampath Bank PLC
Seylan Bank PLC
Standard Chartered Bank
Habib Bank
Union Bank of Colombo PLC
Public Bank Berhad
Citibank N.A.
Indian Bank

Branch Offices

Ambalantota, Galle, Matara, Ampara,
Batticaloa, Trincomalee, Anuradhapura,
Polonnaruwa, Awissawella, Gampaha, Kalutara,
Kelaniya, Nugegoda, Dehiwala, Battaramulla,
Pettah, Wardplace, Havelock, Metropolitan,
Grandpass, Badulla, Bandarawela,
Mahiyangana, Chilaw, Embilipitiya, Rathnapura,
Kegalle, Jaffna, Vavuniya, Kandy, Nuwara Eliya,
Nawalapitiya, Kurunegala and Negambo.

Board of Directors and Board Sub-Committees

Board of Directors

Mr. W. Karunajeewa – Chairman
Dr. D. J. D. Jayakody
Mr. N. V. Kumar
Mr. H. G. W. S. S. Bandara
Mr. P. A. I. S. Perera
Ms. M. G. Jinadasa

Enterprise Risk Management Committee

Dr. D. J. D. Jayakody – Chairman
Mr. N. Vasantha Kumar
Mr. Wajira S. Bandara

Board Audit Committee

Dr. D. J. D. Jayakody – Chairman
Mr. N. Vasantha Kumar
Mr. P. A. I. S. Perera
Ms. M. G. Jinadasa

Board Remuneration Committee

Dr. D. J. D. Jayakody – Chairman
Mr. P. A. I. S. Perera
Ms. M. G. Jinadasa

Subsidiary and Associate Companies

Subsidiary Companies

People's Finance PLC
People's Leasing Fleet Management Limited
People's Leasing Property Development Limited
People's Leasing Havelock Properties Limited
People's Insurance Limited
People's Microfinance Limited

Associate Company

City Finance Corporation Limited

Corporate Memberships

Asian Leasing and Financial Association
-Indonesia
Credit Information Bureau of Sri Lanka
Financial Ombudsman-Sri Lanka
Leasing Association of Sri Lanka

Vehicle Yards

No. 429, 2nd Division, Darly Road, Colombo 10.
No. 496, Makola North, Makola.
No. 225/D, Nayagala Road, Heiyanthuduwa,
Mabima.

Tax Payer Identity Number (TIN)

114 156396 0000

VAT Registration Number

114 156396 7000

Central Bank Registration Number

FLA/ 038 (Under Finance Leasing Act)

Credit Agency

An approved Credit agency under the Mortgage Act No. 6 of 1949 and the trust receipt ordinance No.12 of 1947 declared by the Director of Commerce.

Credit Rating

A+ (lka) stable by Fitch Ratings Lanka Limited

For any clarification on this Report please write to;

The Chief Finance Officer
People's Leasing Company PLC
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Colombo 08.
Postal Code: 00200
Telephone +94 11 2631631
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